everyday genius

Annual Report 2013

Stock code: 2454 **Date:** April 30, 2014 **This Annual Report is accessible through the websites below**
Market Observation Post System website of Taiwan Stock Exchange Corporation: http://mops.twse.com.tw
Annual Report website of MediaTek Inc.: http://www.mediatek.com/en/about/investor-relations/annual-reports/

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Company: Ernst & Young

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I. Letter to Shareholders

Dear Shareholders:

2013 was a year of rapid growth for MediaTek, thanks to the booming demand in smartphones and tablets from China and other emerging markets. MediaTek solutions offer great cost performance ratio and are well-received by the market. In 2013, MediaTek shipped over 220 million smartphone chipsets, doubling from last year and shipped 20 million tablet chipsets in the first year of entry. Driven by the strong shipment, MediaTek achieved record-high consolidated revenues of NT$136.1 billion for the fiscal year of 2013, an increase of 37% from last year. Net profit reached NT$27.5 billion in 2013, up 77% year-over-year and an earnings per share of NT$ 20.5.

As market grows, smartphone and tablet manufactures continuously launch new end products, leading to even more intense completion among IC design companies. In the face of a highly competitive market environment last year, MediaTek demonstrated consistent execution, launching several market-leading products including highly-integrated quad-core smartphone SoCs with embedded wireless functionality, the world's first big.LITTLE tablet processor and octa-core solution targeting the high-end markets, the world's first GPS receiver supporting the BeiDou Navigation Satellite System, the world's first NFC chipset with 3 internal SWP interfaces, and a five-mode LTE modem, among others. Our product offerings span a wide range of product lines from entry-level, mainstream, to the high-end. We also provide complete cross-platform solutions for our customers to enhance competitiveness.

Furthermore, Mediatek is now competitive on a global scale, ranking as the world's third largest IC design company after our merger with MStar Semincoductor Inc. We were also selected by Forbes Magazine in "The World's 100 Most Innovative Companies", being the only company from Taiwan on this list. MediaTek continues to invest actively in advanced technologies. 2013 is the tenth consecutive year that MediaTek's papers are selected by the IEEE International Solid-State Circuits Conference (ISSCC), with a record eight technical papers being selected for publication. This is not only ranked number one in Taiwan, but also a record high for the semiconductor industry. Mr. Ming-Kai Tsai, our Chairman, was also invited as the keynote speaker at the 2014 ISSCC annual forum, further demonstrating our leadership position in advanced research and development.

The China market has been growing substantially and is recently building the high-speed LTE network aggressively. Demand from other emerging markets continues to contribute to our growth. New applications such as IoT (Internet of Things), wearable devices, wireless charging systems, and interactive multi-screen devices also emerge revolving around smart terminals and cloud computing. Facing these opportunities and challenges ahead, MediaTek works actively with our supply chain partners in capturing market trends and is committed to providing competitive products, along with a focus on service quality, for our customers.

As we move forward, with more resources after the MStar merger, we aim to proactively invest in R&D, particularly in developing the latest in LTE technologies, high-end processors, and advanced process nodes. To achieve the next stage of our growth, we also embrace international talents in R&D, marketing, and management fields to prepare for global market opportunities. Last but not least, we would like to thank you - our shareholders - for your continuous support and belief in our efforts. MediaTek will continue to pave the way for future growth and generate fruitful results for all our stakeholders including our shareholders, customers, and employees.

Chairperson: Ming-Kai Tsai
President: Ching-Jiang Hsieh

II. Company Profile

1. MediaTek Company Profile

MediaTek Inc. was founded on May 28, 1997 and listed on the Taiwan Stock Exchange (TSE) in July 2001. The company is headquartered in Taiwan, with sales and research subsidiaries in China, Singapore, India, US, Japan, Korea, Denmark, England, Sweden and Dubai.

MediaTek Inc. provides innovative system-on-chip solutions in these areas: optical storage solutions, digital home solutions (such as digital TV, DVD players, and Blu-Ray related products), and mobile communication solutions. The Company is the only IC design firm in the world that can deliver IC solutions across the fields of computer technology, consumer electronics, and wireless communications. MediaTek Inc. is one of the 10 largest IC design companies in the world, and no.1 in Asia. As an industry leader committed to constant innovations, MediaTek pioneered the development of the world's first true octa-core LTE smartphone platform, which demonstrates its leadership in the global semiconductor supply chain, in particular in the wireless communication field.

2. Milestones

Year	Milestones
2014	■ Published 8 papers in ISSCC, not only ranked no.1 in Taiwan, but also a record high for the semiconductor industry -- 「Heterogeneous Multi-Processing Quad-core CPU and Dual-GPU design for optimal Performance, Power and Thermal tradeoffs in a 28nm Mobile Application Processor」、「A Digitally Assisted Self-Calibrating NFC SoC with a Triple-Mode Reconfigurable PLL and a Single-Path PICC-PCD Receiver in 110nm CMOS」、「A 2.4GHz ADPLL with Digital-Regulated Supply Noise Insensitive and Temperature Self-Compensated Ring DCO」、「A 1.89nW/0.15V self-charged XO for real-time clock generation.」、「A Multi-band Inductor-less SAW-less 2G/3G Cellular Receiver in 40nm CMOS」、「A 2.667 Gb/s DDR3 Memory Interface with Asymmetric ODT on Wirebond Package and Single-Side Mounted PCB」、「A 0.29mm2 Frequency Synthesizer in 40nm CMOS with 0.19ps RMS Jitter and <-100dBc Reference Spur for 802.11ac」、「Cloud 2.0 Clients and Connectivity 40nm CMOS with 0.19ps RMges」
2013	■ The winner of "Outstanding Asia-Pacific Semiconductor Company Award" selected by GSA (Global Semiconductor Alliance) ■ Selected by Forbes Magazine in "The World's 100 Most Innovative Companies", and the only company in Taiwan in this list ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTek Inc., included in "The Best-Performing CEOs in the World" by Harvard Business Review ■ Selected as a test bed for the Wi-Fi Alliance's Wi-Fi CERTIFIED™ ac certification program

Year	Milestones
	■ Awarded "2013 Most Admired Company in Taiwan Top 3" by "CommonWealth Magazine" ■ Published 6 papers in ISSCC, the most among Taiwan technology companies --「A Wideband Fractional-N Ring PLL with Fractional Suppression using Spectrally Shaped Segmentation」、「A 0.27mm2, 13.5dBm, 2.4GHz All-digital Polar Transmitter with 34%-Efficiency Class-D DPA in 40nm CMOS」、「An AC-Coupled Hybrid Envelope Modulator for HSUPA Transmitters with 80% Modulator Efficiency」、「A 24.7dBm All-Digital RF Transmitter for Multimode Broadband Applications in 40nm CMOS」、「A 28fj/conv-step CT Modulator with 78dB DR and 18MHz BW in 28nm CMOS Using a Highly Digital Multibit Quantizer」and「A Universal GNSS (GPS/Galileo/Glonass/Beidou) SoC 10:15 AM with a 0.25mm2 Radio in 40nm CMOS」
2012	■ MediaTek Android smartphone platform included in the Wi-Fi CERTIFIED Passpoint™ test bed as the first and only mobile benchmark platform ■ Ralink Technology, a wholly owned subsidiary of MediaTek Inc, was selected to be in the Wi-Fi CERTIFIED WMM®-Admission Control test bed as the benchmark for advanced Wi-Fi performance and interoperability ■ 2012 SIPA Innovative Product Award, MT6620 Highly Integrated WiFi/BT/FM/GPS 4-in-1 SOC ■ The winner of "Outstanding Asia-Pacific Semiconductor Company Award" selected by GSA (Global Semiconductor Alliance) ■ Awarded "2012 Top 10 Taiwan Innovative Corporations" by Ministry of Economic Affairs, China Productivity Center and Boston Consulting Group ■ 2012 Thomson Reuters Taiwan Innovation Awards : Top 5 Corporate Innovators in Taiwan ■ Awarded "2012 Most Admired Company in Taiwan Top 3" by "Common Wealth Magazine" ■ Awarded "2012 INFO TECH TOP 100 in Asia" by "Business Next" magazine ■ Awarded 6th National Telecom Award 2012–"Best Innovation in Mobile Video Technology" by "CMAI Association of India" ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTek Inc, awarded "Academician of ITRI (Industrial Technology Research Institute), R.O.C." ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTek Inc, awarded as "The Best-Performing CEOs in the World" by Harvard Business Review ■ MediaTek papers selected for presentation at 2012 Symposium on VLSI Circuits- the only fabless semiconductor company to have more than two papers selected for presentation at the 2012 Symposium ■ Published papers in ISSCC – "A 4-in-1 (WiFi/BT/FM/GPS) Connectivity SoC with Enhanced Co-Existence Performance in 65nm CMOS" – "Near Independently Regulated 5-Output Single-Inductor DC-DC Buck Converter Delivering 1.2W/mm2 in 65 nm CMOS"
2011	■ Awarded "2011 The Most Innovative Product" by Science Park ((MT5395 highly-integrated 3D/Internet TV SoC) ■ Awarded "2011 The Best Telecommunication Technology" by CMAI Association of India) ■ Awarded "The Boldness in Business" by UK Financial Times ■ Awarded Top 10 Most Admired Companies in Taiwan" by CommonWealth Magazine for 9 continuous years ■ Published five research papers in the ISSCC – "An Injection-Locked Ring PLL with Self-Aligned Injection Window", "A 70Mb/s -100.5dBm Sensitivity 65nm IP MIMO Chipset for WiMAX Portable Router (Industrial Demo)", "A Saw-Less GSM/GPRS/EDGE Receiver Embedded in a 65nm CMOS SOC (Industrial Demo)", "A Receiver for WCDMA/EDGE Mobile Phones with Inductorless Front-End in 65nm CMOS", and "A GPS/Galileo SOC with Adaptive in-Band Blocker Cancellation in 65nm CMOS"
2010	■ MediaTek's "WiMAX 802.16e device chipset project" awarded "Outstanding Contribution Award" by Ministry of Economic Affairs ■ Awarded "Top 50 Corporate Citizens" by CommonWealth Magazine for four continuous years ■ Awarded "Top 10 Most Admired Companies in Taiwan" by CommonWealth Magazine for 8 continuous years ■ Ranked Top 10 of "2010 Asia's 200 most-admired companies" by The Wall Street Journal

Year	Milestones
	■ Awarded no. 12 of “Global Top 100 High-Tech Companies” by Bloomberg Business Week ■ Awarded "2010 Corporate Social Responsibility Top 65" by Global Views Monthly ■ Awarded “Best Annual Report in Taiwan” and “Best One-on-One Meetings in Taiwan” by IR Magazine ■ Published research papers in the ISSCC – “23.6 A 1V 17.9dBm 60GHz Power Amplifier
2009	■ Awarded “Innovative Product Award” for the company’s High Sensitivity GPS SoC by Science-based Industrial Park Administration (SIPA) ■ Awarded “Asia Pacific Leadership Council Award” by Global Semiconductor Alliance (GSA) ■ Awarded “Best Investor Relations by a CEO Award” and “Best Investor Relations for a Corporate Transaction” by IR Magazine ■ Awarded “Best Corporate Governance in Taiwan and in Asia” by Asiamoney Magazine ■ Awarded the third annual “Top 50 Corporate Citizens” by CommonWealth Magazine ■ Published four research papers in the ISSCC itizens” by CommonWealth MagazineSoC in 90nm CMOSesearch.2V 2MHz BW 0.084mm2 CT ΔΣ ADC with -97.7dBc THD and 80dB DR Using Low-Latency DEMCommonWealth Magazineb/s HDMI Receiver with Adaptive Loop Updating Frequencies and an Adaptive Equalizer”, and “A 110nm RFCMOS GPS SoC with 34mW -165dBm Tracking Sensitivity”
2008	■ Awarded “Innovative Product Award” for the company’s Full-HD ATSC DTV SoC, by Science-based Industrial Park Administration (SIPA) ■ Launched Blu-ray DVD player chipset, GSM/GPRS/EDGE handset baseband chip, and next-generation ATSC and DVB-T digital TV single-chip ■ Awarded “Best Financially Managed Company” by Global Semiconductor Alliance (GSA) ■ Awarded “Corporate Social Responsibility Award” by Global View Magazine ■ Awarded the second annual “Top 50 Corporate Citizens” by CommonWealth Magazine ■ Published seven research papers in the ISSCC – “A 1V 11b 200MS/s Pipelined ADC with Digital Background Calibration in 65nm CMOS,” and “A Fractional Spur Free All-Digital PLL with Loop Gain Calibration and Phase Noise Cancellation for GSM/GPRS/EDGE”
2007	■ Awarded “Distinguished Innovation Accomplishment” at the 15th ITA Award by the Ministry of Economic Affairs ■ Launched high-performance GPS signal receiver single-chip, first generation Bluetooth chip, and next-generation 120Hz video processing chip ■ Awarded “Best Financially Managed Company” by Global Semiconductor Alliance (GSA) ■ Awarded “The Asian Top 50” by Forbes Asia ■ Awarded “Corporate Social Responsibility Award” by Global View Magazine ■ Awarded the 12th annual “Most Admired Company in Taiwan” by CommonWealth Magazine ■ Awarded “Top 50 Corporate Citizens” by CommonWealth Magazine ■ Published research paper in the ISSCC – “RTL-based Clock recovery architecture with all-digital duty-cycle correction” ■ Published research paper in the IEEE IRPS (International Reliability Physics Symposium) “A New Device Reliability Evaluation Method for Overdrive Voltage Circuit Application.”
2006	■ Awarded “Innovative Product Award” for the company’s Blu-ray DVD player chipset, by SIPA ■ Launched GSM/GPRS/EDGE high-resolution camcorder chipset for mobile phones ■ Awarded “The Asian Top 50” by Forbes Asia ■ Published research paper in the ISSCC – “Fully Integrated CMOS SoC for 56/18/16 CD/DVD-dual/RAM Applications” ■ Awarded “Best Financially Managed Company” by Fabless Semiconductor Association (FSA, now renamed as GSA)
2005	■ Awarded “Innovative Product Award” for the company’s multimedia GSM/GPRS mobile phone chipset, by SIPA ■ Launched ATSC and DVB-T high-resolution LCD TV chipset ■ Awarded “The Asian Top 50” by Forbes Asia

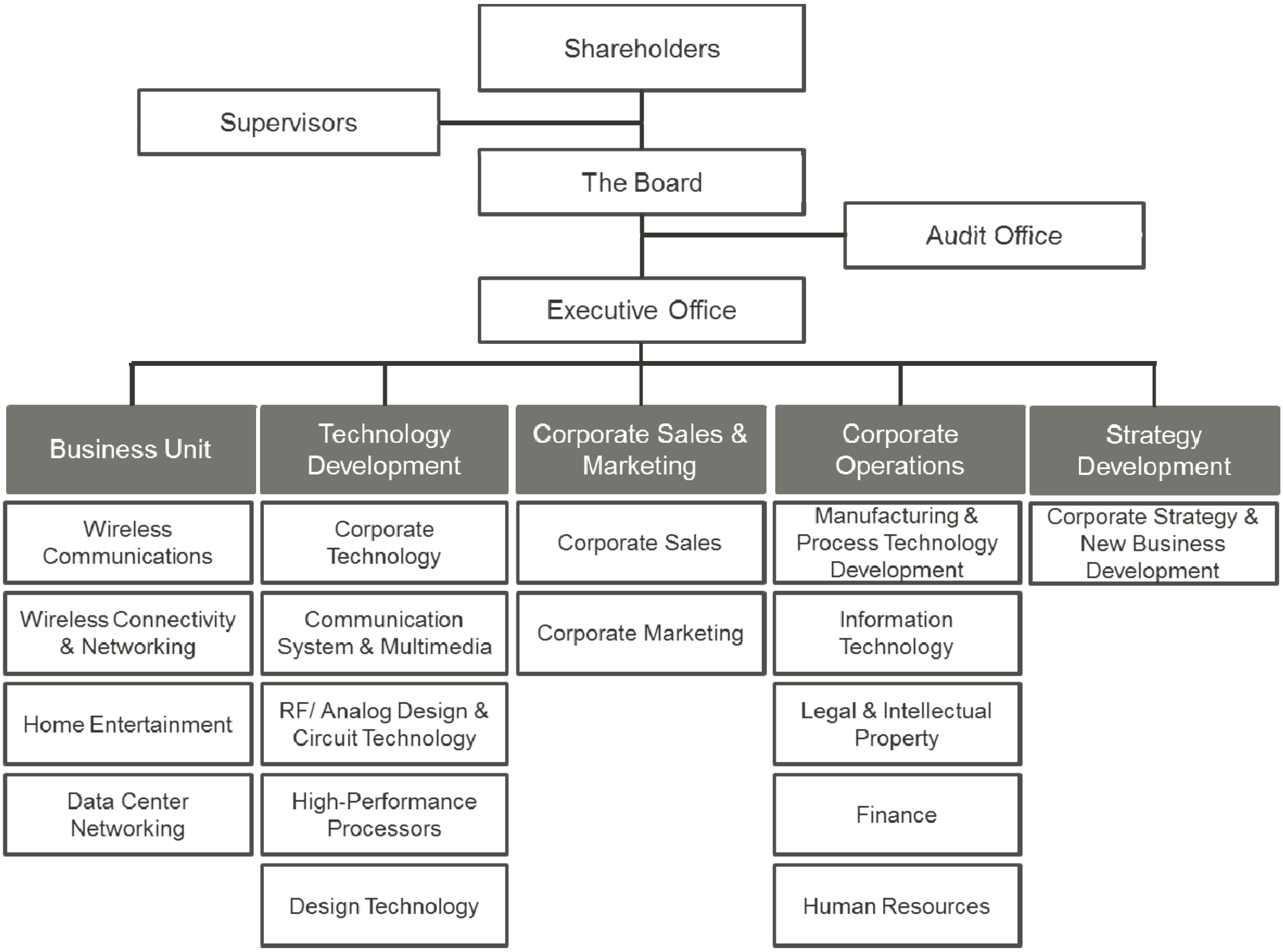
Year	Milestones
	■ Awarded the 10th annual "Most Admired Company in Taiwan" by CommonWealth Magazine ■ Published research papers in the ISSCC – "Multi-Format Read/Write SoC for 7x Blu-ray/16x DVD/56x CD" and "DLL-Based Clock Recovery in a PRML Channel"
2004	■ Awarded "Innovative Product Award" for the company's DVD-Recorder Backend single-chip, by SIPA ■ Launched GSM/GPRS baseband handset chips ■ Ranked no.3 in the high-tech industry in Taiwan as part of Euromoney's "Best Corporate Governance" survey in 2004 ■ Awarded the 9th annual "Most Admired Company in Taiwan" by CommonWealth Magazine
2003	■ Awarded "Innovative Product Award" for the company's 8x DVD-read/write (DVD-R/W) optical storage chipset, by SIPA ■ Awarded "National Quality Award" by the Executive Yuan of Taiwan R.O.C. ■ Launched DVD-Dual chipset ■ Awarded Top High-Tech Company in Taiwan by "Business Next Magazine"
2002	■ Awarded "Innovative Product Award" for the company's high-speed COMBI optical storage chipset by SIPA ■ Launched 48x CD-R/W chipset ■ Launched CD/DVD COMBI chipset
2001	■ Awarded "Innovative Product Award" for the company's high-integration DVD-Player chipset by SIPA ■ Awarded the 9th annual MOEA Award for Industrial Technology Advancement ■ Listed on the Taiwan Stock Exchange (TSE) under the ticker of "2454"
2000	■ Awarded "Innovative Product Award" for the company's high-speed CD-R/RW chipset by SIPA ■ Launched 12x DVD-ROM chipset
1999	■ Awarded "Innovative Product Award" for the company's 12x DVD-ROM chipset by SIPA ■ Launched 12-x DVD-ROM chipset
1998	■ Awarded "Innovative Product Award" for the company's CD-ROM digital data/servo processor by SIPA ■ Launched the highest performance 48x CD-ROM chipset in the world
1997	■ Founded on May 28th

III. Corporate Governance

1. Organization

1.1. Organization Chart

As of April 30, 2013



1.2. Functions of Key Divisions

Division	Functions
Wireless Communications	Research, design and promotion of mobile communication chips
Wireless Connectivity & Networking	Research, design and promotion of wireless local area network (LAN) and personal area network (PAN) chips
Home Entertainment	Research, design and promotion of digital consumer and digital TV chips
Data Center Networking	Research, design and promotion of switch chips
Corporate Technology	Advanced technology development and industry/academy collaboration management
Communication System and Multimedia	Research and design of communication system architecture and multimedia technologies for video and imaging applications
RF / Analog Design and Circuit Technology	Analog technology development for wireless communication field, including RF, audio/video, transmission interface, server and power; packaging and circuit board design
High-Performance Processors	Strategy, development and applications of high-performance processors
Design Technology	Design services and development of technology platforms
Corporate Sales	Product sales, customer development, client relationship management, and sales operation management etc.
Corporate Marketing	Corporate image, industry value chain partnerships, market surveys and promotion communications
Manufacturing & Process Technology Development	Pilot production of R&D products, technology development, quality and reliability management, service satisfaction management, production planning and procurement affairs. Advanced process development, pilot production of high-end products and technological development of components
Information Technology	Information system architecture, e-commerce strategy, information system development and operation
Legal & Intellectual Property	Corporate legal affairs, contracts, patents, and other intellectual property management
Finance	Finance and accounting, tax, treasury and asset management, strategic investments, and investor relations
Human Resources	Human resource management and organization development, general affairs, plant administration, and labor safety
Corporate Strategy & New Business Development	Corporate strategy analysis, development, and execution. Assessment and assurance of new market opportunities
Audit Office	Internal audit and operational procedure management

2. Directors and Supervisors

2.1. Information Regarding Board Members & Supervisors

As of April 30, 2014. Unit: Shares

Title/Name	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Current Positions at MediaTek and Other Companies
				Shares	%	Shares	%	Shares	%		
Chairman Ming-Kai Tsai	June 13, 2012	3	May 21, 1997	40,873,162	3.56%	41,006,187	2.61%	47,432,145	3.02%	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- CEO, MediaTek, Inc. - Chairman, Andes Technology and JMicro Technology
Vice Chairman Jyh-Jer Cho	June 13, 2012	3	May 21, 1997	30,281,447	2.64%	30,325,222	1.93%	10,784,414	0.69%	- Master, Electronics Engineering, National Chiao Tung University - Manager, Multimedia R&D Team, UMC	None
Director Ching-Jiang Hsieh	June 13, 2012	3	June 13, 2005	4,203,271	0.37%	4,004,921	0.25%	1,469,489	0.09%	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- President, MediaTek, Inc. - Director/Chairman, MediaTek's Affiliates
Director Cheng-Yaw Sun	June 13, 2012	3	June 13, 2012	49,244	0.00%	29,244	0.00%	-	-	- B.S., Chung Yuan Christian University of Taiwan - Managing Director, HP China	- CEO, ATA Corp.
Director Kenneth Kin	June 13, 2012	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Nuclear Engineering and Applied Physics, Columbia University, USA - Senior VP, Worldwide Sales & Services, TSMC	- Consultant, Oak Hill Capital Partners - Independent director, eMemory Technology Inc., AzureWave Technologies Inc. and Vanguard International Semiconductor Corp. - Vice Dean, College of Technology Management, National Tsing Hua University
Independent Director Chung-Yu Wu	June 13, 2012	3	June 13, 2012	-	-	-	-	925,118	0.06%	- Ph.D., Electronics Engineering, National Chiao Tung University - President, National Chiao Tung University	- Chair Professor, Electronics Engineering, National Chiao Tung University - Director, National Program on Nano Technology - Independent director/ renumeration committee member/audit committee member, Global Unichip Corp. -Independent director / renumeration committee member, Leadtrend Technology Corp and Amazing Microelectronics Corp.
Independent Director Peng-Heng Chang	June 13, 2012	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Materials Engineering, Purdue University - VP, Material Management & Risk Management and Human Resource, TSMC	- President & CEO, Motech Industries Inc.

Title/Name	Date Elected	Term (Yrs)	Date First	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Current Positions at MediaTek and Other Companies
Supervisor MediaTek Capital Co. Representative: Chung-Lang Liu	June 13, 2012	3	June 21, 2006	7,794,085	0.68%	7,794,085	0.50%	-	-	- Ph.D., Electrical Engneering, , MIT, USA - President, National Tsing Hua University	- Chairman, Dramexchange Technology Inc. - Independent Director, Richtek Technology Corp., United Microelectronics Corp., and Powerchip Technology Corp. - Director, Macronix Intl. Co. Ltd - Supervisor, Andes Technology Corp.
Supervisor National Taiwan University (note1) Representative: Ruey-Shan Guo	June 13, 2012	3	June 13, 2012	2,873	0.00%	2,873	0.00%	-	-	- Ph.D. Mechanical Engineering, MIT, USA	- Dean and professor, National Taiwan University College of Management
Supervisor Paul Wan	June 13, 2012	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Physics, Carnegie-Mellon, USA - Senior Consultant of IBM, USA	- Chairman of Pacific Venture Group and SerComm Corp. - Director, Prosperity Dielectrics Co., Ltd. (PDC), MiTAC Information Technology Corp., and Taiwan Cement. - Independent Director, Taiwan Prosperity Chemical Corp.

Note1: Mr. Ruey-Shan Guo, National Taiwan University Representative, replaced Mr. Ming-Je Tang as supervisor on November 2, 2013.

2.2. Major Shareholders of Important Institutional Shareholders

MediaTek Capital Co. is 100% owned by Hsu-Ta Investment Co., which is 100% owned by MediaTek Inc.

2.3. Directors and Supervisors' Professional Qualifications and Independent Analysis

Name/ Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)										Number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Ming-Kai Tsai			√				√	√	√	√	√	√	√	0
Jyh-Jer Cho			√				√	√	√	√	√	√	√	0
Ching-Jiang Hsieh			√			√	√	√	√	√	√	√	√	0
Cheng-Yaw Sun			√	√		√	√	√	√	√	√	√	√	0
Kenneth Kin	√		√	√		√	√	√	√	√	√	√	√	3
Chung-Yu Wu	√		√	√	√	√	√	√	√	√	√	√	√	3
Peng-Heng Chang			√	√	√	√	√	√	√	√	√	√	√	0
Supervisor National Taiwan University Representative: Ruey-Shan Guo	√		√	√		√	√	√	√	√	√	√		0
MediaTek Capital Co. Representative: Chung-Lang Liu	√		√	√		√	√	√	√	√	√	√		3
Paul Wang			√	√		√	√	√	√	√	√	√	√	1

Note: Directors or Supervisors with a "√" sign meets the following criteria:
1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares;

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 shareholders;
4. Not a spouse, relative within the second degree of kinship, or direct relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
6. Not a director, supervisor, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultations to the company or to any affiliate of the company, or a spouse thereof;
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not been a person of any conditions defined in Article 30 of the Company Act; and
10. Not a government, institutional, or representative shareholder, defined in Article 27 of the Company Act.

2.4. Remunerations Paid to Directors and Supervisors

2.4.1. Remunerations Paid to Directors (Note 1)

Unit: Share/NT$1,000

Title/Name	Remunerations Paid to Directors: Salary (A)		Pension (B)		Profit Sharing (C) (Note 2)		Business Expense (D)		(A+B+C+D) as % of 2013 Net Income		Compensations Earned as Employee of MediaTek or of MediaTek Affiliates: Salary, Bonus, etc. (E)		Pension (F) (Note 3)		Employee Profit Sharing (G) (Note 4)				Employee Option (H)		Granted Employee Restricted Stock (I)		(A+B+C+D+E+F+G) as % of 2013 Net Income (Note 5)		Other compensations from non-subsidiary affiliates
															MediaTek		Consolidated Entities								
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	Cash	Stock	Cash	Stock	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
Chairman Ming-Kai Tsai	-	-	-	-	43,877	43,877	345	345	0.16	0.16	184,943	184,943	216	216	-	-	-	-	-	-			-	-	0.83
Vice Chairman Jyh-Jer Cho																									
Director Ching-Jiang Hsieh																									
Director Cheng-Yaw Sun																									
Director Kenneth Kin																									
Independent Director Chung-Yu Wu																									
Independent Director Peng-Heng Chang																									

Notes: 1) The policies, standards, combinations, procedures and performance of remunerations paid to directors: The compensations are determined in accordance with the procedures set forth in MediaTek's Articles of Incorporation which authorized the Board of Directors to resolve the compensation based on industry levels. The Articles of Incorporation also provides that MediaTek shall allocate the compensations to its directors and supervisors at 0.5% maximum of the earnings available after deducting the amount of legal reserve.
2) The Board of Directors resolved on April 30, 2014 meeting that NT$43,877 thousand to be allocated as remunerations to Directors. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website.
3) The Company's didn't have pension payment in 2013. The total pension expense provision in 2013 was NT$216 thousand.
4) The Board of Directors resolved on April 30, 2014 meeting that NT$1,593,476 thousand to be allocated as employee profit sharing. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website. Before this report is put in printing, distribution of profit sharing to employees was still unresolved. The above figures were only estimation.
5) Remunerations of the Company and its consolidated entities paid to directors in 2012, including their employee bonus, totaled NT$107,096 thousand, which was 0.68% of 2012 net profit.

2.4.2. Remunerations Paid to Directors

<table>
<tr><th rowspan="2"></th><th colspan="2">Compensation Paid to Directors (A+B+C+D)</th><th colspan="2">Total Compensation Paid to Directors (A+B+C+D+E+F+G)</th></tr>
<tr><th>MediaTek</th><th>Consolidated Entities of MediaTek</th><th>MediaTek</th><th>Consolidated Entities of MediaTek</th></tr>
<tr><td>Less than NT$2 million</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$2 million ~ $5 million</td><td colspan="2">Ming-Kai Tsai, Jyh-Jer Cho, Ching-Jiang Hsieh, Chung-Yu Wu</td><td colspan="2">Chung-Yu Wu</td></tr>
<tr><td>NT$5 million ~ $10 million</td><td colspan="2">Cheng-Yaw Sun, Kenneth Kin, Peng-Heng Chang</td><td colspan="2">Cheng-Yaw Sun, Kenneth Kin, Peng-Heng Chang</td></tr>
<tr><td>NT$10 million ~ $15 million</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$15 million ~ $30 million</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$30 million ~ $50 million</td><td>-</td><td>-</td><td colspan="2">Jyh-Jer Cho</td></tr>
<tr><td>NT$50 million ~ $100 million</td><td>-</td><td>-</td><td colspan="2">Ming-Kai Tsai, Ching-Jiang Hsieh</td></tr>
<tr><td>Above NT$100 million</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td colspan="2">7</td><td colspan="2">7</td></tr>
</table>

2.4.3. Remunerations Paid to Supervisors (Note 1)

Unit: NT$ thousand

<table>
<tr><th rowspan="3">Title/Name</th><th colspan="6">Remunerations Paid to Supervisors</th><th colspan="2">(A+B+C) as % of 2013 Net Income (Note 3)</th><th rowspan="3">Other compensations from non-subsidiary affiliates</th></tr>
<tr><th colspan="2">Salary (A)</th><th colspan="2">Profit Sharing (B) (Note 2)</th><th colspan="2">Business Expense (C)</th><th colspan="2"></th></tr>
<tr><th>MediaTek</th><th>Consolidated Entities</th><th>MediaTek</th><th>Consolidated Entities</th><th>MediaTek</th><th>Consolidated Entities</th><th>MediaTek</th><th>Consolidated Entities</th></tr>
<tr><td>Supervisor
Paul Wang</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">14,003</td><td rowspan="3">14,003</td><td rowspan="3">240</td><td rowspan="3">240</td><td rowspan="3">0.05</td><td rowspan="3">0.05</td><td rowspan="3">None</td></tr>
<tr><td>Supervisor
MediaTek Capital Co.
Representative: Chung-Lang Liu</td></tr>
<tr><td>Supervisor
National Taiwan University
Representative: Ruey-Shan Guo</td></tr>
</table>

Note:
1. The policies, standards, combinations, procedures and performance of remunerations paid to directors: The compensations are determined in accordance with the procedures set forth in MediaTek's Articles of Incorporation which authorized the Board of Directors to resolve the compensation based on industry levels. The Articles of Incorporation also provides that MediaTek shall allocate the compensations to its directors and supervisors at 0.5% maximum of the earnings available after deducting the amount of legal reserve.
2. The Board of Directors resolved on April 30, 2014 meeting that NT$14,003 thousand to be allocated as remunerations to Supervisors. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website.
3. Remunerations of the Company and its consolidated entities paid to supervisors totaled NT$8,220 thousand, which was 0.05% of 2012 net profit.

2.4.4. Remunerations Paid to Supervisors

	Compensation Paid to Supervisors	
	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	-	
NT$2 million ~ $5 million	Paul Wang, MediaTek Capital Co., Ltd, National Taiwan University	
NT$5 million ~ $10 million	-	-
NT$10 million ~ $15 million	-	-
NT$15 million ~ $30 million	-	-
NT$30 million ~ $50 million	-	-
NT$50 million ~ $100 million	-	-
Above NT$100 million	-	-
Total	3	

3. Management Team

3.1. Profiles of Key Managers

As of April 30, 2014. Unit: Shares

Title/Name	Date on Board	Current Shareholding		Spouse & Minor Shareholding		Shareholding under the title of a 3rd party		Selected Education & Past Positions	Current Positions at Other Companies
		Shares	%	Shares	%	Shares	%		
Chairman & CEO Ming-Kai Tsai	May 21, 1997	41,006,187	2.61%	47,432,145	3.02%	-	-	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Chairman, Andes Technology and JMicro Technology
Vice Chairman Jyh-Jer Cho	Sep. 15, 2005	30,325,222	1.93%	10,784,414	0.69%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Manager, Multimedia R&D Team, UMC	(None)
President Ching-Jiang Hsieh	Sep. 15, 2005	4,004,921	0.25%	1,469,489	0.09%	-	-	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	Chairman/Director, MediaTek's affiliates
Vice President Ping-Hsing Lu (Note1)	Jan. 1, 2006	211,474	0.01%	212,177	0.01%	-	-	- Ph.D., Electronics, National Chiao Tung University - President, ALi Corp. -Chairman, Alpha Imaging Technology Corp.	Director, MediaTek's affiliates
Vice President Chwei-Huang Chang	July 1, 2006	803,110	0.05%	674,318	0.04%	-	-	- Master, Electrical Engineering, Polytechnic University, USA - Engineer, Multimedia R&D Team, UMC	(None)
Vice President Kou-Hung Loh	July 1, 2006	-	-	-	-	-	-	- Ph.D., Electrical Engineering, Texas A&M University - CEO and founder of Silicon Bridge	(None)
Senior Vice President Cheng-Te Chuang	April 7, 2009	1,074,207	0.07%	369,077	0.02%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, UMC	(None)
Senior Vice President Jeffrey Ju	May 1, 2012	97,401	0.01%	28,744	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, Winbond	- Director, MediaTek's affiliates
Vice President Joe Chen	July 1, 2012	177,787	0.01%	30,414	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, SiS Corp	(None)
Vice President & CTO Kevin Jou	May 30, 2011	-	-	-	-	-	-	Ph.D, Electrical Engineering, University of Southern California - Vice President, Qualcomm Inc	- Director, MediaTek's affiliates
Vice President & General Counsel WF Hsu	May 12, 2010	-	-	-	-	-	-	- Ph.D., Law School, University of Washington - Lawyer, Johns Day	Director, Asia Pacific Intellectual Property Association
Vice President & Chief Marketing Officer Johan Erik Lodenius	Dec. 20, 2012	-	-	-	-	-	-	- Bachelor, Electronics and Computer Technology, Lund Institute of Technology - CEO, Coresonic AB	- Director, MediaTek's affiliates

Title/Name	Date on Board	Current Shareholding		Spouse & Minor Shareholding		Shareholding under the title of a 3rd party		Selected Education & Past Positions	Current Positions at Other Companies
		Shares	%	Shares	%	Shares	%		
Vice President & CFO & Spokesperson David Ku	Jan. 1, 2011	37,842	0.00%	-	-	-	-	- MBA, University of Illinois at Urbana Champaign - Vice President of JPMorgan Investment bank	-Director, MediaTek's affiliates and Alpha Imaging Technology Corp.

Note 1: Mr. Ping-Hsing Lu resigned from position of Vice President on August 2, 2013, shareholding information was disclosed prior to August 1, 2013.

3.2. Remunerations and Employee Bonus Paid to Key Managers (Note 1)

Unit: Share / NT$ thousand

Name / Title	Salary (A)		Pension (B) (Note 2)		Bonus (C)		Employee Profit Sharing (D)				(A+B+C+D) as % of 2013 Net Income (Note 4)		Employee Stock Options		Restricted Stock		Remuneration from non-subsidiary affiliates
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek (Note 3)		Consolidated Entities		MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
							Cash	Stock	Cash	Stock							
Chairman & CEO Ming-Kai Tsai	35,100	55,204	1,035	2,610	437,380	501,035	-	-	-	-	1.72	2.03	-	-	-	-	(None)
Vice Chairman Jyh-Jer Cho																	
President Ching-Jiang Hsieh																	
Vice President Ping-Hsing Lu (Note5)																	
Vice President Chwei-Huang Chang																	
Vice President Kou-Hung Loh																	
Senior Vice President Cheng-Te Chuang																	
Senior Vice President Jeffrey Ju																	
Vice President Joe Chen																	
Vice President & CTO Kevin Jou																	
Vice President & General Counsel WF Hsu																	
Vice President & Chief Marketing Officer Johan Erik Lodenius																	
Vice President & CFO & Spokesperson David Ku																	

Note:
1.The policies, standards, combinations, procedures and performance of remunerations paid to managers: The compensations are determined in accordance with managers' position, responsibility, contribution, performance and uncertainties and risks of the Company.
2. The company did not have pension payment in 2013. The provision for pension expense in 2013 at MediaTek and the consolidated entities were NT$1,035 thousand and NT$2,610 thousand, respectively.
3. The Board of Directors resolved on April 30, 2014 meeting that NT$1,593,476 thousand to be allocated as employee bonus. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website. As of the printing date of this annual report, the distribution plan of employee bonus has not been finalized and the above mentioned numbers are estimates.
4. Remunerations and bonus of the Company and its consolidated entities paid to key managers in 2012 was NT$286,070 thousand and NT$331,977 thousand respectively which was 1.82% and 2.12% of 2012 net income, respectively.
5. Since Ping-Hsing Lu resigned as Vice President on August 2, 2013, salary, bonus and special disbursement of 2013 shall be calculated from January 1 2013 to August 1 2013.

3.3. Key Managers Remunerations Scale (Note 1)

Remuneration scale for individual key managers	Compensation Paid to Key Managers (Note2)	
	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	-	-
NT$2 million ~ $5 million	-	-
NT$5 million ~ $10 million	-	-
NT$10 million ~ $15 million	-	-
NT$15 million ~ $30 million	-	-
NT$30 million ~ $50 million	Jyh-Jer Cho ,Chwei-Huang Chang, WF Hsu, Kevin Jou, David Ku, Jeffrey Ju, Joe Chen, Johan Erik Lodenius	
NT$50 million ~ $100 million	Ming-Kai Tsai, Ching-Jiang Hsieh, Kuo-Hung Loh, Cheng-Te Chuang	
Above NT$100 million	-	-
Total	12	

Note: 1. Key managers as of April 30, 2014

3.4. Employee Bonus Paid to Key Managers: None

4. Corporate Governance Report

4.1. Operation of the Board

4.1.1 Board of Directors' Meeting Status

The Company's shareholders elected the 6th Board of Directors and Supervisors in Annual General Meeting on June 13, 2012, effective immediately. (From June 13, 2012 to June 12, 2015)

The 6th Board of Directors held 8 sessions in 2013. The attendance of the Directors is shown in the following table:

Title/Name	Attend in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman: Ming-Kai Tsai	8	0	100%	Re-elected
Vice Chairman: Jyh-Jer Cho	7	1	88%	Re-elected
Director: Ching-Jiang Hsieh	8	0	100%	Re-elected
Director: Cheng-Yaw Sun	8	0	100%	Newly-elected
Director: Kenneth Kin	8	0	100%	Newly-elected
Independent Director: Chung-Yu Wu	7	0	88%	Newly-elected
Independent Director: Peng-Heng Chang	8	0	100%	Newly-elected

4.1.2. Other Required Notes for the Board of Directors Meetings:

A. Items listed in Article 14-3 in Securities and Exchange Act or Board resolutions independent directors have dissenting opinions or qualified opinions with notes in minutes of the directors meetings: None.

B. Execution status for Article 206 of the Company Act regarding matters bearing on the personal interests of directors: None.

C. Goals to enhance the Board's operations:

a. Establishment of the remuneration committee and independent directors: the Company established remuneration committee on Aug 24, 2011 and elected 2 seats of independent directors in 2012 AGM to enhance the Board's execution.

b. Information transparency improvement: the Company's Board approved "Procedures for handling Material Inside Information" on December 29, 2011.

4.2. Operation of Supervisors' Participation on the Board of Directors

4.2.1 Supervisors' Participation on the Board of Directors' Meeting

The Company's shareholders elected the 6th Board of Directors and Supervisors at the Annual General Meeting held on June 13, 2012, effective immediately. (From June 13, 2012 to June 12, 2015)

The 6th Board of Directors held 8 sessions in 2013. The attendance of the Supervisors is shown in the following table:

Title/Name	Attend in Person	Attendance Rate in Person (%)	Note
Supervisor MediaTek Capital Co. Representative: Chung-Lang Liu	6	75%	Re-elected

Title/Name	Attend in Person	Attendance Rate in Person (%)	Note
Supervisor National Taiwan University Representative: Ruey-Shan Guo (note1)	5	63%	Newly-elected
Supervisor Paul Wang	8	100%	Newly-elected

Note1: Mr. Ruey-Shan Guo, National Taiwan University Representative, replaced Mr. Ming-Je Tang as supervisor on November 2, 2013.

4.2.2. Other Required Notes for Supervisors' Participation on the Board of Directors Meetings

A. Supervisors and responsibilities:

a. Communication between Supervisors and employees, shareholders: The Company reports to Supervisors on a regular basis. Supervisors' information is made public, employees, shareholders, and interested parties are able to contact them freely.

b. Communication between Supervisors and auditors and CPAs: The Company's internal audit managers and the Finance Division report to the Supervisors on issues relating to finance and business operations. The Supervisors audit the Company's financial reports regularly and keep communication channels with the CPAs open.

B. If any Supervisor made a statement of opinion during the Board of Directors meeting, the following items shall be recorded: date of Board of Directors' meeting, proposal, board resolution, and how the company's response to the statement: None.

4.3. Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Item	Implementation Status	Reason for Non-implementation
1. Shareholding Structure & Shareholders' Rights (1). Method of handling shareholder suggestions or complaints (2). The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3). Risk management mechanism and the "firewall" between the Company and its affiliates	The Company has designated relevant departments, such as Investor Relations, Public Relations, Legal, etc. to handle shareholder suggestions or disputes. The Company tracks the shareholdings of directors, supervisors, officers, and shareholders holding more than 10% of the outstanding MediaTek shares. When designing the structure of its subsidiaries, the Company has implemented a firewall mechanism. The Company and its subsidiaries have established appropriate internal control systems.	None
2. Organization & Responsibilities of the Board: (1). Independent Directors (2). Regular evaluation of external auditors' independence	The Company currently has two Independent Directors (Mr.Chung-Yu Wu and Mr. Peng-Heng Chang) The approval of the Board is required for employment or replacement of independent auditors. The board will regularly conduct evaluations of auditor independence. In order to strengthen external auditors' independence, the board will also replace auditors every 7 years.	None
3. Communication Channels with Stakeholders	The Company designates relevant departments to communicate with stakeholders on a case-by-case basis. The Company also lists contact information of the spokesperson and relevant departments on the Company's website.	None
4. Information Disclosure: (1). Establishment of a corporate website to disclose information regarding the Company's financials, business, and corporate governance status (2). Other information disclosure (e.g. maintaining an English-language website, appointing responsible persons to handle information collection and disclosure, appointing spokesperson policy, video recordings of investor conferences)	1. MediaTek discloses information through its website: www.mediatek.com 2. MediaTek has designated appropriate persons to handle information collection and disclosure. Contact person: Sophia Liang, TEL: +886-(0)3-567-0766 ext.26568 3. MediaTek has established a spokesperson policy. Spokesperson: David Ku; Deputy Spokesperson: Jane Chen. 4. MediaTek provides investor conferences webcasts and presentation materials on its website 5. MediaTek discloses all information to shareholders and stakeholders through the Company's website and the MOPS website.	None
5. Operations of the Company's Nomination Committee, Remuneration Committee, or other committees of the Board of	MediaTek established a remuneration committee. Please refer to the "Corporate Governance" section in this annual report.	None

Item	Implementation Status	Reason for Non-implementation
Directors		
6. If the Company Has Established Corporate Governance Policies based on TSE Corporate Governance Best Practice Principles, Please Describe Any Discrepancies between the Policies and Their Implementation. MediaTek does not establish such corporate governance policies. For the status of MediaTek's corporate governance, please refer to the section titled "Corporate Governance" in this Annual Report.		
7. Other important information to Facilitate Better Understanding of the Company's Corporate Governance Practices: (1). MediaTek discloses its financial statements and corporate governance information on its Chinese and English websites (www.mediatek.com). The Company aims to provide free access to transparent information for employees, investors, suppliers and stakeholders. (2). MediaTek's Directors and Supervisors are experts in their professional specialties. The Company provides new regulation updates that require the attention of Directors and Supervisors. The executive team of the Company also reports to the Board and the Supervisors periodically. Director and Supervisor training records can be found on the MOPS website. (3). The Company has already instituted internal control systems as required by law and has properly implemented the system. The Company also conducts risk assessments on banks, customers, and suppliers in order to reduce credit risks. (4). All Directors of the Company avoid issues when there is conflicts of interests . (5). MediaTek maintains D&O insurance for its Directors, Supervisors, and key officers.		
8. If the Company Has Performed a Corporate Governance Self-Assessment report or Has Authorized Any Other Professional Organization to Conduct Such an Evaluation, the Evaluation Results, Major Deficiencies or Suggestions, and Improvements are Stated as Follows: none MediaTek was awarded " 2013 The most reputable Taiwan Corporation – Across industries TOP3" by CommonWealth Magazine and received an A ranking among listed companies in the 10th Information Disclosure and Transparency Ranking System held by the Securities & Futures Institute.		

4.4. Operation of the Company's Remuneration Committee

4.4.1. Responsibilities of the Company's Remuneration Committee:

The remuneration committee aims at establishing and regularly reviewing the performance review mechanism for directors, supervisors and managers. Establish and set up the policy, system, standard and structure of compensation and regularly review the compensation of directors, supervisors and managers.

4.4.2. Composition of the Company's remuneration committee:

Established on August 24, 2011, the Company's remuneration committee has three members as of March 31, 201:

Criteria / Title / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)								Number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	
Independent Director Chung-Yu Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Other Wen-Tsuen Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Peng-Heng Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Directors or Supervisors with a "✓" sign meet the following criteria:
1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings;
4. Not a spouse, relative within the second degree of kinship, or direct relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
6. Not a director, supervisor, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultations to the company or to any affiliate of the company, or a spouse thereof; and
8. Not been a person of any conditions defined in Article 30 of the Company Act.

4.4.3. Remuneration Committee Meeting Status

The tenure of the Company's 2nd remuneration committee is from June 22, 2012 to June 12, 2015. The convener, Mr. Chung-Yu Wu held three sessions in 2013 and the attendance of members is shown in the following table:

Title	Name	Attend in Person	Attendance Rate in Person (%)	Note
Convener	Chung-Yu Wu	3	100%	None
Member	Wen-Tsuen Chen	3	100%	
Member	Peng-Heng Chang	3	100%	

4.4.4. Other Required Notes for Remuneration Committee:

A. In cases the Board doesn't adopt or revise remuneration committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to remuneration committee's proposal: None.

B. In cases remuneration committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date/number of the remuneration committee meeting and agenda: None.

4.5. Status of Fulfilling Corporate Social Responsibility

Item	Implementation Status	Reason for Non-implementation
1. Implementation of Corporate Governance (1) Corporate social responsibility policy and performance evaluation (2) Dedicated organization for the promotion and execution of corporate social responsibility (3) Regular training and promotion of corporate ethics among employees and the Board of Directors, and integration with the employee performance appraisal system	The company has not yet a written "corporate social responsibility policy" approved by the Board. However, the company has committed itself to social responsibility related events. Please refer to "Section 6, Social Responsibility" for more details. The company aggressively participated in social responsibility events. The company has a periodical performance review and evaluation system which is integrated with the employee performance appraisal system	Will implement in the future, depending on the company's operation and scale
2. Sustainable Environment Development (1) Commitment to improving resources utilization and the use of renewable materials (2) Environmental management system designed to industry characteristics. (3) Dedicated environmental management unit or personnel (4) Company strategy for climate change, energy conservation and greenhouse gas reduction	The process to optimize utilization of raw materials: Waste management and recycling: in order to manage waste efficiently and produce the best possible results of recycling, the Company prioritizes waste reduction, classification for reuse, adherence to recycling and reutilization. The Company also shall handle and dispose waste properly and continually improve waste storage, transport and processes and evaluate the impact on the environment. We choose only qualified partners for waste disposal and recycling, and also audit the waste processes on an irregular schedule, to ensure the legal disposal of our waste and fulfill our responsibility in waste management supervision. Environment awareness and educational training: We encourage the usage of environmental tableware, educate energy saving computer usage, and respond to the energy conservation & carbon reduction activities held by government and environmental group. Sustain our efforts to maintain the Environmental Management System (ISO-14001) and Occupational Health and Safety Management System (OHSAS-18001). Dedicated personnel are assigned to take responsibility for environmental management. Please see "Section 6, Social Responsibility" section in this report	None.
3. Promotion of social welfare (1) Compliance with labor regulations, protection of employee rights, and appropriate management measures and procedures (2) Safety and health in working environment	The Company abides the rule of Labor Standards Act to protect the legitimate rights and interests of employees and attribute the pension funds to them. The Employee Welfare Committee was established to encourage employees to enjoy company benefits. Labor Management conferences are convened periodically to ensure labor harmony, simultaneously. We also established an employee suggestion mail and dedicated personnel are assigned to resolve employee issues. On the issue of gender equality, apart from abiding the rule of "Prevention, Complaint and Punishment of Sexual Harassment in the Workplace", complaint & punishment measures and establishing specific institutional sexual harassment grievance committee to handle gender equality in the workforce, we also established female-friendly facilities, such as breastfeeding rooms, parent- child space and parking space designed for pregnant women. For further information, please refer to "Section 6, Social Responsibility " → 1→1.1→C and "Section 6, Social Responsibility " 3→3.3 in this report For further information, please refer to "Section 6, Social Responsibility " →1→1.1→A The company maintains good communications with customers, and provides the	None.

Item	Implementation Status	Reason for Non-implementation
(3) Regular employee internal communication channels establishment to ensure efficient communication for major company events (4) Disclosure of consumer rights policy, and official channel for consumer complaints (5) Collaboration with suppliers (6) Participation in community development and charities through commercial activities, donations or volunteers	transparency and effective processing procedure of customer complaint for products and services. For further information, please refer to "Section 6, Social Responsibility " →1→1.2 For further information, please refer to "Section 6, Social Responsibility " →2	
4. Enhancement of Information Disclosure (1) Disclosure of corporate social responsibility related information with significance and reliability. (2) Published corporate social responsibility report and disclosure of implementation of corporate social responsibility	The company disclosed social responsibility related information in the annual report, please refer to "Section 6, Social Responsibility" for more details. The company started studied the trend of social responsibility report and currently has no social responsibility report	None
5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice", please describe the operational status and differences. Please see "Section 6, Social Responsibility" section in this report		
6. Other important information to facilitate a better understanding of the Company's implementation of corporate social responsibility (e.g., environmental protection, community participation, social contribution, social services, social welfare, consumers' rights, human rights and safety and health): Please refer to the company's web page at http://www.mediatek.com/en/about/citizenship/community-contribution/		
7. Other information regarding products or "Corporate Social Responsibility Report" which are verified by certification bodies: None		

4.6. Status of Fulfilling Operational Integrity

Item	Implementation Status
1. Set up operational integrity policy and programs (1) Operational integrity policy (2) Plans and procedures to prevent anti-integrity behaviors (3) Measures to avoid operational activities with higher anti-integrity risks such as bribery , illegal political donations	The company strictly follows the six core values: Courage & Discernment, Innovative thinking, Trust & Respect, Teamwork, Integrity and Continuous Learning and has set up various internal guidelines. The company has the following corporate governance guidelines and regulations in place: (1) Rules and Procedures of Shareholders' Meeting (2) Rules and Procedures of Board of Directors' Meeting (3) Rules for Election of Directors and Supervisors (4) Procedures Governing the Acquisition or Disposition of Assets (5) Procedures of Endorsement and Guarantee (6) Procedures of Outward Loans to Others (7) Procedures of Internal Material Information (8) Remuneration Committee Charter Available on the Company's website http://www.mediatek.com Integrity is highly-valued and is the major principle for the Company's Board of Directors and key management. The Board of Directors and key management will not vote in cases where they have a conflict of interest.
2. Fulfill operational integrity (1) The company shall prevent doing business with whomever has unethical records and include business conduct and ethics related clauses in the business contracts. (2) The company sets up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics. The board of directors supervises such execution and compliance of the policies. (3) The company establishes policies to prevent conflicts of interest and provides appropriate communication and complaint channels. (4) The company establishes effective accounting and internal control systems for the implementation of policies, and the internal auditors audit such execution and compliance.	Maximizing shareholders and employees' values has been the Company's top management principle. The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies to minimize the risks. A company-wide policy of corporate conduct and ethics is in place, and is adhered to by each department. The sales department shall establish a contact point for clients to consult, communicate or resolve product compliant in the most effective manner. The company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system's design and execution remains effective. Internal auditors audit the system referred in the prior paragraph.
3. Channels to report anti-integrity behaviors and reprimand rules.	The Company has not established relevant policies and will consider adopting this in the future.
4. Enhancement of information disclosure (1) To set up a corporate website that publishes information relating to company's corporate conduct and ethics. (2) Other information disclosure channels (e.g. maintaining an English website, designating personnel to handle information collection and disclosure)	The Company's website discloses operational integrity matters under the corporate governance section. The Company's website also discloses relevancy and reliability of operational integrity in this annual report.
5. If the Company hasn't established internal policy based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please disclose the discrepancy between its operation and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies": The Company doesn't have written internal policy in place and please refer to the corporate governance section for more details	
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promote and demonstrate the company's commitment to ethical standard and provide training to its business partners; review the company's corporate conduct and ethics policy). Please refer to the corporate governance section for more details.	

4.7. Corporate Governance Guidelines and Regulations

4.7.1 The company has the following corporate governance guidelines and regulations in place:

(1) Rules and Procedures of Shareholders' Meeting
(2) Rules and Procedures of Board of Directors' Meeting
(3) Rules for Election of Directors and Supervisors
(4) Procedures Governing the Acquisition or Disposition of Assets
(5) Procedures of Endorsement and Guarantee
(6) Procedures of Outward Loans to Others
(7) Procedures of Internal Material Information
(8) Remuneration Committee Charter

4.7.2. More detailed information on corporate governance guidelines and regulations:

Please refer to the Company's website at www.mediatek.com

4.8. Other Important Corporate Governance Information

The Company continues to add more resources to enhance corporate governance including adding corporate governance session and attaching corporate governance guidelines and regulations for download on the company website, disclosing material information in a timely matter and host regular investor conferences.

4.8.1 Directors and Supervisors Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Duration
Independent Director Chung-Yu Wu	May 9, 2013	Securities & Future Institute	Directors and Supervisors Practice Advanced Seminar: Strategy and Key Performance Indicators	3 hrs
Director Kenneth Kin	Sep. 18, 2013	Securities & Future Institute	Panel Discussion: Corporate integrity and Social Responsibility	3hrs

4.8.2. Key Management Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Duration
Vice President & CFO & Spokesperson David Ku	Nov. 25, 2013 Nov. 27, 2013	Accounting Research and Development Foundation	Advanced Lectures for Accounting Mangers	12 hrs
Director, Internal Audit Kirin Liu	Nov. 3, 2013 Dec 26, 2013	The Institute of Internal Auditors Computer Audit Association	New Development on Internal Control and Internal Audit Case Study: Pivot Table as a Tool on Computer Audit	12 hrs

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4.9. Status of the Internal Control System Implementation

4.9.1. Declaration of Internal Control

MediaTek Inc.
Statement of Declaration of Internal Control

Date: March 21th, 2014

MediaTek Inc. has conducted internal audits in accordance with its Internal Control Regulations covering the period from January 1st to December 31st, 2013, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the efficiency of operations (including profitability, performance, and security of assets), the reliability of financial reporting, and legal compliance.

2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The company will take immediate corrective actions once any shortcomings are identified.

3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the "Criteria for the Establishment of Internal Control Systems of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.

4. The Company has adopted the aforementioned internal control systems for an internal audit of the effectiveness of internal control design and enforcement.

5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability of financial reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.

6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.

7. This statement of declaration has been approved by the Board on March 21st 2014 with all Directors in session under unanimous consent.

MediaTek Inc.

Ming-Kai Tsai
Chairman

Ching-Jiang Hsieh
President

4.9.2. Disclose the Review Report of Independent Auditors if They are Retained for Reviewing the Internal Control System

None.

4.10. Reprimands on the Company and its Staff

Reprimand on the Company and its Staff in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

4.11. Major Resolutions of Shareholders' Meeting and Board Meetings

4.11.1. Major Resolutions of Shareholders' Meeting and Implementation Status

Meeting date	Meeting	Major Resolutions	Implementation Status
June 21, 2013	2013 Annual General Meeting	Acknowledgement Items: (1) Adoption of the 2012 Business Report and Financial Statements (2) Adoption of the Proposal for Distribution of 2012 Profits Discussion Items: (1) Amendment to the Company's "Operating Procedures of Outward Loans to Others" and " Operational Procedures for Endorsements and Guarantees" (2) Approval of using additional paid-in capital for cash dividends	All of the resolutions of the Shareholders' Meeting had been fully implemented in accordance with the resolutions.

4.11.2. Major Resolutions of Board Meetings

During the 2013 calendar year, and through the period of January 1st to the printing date of this annual report, 12 Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

Date	Meeting	Major Approvals
Feb 4, 2013	The six times of the 6th meeting	approved 2013 first quarter financial forecast approved the policy of key management's 2012 performance evaluation and 1H2013 remuneration
Mar 29, 2013	The seven times of the 6th meeting	approved 2012 operation report approved the company's 2013 operating budget plan approved 2013 AGM date, venue and agenda approved to amend a proposal of "Regulations Governing Endorsements" and "Operating Procedures of Outward Loans" approved to amend a proposal of internal control system approved to amend a proposal of "Rules of Procedure for Board of Directors Meetings"
May 6, 2013	The eight times of the 6th meeting	approved 2013 second quarter financial forecast approved 2012 proposal of profit distribution
May 10, 2013	The nine times of the 6th meeting	approved to amend a proposal of 2012 profit distribution approved Using additional paid-in capital as Cash bonus approved 2013 Agenda of Annual Meeting of Shareholders
Jun 21, 2013	The ten times of the 6th meeting	approved the record date of 2012 profit distribution and Using additional paid-in capital as Cash bonus approved the proposed issuance of employee stock options
Aug 2, 2013	The eleven times of the 6th meeting	approved 2013 second quarter financial statements approved 2013 third quarter financial forecasts
Aug 22, 2013	The twelve times of the 6th meeting	approved the proposal of the subsidiary's assets acquisition approved to amend the proposed issuance of employee stock options approved the policy of key management's 2H2013 remuneration approved the proposed issuance of employee stock options
Nov 1, 2013	The thirteen times of the 6th meeting	approved 2013 third quarter financial statements approved 2013 last quarter financial forecasts approved the 2014 audit plan
Jan 27, 2014	The fourteen times of the 6th meeting	approved the proposal of the subsidiary's assets acquisition approved 2014 first quarter financial forecasts Approved the execution of the MStar Semiconductor merger according to the terms agreed with China's Ministry of Commerce.
Feb 17, 2014	The fifteen times of the 6th meeting	approved the proposal to acquire Ralink with 100% shareholdings approved the renewal of 2014 first quarter financial forecasts approved the policy of key management's 2013 performance evaluation and 2014 remuneration
Mar 21, 2014	The sixteen times of the 6th meeting	approved 2013 operation report approved the announcement of 2013 internal control system approved the company's 2014 operating budget plan approved 2014 AGM date, venue and agenda approved the report of MStar merger Approved the replacement of the Company's certified public accountants.
Apr 30, 2014	The seventeen times of the 6th meeting	approved 2014 third quarter financial statements approved 2014 second quarter financial forecasts approved to amend the proposal of Company's "Procedures Governing the Acquisition or Disposition of Assets" approved to amend the proposal of "Operating Procedures of Outward Loans to Others" Approved the proposal of "Regulations Governing Endorsements" toward subsidiaries. approved the report of Ralink acquisition approved the proposal of 2013 profit distribution approved the policy of Directors and supervisors' remuneration

4.12. Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors

None

4.13. Resignation of Personnel Related to Financial Statement Preparation in 2012 to the Printing Date of this Report

Vice President Ping-Hsing Lu resigned on August 2, 2013 for personal reasons.

5. Information Regarding MediaTek's Independent Auditors

5.1. Auditor Information

Ernst & Young, Mr. Shao-Pin Kuo and Mr. Hsin-Min Hsu for the period of 2013

5.2. Information on Audit Fees

	Audit Fee	Non-Audit Fee	Total
Less than NT$2 million			
NT$2 million ~ $4 million		✓	
NT$4 million ~ $6 million			
NT$6 million ~ $8 million			
NT$8 million ~ $10 million	✓		
Above NT$10 million			✓

Other important disclosures:

(1) Audit fee and non-audit fee:

Ernst & Young, Mr. Shao-Pin Kuo and Mr. Hsin-Min Hsu for the period of 2013

Audit fee paid: NT$9,400 thousand

Total non-audit fee paid: NT$2,540 thousand (acquisition related charges)

(2) Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: mainly due to acquisition related charges

(3) Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: No.

(4) Audit fee reduced more than 15% year over year: No.

5.3. Replacement of Independent Auditors in the Last Two Years and Thereafter:

Due to accounting firm's job rotation in accordance to relevant regulations, the board approved to replace the certified public accountants on March 21, 2014.

5.4. The Company's Chairman, President or managers in charge of finance or accounting has been under current audit firm or its affiliates' employment in 2013:

No.

6. Net Changes in Shareholding

Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders with 10% Shareholding or More

Unit: Shares

Title/Name	2013		Jan. 1 to April 30, 2014	
	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman & CEO Ming-Kai Tsai	-	-	-	-
Vice Chairman Jyh-Jer Cho	-	-	-	-
Director & President Ching-Jiang Hsieh	(130,000)	-	-	-
Director Cheng-Yaw Sun	-	-	-	-
Director Kenneth Kin	-	-	-	-
Independent Director Chung-Yu Wu	-	-	-	-
Independent Director Peng-Heng Chang	-	-	-	-
Supervisor MediaTek Capital Co.	-	-	-	-
Supervisor National Taiwan University	-	-	-	-
Vice President Ping-Hsing Lu (note 1)	(170,000)	-	-	-
Vice President Chwei-Huang Chang	-	-	-	-
Vice President Kou-Hung Loh	-	-	-	-
Vice President Cheng-Te Chuang	(75,000)	-	(40,000)	-
Vice President Joe Chen	-	-	-	-
Vice President Jeffrey Ju	-	--	-	-
Vice President & General Counsel WF Hsu	-	--	-	-
Vice President & CTO Kevin Jou	-	-	-	-
Vice President & CMO Johan Erik Lodenius	-	-	-	-
Vice President & CFO & Spokesperson David Ku	-	-	-	-

Note 1: Mr. Ping-Hsing Lu resigned from position of Vice President on August 2, 2013; shareholding information was disclosed prior to August 1, 2013.

Stock Trade with Related Party: None.

Stock Pledge with Related Party: None.

7. Top 10 Shareholders Who are Related Parties to Each Other

As of April 14, 2014. Unit: Share/%

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3rd Party		Top 10 Shareholders Who are Related Parties to Each Other	
	Shares	Proportion	Shares	Proportion	Shares	Proportion	Name	Relationship
Chui-Hsing Lee	47,504,145	3.02	41,006,187	2.61	-	-	Ming-Kai Tsai	Spouse
Government of Singapore	43,301,017	2.76	-	-	-	-	-	-
Ming-Kai Tsai	41,006,187	2.61	47,504,145	3.02	-	-	Chui-Hsing Lee	Spouse
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	33,316,166	2.12	-	-	-	-	-	-
Jyh-Jer Cho	30,325,222	1.93	10,784,414	0.69	-	-	-	-
Vanguard Emerging Markets Stock Index Fund	25,942,192	1.65	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	20,728,748	1.32	-	-	-	-	-	-
Tin-Ren Liu	20,721,763	1.32	3,379,879	0.22	-	-	-	-
Labor retirement fund (Old system)	19,966,190	1.27	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	19,161,992	1.22	-	-	-	-	-	-

8. Long-Term Investment Ownership

As of December 31, 2013. Unit: Share/%

Long-Term Investments	Investments by MediaTek (1)		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managers of MediaTek (2)		Total Investment (1) + (2)	
	Shares	Portion	Shares	Portion	Shares	Portion
MediaTek Investment Corp.	5,128,301,083	100.00%	-	-	5,128,301,083	100.00%
Hsu-Ta Investment Corp.	295,143,415	100.00%	-	-	295,143,415	100.00%
Ralink Technology Corp	175,264,005	100.00%	-	-	175,264,005	100.00%
Mstar Semiconductor Inc.	254,115,685	48.00%	-	-	254,115,685	48.00%
MediaTek Singapore Pte. Ltd.	111,993,960	100.00%	-	-	111,993,960	100.00%

IV. Capital and Shares

1. Capital and Shares

1.1. Capitalization

As of April 30, 2014, Unit: thousand shares/NT$ thousand

Month/ Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
May 1997	10	20,000	200,000	20,000	200,000	Initial capital	Technology & Patent: $30,000	May 28, 1997 Yuan-Shang-Tze No.10164
Sep 1997	10	80,000	800,000	55,000	550,000	Stock offering: $350,000	-	Sep. 26, 1997 Yuan-Shang-Tze No.19782
Aug 1998	10	80,000	800,000	62,916	629,162	Retained Earnings: $79,162	-	Aug. 5, 1998 Yuan-Shang-Tze No.19355
Aug 1999	10	220,000	2,200,000	116,774	1,167,743	Retained Earnings: $538,581	-	Aug. 21, 1999 Yuan-Shang-Tze No.018036
Sep 2000	10	220,000	2,200,000	216,866	2,168,666	Retained Earnings: $1,000,923	-	Sep. 15, 2000 Yuan-Shang-Tze No.020099
Sep 2001	10	570,000	5,700,000	316,006	3,160,056	Retained Earnings: $991,390	-	July 11, 2001 Tai-Tsai-Cheng-I No.144160
Sep 2002	10	570,000	5,700,000	460,465	4,604,654	Retained Earnings: $1,444,598	-	Aug. 1, 2002 Tai-Tsai-Cheng-I No.0910142914
Aug 2003	10	896,000	8,960,000	641,547	6,415,473	Retained Earnings: $1,810,819	-	June 20, 2003 Tai-Tsai-Cheng-I No.0920127376
Aug 2004	10	896,000	8,960,000	772,773	7,727,729	Retained Earnings: $1,312,256	-	July 8, 2004 Chi-I-Tze No.0930130229
Oct 2004	10	896,000	8,960,000	769,336	7,693,359	Cancel Treasury Stock: ($34,370)	-	Oct. 15, 2004 Yuan-Shang-Tze No.0930029178
Aug 2005	10	896,000	8,960,000	864,051	8,640,506	Retained Earnings: $947,147	-	July 15, 2005 Chen-I-Tze No.0940128790
Aug 2006	10	1,200,000	12,000,000	968,313	9,683,127	Retained Earnings: $1,042,621	-	July 13, 2006 Chen-I-Tze No.0950130197
Jul 2007	10	1,200,000	12,000,000	1,037,412	10,374,120	Retained Earnings: $690,993	-	June 25, 2007 Chen-I-Tze No.0960031987
Sep 2007	10	1,200,000	12,000,000	1,040,854	10,408,538	Share Swap: $34,418	69% of NuCORE Technology shares	Aug. 30, 2007 Chen-I-Tze No.0960045488
Jul 2008	10	1,200,000	12,000,000	1,073,152	10,731,523	Retained Earnings: $322,985	-	June 25, 2008 Chen-I-Tze No.0970031744
Jul 2009	10	1,200,000	12,000,000	1,090,119	10,901,189	Retained Earnings: $169,666	-	June 24, 2009 Chen-Fa-Tze No.0980031350
Jul 2010	10	1,200,000	12,000,000	1,099,785	10,997,846	Retained Earnings:	-	June 29, 2010 Chen-Fa-Tze

Month/ Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
						$96,657		No.0990033415
Sep 2010	10	1,200,000	12,000,000	1,099,871	10,998,708	Employee option exercised: $862	-	Sep. 16, 2010 Yuan-Shang-Tze No.0099027401
Nov 2010	10	1,200,000	12,000,000	1,099,932	10,999,317	Employee option exercised: $609	-	Nov. 23, 2010 Yuan-Shang-Tze No.0990035005
Mar 2011	10	1,200,000	12,000,000	1,099,968	10,999,682	Employee option exercised: $365	-	Mar. 29, 2011 Yuan-Shang-Tze No.1000008840
Jul 2011	10	1,200,000	12,000,000	1,099,977	10,999,772	Employee option exercised: $90	-	Jul 1, 2011 Yuan-Shang-Tze No.1000019125
Oct 2011	10	1,200,000	12,000,000	1,155,511	11,555,108	Share Exchange: $555,336	100% of Ralink shares	Oct 18, 2011 Yuan-Shang-Tze No.1000031428
Nov 2011	10	1,200,000	12,000,000	1,147,511	11,475,108	Cancelled repurchased shares: $ 80,000	-	Nov 18, 2011 Yuan-Shang-Tze No.1000034738
Apr 2012	10	1,200,000	12,000,000	1,147,520	11,475,203	Employee option exercised: $95	-	Apr 9, 2012 Yuan-Shang-Tze No.1010010259
May 2012	10	1,200,000	12,000,000	1,147,575	11,475,751	Employee option exercised: $548	-	May 14, 2012 Yuan-Shang-Tze
Aug 2012	10	1,200,000	12,000,000	1,147,594	11,475,944	Employee option exercised: $193	-	Aug 17, 2012 Yuan-Shang-Tze No.1010025462
Sep 2012	10	2,000,000	20,000,000	1,349,362	13,493,623	Share Exchange: $2,017,679	48% of MStar Semiconductor	Sep 17, 2012 Yuan-Shang-Tze No.1010029355
Nov 2012	10	2,000,000	20,000,000	1,349,370	13,493,702	Employee option exercised: $79	-	Nov 15, 2012 Yuan-Shang-Tze No.1010035268
Apr 2013	10	2,000,000	20,000,000	1,349,380	13,493,804	Employee option exercised: $102	-	Registration ongoing; booked as “capital collected in advance
May 2013	10	2,000,000	20,000,000	1,349,394	13,493,939	Employee option exercised: $135	-	Registration ongoing; booked as “capital collected in advance”
Aug 2013	10	2,000,000	20,000,000	1,349,409	13,494,088	Employee option exercised: $149	-	Registration planning; booked as “capital collected in advance”
Nov 2013	10	2,000,000	20,000,000	1,349,467	13,494,667	Employee option exercised: $579	-	Registration planning; booked as “capital collected in advance”
Mar 2014	10	2,000,000	20,000,000	1,570,591	15,705,906	Share Exchange: $2,211,239	52% of MStar Semiconductor	Registration planning; booked as “capital collected in advance”
Apr 2014	10	2,000,000	20,000,000	1,570,838	15,708,379	Employee option exercised: $2,473	-	Registration planning; booked as “capital collected in advance”
Apr 2014	10	2,000,000	20,000,000	1,571,022	15,710,215	Employee option exercised: $1,836	-	Registration planning; booked as “capital collected in advance”

As of April 30, 2014, Unit: share

Type of Stock	Authorized Capital			Remark
	Outstanding	Un-Issued	Total	
Common Stock	1,571,021,521	428,978,479	2,000,000,000	Listed on TSE

Shelf Registration: None.

1.2. Composition of Shareholders

As of April 14, 2014; Unit: share/%

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Persons	Individuals	Total
Number of Shareholders	1	136	607	2,022	74,159	76,925
Shareholding (shares)	2	101,260,229	121,853,756	950,480,609	397,426,925	1,571,021,521
Holding Percentage (%)	0.00%	6.45%	7.76%	60.49%	25.30%	100.00%

1.3. Distribution of Shareholding

1.3.1 Distribution of Common Stock

As of April 14, 2014

Common Share Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1 ~ 999	35,421	5,271,364	0.34%
1,000 ~ 5,000	32,699	57,912,100	3.69%
5,001 ~ 10,000	3,650	26,147,911	1.66%
10,001 ~ 15,000	1,189	14,467,551	0.92%
15,001 ~ 20,000	674	11,901,486	0.76%
20,001 ~ 30,000	724	17,847,726	1.14%
30,001 ~ 40,000	382	13,289,733	0.85%
40,001 ~ 50,000	283	12,913,086	0.82%
50,001 ~ 100,000	638	45,274,780	2.88%
100,001 ~ 200,000	442	63,259,279	4.03%
200,001 ~ 400,000	323	92,226,043	5.87%
400,001 ~ 600,000	135	66,011,206	4.20%
600,001 ~ 800,000	80	55,055,140	3.50%
800,001 ~ 1,000,000	51	45,771,734	2.91%
Over 1,000,001	234	1,043,672,382	66.43%
Total	76,925	1,571,021,521	100.00%

1.3.2 Distribution of Preferred Stock: Not Applicable

1.4. Major Shareholders

As of April 14, 2014

Top 10 Shareholders	Total Shares Owned	Ownership (%)
Chui-Hsing Lee	47,504,145	3.02%
Government of Singapore	43,401,017	2.76%
Ming-Kai Tsai	41,006,187	2.61%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	33,316,166	2.12%
Jyh-Jer Cho	30,325,222	1.93%
Vanguard Emerging Markets Stock Index Fund	25,942,192	1.65%
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	20,728,748	1.32%
Tin-Ren Liu	20,721,763	1.32%
Labor retirement fund (Old system)	19,966,190	1.27%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	19,161,992	1.22%

1.5. Market Price, Net Worth, Earnings, Dividends per Common Share

Unit: NT$ / Share

Item			2012 (Distributed in 2013)	2013 (Distributed in 2014)	Jan. 1 ~ Mar. 31, 2014
Market Price Per Share (Note 1)	Highest		342.0	448.5	481.5
	Lowest		226.0	295.0	384.0
	Average		285.0	366.0	431.4
Book Value Per Share	Before Distribution		131.00	145.55	**
	After Distribution		130.49	*	*
Earnings Per Share	Weighted Average Shares		1,216,422,577	1,341,660,900	1,486,919,895
	EPS	Not-Adjusted	12.90	20.51	**
		Adjusted	12.90	*	**
Dividends Per Share	Cash Dividends		9.00	*	**
	Stock Dividend	From Retained Earnings	-	*	**
		From Capital Surplus	-	*	**
	Accumulated Undistributed Dividend		-	-	**
Return on Investment	Price/Earnings Ratio (Note 2)		22.09	17.85	**
	Price/Dividend Ratio (Note 3)		31.67	*	**
	Cash Dividend Yield (Note 4)		3.16%	*	**

* : Pending shareholders' approval in Annual General Shareholders' Meeting.
** : Not applicable.
Note 1: Retroactively adjusted for stock dividends and stock bonuses to employees
Note 2: Price/Earnings Ratio = Average Market Price / Earnings Per Share
Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share
Note 4: Cash Dividend Yield = Cash Dividends Per Share / Average Market Price

1.6. Dividend Policy and Status

1.6.1. Dividend Policy under the Article of Incorporation

Since the Company is in an industry that's in a growth phase, the dividend policy shall take into consideration factors such as the Company's current and future investment environment, needs for capital, domestic and overseas competition, capital budgeting plans, etc., to come out with a proposal that strike a balance among shareholders' benefits and the Company's long-term financial plans. Each year, the Board of Directors shall prepare a profit distribution proposal and report it at the shareholders' meeting. After considering financial, business and operational factors, the Company may distribute all distributable profits for the year; dividends to shareholders may be distributed in cash or in stock, and the cash dividends shall not be lower than 10% of total dividends to shareholders.

1.6.2. Proposal to Distribute 2013 Profits (Approved by the Board and subject to Shareholders' approval)

The Board adopted a proposal for 2013 profit distribution as follows:

Cash Dividends to Common Shareholders from retained earnings: NT$23,565,323 thousand.

The proposal is subject to shareholders' approval at the Annual Shareholders' Meeting. The Board will then determine a cash dividend record date.

1.7. Effect of 2012 Share Dividends to Operating Performance and EPS

Not applicable.

1.8. Employee Bonus and Directors and Supervisors Compensation

1.8.1. Employee Bonus and Directors and Supervisors Compensation as Stated in the Article of Incorporation

When allocating the net profits for each fiscal year, the following order shall be followed: (1). Reserve for tax payments; (2). Offset losses in previous years, if any; (3). Legal reserve, which is 10% of the unallocated profits; (4). Allocation or reverse of special reserves as required by law or government authorities. The remuneration to Directors and Supervisors, will be limited to a maximum of 0.5% of remaining net profits after deducting item (1) to (4), and shall be paid in cash. The remaining net profits, after considering retained earnings from previous years and the amount set aside for distribution in future years, shall be allocated as employees' profit share and shareholders' dividends. The guideline for employee profit share is that the amount of employee profit share shall not be lower than 1% of the sum of employee profit share and shareholder dividends. Employee profit share may be paid in cash or in stock. If the employee profit share is paid in stock, the Board of Directors shall be authorized to set the criteria for qualified employees, which may include employees of the Company and its affiliated companies.

1.8.2. Proposed 2013 Employee Profit Sharing Plan and Remuneration to Directors and Supervisors

The Board adopted a proposal on April 30, 2014 for 2013 employee cash bonus of NT$1,593,476 thousand and remuneration to Directors and Supervisors of NT$57,880 thousand. In accordance with accounting regulations requiring expensing of employee profit share, MediaTek's net profit is after expensing employee profit shares and remuneration to Directors and Supervisors.

Remuneration to Directors and Supervisors was NT$57,880 thousand. There is a difference of NT$1,096 thousand with the estimated Directors' compensation of NT$56,784 thousand. The estimate was calculated based on 0.2% of the current year's net income while the actual compensation was calculated based on 0.1962103% of the distributable earnings. The difference shall be accounted as "changes in accounting estimations" and be booked in the next fiscal year's financial report, after approved by the annual shareholders' meeting.

1.8.3. Earnings Retained in Previous Period (2012) Allocated as Employee Bonus and Directors and Supervisors Compensation

Unit: share / NT$1,000

	AGM resolution	Estimate	Difference	Shares	Share price (NT$)	Reason of difference
Employee Cash Bonus	895,875	895,875	-	-	-	-
Remuneration to Directors & Supervisors	28,141	24,421	3,720	-	-	(Note)

Note: The difference was mainly because the actual payment was less than the estimated amount, and the difference shall be accounted as "changes in accounting estimations" and be booked in the next fiscal year's financial report, after approved in the annual shareholders' meeting.

1.9. Repurchase of Company Shares:

None

2. Status of Corporate Bonds

None

3. Status of Preferred Stocks

None

4. Status of GDR/ADR

None

5. Status of Employee Stock Option Plan

5.1. Issuance of Employee Stock Options

As of April 30, 2013 / Unit: share and NT$ thousand

Employee Stock Options Granted	1st Grant	2nd Grant	3rd Grant	4th Grant
Approval Date by the Securities & Futures Bureau	Dec. 19, 2007	Dec. 19, 2007	Jul. 27, 2009	May 10, 2010
Issue (Grant) Date	Mar. 31, 2008	Aug. 28, 2008	Aug. 18, 2009	August 27, 2010
Number of Options Granted	1,134,119	1,640,285	1,382,630	1,605,757
Percentage of Shares Exercisable to Outstanding Common Shares	0.08%	0.12%	0.10%	0.12%
Option Duration	10 years	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	208,992	236,883	17,960	34,172
Value of Shares Exercised	77,639	160,473	7,714	13,833
Shares Unexercised	354,760	548,556	650,202	838,484
Adjusted Exercise Price Per Share (NT$)	358.0	344.5	431.0	404.8
Percentage of Shares Unexercised to Outstanding Common Shares	0.02%	0.03%	0.04%	0.06%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

Employee Stock Options Granted	5th Grant	6th Grant	7th Grant	8th Grant
Approval Date by the Securities & Futures Bureau	May 10, 2010	Aug. 9, 2011	Aug. 23, 2011	Aug. 23, 2011
Issue (Grant) Date	Nov. 4, 2010	Aug. 24, 2011	Jun. 30, 2006	Sep. 30, 2006
Number of Options Granted	65,839	2,109,871	499	3,092
Percentage of Shares Exercisable to Outstanding Common Shares	0.00%	0.16%	0.00%	0.00%
Option Duration	10 years	10 years	6 yearss	6 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%
Shares Exercised	923	163,279	499	3,092
Value of Shares Exercised (NT$)	14,181	45,294	7	44
Shares Unexercised	14,634	1,466,469	0	0
Adjusted Exercise Price Per Share (NT$)	377.0	277.4	14.3	14.3
Percentage of Shares Unexercised to Outstanding Common Shares	0.00%	0.10%	0.00%	0.00%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

Employee Stock Options Granted	9th Grant	10th Grant	11th Grant	12th Grant
Approval Date by the Securities & Futures Bureau	Aug. 23, 2011	Aug. 23, 2011	Aug. 23, 2011	Aug. 23, 2011
Issue (Grant) Date	Dec. 31, 2006	Mar. 31, 2007	Jun. 30, 2007	Sep. 30, 2007
Number of Options Granted	1,247	3,791	10,416	47,368
Percentage of Shares Exercisable to Outstanding Common Shares	0.00%	0.00%	0.00%	0.00%
Option Duration	6 years	6 years	6 years	6 yearss
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%
Shares Exercised	1,247	3,791	8,022	47,368
Value of Shares Exercised (NT$)	18	60	126	744
Shares Unexercised	0	0	0	0
Adjusted Exercise Price Per Share (NT$)	14.3	15.7	15.7	15.7
Percentage of Shares Unexercised to Outstanding Common Shares	0.00%	0.00%	0.00%	0.00%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

Employee Stock Options Granted	13th Grant	14th Grant	15th Grant	16th Grant
Approval Date by the Securities & Futures Bureau	Aug. 23, 2011	Aug. 23, 2011	Aug. 9, 2012	Aug. 9, 2013
Issue (Grant) Date	Dec. 30, 2007	Dec. 31, 2007	Aug. 14, 2012	Aug. 22, 2013
Number of Options Granted	299	87,895	1,346,795	1,436,343
Percentage of Shares Exercisable to Outstanding Common Shares	0.00%	0.01%	0.10%	0.11%
Option Duration	6 years	6 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%	2nd Year: Up to 50% 3rd Year: Up to 75% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	299	85,103	0	0
Value of Shares Exercised (NT$)	5	1,421	0	0
Shares Unexercised	0	0	1,346,795	1,436,343
Adjusted Exercise Price Per Share (NT$)	15.7	16.7	286.8	368
Percentage of Shares Unexercised to Outstanding Common Shares	0.00%	0.00%	0.10%	0.11%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

5.2. Employee Stock Option Granted to Management Team and to Top 10 Employees:

As of April 30, 2014 / Unit: share and NT$ thousand

Title	Name	Number of Option Acquired	Number of Option Acquired / Number of Option Issued	Exercised				Not Exercised			
				Number of Option	Exercise Price (NT$	Option amount	Number of Option / Number of Option Issued	Number of Option	Exercise Price (NT$	Option amount	Number of Option / Number of Option Issued
Key Managers	None										
Employee	Bernard Tenbroek Esben Randers Henry Vickers James K Farley Joern Soerensen John Finbarr Moynihan Jonathan Strange Michael Ashburn Palle Brik (Note) Zoran Zvonar	1,064,674	0.08%	73,272	324.9	23,804	0.01%	991,402	348.8	345,782	0.07%

Note: This employee is no longer with the Company as the print date of this annual report

6. Status of New Employees Restricted Stock Issuance:

None

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions

7.1. Items to Disclose for Acquisition Completed in 2014 to the Printing Date of this Report

7.1.1. Underwriter's evaluation opinion on the recent acquisition:

Evaluation report prepared by Yuanta Securities in this first quarter of 2014:

Date of acquisition	March 31, 2014
Business after acquisition	MediaTek Inc. (MediaTek) completed the acquisition of MStar Semiconductor Inc. (MStar). MStar's cell phone & wireless communications team is being integrated with MediaTek's cell phone team, while MStar's TV IC team is operating in accordance with the terms approved by China's Commerce Ministry.
Financial position after acquisition	Due to increasing demand of smartphone and tablets, MediaTek's 1Q 2014 consolidated revenues achieved NT$46,005,002 thousand, an increase of 15.60% from the NT$39,797,914 thousand reported in 4Q 2013. Comparing YoY, 1Q 2014 grew by 91.89% from the NT$23,974,209 thousand reported in 1Q 2013.
Shareholders' equity after acquisition	MediaTek expects to strengthen its R&D ability through the integration of both of the cell phone IC and wireless communication teams, expand global business and operations, as well as enhance the Company's competitiveness and operating performance, which should drive growth in earnings and revenues. We expect this acquisition to contribute positively to shareholders' equity.
The anticipated benefits after acquisition	After the completion of the merger, MediaTek has integrated both cell phone & wireless communications teams, thus enhancing the Company's global competitiveness in the IC design industry. As digital devices are gaining popularity globally, the benefits after the acquisition has been reflected in MediaTek's recent revenue performance.

7.1.2. Recent Execution Status and Specify Any Impact on Shareholder's Equity and Improvement Plan if the Execution doesn't meet Expectations:

Not applicable

7.2. Information to Disclose and Acquiree's Basic Information for Any Acquisition or Share Exchange Plan Approved by the Board in 2013 to the Printing Date of this Report:

Company Name	MStar Semiconductor, Inc.
Company Address	4F-1, No. 26, Tai-Yuan St., ChuPei Hsinchu Hsien, Taiwan
Chairman	Wayne Liang
Paid-in Capital (NT$)	5,326,092,320
Major Business	Research, develop and market display-related ICs, communication / networking-related ICs and RF system-related ICs
Major Products	Display-related and communication/networking related ICs

7.3 The MStar Semiconductor, Inc. ("MStar") merger was approved by MediaTek's extraordinary shareholder's meeting on October 12, 2012. The terms of the merger was for one MStar share in exchange for 0.794 MediaTek share plus NT$1 in cash, as approved by both companies' extraordinary shareholder's meeting.

On August 26, 2013, the merger between MediaTek and MStar received conditional approval by China's Commerce Ministry. In accordance with the conditional approval, an execution plan was submitted for examination. On November 26, 2013, approval of the execution plan was received, and in January 2014, the supplemental materials of the execution plan were also approved. In January 2014, the board of directors of MediaTek and MStar both agreed to proceed in accordance to the approved execution plan and supplemental materials, which specified that MediaTek acquired control of MStar (the date of acquisition). MediaTek's equity stake of 48% of MStar's outstanding shares using the equity method was re-measured based on a fair value as of the acquisition date. Any resulting differences would be accounted for as investment disposal gains.

Subsequently, in February 2014, in accordance to relevant regulations, MediaTek issued 221,123,877 new shares and paid cash of NT$278,494 thousand to acquire MStar's remaining 52% of outstanding shares. On February 1, 2014, the record date of the acquisition, MStar was delisted from the Taiwan Stock Exchange, and merged into MediaTek, with MediaTek being the continuing company. Since controlling interest of MStar has already been achieved, the issuance of new shares and cash payments for 52% of the outstanding shares would be accounted for as an equity transaction.

In accordance to the conditional approval by China's Commerce Miniistry, MStar's cell phone IC and other wireless communication businesses can be integrated into MediaTek's operation. TV ICs and other related businesses will continue to operate independently as a subsidiary company of MediaTek, named MStar Semiconductor Inc. (MStar Taiwan). After 3 years, and the fulfillment of the acquisition conditions, MStar Taiwan then may be integrated into MediaTek. Synergies between MediaTek and MStar will mainly be in the wireless and handset IC businesses, through integration of research and development teams, and a combination of resources to improve R&D capabilities, global operations, and product development. As MediaTek continues to strengthen its global leadership, shareholder value will continue to be created from this acquisition.

8. Financing Plans and Implementation

8.1. Uncompleted share issuance or private placement or completed transactions without expected benefits in the past 3 years:

None

V. Business Activities

1. Business Scope

1.1. Business Scope

1.1.1. The Main Business Activities of MediaTek

A. Design, develop and market the following products:

B. Multimedia Integrated Circuits (IC);

C. Computer peripheral ICs;

D. High-end digital consumer ICs;

E. Other application specific ICs;

F. Patent and circuit-layout licensing and services of the above-mentioned products

G. Provide the above-mentioned products with software and hardware application design, test, maintenance, and technological consultation services

H. Import and export of the above-mentioned products

1.1.2. Revenue Mix (2013)

Product Category	Multimedia Chipsets	Others*
Revenue Mix	99.22%	0.78%

*Note: Others include revenue from technical services and licensing fees.

1.1.3. Products Currently Offered by MediaTek

A. Mobile communication chipsets;

B. Tablet chipsets;

C. Bluetooth chips;

D. Wireless LAN (WLAN) chips;

E. Global Positioning Satellite (GPS) chips;

F. NFC (Near Field Communication) SoC;

G. Connectivity combo SoC that integrated Bluetooth, FM, WLAN, GPS, etc

H. Multimode wireless power chips;

I. Wearable device SoC;

J. Optical storage chipsets;

K. DVD player SoC;

L. Blu-ray DVD player chipsets;

M. Highly integrated digital TV controller chips;

N. ATSC and DVB-T TV decoder and demodulator chipsets; and

O. xDSL chipsets

1.1.4. New Products Planned for Development

A. Next generation highly-integrated mobile communication chipsets;
B. Next generation tablet chipsets;
C. Next generation high-integration, high-sensitivity and low power consumption Multi-GNSS (GPS/GLONASS/Compass/Galileo) receiver chips;
D. Next generation highly-integrated multi-functional wireless communication SoC;
E. Next generation highly-integrated low-power WLAN and WPAN chipsets;
F. Next generation wireless charging chips;
G. Next generation wearable device chips;
H. Next generation highly-integrated Ultra HD smart TV chips;
I. Next generation highly-integrated Blu-ray SoC;
J. Next generation high-speed game console decoder chips;
K. Next generation highly-integrated xPON (X version of Passive Optical Network) chipsets

1.2. Industry Outlook

1.2.1. The semiconductor manufacturing supply chain:

The semiconductor industry can be categorized as: Upstream – IC design companies, midstream – wafer foundries, and downstream – IC packaging and testing service providers. The horizontal specialization is the main difference that sets Taiwan's IC industry apart from its overseas peers. Major international semiconductor companies usually operate vertically across the value chain, from IC design and manufacturing, to packaging, testing, to systems integration. However, in an industry environment that evolves rapidly that requires high capital expenditures, Taiwan's specialized model proves to be an out-performer vis-à-vis the integrated model.

The major operation of an IC design company is to design and sell semiconductor devices, or to design products according to customers' requirements. IC design is the upstream of the industry value chain, while other players in the backend of supply chain include photomask providers, wafer foundries, packaging and testing companies, etc. In general, IC companies outsource almost 100% of photomask, wafer fabrication, and IC packaging to specialized manufacturing partners. Most companies also outsource their IC testing work to specialized testing houses, while some IC design companies keeps a certain portion of testing in-house.

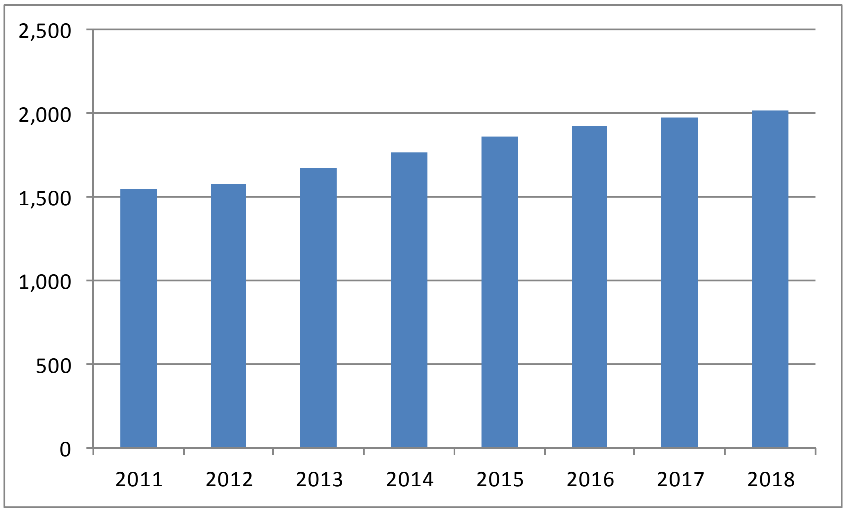
In the semiconductor supply chain, the IC design industry is a knowledge-intensive industry with a relatively high return on investment. Thanks to Taiwan's complete semiconductor industry ecosystem and the ample talents, IC design is a thriving industry in Taiwan.

1.2.2. Industry Outlook, Trends and Competition

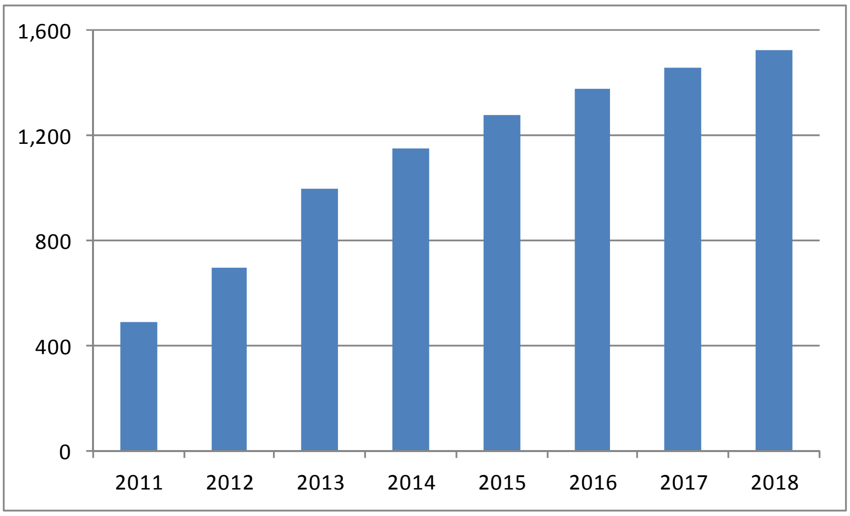
A. Wireless Communications Products

The wireless communication industry is booming and relevant applications are growing, with handset shipments being the highest value in this industry. According to Strategy Analytics, worldwide handset shipment has reached 1.7 billion units in 2013 and the number is expected to grow steadily to 2 billion units in 2018, thanks to the growth of smartphone volumes. Global smartphone shipments were about 1 billion units in 2013 and the number is expected to grow to close to 1.5 billion units in 2018, rapidly driving the growth of the wireless communication industry.

(In million units) Worldwide Handset Shipment Forecast



(In million units) Worldwide Smartphone Shipment Forecast



Source: Strategy Analytics, September 2014

3G networks have been widely-deployed globally and have driven the growth of smartphone shipments. Smartphones have replaced feature phones in many countries as the leading handset type, and this trend is rapidly spreading to the emerging markets. Moreover, the functionality of smartphones increases through a full-time connection to Internet. Aside from voice communication and camera functionality, the rise of applications such as video streaming, social networking, and data transport transmission and sharing, and others contribute to the popularity of smartphones. Recently, mobile operators such as China Mobile also aggressively roll out 4G networks, offering users even faster data speeds. We expect this trend will drive the rise of data-intensive applications, and spark the next wave of phone replacement purchases.

Tablets are also emerging as another important wireless communication device with a variety of choices for customers. According to IDC's estimates, global tablets shipment is anticipated to achieve 220 million units in 2013 and is becoming another main growth driver for the industry. Moreover, the attach rate of wireless solutions such as Bluetooth, WLAN, GPS and NFC are high-end technologies that continue to upgrade in mobile devices including but not limited to mobile phones, tablets or the newly-emerging wearable devices, these peripheral chips are also an important growth driver to the industry.

The smartphone and tablet supply chain is becoming more mature while the specifications and features upgrades driving larger screen sizes, higher screen and camera resolutions, stronger CPU (single core to Octa-core), and 64-bit processing, the functionality of wireless communications saw additional functionality such as NFC and upgrades to 11ac, enabling handset manufacturers to launch a wide range of smartphones and tablets to stimulate end market demand.

The rapidly growing wireless communication markets comes with intense competition, primarily from semiconductor companies in the US, Europe, China and Taiwan. Not only will semiconductor companies have to keep up with new technology standards and launch more advanced products to compete but also need to compete on cost optimization and technical support to offer the best total solutions to customers.

For smartphone products, MediaTek will establish partnerships with worldwide operators and distribution channels to aggressively develop 3G/3.5G/3.75G/TD-SCDMA/4G and Open OS mobile communication technologies to expand the global market. For legacy feature phones, MediaTek will continue its efforts in building more features into products to achieve a higher level of differentiation for customers. On the tablet front, MediaTek will further optimize multimedia functionalities and enhance performance to expand market size. As for Bluetooth, WLAN, GPS, NFC and other peripheral chips, MediaTek will enhance product competitiveness by supporting the latest standards and will expand to other consumer electronic platforms such as e-books, game consoles, TVs, set-top boxes, digital cameras, etc.

B. Digital TV Products

Global television broadcasting has gradually switched from analog to digital signals, and smart TVs are brining additional interactivity to user experiences. With Ultra High Definition (UHD) becoming a mature technology, global digital flat panel TV shipments is enjoying resurgence in growth.

The current major trend for TV manufacturers is to seamlessly connect TVs, smartphones, tablets, and other devices to create a convenient interactive environment. Features such as wireless connection and interactive input systems are becoming popular, and are expected to become standard features on smart TVs.

After the specifications of the UHD coding and decoding technology has been published, content provider companies, TV operators, and video streaming services are aggressively preparing for UHD videos and expect further UHD TV sales growth. MediaTek leads the industry in launching multi-core smart TV SoCs supporting UHD which were adopted by various international brands and remains the industry-leading solutions.

C. Digital Consumer Products

Blu-ray DVD player shipments has been flat to slightly down since 2013, with the traditional DVD player gradually being replaced by video/audio streaming services. However, the specifications for Blu-ray also include Internet access and online streaming, and the popularity of 3D and High Definition TVs will drive continuous replacement demand of basic DVD players. Thus, we expect sales of Blu-ray DVD players will remain stable.

D. Optical Storage Industry

The PC industry changes quickly. Optical disc shipment volume and market prospects are impacted by the newly-emerging form factors such as ultra-thin notebook and tablets that don't carry optical discs. Existing optical storage product types, such as DVD-ROM and DVD-Rewritable are both mature products. Although there remain competitors in this sector, MediaTek maintains a high market share by enhancing its core competitiveness and customer service.

Despite the optical disc market for IT has slowed down, the end demand for optical disc remains stable due to its convenience for consumers. MediaTek will leverage its experience and use the spirit of innovation and service to expand its market share by meeting worldwide customers' demand.

E. Broadband Networking

The global broadband industry continues to grow, thanks to the increasing number of broadband users. According to Point-Topic research, there are approximately 670 million global broadband users at the end of third quarter 2013, with a CAGR of 7.7%. Most of the growth contributions in broadband is from Fiber to the Home (FTTH), the user base increased 13.6% at the end of third quarter 2013, with an annual growth of 70%. Secondly, the number of subscribers, including FTTB/VDSL, also increased 5% quarterly, with an annual growth of 20%.

Global Broadband Users (Accumulative)

Complementary to the steady growth of FTTH, FTTdp is another emerging technology due to high labor costs, and the difficulty of wiring and installing FTTH in some regions. FTTdp can offer VDSL& G.fast technology with higher bandwidth of 200Mbps~500Mbps in these regions, and competes with the DOCSIS3 technology used by cable TV operator. Meanwhile, although FTTdp enables operators to highly utilize the existing copper wire networks, its drawback are the physical character of high interference and higher cost per bit. Telecommunication operators realize that FTTH remains the better broadband technology for now and will gradually transit towards FTTH for the time being.

1.3. Technology and R&D

1.3.1. R&D Spending

MediaTek's R&D spending in 2013 was NT$ 26,453,942 thousand, and from January 1st 2014 to the printing date of this annual report, the R&D spending was NT$ 8,915,460 thousand.

1.3.2. Developed Technologies or Products in the Last Fiscal Year and Year-to-Date

A. Highly integrated GSM/GPRS SoC for multimedia phones;

B. Highly integrated WCDMA/TD-SCDMA chipsets for smartphones;

C. First generation LTE chips;

D. Highly integrated tablet chipsets;

E. Highly integrated WLAN SoC;

F. Highly performance/Cost NFC chips;

G. Highly performance/Cost multifunction wireless SoC;

H. Highly receiving/low power GNSS chips;

I. Highly integrated 24x DVD-Rewritable SoC;

J. Highly integrated 16x Blu-ray multifunction rewritable SoC;

K. Highly integrated 3D Blu-ray DVD player SoC;

L. Highly integrated UHDTV chipsets;

M. Highly integrated ADSL WiFi Gateway & IAD chipsets;

N. Highly integrated VDSL2 IAD chipsets.

1.4. Long- and Short-Term Business Development Plans

1.4.1. Short-Term Business Development Plans

A. Continue to develop competitive mainstream products, adopt more advanced process nodes and optimize circuit design to meet the market demand.

B. Fully understand customers' needs and offer comprehensive solutions with fully-integrated services to facilitate customers to time to market and seize market opportunities.

C. Enhance existing long-term partnerships with customers/operator as well as expand the customer base and market share by implementing efficient marketing strategies.

D. Maintain close relationship with the supply chain including foundries, packaging and testing houses. Ensure real-time communications with customers and manufacturing partners to respond to market changes quickly and effectively, secure sufficient capacity, ensure smooth delivery and AR/inventory management.

E. Sustain systematic and flexible financial systems to support all RD and sales activities.

1.4.2. Long-Term Business Development Plans

A. Participate actively in global standard committees and strengthen long-term cooperation with international customers to develop diversified business opportunities.

B. Continue to develop innovative products and maintain a market-leading position in different markets.

C. Continue to work closely with the supply chain and further develop cost-effective solutions.

D. Recruit and retain global talents with different expertise for future products and market development. Establish complete internal training systems to share knowledge and experiences.

E. Establish comprehensive global management systems to ensure effective internal and external communications. Sustain good relationship with capital markets and seek targets for further sales developments.

2. Market, Production, and Sales Outlook

2.1. Market Analyst

2.1.1. Major Markets

Region	Year 2013	
	Sales (NT$1,000)	Percentage
Export sales	127,365,054	93.61%
Domestic sales	8,690,900	6.39%
Total	136,055,954	100%

2.1.2. Market Share

According to an iSuppli Report published in Dec 2013, the worldwide semiconductor device industry revenue was US$317.9 billion in 2013; MediaTek's market share was 1.4% and ranked no.14 worldwide, slightly better than the previous year's no.17.

2.1.3. Major Markets

A. Wireless Communications Products

The wireless communication industry, especially smartphone and tablet markets, is expected to continue to grow, thanks to the increasing popularity of 3G network as well as the commercialization of 4G network technology. Customers are focusing more on products specifications, driving the need for enhanced efficiency of CPU and GPUs, high-speed transmission of wireless communication and integration with high-performance processors. The demand for integration of Bluetooth, WLAN, GPS, and NFC functionality is expected to increase further and expand to other customer electronics such as e-books, gaming devices, TVs, set-top boxes, digital cameras, etc.

B. Digital TV

The demand for digital TV ICs is expected to increase, driven by the growing smart TV penetration and the growth of UHD TVs. By providing the most highly-integrated digital TV SoC, MediaTek has not only penetrated international tier-one TV companies' supply chains but also successfully established long-term strategic partnerships with customers to maintain a market leading position.

C.. Digital Consumer Products

MediaTek has established leading positions in the DVD and Blu-ray player IC market. For the future Blu-ray DVD player market, other than traditional disc rental, sources of high definition contents include online video/audio streaming services that are gaining popularity. Blu-ray can be regarded as a set-top box with disc broadcast functionality so as to maintain its market share. MediaTek expects to maintain the leading position by continuously developing competitive products with high integration and new features as well as establishing long-term relationships with important electronic consumer companies.

D. Optical Storage Products

MediaTek is currently the only fabless company in the world that can provide a complete range of products, ranging from CD-ROM controller ICs, DVD-Rewritable products to the latest Blu-ray DVD products. On top of that, MediaTek's total services also help accelerate customers' time-to-market and time-to-profit. This is why MediaTek has been able to maintain a leading position despite stiff competition. Economics of scale is a key success factor in the optical storage industry. MediaTek is committed to maintaining a close relationship with customers and also offer better services to maintain its market leadership.

E. Broadband Networking

Despite a stable level of ADSL shipments, market share is still expected to further expand with the launch of next generation high performance/cost products. To meet the increasing demand in VDSL products, MediaTek offers an integrated VDSL2 IAD chipset, which is adopted by more than 10 equipment manufacturers and is expanding its market reach to overseas operators. MediaTek expects shipment to grow rapidly based on the current product offerings from this year and will also begin development of chipsets for xPON equipment to prepare for the next wave of growth.

2.1.4. Competitive Advantage

A. Outstanding Team

MediaTek's management team has been working together in the multimedia industry for years and has grown with the participation of outstanding talents. Many of our staff consists of senior IC design and system engineers and over 90 percent of our employees hold a Master or above degree. The exceptional quality of human resources and team spirit developed through long-term cooperation are the key factors that have enables MediaTek to cultivate a great culture for the company's long-term prosperity, and deliver continuous innovation.

B. Strength in System-on-a-Chip (SoC) Development

SoC has been a hot topic of the technology industry for many years. MediaTek has a large pool of talented IC and system designers. Through their joint efforts, we have been able to launch competitive SoC products every year.

2.1.5 Positive Developments, Negative Risks, and Countermeasures

Positive Developments

A. Smartphones and Tablet are Expected to Become Mainstream with a New Wave of Replacement Demand Stimulated by 4G Communication

Handheld devices such as smartphones and tablets are getting more and more popular and driving growth for relevant semiconductor industries. MediaTek has continuously developed mobile phones and tablets to equip our customers with complete and stable integrated solutions. The market's appetite for richer multimedia features is a positive factor for MediaTek's peripheral chips such as Bluetooth, FM, WLAN, GPS, NFC among others. MediaTek is able to leverage and integrate wireless communication technologies with the solid multimedia features and other MediaTek products to shorten our customers' development cycle by providing highly-integrated total solutions.

Additionally, MediaTek has aggressively invested in 4G technologies and successfully developed five-module 4G chipsets which can support FDD-LTE, TDD-LTE, WCDMA, TD-SCDMA and GSM. As China expands and continues to promote transition to 4G networks, we expect higher and smoother data speeds will enable consumers to enjoy richer multimedia features. This will attract users to upgrade their smartphones from 3G to 4G and trigger the next wave of replacement demand and drive the growth of wireless telecommunication chipsets.

B. UHD TVs to Become the Focus of Home Entertainment Centers

After the announcement of decoding specifications for UHD TVs, service providers are aggressively expanding distribution channels to demonstrate the enhanced picture quality which making UHD TVs to become the focus of home entertainment centers. Integrating that with

Smart TV, users can not only enjoy Internet browsing, video playback, video phone but also can install apps and games on TVs to achieve a better user experience via the fine picture quality.

C. Emerging Markets and New Technologies to Become Growth Drivers for the Broadband Market

ADSL is now the prevailing broadband technology. However, with the decrease in shipments of ADSL, VDSL and xPON have emerged as a newer technology, and have reached 40% of the market. It is estimated that VDSL and PON will reach over 50% by 2016, and still sustain growth through replacement of legacy ADSL.

D. Comprehensive IC Manufacturing Infrastructure in Taiwan

Taiwan has a well-developed IT industry and world leading IC manufacturing capability. The large demand in emerging markets is MediaTek's biggest opportunity and Taiwan's outstanding semiconductor manufacturing system provides fast and efficient supply to fulfill our customers' needs.

Unfavorable Factors and Countermeasures

The IT industry moves at a fast pace and new technology may emerge at any time. As a result, the lifecycle of our products maybe be cut short and the pricing pressures may increase. In the extremely competitive technology industry, MediaTek is always prepared and has been intensively developing new products, improving competitiveness, and providing better products from high-quality employees. In addition to continuing to market our existing products, we also work proactively on next generation products. We aim to increase our competitiveness by bringing high-quality products to the market ahead of our competitors.

2.2 Key Product Applications and Manufacturing Processes

2.2.1 Key Product Applications

MediaTek's major products include chipsets for wireless communication, digital TV, consumer electronics, optical storage and broadband networking for applications such as smartphones, digital TVs, PCs and various consumer electronics. Key product applications are listed below:

A. Wireless Communication

MediaTek's wireless communication chipsets are mainly used in entry-level, mainstream and mid/high end FDD-LTE/ TDD-LTE/ WCDMA/ TD-SCDMA/ EDGE smartphones and tablets as well as GSM/ GPRS/ EDGE/ WCDMA/ HSUPA/ TD-SCDMA feature phones. Peripheral chips such as Bluetooth, WLAN and GPS are mainly used in mobile phones, but can also be used in other applications such as game consoles, notebook computers, mobile TVs, e-book readers, and portable navigation devices, etc.

B. Digital TV
Digital TV decoder chips and demodulator chips are used to receive and decode digital TV signals. Digital TV controller chipsets are mainly used in digital flat panel TVs.

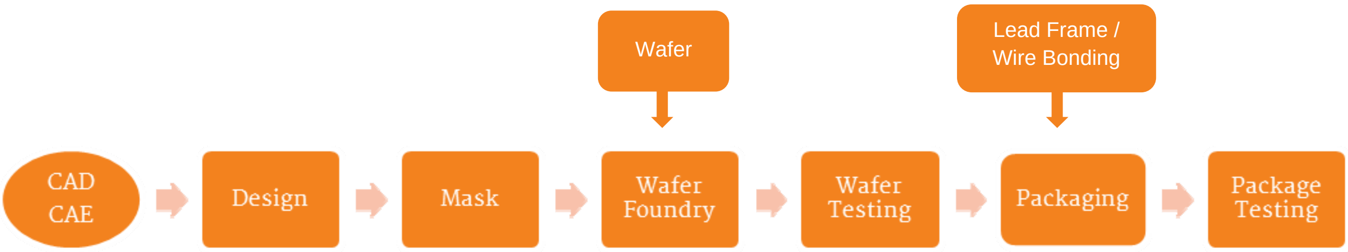
C. Digital Consumer Products
DVD player SOCs are mainly used in digital home appliances for DVD players. BD-Player SOCs are mainly used in higher resolution and richer functionality next-generation Blu-ray DVD players.

D. Optical Storage
DVD-ROM chipsets have two major applications. The first is in game console storage devices and the other in multimedia PC storage devices. DVD-Rewritable chipsets are used in high-end PC storage devices and recordable DVD players. BD chipsets are used in high-end PC storage devices and embedded Blu-ray optical disc drives in high-end TVs.

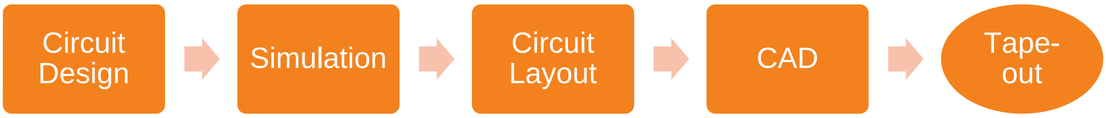
E. Broadband Networking
xDSL chipsets are used in digital modems which can be further categorized into the following by functionality: DSL Modem (purely for bridging purpose), Wired DSL Router(DSL Modem integrating routing function), Wireless DSL Router and IAD(integrating VoIP function). The new chipsets, GPON/EPON, are used in fiber-optic high-end modems and provide any kinds of functions such as Modem/Wireless/IAD.

2.2.2. Key Product Manufacturing Process

The chart below shows the process of developing an IC product:



A. Design Process
After the product specifications being defined, IC design engineers will start doing the circuit design, using computer-aided design (CAD) tools. Their job is to a blueprint that can be placed into production.



B. Photomask Process
Finished IC circuit designs are stored in a tape as a database for a masking company to produce the mask sets. There are four stages in the manufacturing of mask: Glass Process, Cr Film Coating, Resist Coating and Shipping. The finished masks are then delivered to a wafer foundry.

C. Wafer Foundry Process

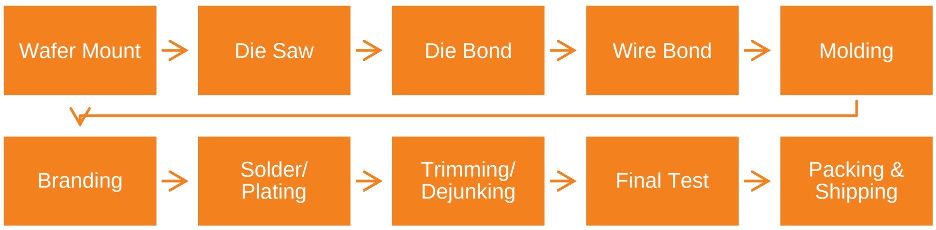
Wafer fabrication is outsourced to foundries. The wafer manufacturing process begins by entering a module, going through etching, photo, thin film and diffusion with masks. The finished wafers must be tested before shipping to the next stage.

D. Wafer Testing Process

A finished wafer must be checked for conformity in its electronic functions. Non-functional dies will be marked and sorted out later.

E. Packaging Process

The good dies on the wafer will go through the final packaging and testing process as indicated below:



2.3. Supply of Essential Raw Materials

Wafers are our major raw materials and they are mainly procured from our foundry partners, including Taiwan Semiconductor Manufacturing Limited Company (TSMC), United Microelectronics Corporation (UMC), Global Foundries, Dongbu Electronics (DBE), Shanghai Huali Microelectronics Corporation (HLMC), and GLOBALFOUNDRIES Singapore Pte. Ltd. These suppliers have been able to maintain good quality and process capability, satisfying MediaTek's requirements. We negotiate pricing with suppliers according to the market supply and demand conditions. We also review the production and service quality periodically with our suppliers. MediaTek not only continues to strengthen our cooperation with existing manufacturing partners, we also actively survey and contact other potential suppliers to ensure secured supply, high quality, and low cost procurement.

2.4. Key Supplies & Customers

2.4.1. Key Suppliers

Names of suppliers accounting for more than 10% of the total purchase in any of the previous two years:

2012				2013				2014.Q1			
Supplier	Amount Purchased (NT$1,000)	% of Total Purchase	Relation	Supplier	Amount Purchased (NT$1,000)	% of Total Purchase	Relation	Supplier	Amount Purchased (NT$1,000)	% of Total Purchase	Relation
Supplier A	23,748,747	53.82%	Not Related Parties	Supplier A	31,734,137	69.05%	Not Related Parties	Supplier A	13,482,588	68.77%	Not Related Parties
Supplier B	14,719,524	33.36%	Not Related Parties	Supplier B	7,871,563	17.13%	Not Related Parties	Supplier B	1,754,159	8.95%	Not Related Parties
Others	5,657,890	12.82%	Not Related Parties	Others	6,353,579	13.82%	Not Related Parties	Others	4,367,187	22.28%	Not Related Parties
Total	44,126,161	100.00%	Not Related Parties	Total	45,959,279	100.00%	Not Related Parties	Total	19,603,935	100.00%	Not Related Parties

2.4.2. Key Customers

Names of customers accounting for more than 10% of the total sales in any of the previous two years:

2012				2013				2014.Q1			
Customer	Sales (NT$1,000)	% of Total Revenue	Relation	Customer	Sales (NT$1,000)	% of Total Revenue	Relation	Customer	Sales (NT$1,000)	% of Total Revenue	Relation
Customer A	14,057,376	14.16%	Not Related Parties	Customer A	20,855,656	15.33%	Not Related Parties	Customer A	6,127,324	13.32%	Not Related Parties
Customer B	10,465,080	10.54%	Not Related Parties	Customer B	14,004,694	10.29%	Not Related Parties	Customer B	2,926,404	6.36%	Not Related Parties
Others	74,740,704	75.30%	Not Related Parties	Others	101,195,604	74.38%	Not Related Parties	Others	36,951,274	80.32%	Not Related Parties
Total	99,263,160	100.00%	Not Related Parties	Total	136,055,954	100.00%	Not Related Parties	Total	46,005,002	100.00%	Not Related Parties

Note: Reasons for change: Changes in product mix.

2.5. Production Volume and Value in the Past Two Years

	2012			2013		
	Production Capacity	Production Volume (1,000 pieces)	Production Value (NT$1,000)	Production Capacity	Production Volume (1,000 pieces)	Production Value (NT$1,000)
Multimedia and Handset Chipsets	N/A	1,698,768	62,676,035	N/A	2,172,623	71,726,876

Note: MediaTek outsourced manufacturing to wafer foundries, packaging houses and testing companies. There's no in-house production capacity.

2.6. Sales Volume and Value in the Past Two Years

	2012				2013			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)
Multimedia Chipsets	124,697	10,187,421	1,577,043	88,551,998	94,768	8,666,483	2,066,944	26,327,532
Others	N/A	14,406	N/A	509,335	N/A	24,417	N/A	1,037,522
Total	124,697	10,201,827	1,577,043	89,061,333	94,768	8,690,900	2,066,944	27,365,054

3. Employees

		2012	2013	2014 (As of April 30) (Note)
Number of Employees	Management	372	389	495
	R&D	6,243	6,262	7,122
	Sales & Marketing	253	277	278
	Manufacturing	131	137	142
	Total	6,999	7,065	8,037
Average Age		32	33	33
Average Years of Service		3.5	4.4	3.8
Education	Doctoral	5.22%	5.80%	5.96%
	Master	63.81%	65.00%	65.55%
	University & College	30.50%	28.78%	28.10%
	High School	0.47%	0.42%	0.39%
	Total	100.00%	100.00%	100.00%

Note: MStar employees are not included

4. Important Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Licensing & Settlement	ESS Technology International, Inc. and ESS Technology, Inc.	Permanently effective from June 11, 2003	MediaTek licensed ESS technology and settled the legal dispute	None
Licensing	Zoran Corporation and Oak Technology, Inc	Permanently effective from Jan. 25, 2006	MediaTek licensed Zoran's certain IP and its derivative IP	None.
Investment	NuCORE Technology Inc.	From April 19, 2007	MediaTek acquired 69% of NuCORE shares	None.
Acquiring Assets	Analog Devices, Inc.	Sep. 10, 2007	MediaTek acquired ADI's RF and baseband chipset operations	None.
IP Agreement	Qualcomm	Nov. 30, 2009	Patent agreement regarding CDMA and WCDMA core patents owned individually by both parties	None
Strategic Alliance	AST Technology (Suzhou)	From Jan. 2010	Cooperation in TD-SCDMA market	None.
Settlement	British Telecommunication, BT	June 2010	MediaTek has settled the litigation and signed a settlement agreement with BT. BT shall file for dismissal of the lawsuit and shall forever release MediaTek and its subsidiaries from any claims of infringement of the patent asserted in the litigation and its related foreign counterparts, continuations, etc. worldwide.	None.
Licensing	NTT DOCOMO Inc.	From July 2010	MediaTek licensed NTT DOCOMO's LTE technology	None.
Acquisition	Ralink Technology Corp.	March 16, 2011	Acquisition agreement	Under Article 15 of the contract, the deal shall be approved by the board and shareholders meeting of both companies and be approved by the authority. Each side shall obey the commitment, obligation, agreement in the contract, and the statements and assurance shall all be genuine.
Real Estate	Beijing Electronic Zone Ltd.	From May 23, 2011	MediaTek (Beijing) purchased office building	None
Strategic Alliance	Yahoo, Inc.	From June 1, 2011	To implement Yahoo services to MediaTek's new software platform.	None
Investment	Spice Digital Ltd.	From July 29, 2011	MediaTek Singapore licensed from Spice Digital	None
Real Estate	Winsome Development Corp.	From Feb. 13, 2012	Ralink Technology Corp. purchased office building	None
Patent settlement and licensing	Rambus Inc	From Mar. 5, 2012	Rambus agreed to license relevant patents for MediaTek's various products and also revoked all lawsuits outstanding.	None

Agreement Type	Counterparty	Term	Summary	Restrictions
Acquisition	Coresonic AB (Sweden)	From Apr. 10, 2012	MediaTek acquired 100% of Coresonic AB's equity	None
Investment	Softbank Princeville Investments, L.P.	From Apr. 23, 2012	MediaTek invested US$20 million in Softbank Princeville Investments, L.P.	None
Strategic Alliance	Twitter	From Jul. 11, 2012	MediaTek and Twitter announced global strategic alliance	None
Real Estate	MediaTek (Chengdu) Inc	From Aug. 3, 2012	MediaTek (Chengdu) engaged others to build new office building on rented land	None
Acquisition	MStar Semiconductor, Inc.	Aug. 14, 2012	Merger agreement	Article No.13 in the merger agreement: This Agreement shall become effective after approval by the respective shareholders' meeting of both parties in accordance with related laws and regulations. Nonetheless, prior to the resolution of both parties' shareholders meeting, the obligation to take action or take no action as specified in this Agreement shall have a binding effect, and both parties shall perform such obligation based on the principle of honesty and good faith.

VI. Corporate Social Responsibility

1. Corporate Promise

1.1. Employee Relations

MediaTek Corporation has followed its “humanistic” principle in cultivating a healthy relationship with its employees. The designated Employee Relations Department is responsible for planning, promoting, and implementing initiatives that lead to a positive and proactive relationship with our employees. We believe, this is one of the key elements of MediaTek’s ability to maintain growth. The framework for how MediaTek manages its employee relations is as follows:

A. Communication with Employees

A variety of mechanisms are in place for the purpose of communication between employees and supervisors as well as evaluating the effectiveness of communication. Some of the initiatives include “Understanding MediaTek’s Business Operations,” “Knowing Your Manager,” “Improving the Working Environment,” and “Reaching a Consensus,” which are conducted both in-person and electronically. These initiatives are carried in a matrix-type framework so that employees can better understand and carry out MediaTek’s policies, while improving the work environment. Open around the clock and 365 days per year, the mutual communication platform responds to employees’ feedback in a timely manner. In addition, regular face-to-face meetings are held for employee representatives to meet with top management to response and discuss major topics. These initiatives and mechanisms are integral to a healthy communication between MediaTek and its employees as well as a cohesive environment.

B. Employee Cohesiveness

Beside the formal channels of communication, MediaTek also hosts different types of events. There are company sponsored events such as year-end parties, anniversaries and MediaTek family days; holiday celebrations on Engineers’ Day, Valentine’s Day, Mother’s Day, Father’s Day, Mid-Autumn Festival; and departmental activities such as the department’s Family Day, the department’s travels and joint birthday celebrations, travels, and clubs, etc. The key to success is to design activities that fit the employee’s needs so that employees will participate with their families. Through these activities we can strengthen the interaction and connection between MediaTek and its employees. Since MediaTek began promoting various employee clubs, there are 35 clubs running in total, including a newly-established jogging club in 2014, at the headquarters of 4,000 employees. With more than half of our employees belonging to at least one club, MediaTek effectively promotes the expansion of these clubs through company reimbursements and allowances. These clubs are highly valued as they create employee cohesion and a sense of community.

C. Health Promotion

Each employee can refer to the regulations and documents of labor health and safety which are posted on the corporate intranet. The environmental management council was set up to deliver training and concepts of disaster prevention to employees.

MediaTek firmly believes that “healthy employees are essential to high productivity” and is deeply committed to promoting both the mental and physical health of its employees. In terms of physical health, MediaTek has provided high quality health checks and post-check consultations to its employees for the past nine consecutive years. Higher-risk groups such as executives, female staff, and testing staff receive additional testing such as eyesight checks, mammograms, cervical smear tests, and blood lead concentration tests, etc. The focus is placed on preventive care so that effective treatments can be given before actual symptoms occur.

MediaTek places equal emphasis on the physiological aspect of overall healthcare. Employees are encouraged to use onsite fitness centers or participate in cross-departmental competitions. MediaTek also designs different programs targeting at different employees who regularly or rarely exercise. This type of initiative is aimed at helping the staff develop regular exercise routines. The utilization rate for the various sports facilities at the Health & Lifestyle Center (including a fitness center, badminton court, basketball court, table tennis room, aerobics room) is currently near 100% in the evenings. MediaTek also hires blind masseurs recommended by the Taipei Association of Blind Masseurs whose services are provided inside the fitness center.

On the mental aspect of overall healthcare, in order to relieve the mental strain of employees while encountering emergency matters, MediaTek provides emergency relief measures, holding mental health lectures and an assessment service based on the Mental Stress Index. We have also signed contracts with professional Employee Assistance Program to let employees acquire professional consultancy and assistance without pressure, under the conditions of privacy protection.

D. Employee Services

Employee services include not only MediaTek's overall policies and software/hardware facilities, but also an employee-friendly working environment. Such an environment would also meet the employees' personal needs. There are authorized stores, ticket/gift certificate ordering services, and concierge services that help employees plan for wedding parties/baby showers. These thoughtful services help employees save a great deal of time and stress. Meanwhile, employees also can understand the comprehensive caring culture within MediaTek.

E. Care for the Employees and Their Families

The Employee Relations Department provides one-on-one care and assistance to individual employee issues and needs. The services provided by the department range from emergency assistance (such as car accidents or family emergencies) and psychological counseling/referral. The regular "Employee Satisfaction Survey" which identifies departments with lower-than-average results and further diagnoses the problems through a "Department Morale Survey", focus group interviews, and random interviews to help the department take necessary rectification measures.

Also, MediaTek understands that behind every hard-working employee is a supportive family. The "Family Network" is one of the company's initiatives in helping employee families understand the company, build a community for the employee families and provide information such as medical care, childcare and education, apartment rental and home buying, etc. There is also a family activity room in the Health-and-Life-Style Center where families can organize their own classes and create a strong bond amongst the community. Take 2013 for example, there were five classes organized, including family study group, art class, dance class, kids' English class and yoga class, with more than 250 people participating.

F. Employee Welfare Committee

MediaTek has established an Employee Welfare Committee (herein referred to as the Committee) in accordance to the Council of Labor Affairs "Rules Governing Organization of Employee's Welfare Committee." The Committee is responsible for promoting various employee activities and funding those activities. The Committee aims to organize a wide-range of activities that achieve both employee cohesiveness and personal flexibility. For example, the Committee offer allowances for Family Days and birthday celebrations for each department. It encourages each department to organize team-building activities for both the staff and their family members. Employees can choose to use their travel allowances on personal travel or company-sponsored group travel. Since the Committee's inception, the utilization rate of various welfare allowances have exceeded 95%, which reflects the true spirit of the employee's welfare committee.

G. Continuing Education and Training System

MediaTek provides a comprehensive, humanistic training system. The training system is integral to MediaTek's continuous growth by serving as a learning environment that allows employees to meet their full potential. There are four types of training, each based on the employee's rank and nature of work:

(a) Management Training System: The management training system helps managers develop their training blueprint based on the skills required for their positions.

(b) Engineer Training System: The engineer training system provides training and development courses for engineers who wish to grow professionally.

(c) Professional Knowledge Training System: The professional knowledge training system offers non-engineering training, such as basic management, legal affairs, intellectual property, information technology, human resources, accounting and finance, marketing & sales, language training etc.

(d) Orientation System: The new staff training system provides training for new employees and engineers.

Total education and training costs for 2013 and year to date of the annual report is as follows:

	2013				Jan. 1 to Apr. 30, 2014			
	classes	Numbers of people	hours	Total fee($NT)	classes	Numbers of people	hours	Total fee($NT)
Management ability	36	1,875	6,335	32,797 thousand	10	217	1,273	11,122 thousand
General Education of new employees	8	360	2,470		3	96	192	
Professional ability	13	649	6,203		4	96	788	
Personal effectiveness	29	1,028	5,655		7	290	2,331	
Engineering technique	76	1,392	2,759		7	166	3,378	
Language training	35	311	10,165		0	0	0	
External training	254	387	6,128		9	14	215	
Total	451	6,002	39,715		40	879	8,177	

H. Retirement system

MediaTek's retirement system was designed in accordance to the Labor Standards Law and the Labor Pension Act. The retirement system makes monthly reserve deposits into the funds held at the Supervisory Committee on Labor Retirement Funds account at the Central Trust of China. Since the promulgation of the Labor Pension Act on July 1st of 2005, employees have been given the option to stay with the Old System or the New System (but keep the number of working years). For employees who chose the New System, the company makes monthly reserves of at least 6% of the employee's monthly salary statements in accordance with Financial Accounting Standard No.19 "Employer's Accounting for Pension Plans" and provides actuarial reports and recognizes the reserve as a pension liability on the balance sheet.

1.2. Supplier Management

As a responsible corporate citizen, MediaTek is committed to implementing environmental-friendly and carbon-reducing initiatives on the basis that the quality of products and services are unchanged.

MediaTek has established the "MediaTek Environment-Friendly and Carbon-Reducing Products Policy," which encompasses four major areas of demands for its suppliers.
This policy demands suppliers to make changes in the areas of design, material, transport, and minor details. Descriptions of each item are as follows:
A. Design: simplify product structure through green design in order to reduce the use of consumables and the use of pure gold in IC packaging.
B. Material: The entire product line should meet the European Directive on the "Restriction of the Use of Certain Hazardous Substances." The manufacturing process should incorporate halogen-free material and reduce the use of chemicals.
C. Transport: Use recyclable material and reduce the use of consumables during the process of loading and transporting ICs.
D. Minor Details: Inspect the IC manufacturing process to avoid excessive waste of resources, such as water and electricity.

2. Social Participation

2.1. Social Contributions

2.1.1. Sponsor the "NTHU - MediaTek Dr. Wu Ta-You Scholarship"

The scholarship was established to honor the spirit of Dr. Wu Ta-You, who believed in cultivating top university students' interest in academic research and cross-strait academic exchanges. Since 2005, MediaTek has exclusively sponsored National Tsing Hua University with the Dr. Wu Ta-You Scholarship. Each year, 30~50 outstanding NTHU sophomores and juniors receive a NT$20,000 scholarship and an opportunity to attend a 2-month-long research seminar in tier-one universities in China. The sponsorship program also includes inviting 30~50 outstanding students from mainland China universities to visit Taiwan to advance the mutual understanding academically and socially.

2.1.2. Establish the MediaTek Fellowship

MediaTek is deeply committed in its efforts to promote science education. The MediaTek Fellowship was established in 2002 with the purpose of encouraging graduate students who wish to go on to a Ph.D. program domestically. The fellowship is intended to reward outstanding graduate students in the field of electric engineering and information technology. Since 2002, 45 students have received the fellowship, each receiving NT$50,000 per month for as long as 48 months. The fellowship allows the students to dedicate themselves to research. Some of the fellowship recipients have entered the industry or back to academia and begun making contributions in the field of research.

2.1.3. Establish the MediaTek Cross-Strait Scholarship

Starting from 2009, MediaTek Foundation provides scholarship to cross-strait exchange students and researchers to fund graduate students, Ph.D. students, and post-doctoral researchers of electronic engineering, electronic machinery, and computer science related fields. Each year, around 15 candidates are entitled to up to 12 months of scholarship.

2.1.4. Establish Scholarship for Mainland China Students

To encourage outstanding Mainland China students to pursue master and/or Ph.D. degrees in Taiwan to enhance cross-strait sharing, MediaTek established scholarship designated for Mainland China students since 2011.

2.1.5. Partnership with Academia and Research Publications

MediaTek has made significant achievements in 2013 both in product sales and technical developments. MediaTek ranks as the world's third largest fabless IC design company, looking forward, we will aggressively pursue talented individuals to join us to compete at the global level. Hence, MediaTek set up MediaTek-NTU Research Center and MediaTek-NCTU Research Center in 2013 and also the MediaTek-NTHU Research Center in March 2014.

Seeing Smart Handheld devices becoming more ubiquitous, the promotion and cost effectiveness of computing and connected capabilities, cloud service, and multi-functions of IP Multimedia Subsystem (IMS), drives technical issues such as large data transmission and the overloading of Mobile Networks. Therefore, the short term target of three research centers is to develop advanced technologies and applications of fifth-Generation communication devices. At this present stage, MediaTek-NTU Research Center focuses on wireless access point, smart handheld, mobile networks and mobile application service etc. MediaTek-NCTU Research Center is to reinforce the formulation of telecommunication standard and mobile computing. MediaTek-NTHU Research Center is to focus on new-generation application processor, computer and communication system, and application system program. The establishment of the three research centers shows further cooperation with universities and that we understand the need for research and development, support the Company to captivate future trends, develop technical plans, and commit resources to long-term investments in Taiwan. With these efforts we hope we can take advantage of key techniques and obtain preemptive opportunities in the blueprint for advanced technologies.

Simultaneously, from 2014 onwards, MediaTek has been undertaking the plan of doctoral scholarships at the three research centers (mentioned above). Students accepted into the scholarships will receive support for up to four years of study. This plan aims to incentivize students to continue with further higher education, and provide a solution for the decreasing enrollment of PhDs. We hope to nurture doctoral talents for developments of more leading-edge technologies.

Apart from expanding resources of Industry-academy cooperation in Taiwan, overseas MediaTek Industry-academy cooperation remains another long-term commitment of the Company. The cooperation between MediaTek and Peking University has reached its seventh year of research on Efficient Video Coding Technology. This year, the company also established long-term cooperation with University of Science and Technology of China, setting up the Mediatek-USTC High Speed IC Design and System Integration Lab. Moreover, cooperative proposals with MIT, Mississippi, The National University of Singapore, Nanyang Technological University are also under way. We don't limit to Taiwan when it comes to incubating talents to create more opportunites. On the other hand, MediaTek actively takes part in international seminar. In 2013, MediaTek sponsored activities such as the 2013 JEDEC international standard setting conference, 2013 IEEE SiPS Conference seminar, 2013 VLSI seminar, IEEE 2013 ISLPED seminar, and the ISAP 2014 International Symposium on Antenna and Propagation, etc.

MediaTek has invested in Industry-academy cooperation over 10 years, and every proposal showcases our commitment and record in social participation. From the applied number of patents, the number of articles selected by ISSCC, and competitive scores of our scholarship students, MediaTek also attracts a considerable number of quality students to join our Company after their education. The Company's attitude toward R&D is more pro-active with a record eight technical articles selected by IEEE International Solid-State Circuits Conference (ISSCC) last year. This record is achieves not only first place in Taiwan, but also a record high from the semiconductor industry. Ming-Kai Tsai, our chairperson, was also invited to give a special topic presentation, "Cloud 2.0: the trend and challenge of mobile terminal and telecommunication", at the 2014 ISSCC annual forum, the content is to concentrate on cloud 2.0 semiconductor devices and the development of IoT (Internet of Things). MediaTek is the only company publishing articles at the IEEE International Solid-State Circuits Conference (ISSCC) for eleven consecutive years.

2.1.6. Promoting General Education on Sciences

Since 2009, MediaTek has sponsored National Tsing Hua University and National Pingbei Senior High School with the "Small Tsing Hua Plan", a project to enhance the educational level of remote countries based on the concept of Promoting General Education on Popular Sciences. We also sponsored Wu Chien Shiung Camps held by NTHUEE and establishing the Foundation of Senior-high Electrical Scientific Education. Devoting to building the foundation of General Science Education and nurturing future talents, MediaTek held activities to enhance elementary students' interests and applications in Popular Science beginning from 2013.

2.2. Community Involvement

2.2.1. Promoting Cultural Activities – Exclusive Sponsor for IC Radio Broadcasting

MediaTek is the exclusive sponsor for two IC Radio Broadcasting programs. It is the Company's belief that great ideas and concepts can change the world, but changing social disorder will depend on the respect of humanistic qualities. MediaTek responses to the founding philosophy of IC Radio Broadcasting of "I Care, I Can, I Change" by being as the exclusive sponsor of these two programs. We hope the in-depth analysis of historical personage and clear allegorical lessons in the programs can deliver best practices based on history, positive value judgments, and the inward reflections of listeners to improve society and community by through the power of media by spreading positive messages. During the sharing process, the audience may cultivate independent judgments and society participation, taking part in topics of interest proactively, and develop civic identity with the aim to further enhance the quality of life.

2.2.2. Save a Life by Donating Blood – 2013 Blood Drive

"Save a Life by Donating Blood" was a blood drive broadcasted by media and promoted by MediaTek employees proactively. Since 2007, MediaTek employees have organized regular blood drives to the Hsinchu Blood Center during periods of low supply.

In order to promote the spirit of "A gift that saves life" in 2013, MediaTek held two campaigns of blood donations and received 334 bags of blood (83,500cc), not only achieving a new record of blood donation, but also receiving an award from the Blood Center. The Company will remain committed to such activities in the future.

2.2.3. Volunteer Team

MediaTek employees have been involving in many different employee volunteer programs including interaction with the RenAi Special Education Center in 2003, plantation of organic vegetables with HuaKuang Special Education Center in 2004, participation in greening, cleaning and arrangement of Morninglight School in 2005, hosting a MediaTek's volunteer day in 2006, and providing different volunteer services in 2007. Since 2011, MediaTek organizes volunteer clubs to promote a volunteering spirit throughout the Company by caring for elders programs, orphanage visits, or taking part in love and care activities and accompanying disadvantaged children, etc. MediaTek continuously provides aid and care for disadvantaged groups and expands the spirit of social contribution actively through long-term volunteering services held by the employees.

2.2.4. Environmental Activities

MediaTek cares about environmental issues and has been actively involved in various environmental activities. Apart from initiatives that reduce disposable tableware, MediaTek also holds corporate activities such as environmental saving-power contests, topic exhibitions, serial lectures and broadcasts in response to World Earth Day held each April to enhance employees' environmental awareness. In addition, we established cooperation with non-government conservation organizations in 2012 to encourage employees with their family to participate in activities of World Earth Day. The volunteer club also held clean mountain activities in 2013 to appeal to colleagues to devote themselves to environmental protection.

3. Environmental Efforts

3.1. Long-Term and Short-Term Goals

3.1.1. Short-Term Environmental Goals

The company's short-term environmental goals are to implement green product design, packaging, and procurement to reduce waste in resources and energy, as well as participate in international environmental activities.

3.1.2. Mid-Term Environmental Goals

Mid-term environmental goals are to strengthen training in the areas of environment, safety, and health. Employees are encouraged to reduce and recycle material and reduce their carbon footprint. The importance of occupational health and safety is also impressed upon the entire staff.

3.1.3. Long-Term Environmental Goals

Long-term environmental goals are to fully comply with regulatory environmental rules to implement green design for our products, avoid any toxic material, and strengthen green purchasing and green management. We further aim to establish a comprehensive audit system to regularly inspect processes and implement improvements continuously.

3.2. MediaTek's Energy-Savings Measures and Results

MediaTek believes that being environmentally friendly and reducing the carbon footprint is part of its social responsibility. Some of the company's achievements in this area are as follows:

3.2.1. Efforts in energy reduction

A. Internet Data Center: Reduced waste in air conditioning by enhancing design of the internet data center, saving energy usage by 7.9%, which translates to about NT$2.56 million a year in savings.

B. Air Conditioning System: Compared to traditional air conditioning systems, MediaTek's Variable Air Volume(VAV) AC system saves 25.7% more energy, which translates to about NT$1.53 million a year.

C. Lighting System: Lighting control in public areas and parking structures use lighting that is CNS compliant and approved by the Energy Bureau. These measures lead to an annual saving of approximately NT$1.77 million.

D. Energy Reduction for Parking Area: Controlled parking area lighting on the weekends lead to an annual saving of approximately NT$2.67 million.

E. Exhaust System for Parking Area: Enhanced energy saving on exhaust systems which lead to an annual saving of approximately NT$160,000.

F. Temperature and Humidity Control for Testing and Storage Areas: We implemented measures to reduce hose pressure, control temperature and humidity which lead to an annual saving of approximately NT$1.67 million.

G. Change Electricity Tiered Pricing: Reviewed the Company's electricity demand and changed the electricity tiered pricing from 2-tiered pricing to 3-tiered pricing which leads to an annual saving of approximately NT$5.11 million.

3.2.2. Efforts in water reduction

A. Water-saving Faucets: Replaced traditional faucets with water-saving faucets. Usage of water is reduced by 27%, or about 393 tons per year.

B. Rainwater Recycling: Implemented a rainwater collection storage tank with a two ton capacity. About 280 tons of water is collected and recycled each year.

C. Water Reduction: Condensed water from the company's air conditioners is reused for plant watering. Approximately 3,804 tons of condensed water is recycled each year.

3.2.3. Waste Management and Recycling:

The first step is to reduce overall waste, followed by proper sorting, recycling, and re-use. Continual improvement is also made to waste storage, transport, and processing with an emphasis on reducing the environmental impact. Waste processing and recycling vendors are first carefully chosen then monitored and audited at irregular intervals. The company takes full accountability for its waste management.

3.2.4. Others:

The company implements a policy of company-wide recycling, waste sorting, and carbon footprint reduction.

3.3. Environment Safety Management

A. Monitor the operation and safety of the company's fire extinguisher/suppression system, water/electricity system and air-conditioning system around the clock.

B. Regular monthly safety check for the company's working environment and equipment/machinery rooms.

C. Regular monthly labor safety and sanitation training for new employees.

D. Regular quarterly promoting safety-related concepts and items.

E. Regular quarterly fire extinguisher usage training for all employees.

F. Regular annual audit for the company's ISO14001&OHSAS18001 conducted by SGS.

VII. Financial Status, Operating Results and Status of Risk Management

1. Financial Status

1.1. Consolidated Report

Unit: NT$ thousand

Item	2012	2013	Change	% of Change
Current Assets	117,744,362	161,740,929	43,996,567	37.37
Funds and Investments	64,965,683	68,039,686	3,074,003	4.73
Property, Plant and Equipment	10,732,494	11,312,107	579,613	5.40
Intangible Assets	15,727,448	15,509,193	(218,255)	(1.39)
Other Assets	1,236,531	2,034,947	798,416	64.57
Total Assets	**210,406,518**	**258,636,862**	**48,230,344**	**22.92**
Current Liabilities	32,979,368	61,384,592	28,405,224	86.13
Non-current Liabilities	1,969,426	1,898,871	(70,555)	(3.58)
Total Liabilities	**34,948,794**	**63,283,463**	**28,334,669**	**81.07**
Capital Stock	13,493,804	13,497,140	3,336	0.02
Capital Reserve	79,672,498	68,474,910	(11,197,588)	(14.05)
Retained Earnings	87,496,557	114,294,875	26,798,318	30.63
Other Equity	(5,183,374)	(895,749)	4,287,625	(82.72)
Treasury Stock	(55,970)	(55,970)	-	-
Minority Interest	34,209	38,193	3,984	11.65
Total Equity	**175,457,724**	**195,353,399**	**19,895,675**	**11.34**

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:

(1) Increase in current assets: Mainly due to increase in cash and cash equivalents.

(2) Increase in other assets: Mainly due to increase in deferred tax assets.

(3) Increase in total assets: Mainly due to increase in cash and cash equivalents as well as funds and investments.

(4) Increase in current liabilities: Mainly due to increase in short-term borrowings, trade payables, other payables and tax liabilities.

(5) Increase in total liabilities: Mainly due to increase in current liability.

(6) Increase in retained earnings: Mainly due to increase in net income.

(7) Increase in other equity: Mainly due to foreign exchange movement and market price recovery of financial assets.

1.2. Parent Company

Unit: NT$ thousand

Item	2012	2013	Change	% of Change
Current Assets	48,948,759	70,707,646	21,758,887	44.45
Funds and Investments	135,159,040	144,972,800	9,813,760	7.26
Property, Plant and Equipment	6,282,152	6,331,668	49,516	0.79
Intangible Assets	7,039,987	7,242,842	202,855	2.88
Other Assets	579,683	1,216,985	637,302	109.94
Total Assets	**198,009,621**	**230,471,941**	**32,462,320**	**16.39**
Current Liabilities	20,823,735	33,630,662	12,806,927	61.50
Non-current Liabilities	1,762,371	1,526,073	(236,298)	(13.41)
Total Liabilities	**22,586,106**	**35,156,735**	**12,570,629**	**55.66**
Share Capital	13,493,804	13,497,140	3,336	0.02
Capital Reserve	79,672,498	68,474,910	(11,197,588)	(14.05)
Retained Earnings	87,496,557	114,294,875	26,798,318	30.63
Other Equity	(5,183,374)	(895,749)	4,287,625	82.72
Treasury Stock	(55,970)	(55,970)	-	-
Total Equity	**175,423,515**	**195,315,206**	**19,891,691**	**11.34**

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Increase in current assets: Mainly due to increase in cash and cash equivalents.
(2) Increase in other assets: Mainly due to increase in deferred tax assets.
(3) Increase in current liability: Mainly due to increase in short-term borrowings, other payables, and tax liabilities.
(4)Increase in total liabilities: Mainly due to increase in current liabilities.
(5)Increase in retained earnings: Mainly due to increase in net income
(6)Increase in other equity: Mainly due to foreign exchange movement and market price recovery of financial assets.

2. Operating Results

2.1. Consolidated Report

Unit: NT$ thousand

Item	2012	2013	Change	% of Change
Net Sales	99,263,160	136,055,954	36,792,794	37.07
Operating Costs	58,204,139	76,250,370	18,046,231	31.01
Gross Profit	41,059,021	59,805,584	18,746,563	45.66
Operating Expenses	28,656,246	34,561,864	5,905,618	20.61
Operating Income	12,402,775	25,243,720	12,840,945	103.53
Non-Operating Income and Expenses	4,082,306	4,303,102	220,796	5.41
Net Income before Income Tax	16,485,081	29,546,822	13,061,741	79.23
Income Tax Expense	940,551	2,062,172	1,121,621	119.25
Net Income	15,544,530	27,484,650	11,940,120	76.81
Other Comprehensive Income, net of tax	(3,035,326)	4,253,825	7,289,151	240.14
Total Comprehensive Income	12,509,204	31,738,475	19,229,271	153.72
Net Income Attributable to Owners of the Parent	15,583,745	27,515,052	11,931,307	76.56
Total Comprehensive Income Attributable to Owners of the Parent	12,525,306	31,760,633	19,235,327	153.57

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Increase in net sales: Mainly due to increase in market demand.
(2) Increase in operating costs: Mainly due to increase in operating costs associated with higher sales.
(3) Increase in gross profit and operating income: Mainly due to increasing shipment from higher ASP products.
(4) Increase in operating expenses: Mainly due to increase in R&D expenses.
(5) Increase in net income before income tax, net income and net income attributable to owners of the parent: Mainly due to revenue growth.
(6) Increase in income tax expenses: Mainly due to increase in net income.
(7) Increase in other comprehensive income: Mainly due to foreign exchange rate movement.
(8) Increase in total comprehensive income and total comprehensive income attributable to owners of the parent: Mainly contributed by revenue growth and increase in other comprehensive income.

2.2. Parent Company

Unit: NT$ thousand

Item	2012	2013	Change	% of Change
Net Sales	63,474,029	96,230,064	32,756,035	51.61
Operating Costs	40,773,789	54,894,385	14,120,596	34.63
Gross Profit	22,700,240	41,335,679	18,635,439	82.09
Unrealized Gross Profit on Sales	0	(59,028)	(59,028)	100.00
Net Gross Profit	22,700,240	41,276,651	18,576,411	81.83
Operating Expenses	16,942,358	22,464,159	5,521,801	32.59
Operating Income	5,757,882	18,812,492	13,054,610	226.73
Non-Operating Income and Expenses	10,565,227	10,395,013	(170,214)	(1.61)
Net Income before Income Tax	16,323,109	29,207,505	12,884,396	78.93
Income Tax Expense	739,364	1,692,453	953,089	128.91
Net Income	15,583,745	27,515,052	11,931,307	76.56
Other Comprehensive Income, net of tax	(3,058,439)	4,245,581	7,304,020	238.82
Total Comprehensive Income	12,525,306	31,760,633	19,235,327	153.57

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Increase in net sales: Mainly due to increase in marke demand.
(2) Increase in operating costs: Mainly due to increase in operating costs associated with higher sales.
(3) Increase in unrealized gross profit on sales: Mainly due to intercompany sales.
(4) Increase in gross profit and operating income: Mainly due to increasing shipment from higher ASP products.
(5) Increase in operating expenses: Mainly due to increase in R&D expenses.
(6) Increase in net income before income tax and net income: Mainly due to revenue growth.
(7) Increase in income tax expense: Mainly due to revenue growth.
(8) Increase in other comprehensive income: Mainly due to foreign exchange rate movement.
(9) Increase in total comprehensive income: Mainly contributed by revenue growth and increase in other comprehensive income.

3. Cash Flow Analysis

3.1. Parent Company

Unit: NT$ thousand

Cash Balance Dec. 31, 2012	Net Cash Provided by Operating Activities in 2013	Net Cash Outflows from Investing and Financing Activities in 2013	Cash Balance Dec. 31, 2013	Remedy for Cash Shortfall (Investment & Financing Plan)
$28,288,474	$31,058,233	$(5,635,767)	$53,710,940	--

3.1.1. Analysis of the Change in Cash Flow in 2013

Operating activities: Net cash inflow of NT$31,058,233 thousand, mainly from operating profits

Investing activities: Net cash outflow of NT$409,644 thousand, mainly due to purchase of intangible assets, property, plant and equipment; partly offset by disposals of available-for-sale financial assets

Financing activities: Net cash outflow of NT$5,226,123 thousand, mainly due to the distribution of earnings; partly offset by increase in short-term borrowings.

3.1.2. Remedial Actions for Cash Shortfall

The company has ample cash on-hand; remedial actions are not required.

3.1.3. Cash Flow Projection for Next Year

Not applicable.

3.2. Consolidated Report

Unit: NT$ thousand

Cash Balance Dec. 31, 2012	Net Cash Provided by Operating Activities in 2013	Net Cash Outflows from Investing and Financing Activities in 2013	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2013	Remedy for Cash Shortfall (Investment & Financing Plan)
$85,867,210	$39,572,721	$5,833,664	$1,724,131	$132,997,726	--

3.2.1. Analysis of the Change in Cash Flow in 2013

Operating activities: Net cash inflow of NT$39,572,721 thousand, mainly from operating profits

Investing activities: Net cash outflow of NT$2,214,302 thousand, mainly due to purchase of intangible assets, property, plant and equipment

Financing activities: Net cash inflow of NT$8,047,966 thousand, mainly due to increase in short-term borrowings, partly offset by the distribution of earnings

3.2.2. Remedial Actions for Cash Shortfall

The company has ample cash on-hand; remedial actions are not required.

3.2.3. Cash Flow Projection for Next Year

Not applicable.

4. Major Capital Expenditure

4.1. Major Capital Expenditure and Sources of Funding

Unit: NT$ thousand

Plan	Actual or Planned Source of Capital	Estimated Capital Requirement (as of Dec 31, 2013)	Status of Actual or Projected Use of Capital			
			2010	2011	2012	2013
Fixed Assets - Land, Office Building and R&D Equipment	Cash flow generated from operation	$8,560,566	$2,122,234	$2,584,699	$2,268,459	$1,585,174
Intangible Assets - Software, IPs and Patents	Cash flow generated from operation	$2,523,337	$825,939	$209,200	$1,163,784	$324,414

4.2. Expected Future Benefits

(1) Fixed Assets - Land and office buildings:

Investment in proper and well-planned space is necessary for attracting talents who are responsible for developing new products. Product development is crucial to the Company's sustainability.

(2) Fixed Assets - R&D equipment:

Equipment and software can help the Company's R&D process become more efficient and thus shorten the product development cycle.

(3) Intangible assets: software, IPs and patents:

It is necessary for the company to strengthen its patent protection in order to navigate the current competitive landscape, which is often mired in complex patent disputes. The company has continued its efforts to obtain high-value patents to improve the company's patent portfolio. These patents can be applied in many of the company's advanced products.

5. Investment Policies

The company's investments are long-term strategic investments. Investment gain from equity method investment in 2013 was NT$2,150,963 thousand. The company will keep its long-term strategic investment policy and evaluate investment plans prudently.

6. Risk Management

6.1. Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

Risks associated with foreign currency:

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries. The Company reviews its assets and liabilities denominated in foreign currency and enter into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains or losses made on the hedged item. The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows: When NTD appreciates or depreciates against USD by 1 cent, the profit for the years ended December 31, 2013 and 2012 decreases or increases by NT$1,399 thousand and NT$983 thousand, while equity decrease/increase by NT$18,669 thousand and NT$16,881 thousand, respectively.

Risks associated with interest rate:

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates. Moreover, the market value of the Company's investment in credit-linked deposits and interest rate-linked deposits are affected by interest rate. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables. The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2013 and 2012 to decrease/increase by NT$2,570 thousand and NT$4,327 thousand, respectively.

Risks associated with inflation:

There was no major impact from inflation on the Company's 2013 operations.

The Finance Division is responsible for related risk management.

6.2. Risks Associated with High-Risk/High-Leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

As part of the Company's conservative financial management, it does not engage in investments that are either high-risk or highly leveraged. The Company has in place a complete and thorough policy and internal control scheme governing lending, endorsements, guarantees for other parties, and financial derivative transactions. The Company engages in derivative transactions for hedging purposes. Any gains or losses from such transactions should roughly cancel out gains or losses in the underlying assets. For fiscal year 2013, The Company has provided lease guarantees for its subsidiaries MediaTek Wireless, Inc.(USA) and MTK Wireless Limited (UK) in the amount of NT$38,426 thousand and NT$27,596 thousand. The company also provided guarantees for its subsidiaries Gaintech Co. Limited and MediaTek Inc. China for bank loans in the amount of NT$13,178,000 thousand and NT$5,091,500 thousand respectively. The Company also guarantees for its subsidiaries Ralink Technology Corp. for IP purchase in the amount of NT$67,163 thousand.

The Finance Division is responsible for related risk management.

6.3. Future R&D Plans and Expected R&D Spending

R&D Project Name	Schedule
Next generation 2.75G and 3G Mobile Phone Chipsets	End of 2014
Next generation LTE Smartphone Chipsets	
Next generation tablet chips	
Next generation highly-integrated wireless communication chips	
Next generation highly-integrated low power WLAN & WPAN chipsets	
Highly-integrated Smart UHDTV Chips	
Next generation highly-integrated xPON chipsets	Early 2015
Next generation highly-integrated ADSL chips	Early 2014

The Company's R&D projects all follow industry trends and are implemented in a highly integrated and economical way. R&D expenses in 2012 and 2013 were NT$22,629,206 thousand and NT$26,453,942 thousand, accounting for 22.80% and 19.44% of revenue respectively. The Company will continue to invest in R&D to develop products for next generation communication standard.

6.4. Risk Associated with Changes in the Political and Regulatory Environment

The Financial Supervisory Commission ("FSC") requires companies with shares listed on the Taiwan Stock Exchange ("TSE") or traded on the Taiwan GreTai Securities Market or Emerging Stock Market to prepare their financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee (collectively referred to as "IFRSs"), and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, starting 2013. The Company has finished preparation of 2013 interim and annual financial report according to regulations of FSC.

The Company's Finance Division is responsible for risks associated with changes in the political and regulatory environment

6.5. Impact of New Technology and Industry Changes

Technologies used in the electronics and semiconductor industries are constantly changing. New standards and applications continuously emerge in wireless communication and digital home segments. The Company will continue to invest in research and development, to improve operating efficiency, and to monitor the latest trend of the market, in order to secure and expand our market share.

The Company's Business Units are responsible for risks associated with new technology and industry changes.

6.6. Changes in Corporate Image and Impact on Company's Crisis Management

MediaTek prides itself on its corporate image. The management has always maintained a humanistic philosophy toward management. MediaTek provides a working environment that is both challenging and nurturing for its employees, who are able to grow and realize their full potential. Those are some of the reasons that MediaTek has been able to attract the top talents in the industry and maintain its leading position in global IC Design. At the same time, MediaTek's has maintained its core values, such as trust, respect, integrity, honesty, introspection, life-long learning, creativity, and team-work. As of the Annual Report's publication date, there has been no event that adversely impact in MediaTek's corporate image and impact on company's crisis management.

The Company's Business Units are responsible for risks associated with the corporate image and impact on company's crisis management.

6.7. Risks Associated with Mergers and Acquisitions

In order to enhance the Company's operation efficiency and competitiveness, MediaTek ,through tender offers in 2012, acquired 254,115,685 shares of MStar (approximately 48% of MStar's total common shares issued) under the condition that the price of the deal was 1 MStar share in exchange for 0.794 share of MTK's common stock plus NT$1 in cash. MediaTek issued 201,767,854 new shares and paid NT$254,116 thousand in cash for the tender offer. In January 2014, MediaTek acquired substantial control of MStar and fully consolidated MStar. Please refer to section 7.3 of the annual report for more details.

The Company's Business Units and the finance department are responsible for this risk item and execution.

6.8. Risks Associated with Plant Expansion

The Company in 2011 purchased a second office building near its Hsinchu Headquarters, which is located on No. 8, Dusing 1st Rd, Hsinchu City and finished plant expansion in October 2013. The expected benefit of plant expansion is not only to provide employees with enough work space and meeting rooms but to provide sufficient spaces for future growth.

The Human Resources Division is responsible for managing the risks associated with plant expansion.

6.9. Risks Associated with Purchase Concentration and Sales Concentration

MediaTek's production allocation is flexible and diversified, and is able to deal with any emergencies from any of its production lines. Therefore there is no risk associated with purchase concentration. Sales concentration does not pose any risks since MediaTek's products are sold to many clients throughout Japan, Korea, Europe, Southeast Asia, and Greater China.

Each business units are responsible for managing the risks associated with purchase concentration and sales concentration.

6.10. Risks Associated with Sales of Significant Numbers of Shares by MediaTek's Directors and Major Shareholders Who Own 10% or More of MediaTek's Total Outstanding Shares

In the latest fiscal year and as of the date of this Annual Report, there were no such risks for MediaTek.

6.11. Risks Associated with Change in Management

In the latest fiscal year and as of the date of this Annual Report, there were no such risks for MediaTek.

6.12. Risks Associated with Litigations

(1) Freescale Semiconductor, Inc. ("Freescale") filed a complaint with the U.S. International Trade Commission against MediaTek and two other Respondents on June 8, 2011 alleging infringement of United States Patents No. 5,467,455. Freescale alleged that MediaTek's DTV chips infringe its patent and sought to prevent the accused products from being imported into the United States. U.S. International Trade Commission issued an Initial Determination for the above referenced matter on July 12, 2012 that found no violation of Section 337 of the Tariff Act by MediaTek's products, Freescale failed to establish the domestic industry element, Freescale's asserted patent claims are invalid, and MediaTek's products do not infringe the asserted patent claims. On September 12, 2012, the U.S. International Trade Commission issued a Notice of its affirmation of all of the findings listed above and the termination this investigation.

Freescale also filed a complaint in the United States District Court for the Western District of Texas against MediaTek and one other defendant on June 8, 2011, alleging infringement of United States Patent No. 5,467,455. Freescale alleged that MediaTek's DTV chips infringe its patent and sought damages and an injunction to prevent the accused products from being sold in the future. MediaTek filed a complaint in the United States District Court for the Northern District of California against Freescale on November 3, 2011 alleging infringement of United States Patent Nos. 6,738,845, 6,088,753, 6,311,244, and 6,889,331. MediaTek alleged that Freescale's multimedia application processors and micro-controller products infringe the above referenced patents, and sought damages and an injunction to prevent the accused products from being sold in the future.

Freescale filed a complaint in the U.S. International Trade Commission against MediaTek and thirteen other Respondents on November 30, 2011 alleging infringement of United States Patent No. 5,467,455. Freescale alleged that MediaTek's DTV chips infringe its patent and sought to prevent the accused products from being imported into the United States. U.S. International Trade Commission issued an Initial Determination for the above referenced matter on September 28, 2012, granting MediaTek and other Respondents' request to terminate this investigation. On October 31, 2012, the U.S. International Trade Commission issued a Notice of its affirmation of the Initial Determination, formally terminating this investigation.

Additionally, Freescale filed a complaint in the United States District Court for the Western District of Texas against MediaTek and its subsidiary, MediaTek USA Inc., on July 6, 2012 alleging infringement of United States Patent Nos. 6,920,316, 5,825,640, 5,943,274. Freescale alleged that MediaTek's DTV chips infringe its patents and sought damages and an injunction to prevent the accused products from being sold in the future. The United States District Court for the Western District of Texas took the patent-infringed proceedings of this and Freescale cases to the same court on June 8th , 2011. Since the United States District Court for the Western District of Texas didn't have the jurisdiction of MediaTek, plaintiff's appeal was rejected by the court on March 19th 2014.

The Company assessed that the cases mentioned above didn't have an efficient impact on MediaTek and its subsidiary, MediaTek USA, operation.

(2) Azure Networks, LLC and Tri-County Excelsior Foundation filed a complaint in the United States District Court for the Eastern District of Taxes against MTK's subsidiaries Ralink and Ralink Technology Corporation (USA), along with other defendants in March 2011, alleging infringement of United States Patent No. 7,756,129. On April 6, 2012, Azure Networks, LLC and Tri-County Excelsior Foundation filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek alleging infringement of the same patent referenced above. On May 30, 2013, the Court entered a judgment in favor of Ralink and other defendants, dismissing the earlier case subject to the plaintiffs' right to appeal. An appeal has been filed by plaintiffs on June 20, 2013. On June 10, 2013, the Court entered a Judgment dismissing the latter case pursuant to the parties' joint stipulation.

The operations of MediaTek and subsidiaries Ralink and Ralink Technology Corporation (USA) would not be materially affected by those patent litigations.

(3) Commonwealth Scientific and Industrial Research Organization filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA), along with other defendants on August 27, 2012 alleging infringement of United States Patent No. 5,487,069. The operations of MediaTek and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) would not be materially affected by this case.

(4) Palmchip Technology Corporation (Palmchip) filed a complaint in the Superior Court of Californiain the County of Santa Clara against MediaTek and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on October 19, 2012, asserting claims of breach of contract. The operations of MediaTek and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) would not be materially affected by this case. The Company will handle these cases carefully. Palmchip Technology Coropration (Palmchip) appealed in the United States District Court for the Central District of California against MediaTek and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on August 30, 2013, alleging infringement of United States Patent Nos. 6,601,126, 6,769,046, 7,124,376. The operations of MediaTek and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) would not be materially affected by this case.

(5) Lake Cherokee Hard Drive Technologies, LLC filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek, its subsidiary, MediaTek USA Inc. and other companies on July 23, 2013, alleging that MediaTek's CD/DVD-ROM relevant chips products infringe United States Patent Nos. 5,991,911 and 6,048,090. The operations of MTK and subsidiaries MediaTek USA would not be materially affected by this case.

(6) Optical Device, LLC (Optical Device) filed a complaint in U.S International Trade Commission against MediaTek and its subsidiary, MediaTek USA Inc, on September 3, 2013, alleging infringement of United States Patent Nos. 8,416,651 and prohibit importing any patent-infringed products. Optical Device also filed a complaint in U.S. Delaware District Court against MTK, its subsidiary, MediaTek USA Inc on September 3, 2013, alleging MediaTek's CD/DVD-ROM relevant chips products infringe United States Patent referred above. The operations of MediaTek and subsidiaries MediaTek USA would not be materially affected by this case.

(7) **Vantage Point Technology, Inc.** filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek, its subsidiary, MediaTek USA Inc on November 21, 2013, alleging MediaTek USA infringe United States Patent Nos. 5,463,750 and 6,374,329. The operations of MediaTek and subsidiaries MediaTek USA would not be materially affected by this case.

The Company will handle these cases carefully.

6.13. Other Material Risk: None.

7. Other Material Events

7.1. Certificate Holding Status for Personnel Associated with Financial Transparency

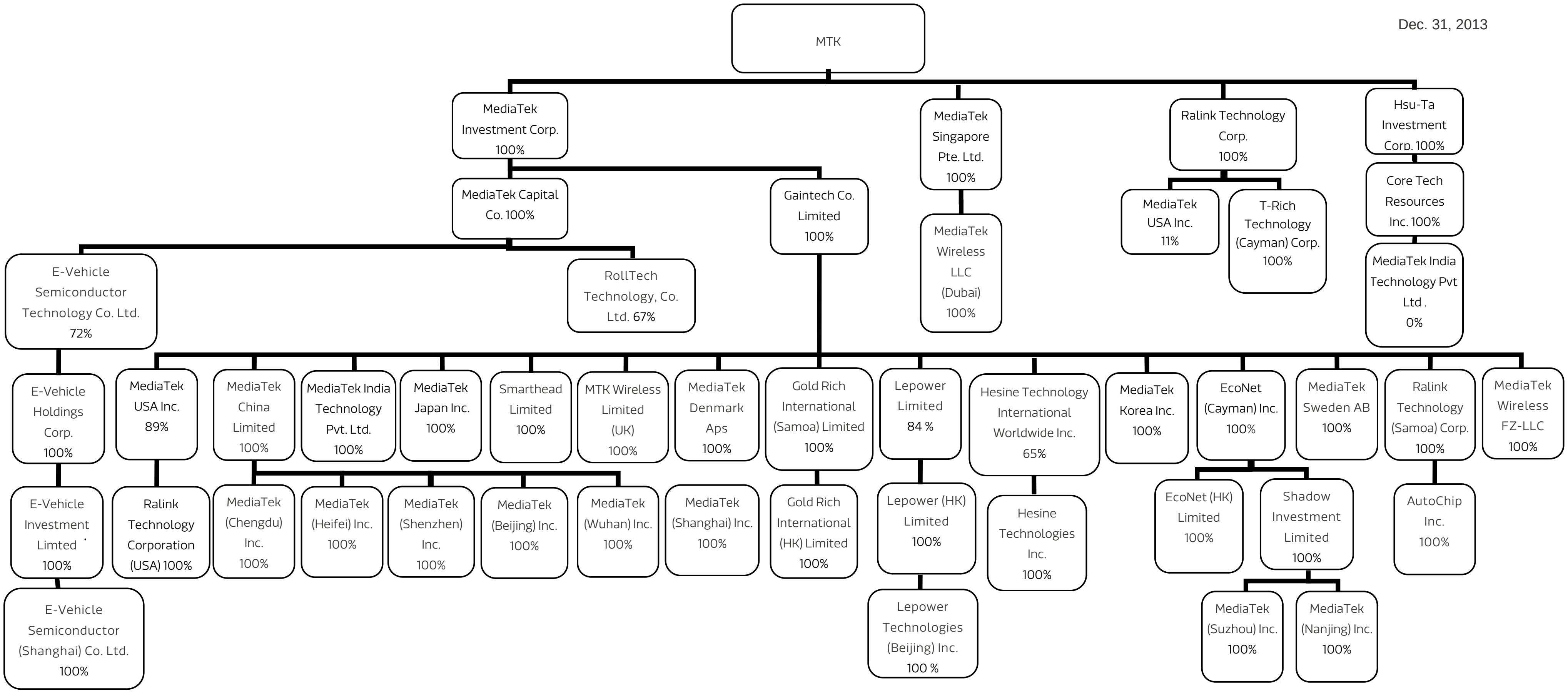
Certificate / Headcount	CPA	US CPA	CICPA	CA Singapore	CIA	CMA
Finance	8	2	-	1	3	1
Internal audit	-	-	1	-	3	-

VIII. Other Special Notes

1. MediaTek Affiliates

1.1. MediaTek Affiliated Companies Chart

Dec. 31, 2013



Note: All directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company's ownership percentage is less than 50% but the Company has a controlling interest.

1.2. MediaTek Affiliated Companies

As of Dec. 31, 2013. Unit: NT$ thousand / Foreign Currency thousand

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
MediaTek Investment Co., Ltd.	Jul 2000	Taiwan	NTD 51,283,011	Investment
Hsu-Ta Investment Ltd.	Sep 2002	Taiwan	NTD 2,951,434	Investment
MediaTek Singapore Pte. Ltd.	Jun 2004	Singapore	SGD 111,994	R&D, manufacturing and sales
Ralink Technology Corp.	Nov 2001	Taiwan	NTD 1,752,640	R&D, manufacturing and sales
CoreTech Resources Inc.	Sep 2002	B.V.I.	USD 57,200	Investment
MediaTek Capital Co., Ltd.	Sep 2000	Taiwan	NTD 4,020,545	Investment
Gaintech Co. Limited	July 2000	Cayman Islands	USD 319,975	Investment
T-Rich Technology (Cayman) Corp.	Oct 2009	Cayman Islands	USD 5,555	Investment
MediaTek USA Inc.	May 1997	USA	USD 0.1	R&D
MediaTek Wireless LLC (Dubai)	Sep 2010	Dubai	AED 300	Customer support & service
RollTech Technology Co. Ltd.	Mar 2007	Taiwan	NTD 52,620	Software development
E-vehicle Semiconductor Technology Co. Ltd.	May 2011	Taiwan	NTD 156,000	R&D, manufacturing and Sales
MediaTek Inc. China (Hong Kong)	Sep 2007	Hong Kong	HKD 2,213,960	Investment
MTK Wireless Limited (UK)	Aug 2007	UK	GBP 4,414	R&D
MediaTek Denmark Aps	Oct 2007	Denmark	DKK 20,000	R&D
MediaTek Japan Inc.	Jun 1997	Japan	JPY 100,000	R&D
MediaTek Korea Inc.	Feb 2007	Korea	KRW 2,000,000	R&D
MediaTek India Technology Pvt. Ltd.	May 2004	India	INR 55,000	R&D
Hesine Technologies International Worldwide Inc.	Oct 2010	B.V.I.	USD 218	Investment
Gold Rich International (Samoa) Limited	Mar 2011	Samoa	USD 4,290	Investment
Smarthead Limited	Jan 2011	Seychelles	USD 700	Investment
Lepower Limited	Mar 2011	Samoa	USD 2,895	Investment
Ralink Technology (Samoa) Corp.	Mar 2008	Samoa	USD 7,150	Investment
MediaTek Sweden AB	Dec 2004	Sweden	SEK 1,008	R&D
EcoNet (Cayman) Inc.	Mar 2013	Cayman Islands	USD 14,383	Investment
Mediatek Wireless FZ-LLC	Nov 2013	Dubai	AED 50	Customer support & service
MediaTek (Heifei) Inc.	Aug 2003	China	USD 5,400	R&D
MediaTek (Beijing) Inc.	Oct 2006	China	USD 100,000	R&D
MediaTek (ShenZhen) Inc.	Oct 2003	China	USD 8,000	R&D and Customer support & service

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
MediaTek (Chengdu) Inc.	Sep 2010	China	USD 49,800	R&D
MediaTek (Wuhan) Inc.	Dec 2010	China	USD 4,800	R&D
MediaTek (Shanghai) Inc.	Jan 2011	China	USD 3,000	R&D
Ralink Technology Corporation (USA)	Nov 2000	USA	USD 2,400	R&D
Hesine Techologies, Inc.	Sep 2008	China	CNY 10,000	Customer support & service
Gold Rich International (HK) Limited	Mar 2011	Hong Kong	USD 4,190	Investment
Lepower (HK) Limited	Mar 2011	Hong Kong	USD 3,050	Investment
Lepower Technologies (Beijing) Inc.	Dec 2011	China	USD 3,000	R&D, manufacturing and sales
E-Vehicle Holdings Corp.	Aug 2011	Samoa	USD 1,600	Investment
E-Vehicle Investment Limited	Sep 2012	Hong Kong	USD 1,600	Investment
E-Vehicle Semiconductor (Shianghai) Co., Ltd.	May 2012	China	USD 1,600	R&D, manufacturing and sales
Shadow Investment Limited	Apr 2002	Samoa	USD 15,000	Investment
EcoNet (HK) Ltd.Limited	Mar 2013	Hong Kong	USD 54,535	R&D, manufacturing and sales
MediaTek (Suzhou) Inc.	Oct 2003	China	USD 1,500	R&D
MediaTek (Nanjing) Inc.	Jun 2008	China	USD 1,000	R&D
AutoChips (Heifei) Inc.	Nov 2013	China	USD 5,500	R&D, manufacturing and sales

1.3. Common Shareholders of MediaTek and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

None

1.4. Business Scope of MediaTek and Its Affiliated Companies

Business scope of MediaTek and its affiliates include the investment, R&D, promotion, after service for optical storage products, digital consumer products, wireless communication, digital TV, networking and, etc. MediaTek affiliates support the Company's core business by acquiring leading technology through investments.

1.5. List of Directors, Supervisors and Presidents of MediaTek's Affiliated Companies

December 31, 2012 (Unit: share / %)

Company Name	Title	Name or Representative	Shares	% of Holding
MediaTek Investment Co., Ltd.	Chairman/Director	MediaTek Inc. Rep.: Ching-Jiang Hsieh	5,128,301,083	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Jane Chen		
	Supervisor	MediaTek Inc. Rep.: Kirin Liu		
Hsu-Ta Investment Ltd.	Chairman/Director	MediaTek Inc. Rep.: Ching-Jiang Hsieh	295,143,415	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Jane Chen		
	Supervisor	MediaTek Inc. Rep.: Kirin Liu		
MediaTek Singapore Pte. Ltd.	Director	MediaTek Inc, Rep.: CC Ku	111,993,960	100%
	Director	MediaTek Inc. Rep.: David Ku		
Ralink Technology Corp.	Chairman/ Director	MediaTek Inc. Rep.: Ching-Jiang Hsieh	175,264,005	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Jane Chen		
	Supervisor	MediaTek Inc. Rep.: Kirin Liu		
	Executive Officer	MediaTek Inc. Rep.: Ching-Jiang Hsieh		
CoreTech Resources Inc.	Director	Hsu-Ta Investment Ltd. Rep.: David Ku	57,200,000	100%
MediaTek Capital Co., Ltd.	Chairman/Director	MediaTek Investment Co., Ltd. Rep.: Ching-Jiang Hsieh	402,054,546	100%
	Director	MediaTek Investment Co., Ltd. Rep.: David Ku		
	Director	MediaTek Investment Co., Ltd. Rep.: Jane Chen		
	Supervisor	MediaTek Investment Co., Ltd. Rep.: Kirin Liu		
Gaintech Co. Limited	Director	MediaTek Investment Co., Ltd. Rep.: David Ku	319,975,440	100%

Company Name	Title	Name or Representative	Shares	% of Holding
T-Rich Technology (Cayman) Corp.	Director	Ralink Technology Corp. Rep.: Jane Chen	11,110,150	100%
MediaTek USA Inc.	Director	Gaintech Co. Limited Rep.: David Ku	100,000	89%
	Director	Gaintech Co. Limited Rep.: Kevin Jou		
MediaTek Wireless LLC (Dubai)	Director	MediaTek Singapore Pte. Ltd. Rep.: Grant Kuo	300	100%
	Director	MediaTek Singapore Pte. Ltd. Rep.: David Ku		
	Director	MediaTek Singapore Pte. Ltd. Rep.: Jane Chen		
RollTech Technology Co. Ltd.	Chairman/ Director	MediaTek Capital Co. Rep: Hui-Ling Liu	3,510,000	67%
	Director	MediaTek Capital Co. Rep.: YuChuan Yang	3,510,000	67%
	Director	Trinity investment Corporation	701,000	13%
	Supervisor	MediaTek Capital Co. Rep: Shouyen Liu	3,510,000	67%
E-vehicle Semiconductor Technology Co. Ltd.	Chairman/ Director	MediaTek Capital Co. Rep: JC Hsu	11,200,000	72%
	Director	MediaTek Capital Co. Rep: Jane Chen		
	Director	Chao-Ting Ho	1,531,000	10%
	Supervisor	Pin-Ting Chung	-	-
MediaTek Inc. China (Hong Kong)	Director	Gaintech Co. Limited Rep.: David Ku	2,213,959,820	100%
MTK Wireless Limited (UK)	Director	Gaintech Co. Limited Rep.: David Ku	4,414,003	100%
MediaTek Denmark Aps	Director	Gaintech Co. Limited Rep.: David Ku	20,000,000	100%
MediaTek Japan Inc.	Chairman/Director	Gaintech Co. Limited Rep.: David Ku	7,100	100%
	Director	Gaintech Co. Limited Rep.: Jeffrey Ju		
	Director	Gaintech Co. Limited Rep.: Yoshitaka Sakurai		
	Supervisor	Gaintech Co. Limited Rep.: Kirin Liu		
MediaTek Korea Inc.	Director	Gaintech Co. Limited Rep.: Jerry Yu	200,000	100%

Company Name	Title	Name or Representative	Shares	% of Holding
	Director	Gaintech Co. Limited Rep.: John Lee		
	Director	Gaintech Co. Limited Rep.: David Ku		
	Supervisor	Gaintech Co. Limited Rep.: Kirin Liu		
MediaTek India Technology Pvt. Ltd.	Director	Gaintech Co. Limited Rep.: Grant Kuo	5,499,999	100%
	Director	Gaintech Co. Limited Rep.: David Ku		
	Director	Gaintech Co. Limited Rep.: Jane Chen		
Hesine Technologies International Worldwide Inc.	Director	Gaintech Co. Limited Rep.: David Ku	566,667	65%
	Director	Gaintech Co. Limited Rep.: Shouyen Liu		
	Director	NQ Mobile Inc. Rep.: Yu Lin	306,944	35%
Gold Rich International (Samoa) Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	4,290,000	100%
Smarthead Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	700,000	100%
Lepower Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	2,444,700	84%
Ralink Technology (Samoa) Corp.	Director	Gaintech Co. Limited Rep.: David Ku	7,150,000	100%
MediaTek Sweden AB	Director	Gaintech Co. Limited Rep.: David Ku	1,008,371	100%
	Director	Gaintech Co. Limited Rep.: Johan Erik Lodenius		
EcoNet (Cayman) Inc.	Director	Gaintech Co. Limited Rep.: David Ku	14,382,660	100%
MediaTek Wireless FZ-LLC	Director	Gaintech Co. Limited Rep.: CC Ku	50	100%
	Director	Gaintech Co. Limited Rep.: David Ku		
	Director	Gaintech Co. Limited Rep.: Jane Chen		
MediaTek (Heifei) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Beijing) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%

Company Name	Title	Name or Representative	Shares	% of Holding
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (ShenZhen) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Chengdu) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Wuhan) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Shanghai) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
Ralink Technology Corporation (USA)	Director	MediaTek USA Inc. Rep.: Jane Chen	30,000,000	100%
Hesine Technologies, Inc.	Legal representative	Hesine Technologies International Worldwide Inc. Rep.: Yu Lin	Not applicable	100%
Gold Rich International (HK) Limited	Director	Gold Rich International (Samoa) Limited Rep.: Jane Chen	4,190,000	100%
	Director	Gold Rich International (Samoa) Limited Rep.: C.C. Yeh		
Lepower (HK) Limited	Director	Lepower Limited Rep.: Jane Chen	3,050,000	100%
Lepower Technologies (Beijing) Inc.	Chairman/Director	Lepower (HK) Limited Rep: Aaron Chang	Not applicable	100%
	Director	Lepower (HK) Limited Rep: Wen Hsin Wang		
	Director	Lepower (HK) Limited Rep: David Ku		
	Director	Lepower (HK) Limited Rep: Steven Chiou		
	Director	Lepower (HK) Limited Rep: Phillips Lu		
	Supervisor	Lepower (HK) Limited Rep: Kirin Liu		

Company Name	Title	Name or Representative	Shares	% of Holding
E-Vehicle Holdings Corp.	Director	E-Vehicle Semiconductor Technology Co. Ltd. Rep: Jane Chen	1,600,000	100%
E-Vehicle Investment Limited	Director	E-Vehicle Holdings Corp. Rep: Jane Chen	1,600,000	100%
E-Vehicle Semiconductor (Shianghai) Co., Ltd.	Chairman/Director	E-Vehicle Investment Limited Rep: Chao-Ting Ho	Not applicable	100%
	Director	E-Vehicle Investment Limited Rep: Amy Chung		
	Director	E-Vehicle Investment Limited Rep: Shouyen Liu		
	Supervisor	E-Vehicle Investment Limited Rep: Wen-Lung Hsu		
Shadow Investment Limited	Director	EcoNet (HK) Limited Rep.: David Ku	15,000,000	100%
EcoNet(HK) Limited	Director	EcoNet (Cayman) Inc. Rep: Jane Chen	54,534,520	100%
MediaTek (Suzhou)	Director/ Legal representative	Shadow Investment Limited Rep.: Jerry Yu	Not applicable	100%
	Director	Shadow Investment Limited Rep.: David Ku		
	Director	Shadow Investment Limited Rep.: Bomin Wang		
	Supervisor	Shadow Investment Limited Rep.: Kirin Liu		
MediaTek (Nanjing)	Director/ Legal representative	Shadow Investment Limited Rep.: Bomin Wang	Not applicable	100%
	Director	Shadow Investment Limited Rep.: David Ku		
	Director	Shadow Investment Limited Rep.: Victor Liu		
	Supervisor	Shadow Investment Limited Rep.: Kirin Liu		
AutoChips (Heifei) Inc.	Director	Ralink Technology (Samoa) Corp. Rep.: Ping-Hsing Lu	Not applicable	100%
	Director	Ralink Technology (Samoa) Corp. Rep.: David Ku		
	Director	Ralink Technology (Samoa) Corp. Rep.: Wen Hsin Wang		

1.6. Operation Highlights of MediaTek Affiliated Companies

Dec. 31, 2013, Unit, NT$ thousand

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income	EPS (after tax)
MediaTek Investment Co., Ltd.	51,283,011	63,151,262	141	63,151,121	1,717,390	1,716,060	1,715,427	0.33
Hsu-Ta Investment Ltd.	2,951,434	3,305,495	5,030	3,300,464	17,212	2,126	1,837	0.01
MediaTek Singapore Pte. Ltd.	2,335,579	11,182,148	4,846,084	6,336,065	30,180,618	4,364,981	4,483,185	39.89
Ralink Technology Corp.	1,752,640	13,570,238	2,415,224	11,155,014	8,969,832	1,804,616	1,727,729	9.86
CoreTech Resources Inc.	1,713,140	3,213,061	46	3,213,015	59,356	14,571	14,156	0.30
MediaTek Capital Co., Ltd.	4,020,545	7,669,201	933	7,668,268	121,419	(33,217)	(37,129)	(0.09)
Gaintech Co. Limited	9,583,264	70,404,550	14,994,066	55,410,484	2,159,168	1,739,796	1,740,787	5.36
T-Rich Technology (Cayman) Corp.	166,374	40,262	-	40,262	4,527	4,386	4,392	0.30
MediaTek USA Inc.	3	2,207,902	418,350	1,789,552	2,305,556	150,831	61,448	549.54
MediaTek Wireless LLC (Dubai)	2,446	30,805	302	30,504	8,977	587	587	1,956.12
RollTech Technology Co. Ltd.	52,620	53,471	12,710	40,760	39,224	(5,089)	(4,489)	(0.85)
E-vehicle Semiconductor Technology Co. Ltd.	156,000	74,228	4,873	69,354	506	(26,036)	(42,236)	(2.71)
MediaTek Inc. China (Hong Kong)	8,538,146	16,097,814	5,091,500	11,006,314	587,889	557,523	557,523	0.30
MTK Wireless Limited (UK)	219,002	366,409	45,069	321,340	344,292	23,147	20,478	4.66
MediaTek Denmark Aps	110,502	186,459	13,064	173,395	79,400	5,194	2,882	0.16
MediaTek Japan Inc.	28,456	68,927	12,809	56,118	96,598	6,319	2,073	291.94
MediaTek Korea Inc.	56,760	172,791	65,822	106,968	216,772	14,181	12,739	63.70
MediaTek India Technology Pvt. Ltd.	26,655	296,281	93,914	202,367	246,024	44,584	37,014	6.73
Hesine Technologies International Worldwide Inc.	6,541	80,117	5,990	74,127	28,871	29,030	29,030	33.34
Gold Rich International (Samoa) Limited	128,486	765,248	-	765,248	299,865	299,830	299,830	69.96
Smarthead Limited	20,965	18,814	-	18,814	717	695	695	0.89
Lepower Limited	86,706	34,691	-	34,691	(2,323)	(5,327)	(5,327)	(1.79)
Ralink Technology (Samoa) Corp.	214,143	155,373	-	155,373	(13,130)	(13,763)	(13,763)	(1.79)
MediaTek Sweden AB	4,690	90,563	42,354	48,209	216,189	14,143	14,228	14.13

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income	EPS (after tax)
EcoNet (Cayman) Inc.	430,761	1,814,686	-	1,814,686	157,774	157,648	157,648	11.01
Mediatek Wireless FZ-LLC	408	1,326	1,339	(13)	-	(418)	(418)	(8,368.33)
MediaTek (Heifei) Inc.	201,815	558,060	77,729	480,331	852,891	63,074	67,949	Not applicable
MediaTek (Beijing) Inc.	3,386,295	4,455,068	325,747	4,129,321	1,400,673	103,628	159,801	Not applicable
MediaTek (ShenZhen) Inc.	282,282	986,605	205,001	781,604	1,460,441	66,795	90,220	Not applicable
MediaTek (Chengdu) Inc.	1,574,919	1,832,100	170,408	1,661,692	619,563	45,502	77,166	Not applicable
MediaTek (Wuhan) Inc.	157,316	226,019	20,462	205,556	217,900	20,157	52,163	Not applicable
MediaTek (Shanghai) Inc.	97,491	110,151	30,902	79,249	208,054	11,777	17,146	Not applicable
Ralink Technology Corporation (USA)	71,880	291,994	6,167	285,827	-	(92,119)	(93,542)	(2.98)
Hesine Techologies, Inc.	49,469	29,239	87,232	(57,993)	2,249	(54,908)	28,871	Not applicable
Gold Rich International (HK) Limited	125,491	762,513	-	762,513	305,165	305,053	299,865	71.45
Lepower (HK) Limited	91,348	33,304	-	33,304	(2,190)	(2,323)	(2,323)	(0.89)
Lepower Technologies (Beijing) Inc.	93,236	56,724	24,735	31,989	0	(1,636)	(2,191)	Not applicable
E-Vehicle Holdings Corp.	47,920	24,128	-	24,128	(16,825)	(16,825)	(16,825)	(10.41)
E-Vehicle Investment Limited	47,920	24,128	-	24,128	(16,825)	(16,825)	(16,825)	(10.41)
E-Vehicle Semiconductor (Shianghai) Co., Ltd.	47,920	29,023	4,823	24,200	801,022	(16,834)	(16,825)	Not applicable
Shadow Investment Limited	449,250	54,590	-	54,590	13,184	13,116	13,116	0.89
EcoNet (HK) Ltd.Limited	1,633,309	1,810,912	50,915	1,759,997	164,421	148,504	148,504	2.68
MediaTek (Suzhou) Inc.	60,408	67,676	44,277	23,400	83,450	5,459	9,378	Not applicable
MediaTek (Nanjing) Inc.	33,777	58,630	38,844	19,786	48,934	3,201	3,764	Not applicable
AutoChips (Heifei) Inc.	165,733	545,782	393,502	152,280	6,532	(13,330)	(13,328)	Not applicable

Note: The amount of capital, asset, liabilities and net worth in this table were calculated using the exchange rate at end of 2013. The net sales, income from operation, net income and EPS numbers were calculated using the average exchange rate in 2013.

2. Private Placement Securities

None

3. Holding or Disposition of MediaTek Stocks by Subsidiaries

Unit: NT$ thousand / share / %

Subsidiary	Paid-in Capital	Source of Funding	MediaTek Ownership	Transaction Date	Number of shares acquired and its amount	Number of shares Disposed and its amount	Investment gain / loss	Balance (share & amount)	Balance of Pledged Shares	Balance of Guarantee Provided by MediaTek	Balance of Financing Provided by MediaTek
MediaTek Capital Co.	4,020,545	None	100%	-	-	-	-	7,794,085 shares; NT$55,970 thousand	-	-	-

4. Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan

None

5. Other Necessary Supplement

None

IX. Financial Information

1. Condensed Balance Sheet

1.1. 2012-2013 Condensed Balance Sheet – MediaTek & Subsidiaries

Unit: NT$ thousand

Item		2012	2013
Current assets		117,744,362	161,740,929
Funds and investments		64,965,683	68,039,686
Property, factory and equipment		10,732,494	11,312,107
Intangible assets		15,727,448	15,509,193
Other assets		1,236,531	2,034,947
Total assets		210,406,518	258,636,862
Current liabilities	Before distribution	32,979,368	61,384,592
	After distribution	33,654,058	(note)
Non-current liabilities		1,969,426	1,898,871
Total liabilities	Before distribution	34,948,794	63,283,463
	After distribution	35,623,484	(note)
Equity attributable to owners of the parent			
Share capital		13,493,804	13,497,140
Capital surplus		79,672,498	68,474,910
Retained earnings	Before distribution	87,496,557	114,294,875
	After distribution	86,821,867	(note)
Other equity		(5,183,374)	(895,749)
Treasury shares		(55,970)	(55,970)
Total equity attributable to the parent	Before distribution	175,423,515	195,315,206
	After distribution	174,748,825	(note)
Non-controlling interests		34,209	38,193
Total equity	Before distribution	175,457,724	195,353,399
	After distribution	174,783,034	(note)

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

1.2. 2009-2011 Condensed Balance Sheet – MediaTek & Subsidiaries by ROC GAAP

Unit: NT$ thousand

Item		2009	2010	2011
Current assets		114,038,269	112,595,354	112,042,128
Funds and investments		6,661,594	7,734,457	9,416,963
Fixed assets		6,888,829	7,807,817	9,810,051
Intangible assets		10,622,893	9,572,335	16,150,659
Other assets		381,701	324,729	321,307
Total assets		138,593,286	138,034,692	147,741,108
Current liabilities	Before distribution	29,454,365	25,786,256	30,428,120
	After distribution	57,797,455	47,785,731	40,756,244
Long-term liabilities		0	0	147,662
Other liabilities		248,318	535,101	836,999
Total liabilities	Before distribution	29,702,683	26,321,357	31,412,781
	After distribution	58,045,773	48,320,814	41,740,905
Capital stock		10,901,189	10,999,682	11,475,191
Capital reserve		8,267,826	12,259,404	24,605,882
Retained earnings	Before distribution	90,111,571	92,708,116	82,463,225
	After distribution	61,746,679	70,708,659	72,135,101
Accumulated conversion adjustment		(527,304)	(4,380,730)	(2,253,504)
Net loss not recognized as pension cost		-	-	-
Unrealized gains from financial instruments		172,173	182,608	43,192
Treasury stock		(55,970)	(55,970)	(55,970)
Minority Interest		21,118	225	50,311
Total shareholders' equity	Before distribution	108,890,603	111,713,335	116,328,327
	After distribution	80,547,513	89,713,878	106,000,203

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

1.3. 2012-2013 Condensed Balance Sheet – Parent Company

Unit: NT$ thousand

Item		2012	2013
Current assets		48,948,759	70,707,646
Funds and investments		135,159,040	144,972,800
Property, plant and equipment		6,282,152	6,331,668
Intangible assets		7,039,987	7,242,842
Other assets		579,683	1,216,985
Total assets		198,009,621	230,471,941
Current liabilities	Before distribution	20,823,735	33,630,662
	After distribution	21,498,425	(note)
Non-current liabilities		1,762,371	1,526,073
Total liabilities	Before distribution	22,586,106	35,156,735
	After distribution	23,260,796	(note)
Share capital		13,493,804	13,497,140
Capital surplus		79,672,498	68,474,910
Retained earnings	Before distribution	87,496,557	114,294,875
	After distribution	86,821,867	(note)
Other equity		(5,183,374)	(895,749)
Treasury shares		(55,970)	(55,970)
Total equity	Before distribution	175,423,515	195,315,206
	After distribution	174,748,825	(note)

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

1.4. 2009-2011 Condensed Balance Sheet – Parent Company by ROC GAAP

Unit: NT$ thousand

Item		2009	2010	2011
Current assets		69,190,377	59,573,161	42,508,698
Funds and investments		48,207,732	59,535,407	81,168,558
Fixed assets		5,896,167	6,744,246	6,503,119
Intangible assets		9,380,709	8,623,090	7,714,627
Other assets		241,321	164,577	141,602
Total assets		132,916,306	134,640,481	138,036,604
Current liabilities	Before distribution	23,767,572	22,159,301	20,740,542
	After distribution	52,110,662	44,158,758	31,068,666
Long-term liabilities		-	-	-
Other liabilities		279,249	768,070	1,018,046
Total liabilities	Before distribution	24,046,821	22,927,371	21,758,588
	After distribution	52,389,911	44,926,828	32,086,712
Capital stock		10,901,189	10,999,682	11,475,191
Capital reserve		8,267,826	12,259,404	24,605,882
Retained earnings	Before distribution	90,111,571	92,708,116	82,463,225
	After distribution	61,746,679	70,708,659	72,135,101
Accumulated conversion adjustment		(527,304)	(4,380,730)	(2,253,504)
Net loss not recognized as pension cost		-	-	-
Unrealized gains from financial instruments		172,173	182,608	43,192
Treasury stock		(55,970)	(55,970)	(55,970)
Total shareholders' equity	Before distribution	108,869,485	111,713,110	116,278,016
	After distribution	80,526,395	89,713,653	105,949,892

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

2. Condensed Income Statement

2.1. 2012-2013 Condensed Income Statement – MediaTek & Subsidiaries

Unit: NT$ thousand

Item	2012	2013
Net sales	99,263,160	136,055,954
Gross profits	41,059,021	59,805,584
Operating income	12,402,775	25,243,720
Non-operating income and expenses	4,082,306	4,303,102
Net income before income tax	16,485,081	29,546,822
Net income	15,544,530	27,484,650
Other comprehensive Income, net of tax	(3,035,326)	4,253,825
Total comprehensive income	12,509,204	31,738,475
Net income attributable to:		
Owners of the parent	15,583,745	27,515,052
Non-controlling interests	(39,215)	(30,402)
Total comprehensive income attributable to:		
Owners of the parent	12,525,306	31,760,633
Non-controlling interests	(16,102)	(22,158)
Earnings per share (NT$)	12.81	20.51
Earnings per share – adjusted (NT$)	12.81	(note)

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

2.2. 2009-2011 Condensed Income Statement – MediaTek & Subsidiaries by ROC GAAP

Unit: NT$ thousand

Item	2009	2010	2011
Net sales	115,511,625	113,521,958	86,857,494
Gross profit	67,817,390	60,908,066	39,344,157
Operating income	36,387,164	31,078,620	12,344,728
Non-operating income and gains	1,224,948	1,253,410	1,970,525
Non-operating expenses and losses	(192,026)	(44,113)	(112,002)
Income from continuing operations before income tax	37,420,086	32,287,917	14,203,251
Consolidated net income	36,695,466	30,936,603	13,615,803
Income attributable to owners of the parent	36,705,640	30,961,437	13,623,070
Earnings per share (NT$)	34.12	28.44	12.35
Earnings per share – adjusted (NT$)	34.05	28.44	12.35

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

2.3. 2012-2013 Condensed Income Statement – Parent Company

Unit: NT$ thousand

Item	2012	2013
Net sales	63,474,029	96,230,064
Gross profit	22,700,240	41,335,679
Operating income	5,757,882	18,812,492
Non-operating income and expenses	10,565,227	10,395,013
Net income before income tax	16,323,109	29,207,505
Net income	15,583,745	27,515,052
Other Comprehensive Income, net of tax	(3,058,439)	4,245,581
Total comprehensive income	12,525,306	31,760,633
Earnings per share (NT$)	12.81	20.51
Earnings per share – adjusted (NT$)	12.81	(note)

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

2.4. 2009-2011 Condensed Income Statement – Parent Company by ROC GAAP

Unit: NT$ thousand

Item	2009	2010	2011
Net sales	77,310,752	71,988,340	53,842,366
Gross profit	46,119,674	39,262,273	22,069,130
Operating income	21,446,596	17,267,046	4,839,781
Non-operating income and gains	15,845,255	14,971,580	9,257,428
Non-operating expenses and losses	(13,908)	(44,947)	(138,661)
Income from continuing operations before income tax	37,277,943	32,193,679	13,958,548
Net income	36,705,640	30,961,437	13,623,070
Earnings per share (NT$)	34.12	28.44	12.35
Earnings per share – adjusted (NT$)	34.05	28.44	12.35

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting

3. Independent Auditors' Opinions

Year	CPA Firm	Name of Auditors (CPA)	Audio Opinion
2009	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2010	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2011	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2012	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2013	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions

4. Financial Statements for the Past 5 Years

4.1. 2012-2013 Financial Statements – MediaTek & Subsidiaries

Item		2012	2013
Capital structure analysis	Debt ratio (%)	16.61	24.47
	Long-term fund to property, plant and equipment ratio (%)	1,635.89	1,727.71
Liquidity Analysis (%)	Current ratio (%)	357.02	263.49
	Quick ratio (%)	311.52	245.97
	Times interest earned (Times)	151.61	202.25
Operating performance analysis	Average collection turnover (Times)	11.88	11.58
	Days sales outstanding	31	32
	Average inventory turnover (Times)	4.05	5.36
	Average payment turnover (Times)	6.44	7.63
	Average inventory turnover days	90	68
	Property, plant and equipment turnover (Times)	9.64	12.34
	Total assets turnover (Times)	0.55	0.58
Profitability analysis	Return on total assets (%)	8.73	11.77
	Return on equity attributable to owners of the parent (%)	10.66	14.82
	Pre-tax income to paid-in capital (%)	122.17	218.91
	Net margin (%)	15.66	20.20
	Earnings per share (NT$) – Before adjustment	12.81	20.51
	Earnings per share (NT$) – After adjustment	12.81	N/A
Cash flow	Cash flow ratio (%)	34.58	64.47
	Cash flow adequacy ratio (%) (Note)	125.00	141.34
	Cash flow reinvestment ratio (%)	0.65	14.68
Leverage	Operating leverage	5.72	4.13
	Financial leverage	1.01	1.01

Changes that exceed 20% in the past two years and explanation for those changes:
(1) Debt ratio increased by 47% : primarily due to increase in short-term borrowings and other payables.
(2) Current ratio decreased by 26% and quick ratio decreased by 21%: primarily due to increase in current liabilities.
(3) Times interest earned increased by 33%: primarily due to increase in net income.
(4) Average inventory turnover increased by 37% and average inventory turnover (day) decreased by 25%: primarily due to increase in operating costs.
(5) Property, plant, and equipment ratio increased by 28%: primarily due to increase in operating Income.
(6) Return on total assets increased by 35%, return on equity increased by 39%, net profit margin increased by 29% , basic earnings per share increased by 60%, operating leverage decreased 28%, and pre-tax income to paid-in capital increased by 79%: primarily due to increase in operating Income, net income before income tax and net income.
(7) Cash flow ratio increased by 86% and cash flow reinvestment ratio increased by 2176%: primarily due to increase in net cash inflows from operating activities.

Note: 2008-2011 cash inflows from operating activities were in ROC GAAP.

4.2. 2009-2011 Financial Statements – MediaTek & Subsidiaries by ROC GAAP

Item			2009	2010	2011
Capital structure analysis	Debt ratio (%)		21.43	19.07	21.26
	Long-term fund to fixed assets (%)		1,580.68	1,430.79	1,187.31
Liquidity Analysis (%)	Current ratio (%)		387.17	436.65	368.22
	Quick ratio (%)		358.50	391.83	335.08
	Times interest earned (Times)		59,873.14	N/A	1,515.53
Operating performance analysis	Average collection turnover (Times)		17.62	15.17	11.28
	Days sales outstanding		21	24	32
	Average inventory turnover (Times)		5.37	4.35	3.57
	Average payment turnover (Times)		5.71	5.21	5.45
	Average inventory turnover days		68	84	102
	Fixed assets turnover (Times)		17.25	15.45	9.86
	Total assets turnover (Times)		0.97	0.82	0.61
Profitability analysis	Return on total assets (%)		30.88	22.37	9.53
	Return on equity (%)		38.50	28.05	11.94
	Income to paid-in capital (%)	Operating income	333.79	282.54	107.58
		Pre-tax income	343.27	293.54	123.77
	Net margin (%)		31.77	27.25	15.68
	Earnings Per Share (NT$)	Before adjustment	34.12	28.44	12.35
		After adjustment	34.05	28.44	12.35
Cash flow	Cash flow ratio (%)		187.55	114.04	54.91
	Cash flow adequacy ratio (%)		179.19	149.03	125.42
	Cash flow reinvestment ratio (%)		39.61	1.00	-4.99
Leverage	Operating leverage		2.42	2.68	5.27
	Financial leverage		1.00	1.00	1.00

4.3. 2012-2013 Financial Statements – Parent Company

Item			2012	2013
Capital structure analysis	Debt ratio (%)		11.41	15.25
	Long-term fund to property, plant,, and equipment ratio (%)		2,792.41	3,084.74
Liquidity Analysis (%)	Current ratio (%)		235.06	210.25
	Quick ratio (%)		182.63	190.46
	Times interest earned (Times)		9,414.56	1,393.09
Operating performance analysis	Average collection turnover (Times)		15.98	13.20
	Days sales outstanding		23	28
	Average inventory turnover (Times)		3.89	5.31
	Average payment turnover (Times)		6.05	7.89
	Average inventory turnover days		94	69
	Property, plant, and equipment turnover (Times)		9.93	15.26
	Total assets turnover (Times)		0.38	0.45
Profitability analysis	Return on total assets (%)		9.28	12.85
	Return on equity attributable to shareholders of the parent (%)		10.69	14.84
	Pre-tax income to paid-in capital (%)		120.97	216.40
	Net margin (%)		24.55	28.59
	Basic earnings per share (NT$)	Before adjustment	12.81	20.51
		After adjustment	12.81	N/A
Cash flow	Cash flow ratio (%)		21.33	92.35
	Cash flow adequacy ratio (%)		91.43	96.33
	Cash flow reinvestment ratio (%)		-3.39	9.81
Leverage	Operating leverage		7.65	3.72
	Financial leverage		1.00	1.00

Changes that exceed 20% in the past two years and explanation for those changes:
(1) Debt ratio increased by 34%: primarily due to increase in short-term borrowings and other payables.
(2) Times interest earned decreased by 85%: primarily due to increase in interest expenses.
(3) Average inventory turnover increased by 37%, average payment turnover increased by 30% and average inventory turnover days decreased by 27%: primarily due to increase in operating costs.
(4) Property, plant and equipment turnover increased by 54%: primarily due to increase in sales.
(5) Return on total assets increased by 38%, return on equity increased by 39%, basic earnings per share increased by 60%, operating leverage decreased by 51% and pre-tax income to paid-in capital increased by 79%: primarily due to increase in operating income, net income before income tax, and net income.
(6) Cash flow ratio increased by 333%, and cash flow reinvestment ratio increased by 389%: primarily due to increase in net cash flow from operating activities.

Note: 2008-2011 cash inflows from operating activities were in ROC GAAP.

4.4. 2009-2011 Financial Statements – Parent Company by ROC GAAP

Item			2009	2010	2011
Capital structure analysis	Debt ratio (%)		18.09	17.03	15.76
	Long-term fund to fixed assets (%)		1,846.45	1,656.42	1,788.03
Liquidity Analysis (%)	Current ratio (%)		291.11	268.84	204.95
	Quick ratio (%)		269.13	230.82	173.21
	Times interest earned (Times)		N/A	N/A	3,086.44
Operating performance analysis	Average collection turnover (Times)		27.74	20.03	14.17
	Days sales outstanding		13	18	26
	Average inventory turnover (Times)		5.17	3.85	3.42
	Average payment turnover (Times)		5.50	4.73	4.84
	Average inventory turnover days		71	95	107
	Fixed assets turnover (Times)		13.88	11.39	8.13
	Total assets turnover (Times)		0.67	0.54	0.39
Profitability analysis	Return on total assets (%)		31.99	23.14	9.99
	Return on equity (%)		38.54	28.07	11.95
	Income to paid-in capital (%)	Operating income	196.74	156.98	42.18
		Pre-tax income	341.96	292.68	121.64
	Net margin (%)		47.48	43.01	25.30
	Earnings Per Share (NT$)	Before adjustment	34.12	28.44	12.35
		After adjustment	34.05	28.44	12.35
Cash flow	Cash flow ratio (%)		158.31	70.59	38.50
	Cash flow adequacy ratio (%)		174.03	127.62	104.22
	Cash flow reinvestment ratio (%)		22.16	-11.91	-12.41
Leverage	Operating leverage		2.71	2.94	7.52
	Financial leverage		1.00	1.00	1.00

Glossary:

1. Capital Structure Analysis:

(1). Debt ratio = Total liabilities / Total assets

(2). Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity Analysis:

(1). Current ratio = Current assets / Current liabilities

(2). Quick ratio = (Current assets – inventories – prepaid Expenses) / Current liabilities

(3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

(1). Average collection turnover = Net sales / Average trade receivables

(2). Days sales outstanding = 365 / Average collection turnover

(3). Average inventory turnover = Operating costs / Average inventory

(4). Average payment turnover = operating costs / Average trade payables

(5). Average inventory turnover days = 365 / Average Inventory turnover

(6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment

(7). Total assets turnover = Net sales / total assets

4. Profitability Analysis:

(1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets

(2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent

(3) Pre-tax income to paid-in capital ratio = Income before tax / Paid-in capital

(4) Net margin = Net income / Net sales

(5). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

(1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities

(2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + Long-term investments + other noncurrent assets + working capital)

6. Leverage:

(1). Operating leverage = (Net sales – Variable cost) / Operating income

(2). Financial leverage = Operating income / (Operating income – Interest expenses)

Glossary (ROC GAAP):

1. Capital Structure Analysis:

(1). Debt ratio = Total liabilities / Total assets

(2). Long-term fund to fixed assets ratio = (Shareholders' Equity + long-term liabilities) / Net fixed assets

2. Liquidity Analysis:

(1). Current ratio = Current assets / Current liabilities

(2). Quick ratio = (Current assets – Inventories – Prepaid Expenses) / Current liabilities

(3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

(1). Average collection turnover = Net sales / Average trade receivables

(2). Days sales outstanding = 365 / Average collection turnover

(3). Average inventory turnover = Operating costs / Average inventory

(4). Average payment turnover = operating costs / Average trade payables

(5). Average inventory turnover days = 365 / Average Inventory turnover

(6) Fixed assets turnover = Net sales / Average net fixed assets

(7). Total assets turnover = Net sales / Average total assets

4. Profitability Analysis:

(1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets

(2). Return on equity = Net income / Average shareholders' equity

(3) Operating income to paid-in capital ratio = Operating income / Paid-in capital

(4) Pre-tax income to Paid-in capital ratio = Income before tax / Paid-in capital

(5) Net margin = Net income / Net sales

(6). Earnings per share = (Net income– preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

(1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities

(2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross fixed assets + Long-term investments + other assets + working capital)

6. Leverage:

(1). Operating leverage = (Net sales – Variable cost) / Operating income

(2). Financial leverage = Operating income / (Operating income – Interest expenses)

5. Supervisors' Review Report

MediaTek Inc.
Supervisors' Report

The Financial Statements of MediaTek Inc. in fiscal year 2013 have been duly audited by Ernst & Young and are believed to fairly represent the financial standing, operation results and cash flows of MediaTek Inc. We, the Supervisors, have duly reviewed the Financial Statements along with the Business Report and proposal for profits distribution and hereby verify that they comply with the requirements of Company Law and relevant regulations. This report is duly submitted in accordance with Article 219 of the Company Law, and we hereby submit this report.

To MediaTek Inc. 2014 Annual General Shareholders' Meeting

MediaTek Inc.

Supervisor: Paul Wang
Supervisor: Chung-Lang Liu (MediaTek Capital Corp., representative)
Supervisor: Ruey-Shan Guo (National Taiwan University, representative)

April 30, 2014

6. Financial Statements and Independent Auditors' Report – MediaTek & Subsidiaries

English Translation of a Report and Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS THEN ENDED
DECEMBER 31, 2013 AND 2012

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2013 and for the year then ended prepared under the International Accounting Standards No.27 “Consolidated and Separate Financial Statement” (referred to as “Consolidated Financial Statements”) are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

MediaTek Inc.

Chairman: Ming-Kai Tsai

March 21, 2014

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E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of MediaTek Inc.

We have audited the accompanying consolidated balance sheets of MediaTek Inc., and its subsidiaries as of December 31, 2013 and 2012 and January 1, 2012 and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MediaTek Inc. and its subsidiaries as of December 31, 2013 and 2012 and January 1, 2012, and the results of its operations and its cash flows for the years then ended December 31, 2013 and 2012, in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations committee and Standing Interpretations Committee as endorsed by Financial Supervisory Commission.

The Company has prepared Separate Financial Statements as of December 31, 2013 and 2012 for the years then ended. We have expressed an unqualified opinion on those separate financial statements.

Ernst & Young Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 21, 2014
Taipei, Taiwan
Republic of China

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the R.O.C.

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2013, December 31, 2012 and January 1, 2012
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2013	%	December 31, 2012	%	January 1, 2012	%
Current assets							
Cash and cash equivalents	4, 6(1)	$ 132,997,726	52	$ 85,867,210	41	$ 85,821,438	58
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	2,132,090	1	629,912	-	1,617,416	1
Available-for-sale financial assets-current	4, 5, 6(3), 6(9)	3,426,121	1	3,979,013	2	2,545,354	2
Held-to-maturity financial assets-current	4, 6(5)	549,573	-	-	-	48,126	-
Bond investments for which no active market exists-current	4, 6(6), 8	113,678	-	113,598	-	1,013,112	1
Trade receivables, net	4, 5, 6(7)	7,627,591	3	6,584,610	3	7,360,317	5
Trade receivables from related parties, net	4, 6(7), 7	-	-	-	-	23,567	-
Other receivables	6(7), 7	3,652,885	1	5,076,122	2	2,961,830	2
Current tax assets	4, 5, 6(22)	30,226	-	59,501	-	65,174	-
Inventories, net	4, 5, 6(8)	9,346,792	4	13,867,311	7	9,392,282	6
Prepayments		1,404,263	1	1,141,023	1	689,987	1
Other current assets		459,984	-	426,062	-	282,585	-
Total current assets		161,740,929	63	117,744,362	56	111,821,188	76
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	1,478,707	-	1,484,505	1	1,739,337	1
Available-for-sale financial assets-noncurrent	4, 5, 6(3)	4,487,354	2	3,206,895	2	2,810,668	2
Held-to-maturity financial assets-noncurrent	4, 6(5)	341,937	-	796,860	-	828,422	1
Financial assets measured at cost-noncurrent	4, 6(4)	2,061,563	1	2,083,114	1	2,017,613	1
Bond investments for which no active market exists-noncurrent	4, 6(6), 8	364	-	400	-	671	-
Investments accounted for using the equity method	4, 6(9)	59,669,761	23	57,393,909	27	1,980,983	1
Property, plant and equipment	4, 6(10)	11,312,107	4	10,732,494	5	9,861,430	7
Intangible assets	4, 6(11), 6(12)	15,509,193	6	15,727,448	8	16,150,659	11
Deferred tax assets	4, 5, 6(22)	1,778,859	1	915,791	-	269,382	-
Refundable deposits		137,593	-	206,393	-	265,431	-
Long-term prepaid rent		118,495	-	114,347	-	-	-
Total non-current assets		96,895,933	37	92,662,156	44	35,924,596	24
Total assets		$ 258,636,862	100	$ 210,406,518	100	$ 147,745,784	100

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2013, December 31, 2012 and January 1, 2012
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2013	%	December 31, 2012	%	January 1, 2012	%
Current liabilities							
Short-term borrowings	6(13)	$ 29,051,500	11	$ 8,880,430	4	$ 4,089,150	3
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	26,017	-	2,638	-	-	-
Trade payables		8,862,146	3	8,044,063	4	8,062,967	5
Trade payables to related parties	7	2,082,028	1	1,003,337	1	958,936	1
Other payables		16,835,299	7	13,356,034	6	15,865,576	11
Current tax liabilities	4, 5, 6(22)	3,151,805	1	1,053,591	1	681,003	-
Other current liabilities		1,345,847	1	610,139	-	752,407	-
Current portion of long-term liabilities		29,950	-	29,136	-	18,081	-
Total current liabilities		61,384,592	24	32,979,368	16	30,428,120	20
Non-current liabilities							
Long-term payables		86,855	-	113,630	-	147,662	-
Accrued pension liabilities	4, 6(14)	606,033	-	555,754	-	445,079	-
Deposits received	7	47,754	-	30,233	-	6,176	-
Deferred tax liabilities	4, 5, 6(22)	1,050,108	-	1,195,134	1	595,454	1
Non-current liabilities-others		108,121	-	74,675	-	49,351	-
Total non-current liabilities		1,898,871	-	1,969,426	1	1,243,722	1
Total liabilities		63,283,463	24	34,948,794	17	31,671,842	21
Equity attributable to owners of the parent							
Share capital	6(15)						
Common stock		13,494,667	5	13,493,702	6	11,475,108	8
Capital collected in advance		2,473	-	102	-	83	-
Capital surplus	6(15), 6(16)	68,474,910	26	79,672,498	38	24,488,409	16
Retained earnings	6(15)						
Legal reserve		24,641,182	10	23,072,429	11	21,710,122	15
Special reserve		5,072,425	2	2,210,312	1	4,198,121	3
Undistributed earnings		84,581,268	33	62,213,816	29	56,418,253	38
Other equity	6(15)	(895,749)	-	(5,183,374)	(2)	(2,210,495)	(1)
Treasury shares	4, 6(15)	(55,970)	-	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		195,315,206	76	175,423,515	83	116,023,631	79
Non-controlling interests	4, 6(15)	38,193	-	34,209	-	50,311	-
Total equity		195,353,399	76	175,457,724	83	116,073,942	79
Total liabilities and equity		$ 258,636,862	100	$ 210,406,518	100	$ 147,745,784	100

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2013 and 2012

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2013	%	2012	%
Net sales	4, 5, 6(17), 7	$ 136,055,954	100	$ 99,263,160	100
Operating costs	4, 5, 6(8), 6(18), 7	(76,250,370)	(56)	(58,204,139)	(59)
Gross profit		59,805,584	44	41,059,021	41
Operating expenses	6(18), 7				
Selling expenses		(4,561,934)	(3)	(3,114,867)	(3)
Administrative expenses		(3,545,988)	(3)	(2,912,173)	(3)
Research and development expenses		(26,453,942)	(19)	(22,629,206)	(22)
Total operating expenses		(34,561,864)	(25)	(28,656,246)	(28)
Operating income		25,243,720	19	12,402,775	13
Non-operating income and expenses					
Other income	4, 6(19), 7	2,402,627	2	2,391,629	2
Other gains and losses	4, 6(9), 6(20)	(103,672)	-	740,265	1
Finance costs	6(21)	(146,816)	-	(109,458)	-
Share of profit of associates accounted for using the equity method	4, 6(9)	2,150,963	1	1,059,870	1
Total non-operating income and expenses		4,303,102	3	4,082,306	4
Net income before income tax		29,546,822	22	16,485,081	17
Income tax expense	4, 5, 6(22)	(2,062,172)	(2)	(940,551)	(1)
Net income		27,484,650	20	15,544,530	16
Other comprehensive income	4, 6(9), 6(14), 6(15)				
Exchange differences resulting from translating the financial statements of foreign operations		1,811,177	1	(1,940,245)	(2)
Unrealized gains from available-for-sale financial assets		929,781	1	535,919	1
Actuarial losses on defined benefit plans		(42,044)	-	(103,084)	-
Share of other comprehensive income of associates accounted for using the equity method		1,554,911	1	(1,545,440)	(2)
Income tax relating to components of other comprehensive income		-	-	17,524	-
Other comprehensive income, net of tax		4,253,825	3	(3,035,326)	(3)
Total comprehensive income		$ 31,738,475	23	$ 12,509,204	13
Net income (loss) for the periods attributable to :					
Owners of the parent	6(23)	$ 27,515,052		$ 15,583,745	
Non-controlling interests	6(15)	(30,402)		(39,215)	
		$ 27,484,650		$ 15,544,530	
Total comprehensive income for the periods attributable to :					
Owners of the parent		$ 31,760,633		$ 12,525,306	
Non-controlling interests	6(15)	(22,158)		(16,102)	
		$ 31,738,475		$ 12,509,204	
Basic Earnings Per Share (in New Taiwan Dollars)	6(23)	$ 20.51		$ 12.81	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(23)	$ 20.42		$ 12.75	

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2013 and 2012

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital		Capital surplus	Retained earnings			Other equity		Treasury shares	Equity attributable to owners of the parent		
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets				
Balance as of January 1, 2012	$ 11,475,108	$ 83	$ 24,488,409	$ 21,710,122	$ 4,198,121	$ 56,418,253	$ (2,253,687)	$ 43,192	$ (55,970)	$ 116,023,631	$ 50,311	$ 116,073,942
Appropriation and distribution of 2011 earnings:												
Legal reserve	-	-	-	1,362,307	-	(1,362,307)	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,987,809)	1,987,809	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(10,328,124)	-	-	-	(10,328,124)	-	(10,328,124)
Total	-	-	-	1,362,307	(1,987,809)	(9,702,622)	-	-	-	(10,328,124)	-	(10,328,124)
Profit for the year ended December 31, 2012	-	-	-	-	-	15,583,745	-	-	-	15,583,745	(39,215)	15,544,530
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	-	(85,560)	(3,508,798)	535,919	-	(3,058,439)	23,113	(3,035,326)
Total comprehensive income	-	-	-	-	-	15,498,185	(3,508,798)	535,919	-	12,525,306	(16,102)	12,509,204
Share-based payment transactions	915	19	50,437	-	-	-	-	-	-	51,371	-	51,371
Shares issued to acquire a new entity	2,017,679	-	54,880,856	-	-	-	-	-	-	56,898,535	-	56,898,535
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,145	-	-	-	-	-	-	70,145	-	70,145
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	151,548	-	-	-	-	-	-	151,548	-	151,548
Change in other capital surplus	-	-	31,103	-	-	-	-	-	-	31,103	-	31,103
Balance as of Dcecember 31, 2012	13,493,702	102	79,672,498	23,072,429	2,210,312	62,213,816	(5,762,485)	579,111	(55,970)	175,423,515	34,209	175,457,724
Appropriation and distribution of 2012 earnings:												
Legal reserve	-	-	-	1,568,753	-	(1,568,753)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,862,113	(2,862,113)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(674,690)	-	-	-	(674,690)	-	(674,690)
Cash distributed from capital surplus	-	-	(11,469,734)	-	-	-	-	-	-	(11,469,734)	-	(11,469,734)
Total	-	-	(11,469,734)	1,568,753	2,862,113	(5,105,556)	-	-	-	(12,144,424)	-	(12,144,424)
Profit for the year ended Dcecember 31, 2013	-	-	-	-	-	27,515,052	-	-	-	27,515,052	(30,402)	27,484,650
Other comprehensive income for the year ended Dcecember 31, 2013	-	-	-	-	-	(42,044)	3,357,844	929,781	-	4,245,581	8,244	4,253,825
Total comprehensive income	-	-	-	-	-	27,473,008	3,357,844	929,781	-	31,760,633	(22,158)	31,738,475
Share-based payment transactions	965	2,371	79,420	-	-	-	-	-	-	82,756	-	82,756
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,145	-	-	-	-	-	-	70,145	-	70,145
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	10,546	-	-	-	-	-	-	10,546	26,142	36,688
Change in other capital surplus	-	-	112,035	-	-	-	-	-	-	112,035	-	112,035
Balance as of Dcecember 31, 2013	$ 13,494,667	$ 2,473	$ 68,474,910	$ 24,641,182	$ 5,072,425	$ 84,581,268	$ (2,404,641)	$ 1,508,892	$ (55,970)	$ 195,315,206	$ 38,193	$ 195,353,399

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended Dcecember 31, 2013 and 2012

(Amounts in thousands of New Taiwan Dollars)

Description	2013	2012
Cash flows from operating activities :		
Profit before tax from continuing operations	$ 29,546,822	$ 16,485,081
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	1,182,191	1,218,375
Amortization	544,639	2,478,080
Bad debt reversal	(79,110)	(81,003)
Loss (gain) on financial assets and liabilities at fair value through profit or loss	9,155	(57,383)
Interest expenses	146,816	109,458
Interest income	(1,755,482)	(1,730,158)
Dividend income	(161,905)	(148,878)
Share-based payment expenses	75,799	49,661
Share of profit of associates accounted for using the equity method	(2,150,963)	(1,059,870)
Losses on disposal of property, plant and equipment	3,137	10,000
Loss (gain) on disposal of investments	48,008	(1,051,798)
Impairment of financial assets	478,110	588,747
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(1,418,009)	1,227,038
Trade receivables	(983,242)	861,436
Trade receivables from related parties	-	23,567
Other receivables	1,186,065	(869,314)
Inventories	4,532,449	(4,462,887)
Prepayments	(263,240)	(450,822)
Other current assets	(33,922)	(119,134)
Trade payables	819,786	22,548
Trade payables to related parties	1,054,687	75,504
Other payables	3,376,421	(2,488,432)
Other current liabilities	736,536	(167,602)
Long-term payables	(25,961)	(23,108)
Accrued pension liabilities	8,235	25,115
Non-current liabilities-others	33,446	25,324
Cash generated from operating activities		
Interest received	1,991,816	1,487,073
Dividend received	1,738,796	148,878
Interest paid	(125,582)	(112,604)
Income tax paid	(942,777)	(609,960)
Net cash provided by operating activities	39,572,721	11,402,932
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(1,377,363)	(403,716)
Proceeds from disposal of available-for-sale financial assets	1,469,999	234,448
Acquisition of bond investment for which no active market exists	(43)	(100,215)
Acquisition of held-to-maturity financial assets	(72,743)	(319,768)
Proceeds from disposal of held-to-maturity financial assets	-	372,684
Acquisition of financial assets measured at cost	(626,407)	(948,441)
Proceeds from disposal of financial assets measured at cost	299	44,749
Proceeds from capital return of finacial assets measured at cost	322,344	-
Acquisition of investments accounted for using the equity method	(91,571)	(278,382)
Proceeds from disposal of investments accounted for using the equity method	-	1,528,400
Net cash outflows from acquisition of subsidiaries	-	(938,022)
Net cash inflows from disposal of subsidiaries	6,119	-
Proceeds from capital return of equity investees	-	1,457
Acquisition of property, plant and equipment	(1,628,684)	(2,246,318)
Proceeds from disposal of property, plant and equipment	43,510	2,799
Decrease in refundable deposits	68,800	59,038
Acquisition of intangible assets	(324,414)	(1,071,578)
Increase of long-term prepaid rent	(4,148)	(114,347)
Net cash used in investing activities	(2,214,302)	(4,177,212)
Cash flows from financing activities :		
Increase in short-term borrowings	19,983,850	4,791,280
Increase in deposits received	17,521	24,057
Proceeds from exercise of employee stock options	94,732	1,510
Cash dividends	(12,074,279)	(10,257,979)
Increase in non-controlling interests	26,142	20,097
Net cash provided by (used in) financing activities	8,047,966	(5,421,035)
Effect of changes in exchange rate on cash and cash equivalents	1,724,131	(1,758,913)
Net increase in cash and cash equivalents	47,130,516	45,772
Cash and cash equivalents at the beginning of the period	85,867,210	85,821,438
Cash and cash equivalents at the end of the period	$ 132,997,726	$ 85,867,210

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

1. Organization and Operation

As officially approved, MediaTek Inc. ("MTK") was incorporated at Hsinchu Science-based Industrial Park on May 28, 1997. Since then, it has been specialized in the R&D, production, manufacturing and marketing of multimedia integrated circuits (ICs), computer peripherals oriented ICs, high-end consumer-oriented ICs and other ICs of extraordinary application. Meanwhile, it has rendered design, test runs, maintenance and repair and technological consultation services for software & hardware of the aforementioned products, import and export trades for the aforementioned products, sale and delegation of patents and circuit layout rights for the aforementioned products.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 21, 2014.

3. Newly Issued or Revised Standards and Interpretations

(1) Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”), but not yet adopted by MTK and its subsidiaries (“the Company”) at the date of issuance of the Company’s financial statements are listed below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments which is divided in three distinct phases is designed by the International Accounting Standards Board (“IASB”) to eventually replace IAS 39 “Financial Instruments: Recognition and Measurement” in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities. The effective date has not been announced. The IASB will work on the remaining phases relate to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC (collectively referred to as “TIFRS”) may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Company could not be determined at this stage.

(2) Standards issued by IASB but not yet recognized by FSC at the date of issuance of the Company’s financial statements are listed below:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
Improvements to International Financial Reporting Standards (issued in 2010)		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2011
IFRS 3	"Business Combinations"	July 1, 2010
IFRS 7	"Financial Instruments: Disclosures"	January 1, 2011
IAS 1	"Presentation of Financial Statements"	January 1, 2011
IAS 34	"Interim Financial Reporting"	January 1, 2011
IFRIC 13	"Customer Loyalty Programmes"	January 1, 2011
IFRS 7	Limited Exemption from Comparative Disclosures for First-time Adopters (Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards")	July 1, 2010
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter	July 1, 2011
IFRS 7	"Financial Instruments: Disclosures" (Amendment)	July 1, 2011
IAS 12(Amendment)	"Income Taxes" - Deferred Taxes: Recovery of Underlying Assets	January 1, 2012
IFRS 10	"Consolidated Financial Statements"	January 1, 2013
IAS 27	"Separate Financial Statements "	January 1, 2013
IFRS 11	"Joint Arrangements"	January 1, 2013
IAS 28	"Investments in Associates and Joint Ventures"	January 1, 2013
IFRS 12	"Disclosures of Interests in Other Entities"	January 1, 2013
IFRS 13	"Fair Value Measurement"	January 1, 2013
IAS 1	"Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income	July 1, 2012
IAS 19	"Employee Benefits" (Revised)	January 1, 2013
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Government Loans	January 1, 2013
IFRS 7(Amendment)	"Financial Instruments: Disclosures" - Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013

(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(To be continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 32(Amendment)	"Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013
Improvements to International Financial Reporting Standards (2009-2011 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2013
IAS 1	"Presentation of Financial Statements"	January 1, 2013
IAS 16	"Property, Plant and Equipment"	January 1, 2013
IAS 32	"Financial Instruments: Presentation"	January 1, 2013
IAS 34	"Interim Financial Reporting"	January 1, 2013
IFRS 10	"Consolidated Financial Statements" (Amendment)	January 1, 2014
IAS 36	"Impairment of Assets" (Amendment)	January 1, 2014
IFRIC 21	"Levies"	January 1, 2014
IFRS 9	"Financial Instruments" - Hedge accounting	-
IAS 19	"Employee Benefits" - Defined benefit plans: employee contributions	July 1, 2014
Improvements to International Financial Reporting Standards (2010-2012 cycle):		
IFRS 2	"Share-based Payment"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 8	"Operating Segments"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014
IAS 16	"Property, Plant and Equipment"	July 1, 2014
IAS 24	"Related Party Disclosures"	July 1, 2014
IAS 38	"Intangible Assets"	July 1, 2014
Improvements to International Financial Reporting Standards (2011-2013 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014
IAS 40	"Investment Property"	July 1, 2014
IFRS 14	"Regulatory Deferral Accounts"	January 1, 2016

A. Improvements to International Financial Reporting Standards (issued in 2010):

a. IFRS 7 "Financial Instruments: Disclosures"

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

b. IAS 1 "Presentation of Financial Statements"

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

c. IAS 34 "Interim Financial Reporting"

The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore the amendment adds disclosure requirements of financial instruments and contingent liabilities/assets.

B. IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated.

C. IFRS 12 "Disclosures of Interests in Other Entities"

IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

D. IFRS 13 "Fair Value Measurement"

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosures required.

E. IAS 1 "Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified.

F. IAS 19 "Employee Benefits" (Revised)

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in other comprehensive income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", etc.

G. Improvements to International Financial Reporting Standards (2009-2011 cycle):

IAS 34 "Interim Financial Reporting" (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 "Operating Segments". Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

H. IAS 36 "Impairment of Assets" (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

I. Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 8 "Operating Segments"

The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

J. Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Company's financial statements, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under A~J, it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and TIFRS as endorsed by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

Basis of Consolidation

A. Preparation principle of consolidated financial statements

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. derecognizes the carrying amount of any non-controlling interest;
c. recognizes the fair value of the consideration received;
d. recognizes the fair value of any investment retained;
e. recognizes any surplus or deficit in profit or loss; and
f. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The consolidated entities are listed as follows:

			Percentage of Ownership			
Investor	Subsidiary	Business nature	December 31, 2013	December 31, 2012	January 1, 2012	Note
MTK	MediaTek Investment Corp.	General investing	100%	100%	100%	-
MTK	Hsu-Ta Investment Corp.	General investing	100%	100%	100%	1
MTK	Hsu-Chia Investment Limited	General investing	-	-	100%	1
MTK	Hsu-Kang Investment Limited	General investing	-	-	100%	1
MTK	MediaTek Singapore Pte. Ltd.	Research, manufacturing and sales	100%	100%	-	2
MTK	Ralink Technology Corp.	Research, manufacturing and sales	100%	100%	100%	-
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	General investing	100%	100%	34%	1
Hsu-Chia Investment Limited	Core Tech Resources Inc.	General investing	-	-	33%	1
Hsu-Kang Investment Limited	Core Tech Resources Inc.	General investing	-	-	33%	1
MediaTek Investment Corp.	MediaTek Capital Corp.	General investing	100%	100%	100%	-
MediaTek Investment Corp.	Gaintech Co. Limited	General investing	100%	100%	100%	-
Ralink Technology Corp.	Ralink Technology (Singapore) Corp. Pte. Ltd.	General investing	-	-	100%	3
Ralink Technology Corp.	T-Rich Technology (Cayman) Corp.	General investing	100%	100%	100%	-
Ralink Technology Corp.	MediaTek USA Inc.	Research	11%	11%	11%	-
T-Rich Technology (Cayman) Corp.	T-Rich Technology Corp.	Research, manufacturing and sales	-	100%	100%	16
MediaTek Singapore Pte. Ltd.	MTK Wireless L.L.C. (Dubai)	Technology services	100%	100%	100%	-
MediaTek Singapore Pte. Ltd.	MTK Wireless Limited (UK)	Research	-	-	100%	4

(To be continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership December 31, 2013	December 31, 2012	January 1, 2012	Note
MediaTek Singapore Pte. Ltd.	MediaTek Wireless Limited (Ireland)	Research	-	-	100%	5
MediaTek Singapore Pte. Ltd.	MediaTek Denmark Aps	Research	-	-	100%	4
MediaTek Capital Corp.	RollTech Technology, Co. Ltd.	Software development	67%	100%	100%	-
MediaTek Capital Corp.	E-Vehicle Semiconductor Technology Co. Ltd.	Research, manufacturing and sales	72%	69%	69%	-
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Research	0%	0%	0%	-
Gaintech Co. Limited	MediaTek China Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	MTK Wireless Limited (UK)	Research	100%	100%	-	4
Gaintech Co. Limited	MediaTek Denmark Aps	Research	100%	100%	-	4
Gaintech Co. Limited	MediaTek Japan Inc.	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek Korea Inc.	Research	100%	100%	100%	-
Gaintech Co. Limited	Vogins Technology Co., Ltd.	General investing	-	80%	80%	17
Gaintech Co. Limited	MediaTek USA Inc.	Research	89%	89%	89%	-
Gaintech Co. Limited	Hesine Technologies International Worldwide Inc.	General investing	65%	65%	100%	6
Gaintech Co. Limited	Gold Rich International (Samoa) Limited	General investing	100%	100%	100%	-

(To be continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			December 31, 2013	December 31, 2012	January 1, 2012	
Gaintech Co. Limited	Smarthead Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Lepower Limited	General investing	84%	71%	71%	-
Gaintech Co. Limited	Ralink Technology (Samoa) Corp.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Shadow Investment Limited	General investing	-	100%	100%	13
Gaintech Co. Limited	MediaTek Sweden AB	Research	100%	100%	-	7
Gaintech Co. Limited	MediaTek Singapore Pte. Ltd.	Research, manufacturing and sales	-	-	100%	2
Gaintech Co. Limited	EcoNet (Cayman) Inc.	General Investing	100%	-	-	14
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technology services	100%	-	-	18
MediaTek China Limited	MediaTek (Hefei) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Beijing) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shenzhen) Inc.	Research and Technology services	100%	100%	100%	-
MediaTek China Limited	MediaTek (Chengdu) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Wuhan) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	Research	100%	100%	100%	-
MediaTek USA Inc.	MediaTek Wireless, Inc. (USA)	Research	-	100%	100%	12
MediaTek USA Inc.	Ralink Technology Corporation (USA)	Research	100%	100%	100%	-
Vogins Technology Co., Ltd.	Vogins Technology (Shanghai) Co., Ltd.	Software development	-	100%	100%	17

(To be continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership December 31, 2013	December 31, 2012	January 1, 2012	Note
Hesine Technologies International Worldwide Inc.	Hesine Technologies, Inc.	Technology services	100%	100%	100%	-
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	100%	-
Lepower Limited	Lepower (HK) Limited	General investing	100%	100%	100%	-
Lepower (HK) Limited	Lepower Technologies (Beijing) Inc.	Research, manufacturing and sales	100%	100%	-	11
E-Vehicle Semiconductor Technology Co. Ltd.	E-Vehicle Holding Corp.	General investing	100%	100%	-	8
E-Vehicle Holding Corp.	E-Vehicle Investment Limited	General investing	100%	100%	-	9
E-Vehicle Investment Limited	E-Vehicle Semiconductor (Shanghai) Co., Ltd.	Research, manufacturing and sales	100%	100%	-	10
EcoNet (Cayman) Inc.	Shadow Investment Limited	General Investing	100%	-	-	13
EcoNet (Cayman) Inc.	EcoNet (HK) Limited	Research, manufacturing and sales	100%	-	-	15
Shadow Investment Limited	MediaTek (Suzhou) Inc.	Research	100%	100%	100%	-
Shadow Investment Limited	MediaTek (Nanjing) Inc.	Research	100%	100%	100%	-
Ralink Technology (Samoa) Corp.	AutoChips Inc.	Research, manufacturing and sales	100%	-	-	19

1. Hsu-Chia Investment Limited and Hsu-Kang Investment Limited were merged into Hsu-Ta Investment Limited on September 30, 2012. In addition, Hsu-Ta Investment Limited was reincorporated as a company limited by shares.
2. MTK acquired 100% shares of MediaTek Singapore Pte. Ltd. from Gaintech Co. Limited in October 2012.
3. Ralink Technology (Singapore) Corp. Pte. Ltd. has entered the process of liquidation since July 2012. The liquidation was complete in January 2013.
4. Gaintech Co. Limited acquired 100% shares of MTK Wireless Limited (UK) and MediaTek Denmark Aps from MediaTek Singapore Pte. Ltd. in August 2012.
5. MediaTek Wireless Limited (Ireland) has been liquidated in December 2012.
6. Gainech Co. Limited partially disposed of shares of Hesine Technologies International Worldwide Inc. in October 2012. Therefore, the percentage of ownership of Hesine Technologies International Worldwide Inc. decreased to 65%.
7. Gaintech Co. Limited acquired 100% shares of MediaTek Sweden AB in April 2012.
8. E-Vehicle Semiconductor Technology Co. Ltd. established E-Vehicle Holding Corp. in September 2012.
9. E-Vehicle Holding Corp. established E-Vehicle Investment Limited in September 2012.
10. E-Vehicle Investment Limited established E-Vehicle Semiconductor (Shanghai) Co., Ltd. in September 2012.
11. Lepower (HK) Limited established Lepower Technologies (Beijing) Inc. in February 2012.
12. MediaTek Wireless, Inc. (USA) had been merged into MediaTek USA Inc. in January 2013.
13. EcoNet (Cayman) Inc. acquired 100% shares of Shadow Investment Limited from Gaintech Co. Limited in May 2013.
14. Gaintech Co. Limited established EcoNet (Cayman) Inc. in April 2013.
15. EcoNet (Cayman) Inc. established EcoNet (HK) Limited in April 2013.
16. T-Rich Technology Corp. Limited has been liquidated and returned the capital in December 2013.
17. Gaintech Co. Limited lost control over Vogins Technology Co., Ltd. due to the disposal of shares. Accordingly, Vogins Technology Co., Ltd. and its subsidiary Vogins Technology (Shanghai) Co., Ltd have been excluded from the Company's consolidated financial statements as of December 31, 2013. Nonetheless, revenues and expenses of Vogins Technology Co., Ltd. and its subsidiary occurred before losing control have been included in the Company's consolidated financial statements.
18. Gaintech Co. Limited established MediaTek Wireless FZ-LLC in December 2013.
19. Ralink Technology (Samoa) Corp. established AutoChips Inc. in November 2013.

The financial statements of all of consolidated subsidiaries listed above had been audited by auditors.

Foreign currency transactions

The Company's consolidated financial statements are presented in NT$, which is also the parent company's functional currency. Each entity in the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
B. Foreign currency items within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are accounted for based on the accounting policy for financial instruments.
C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
B. The Company holds the asset primarily for the purpose of trading
C. The Company expects to realize the asset within twelve months after the reporting period
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle
B. The Company holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in short term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or

(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

b. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

c. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

d. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

e. Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that an individual or a group of financial asset other than the financial assets at fair value through profit or loss is impaired. An individual or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) a breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(d) the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

f. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired

(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred

(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

a. Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

c. Financial liabilities

Financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in short term;
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

(b) Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

(c) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

D. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Derivative financial instrument

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Inventories

Costs incurred in bringing each inventory to its present location and condition. Raw materials are valued at purchase cost. Finish goods and work in progress include cost of direct materials and related manufacturing overheads. Inventories are valued at lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories that were not sold or moved for further production were assessed allowance and set aside to reflect the potential loss from stock obsolescence.

Investments accounted for using the equity method

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	3~50 years
Machinery and equipment	3~5 years
Computer and telecommunication equipment	3~5 years
Testing equipment	3~5 years
Miscellaneous equipment	2~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

Leases

A. The Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

B. The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

Expenditures related to research activities as well as those expenditures not meeting the criteria for capitalization are expensed when incurred. Expenditures related to development activities meeting the criteria for capitalization are capitalized.

The Company's intangible assets mainly include trademarks, patents, software, IPs and other which are acquired from third parties or by acquired other entities. A summary of the amortization policies applied to the Company's intangible assets is as follows:

Trademarks	Patents	Software	IPs and others
2~3 years	2~7 years	2~5 years	2~10 years
Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life

The Company's intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

A. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

a. the significant risks and rewards of ownership of the goods have passed to the buyer;
b. neither continuing managerial involvement nor effective control over the goods sold have been retained;
c. the amount of revenue can be measured reliably;
d. it is probable that the economic benefits associated with the transaction will flow to the entity; and
e. the costs incurred in respect of the transaction can be measured reliably.

The amount of revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by entity. The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue.

B. Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

C. Dividends

Revenue is recognized when the Company’s right to receive the payment is established.

Post-employment benefits

All regular employees of MTK and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with MTK and its domestic subsidiaries. Therefore fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, MTK and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. 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 the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The Company elected to take the optional exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards" for the liabilities and the equity instruments in shared-based payment transactions settled and vested before January 1, 2012 (the date of transition to TIFRS).

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is estimated using the tax rate that would be applicable to expected total annual earnings, that is, calculated by the pre-tax income of the interim period multiply by the estimated average annual effective income tax rate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The judgments and estimates made by the Company are based on historical experience and other related factors and continuously being evaluated and adjusted. Please refer to below description:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Valuation of inventory

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

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could cause future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

D. Revenue recognition - sales returns and discounts

The Company estimates sales returns and discounts based on historical experience and other known factors at the time of sale, which reduces the sales. The management periodically reviews the adequacy of the estimation used.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and petty cash	$1,102	$1,010	$2,020
Checking and savings accounts	13,315,702	9,763,010	11,069,943
Time deposits	119,680,922	76,103,190	74,749,475
Total	$132,997,726	$85,867,210	$85,821,438

Time deposits include deposits whose maturities are under twelve months and are readily convertible to known amounts of cash with values subject to an insignificant risk of changes.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Cash and cash equivalents were not pledged.

(2) Financial assets and financial liabilities at fair value through profit or loss

Financial assets designated upon initial recognition at fair value through profit or loss:

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Convertible bonds	$221,777	$-	$103,510
Credit-linked deposits	319,603	281,259	-
Interest rate-linked deposits	562,835	348,409	1,513,840
Exchange rate-linked deposits	721,039	-	-
Index-linked deposits	297,942	-	-
Subtotal	2,123,196	629,668	1,617,350
Noncurrent			
Convertible bonds	94,583	-	119,000
Bonds-Repo	289,332	-	-
Credit-linked deposits	823,058	546,508	514,412
Interest rate-linked deposits	271,734	526,468	878,944
Exchange rate-linked deposits	-	411,529	226,981
Subtotal	1,478,707	1,484,505	1,739,337
Total	$3,601,903	$2,114,173	$3,356,687

Financial assets and financial liabilities held for trading:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets			
Forward exchange contracts	$8,894	$244	$66
Current liabilities			
Forward exchange contracts	$26,017	$2,638	$-

Financial assets at fair value through profit or loss were not pledged.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Available-for-sale financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Funds	$1,570,378	$2,567,128	$2,371,197
Bonds	86,391	81,990	117,721
Depositary receipts	22,577	20,808	56,436
Common shares	1,746,775	1,309,087	-
Subtotal	3,426,121	3,979,013	2,545,354
Noncurrent			
Funds	2,838,444	2,475,193	2,021,006
Bonds	1,648,910	731,702	789,662
Subtotal	4,487,354	3,206,895	2,810,668
Total	$7,913,475	$7,185,908	$5,356,022

Available-for-sale financial assets were not pledged.

(4) Financial assets measured at cost

	December 31, 2013	December 31, 2012	January 1, 2012
Available-for-sale financial assets-noncurrent			
Non-publicly traded stocks	$905,074	$869,371	$1,166,627
Capital	1,156,489	1,213,743	850,986
Total	$2,061,563	$2,083,114	$2,017,613

Financial assets measured at cost were not pledged.

(5) Held-to-maturity financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Bonds	$549,573	$-	$-
Structured deposits	-	-	48,126
Subtotal	549,573	-	48,126
Noncurrent			
Bonds	341,937	796,860	828,422
Total	$891,510	$796,860	$876,548

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(6) Bond investments for which no active market exists

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Series B preferred stock	$-	$-	$1,000,000
Time deposits	113,678	113,598	13,112
Subtotal	113,678	113,598	1,013,112
Noncurrent			
Time deposits	364	400	671
Total	$114,042	$113,998	$1,013,783

Please refer to Note 8 for more details on bond investments for which no active market exists under pledge.

(7) Trade receivables and trade receivables from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Trade receivables	$14,706,067	$8,789,171	$7,926,274
Less: allowance for doubtful debts	(84,875)	(162,859)	(247,826)
Less: allowance for sales returns and discounts	(6,993,601)	(2,041,702)	(318,131)
Subtotal	7,627,591	6,584,610	7,360,317
Trade receivables from related parties	-	-	23,567
Less: allowance for doubtful debts	-	-	-
Subtotal	-	-	23,567
Total	$7,627,591	$6,584,610	$7,383,884

Trade receivables were not pledged.

Trade receivables are generally on 45-60 day terms. The movements in the provision for impairment of trade receivables and trade receivables from related parties are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2013	$-	$162,859	$162,859
Reversal for the current period	-	(79,110)	(79,110)
Exchange differences	-	1,126	1,126
As of December 31, 2013	$-	$84,875	$84,875

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Individually impaired	Collectively impaired	Total
As of January 1, 2012	$-	$247,826	$247,826
Reversal for the current period	-	(81,003)	(81,003)
Exchange differences	-	(3,964)	(3,964)
As of December 31, 2012	$-	$162,859	$162,859

Aging analysis of trade receivables and trade receivables from related parties that are past due as of the end of the reporting period but not impaired is as follows:

		Past due but not impaired		
As of	Neither past due nor impaired	1 to 90 days	More than 91 days	Total
December 31, 2013	$7,383,181	$243,386	$1,024	$7,627,591
December 31, 2012	$6,122,853	$461,757	$-	$6,584,610
January 1, 2012	$6,339,416	$1,044,468	$-	$7,383,884

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. The Company has not withdrawn cash entitled by the factoring agreements from banks as of December 31, 2013, December 31, 2012, and January 1, 2012. Receivables from banks due to factoring agreement were NT$2,697,718 thousand, NT$2,540,784 thousand and NT$2,138,876 thousand, respectively.

As of December 31, 2013, December 31, 2012 and January 1, 2012, trade receivables derecognized were as follows:

(a) As of December 31, 2013:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	55,529	-	55,529	154,860
BNP Paribas	-	22,887	-	22,887	100,000
HSBC	-	294	-	294	800
TC Bank	-	11,364	-	11,364	13,500
Total		90,074	-	90,074	269,160

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b) As of December 31, 2012:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	71,699	-	71,699	154,869
BNP Paribas	-	15,272	-	15,272	100,000
HSBC	-	233	-	233	468
Total		87,204	-	87,204	255,337

(c) As of January 1, 2012:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	45,717	-	45,717	129,946
BNP Paribas	-	24,896	-	24,896	65,000
Total		70,613	-	70,613	194,946

(8) Inventories

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	$4,787	$3,452	$-
Work in progress	7,320,888	9,979,682	7,499,193
Finished goods	5,268,422	5,855,477	5,424,535
Total	12,594,097	15,838,611	12,923,728
Less: allowance for inventory valuation losses	(3,247,305)	(1,971,300)	(3,531,446)
Net amount	$9,346,792	$13,867,311	$9,392,282

For the years ended December 31, 2013 and 2012, the cost of inventories recognized in expenses amounts to NT$76,250,370 thousand and NT$58,204,139 thousand, including the write-down of inventories of NT$1,271,330 thousand for the year ended December 31, 2013, and the reversal gain of the write-down of inventories of NT$1,548,304 thousand for the year ended December 31, 2012 because of the circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed.

No inventories were pledged.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(9) Investments accounted for using the equity method

Investees	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
MStar Semiconductor, Inc. (Cayman)	$58,192,878	48	$56,380,616	48	$-	-
Airoha Technology, Inc.	284,779	32	223,709	39	207,792	39
Shenzhen Huiding Technology Co., Ltd.	704,232	24	428,852	24	-	-
Alpha Imaging Technology Corp.	135,913	15	131,371	15	146,840	15
ALi Corporation	-	-	-	-	1,423,683	21
Others	351,959	-	229,361	-	202,668	-
Total	$59,669,761		$57,393,909		$1,980,983	

A. The carrying amount of investments in the associates for which there are published price quotations amounts to NT$58,328,791 thousand, NT$56,511,987 thousand and NT$1,570,523 thousand, as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The fair value of these investments are NT$88,354,325 thousand, NT$55,533,117 thousand and NT$2,076,422 thousand, as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

The share of profit of these associates accounted for using the equity method amounts to NT$2,150,963 thousand and NT$1,059,870 thousand for the years ended December 31, 2013 and 2012, respectively. The share of other comprehensive income of these associates accounted for using the equity method amounts to NT$1,554,911 thousand and NT$(1,545,440) thousand for the years ended December 31, 2013 and 2012, respectively.

The Company serves as a director of the board of directors of Alpha Imaging Technology Corp. and participates in its policy-setting processes. Therefore, the Company has significant influence over Alpha Imaging Technology Corp. even its ownership is lower than 20%.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

In May 2012, the Company sold partial shares of ALi Corporation. As the Company had lost its significant influence over ALi Corportation, the Company recognized an investment disposal gain of NT$958,957 thousand from the difference between the carrying amount of the investment at the disposal date and the aggregate amounts of the fair value of the remaining shares and the disposing proceeds of NT$1,528,400 thousand. Moreover, the Company reclassified the remaining shares to available-for-sale financial assets-current at its fair value.

In 2012, MTK totally acquired 254,115,685 shares (48% of MStar's outstanding shares) of MStar Semiconductor, Inc. (Cayman) through a tender offer. The price of the tender offer was 1 MStar share in exchange for 0.794 share of MTK's common stock plus NT$1 in cash. MTK aggregately issued 201,767,854 new shares and paid NT$254,116 thousand in cash for this tender offer.

No investment in the associate was pledged.

B. The following table illustrates summarized financial information of the Company's investment in the associates:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$49,504,796	$44,112,647	$8,211,144
Total liabilities	$11,080,916	$9,624,716	1,240,661

	Years ended December 31	
	2013	2012
Revenue	$40,025,789	$41,899,012
Profit	$5,543,109	$5,499,104

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(10) Property, plant and equipment

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2013	$1,273,869	$6,789,307	$125,761	$2,071,672	$3,013,052	$1,166,230	$2,141,493	$16,581,384
Additions-acquired separately	-	319,349	3,668	271,900	312,339	30,348	751,478	1,689,082
Disposals	-	(12,588)	(7,077)	(109,531)	(116,064)	(8,755)	-	(254,015)
Transfers	-	1,969,228	(277)	1,276	14,765	4,199	(1,991,731)	(2,540)
Exchange differences	-	13,691	600	51,787	27,096	378	110,012	203,564
As of December 31, 2013	$1,273,869	$9,078,987	$122,675	$2,287,104	$3,251,188	$1,192,400	$1,011,252	$18,217,475
As of January 1, 2012	$1,055,184	$6,135,210	$159,305	$1,952,134	$2,817,023	$1,177,722	$1,528,646	$14,825,224
Additions-acquired separately	262,609	773,306	37,531	176,561	273,262	38,316	668,766	2,230,351
Additions-acquired through business combinations	-	-	-	-	71	4,606	-	4,677
Disposals	-	(113,946)	(33,038)	(56,724)	(76,517)	(25,624)	-	(305,849)
Transfers	-	-	-	-	-	-	(30,353)	(30,353)
Exchange differences	(43,924)	(5,263)	(38,037)	(299)	(787)	(28,790)	(25,566)	(142,666)
As of December 31, 2012	$1,273,869	$6,789,307	$125,761	$2,071,672	$3,013,052	$1,166,230	$2,141,493	$16,581,384

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As of January 1, 2013	$-	$1,591,536	$108,287	$1,390,119	$2,065,704	$693,244	$-	$5,848,890
Depreciation	-	222,096	7,023	376,020	393,617	183,435	-	1,182,191
Disposals	-	(6,749)	(7,077)	(91,551)	(94,447)	(7,544)	-	(207,368)
Transfers	-	(117)	(5)	-	291	(146)	-	23
Exchange differences	-	2,515	481	27,028	31,656	19,952	-	81,632
As of December 31, 2013	$-	$1,809,281	$108,709	$1,701,616	$2,396,821	$888,941	$-	$6,905,368
As of January 1, 2012	$-	$1,437,859	$146,501	$1,100,483	$1,755,654	$523,297	$-	$4,963,794
Depreciation	-	211,352	1,444	398,337	372,412	234,830	-	1,218,375
Disposals	-	(40,486)	(39,494)	(96,678)	(61,610)	(54,782)	-	(293,050)
Exchange differences	-	(17,189)	(164)	(12,023)	(752)	(10,101)	-	(40,229)
As of December 31, 2012	$-	$1,591,536	$108,287	$1,390,119	$2,065,704	$693,244	$-	$5,848,890
Net carrying amount as of:								
December 31, 2013	$1,273,869	$7,269,706	$13,966	$585,488	$854,367	$303,459	$1,011,252	$11,312,107
December 31, 2012	$1,273,869	$5,197,771	$17,474	$681,553	$947,348	$472,986	$2,141,493	$10,732,494
January 1, 2012	$1,055,184	$4,697,351	$12,804	$851,651	$1,061,369	$654,425	$1,528,646	$9,861,430

Property, plant and equipment were not pledged.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(11) Intangible assets

	Trademarks	Software	Patents, IPs and others	Goodwill	Total
Cost:					
As of January 1, 2013	$32,985	$1,005,067	$8,083,810	$13,949,611	$23,071,473
Additions-acquired separately	-	61,395	263,019	-	324,414
Disposals	-	(398,935)	(4,077,108)	-	(4,476,043)
Transfers	-	2,563	-	-	2,563
Exchange differences	-	(127)	13,228	15,685	28,786
Others	(583)	(280)	(11,825)	-	(12,688)
As of December 31, 2013	$32,402	$669,683	$4,271,124	$13,965,296	$18,938,505
As of January 1, 2012	$32,300	$892,000	$6,670,723	$13,428,387	$21,023,410
Additions-acquired separately	-	91,045	980,533	-	1,071,578
Additions-acquired through business combinations	-	-	443,479	516,560	960,039
Transfers	-	29,296	1,057	-	30,353
Exchange differences	-	(965)	(26,944)	4,664	(23,245)
Others	685	(6,309)	14,962	-	9,338
As of December 31, 2012	$32,985	$1,005,067	$8,083,801	$13,949,611	$23,071,473
Amortization and impairment:					
As of January 1, 2013	$18,046	$828,805	$6,497,174	$-	$7,344,025
Amortization	14,356	123,845	406,438	-	544,639
Disposals	-	(398,935)	(4,077,108)	-	(4,476,043)
Exchange differences	-	(633)	4,074	-	3,441
Others	-	1,827	11,423	-	13,250
As of December 31, 2013	$32,402	$554,909	$2,842,001	$-	$3,429,312
As of January 1, 2012	$4,852	$612,576	$4,255,323	$-	$4,872,751
Amortization	13,194	221,185	2,243,701	-	2,478,080
Exchange differences	-	-	(1,938)	-	(1,938)
Others	-	(4,956)	88	-	(4,868)
As of December 31, 2012	$18,046	$828,805	$6,497,174	$-	$7,344,025

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Net carrying amount as of:					
December 31, 2013	$-	$114,774	$1,429,123	$13,965,296	$15,509,193
December 31, 2012	$14,939	$176,262	$1,586,636	$13,949,611	$15,727,448
January 1, 2012	$27,448	$279,424	$2,415,400	$13,428,387	$16,150,659

(12) Impairment testing of goodwill

The Company's goodwill allocated to each of cash-generating units or groups of cash-generating units is expected to benefit from synergies of the business combination. Key assumptions used in impairment testing are as follows:

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a five-year period. The projected cash flows reflect the change in demand for products and services. As a result of the analysis, the Company did not identify any impairment for the goodwill of NT$13,965,296 thousand.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

(a) Gross margin
(b) Discount rates
(c) Growth rates of sales of budget period

Gross margins - Gross margins are based on the gross margins of latest fiscal year and future trend of the market.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equity. The cost of equity is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Company has obligation to settle.

Growth rates of sales estimates - The growth rate of sales were estimated by historical experience. The long-term average growth rate the Company predicted was adjusted by considering the product life cycle and the macroeconomic environment.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(13) Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank loans	$29,051,500	$8,880,430	$4,089,150
Interest rates	0.75~2.55%	0.49~1.10%	1.25~1.50%
Unused lines of credits	$5,988,350	$9,343,506	$5,501,900

(14) Post-employment benefits

Defined contribution plans

MTK and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. MTK and its domestic subsidiaries have made monthly contributions of 6% of each individual employee’s salaries or wages to employees’ pension accounts. Subsidiaries located in the People’s Republic of China will contribute social welfare benefits based on a certain percentage of employees’ salaries or wages to the employees’ individual pension accounts. Pension benefits for employees of foreign subsidiaries are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2013 and 2012 are NT$702,388 thousand and NT$580,480 thousand, respectively.

Defined benefit plans

MTK and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, MTK and its domestic subsidiaries contribute an amount equivalent to 2% of the employees’ total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The summarization of defined benefits plan reflected in profit or loss is as follows:

	For the years ended December 31	
	2013	2012
Current service cost	$4,764	$2,461
Interest cost	9,413	8,755
Expected return on plan assets	(1,270)	(1,203)
Past service cost	-	-
Total	$12,907	$10,013

The cumulative amount of actuarial losses recognized in other comprehensive income is as follows:

	For the years ended December 31	
	2013	2012
As of January 1	$103,084	$-
Actuarial losses for the period	42,044	103,084
As of December 31	$145,128	$103,084

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Defined benefit obligation at present value	$675,485	$627,560	$513,866
Plan assets at fair value	(69,452)	(71,806)	(68,787)
Funded status	606,033	555,754	445,079
Unrecognized past service cost	-	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	$606,033	$555,754	$445,079

Changes in present value of the defined benefit obligation are as follows:

	For the years ended December 31	
	2013	2012
Defined benefit obligation as of January 1	$627,560	$513,866
Current service cost	4,764	2,461
Interest cost	9,413	8,755
Actuarial losses	41,680	102,478
Benefits paid	(7,932)	-
Defined benefit obligation as of December 31	$675,485	$627,560

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Changes in fair value of plan assets are as follows:

	For the years ended December 31	
	2013	2012
Fair value of plan assets as of January 1	$71,806	$68,787
Expected return on plan assets	1,270	1,203
Contributions by employer	2,022	2,422
Benefits paid	(7,932)	-
Actuarial losses	(364)	(606)
Others	2,650	-
Fair value of plan assets as of December 31	$69,452	$71,806

The Company expects to contribute NT$14,076 thousand to its defined benefit plan for the year ended December 31, 2014.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as of		
	December 31, 2013	December 31, 2012	January 1, 2012
Cash	26.96%	35.05%	31.48%
Equity instruments	44.77%	37.43%	40.75%
Debt instruments	27.48%	26.73%	27.77%
Others	0.79%	0.79%	-

The Company's actual return on plan assets was NT$906 thousand and NT$597 thousand for the years ended December 31, 2013 and 2012.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	2.00%	1.50%	1.75%
Expected rate of return on plan assets	2.00%	1.75%	1.75%
Expected rate of salary increases	3.00~3.40%	3.00%	3.00%

A 0.5 percentage point change in discount rate on defined benefit obligation:

	For the years ended December 31			
	2013		2012	
	0.5% increase in discount rate	0.5% decreased in discount rate	0.5% increase in discount rate	0.5% decreased in discount rate
Effect on the aggregate service cost in next period	$(189)	$214	$(234)	$265
Effect on the defined benefit obligation	$(73,400)	$83,325	$(72,229)	$82,453

Other information on the defined benefit plan is as follows:

	For the years ended December 31	
	2013	2012
Defined benefit obligation at present value as of December 31	$675,485	$627,560
Plan assets at fair value as of December 31	(69,452)	(71,806)
Deficit in plan as of December 31	$606,033	555,754
Experience adjustments on plan liabilities	$(23,200)	$(21,232)
Experience adjustments on plan assets	$(364)	$(606)

(15) Equity

A. Share capital

MTK's authorized capital was NT$20,000,000 thousand, NT$20,000,000 thousand, and NT$12,000,000 thousand, divided into 2,000,000,000 shares, 2,000,000,000 shares, and 1,200,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options at each period) as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, each at a par value of NT$10. MTK's issued capital was NT$13,494,667 thousand, NT$13,493,702 thousand, and NT$11,475,108 thousand, divided into 1,349,466,701 shares, 1,349,370,189 shares, and 1,147,510,834 shares as of December 31, 2013, December 31, 2012, and January 1, 2012, respectively. Each share has one voting right and a right to receive dividends.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Based on the resolution of shareholders' general meeting on June 13, 2012, MTK resolved to increase authorized shares of MTK amounted to NT$20,000,000 thousand, divided into 2,000,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options), each share at par value of NT$10. The government approval has been successfully obtained.

The board of directors approved a tender offer to acquire shares of MStar Semiconductor, Inc. (Cayman) ("MStar") on June 22, 2012. MTK totally issued 201,767,854 new shares at par value of NT$10 to acquire 48% shares of MStar. The government approval has been successfully obtained.

During 2013, MTK totally issued 333,580 new shares at par value of NT$10 for the employee stock options exercised. Furthermore, 247,293 shares (NT$2,473 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance.

B. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital	$66,585,671	$78,042,994	$23,161,573
Treasury share transactions	1,081,591	1,011,446	941,301
Adjustments arising from changes in percentage of ownership in subsidiaries	162,094	151,548	-
Donated assets	1,260	1,260	1,260
From share of changes in net assets of associates	51,144	36,634	2,719
Employee stock options	401,842	326,043	276,382
Others	191,308	102,573	105,174
Total	$68,474,910	$79,672,498	$24,488,409

According to the Company Law, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital (including the shares issued for mergers and the surplus from treasury shares transactions) and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury shares

As of December 31, 2013, December 31, 2012, and January 1, 2012, MTK's shares held by the subsidiary, MediaTek Capital Corp., were NT$55,970 thousand, and the number of MTK's shares held were 7,794,085 shares. These shares held by MediaTek Capital Corp. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2013, December 31, 2012 and January 1, 2012, MTK did not hold any other treasury shares.

D. Retained earnings and dividend policy

According to the MTK's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Income tax obligation;
b. Offsetting accumulated deficits, if any;
c. Legal reserve at 10% of net income after tax; where such legal reserve amounts to the total authorized capital, this provision shall not apply.
d. Special reserve in compliance with the Company Law or the Securities and Exchange Law;
e. Remuneration for directors and supervisors to a maximum of 0.5% of the remaining current year's earnings after deducting item (a) through (d). Remuneration for directors and supervisors' services is limited to cash payments.
f. The remaining after all above appropriations and distributions, combining with undistributed earnings from prior years, shall be fully for shareholders' dividends and employees' bonuses and may be retained or distributed proportionally. The portion of employees' bonuses may not be less than 1% of total earnings resolved to distribute for shareholders' dividends and employees' bonuses. Employees' bonuses may be distributed in the form of shares or cash, or a combination of both. Employees' of MTK's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' stock bonuses.

Shareholders' dividends may be distributed in the form of shares or cash, or a combination of both, and cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the Company Law, MTK needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of MTK. When MTK incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, MTK is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside special reserve based on difference between the amount already set aside and the total debit balances of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2013, special reserve set aside for the first-time adoption of TIFRS amounts to nil.

During the years ended December 31, 2013 and 2012, the amounts of the employees' bonuses were estimated to be NT$1,593,476 thousand and NT$895,875 thousand, respectively. During the years ended December 31, 2013 and 2012, the amounts of remunerations to directors and supervisors were estimated to be NT$56,784 thousand and NT$24,421 thousand, respectively. The employees' bonuses were estimated based on a specific rate of net income for the years ended December 31, 2013 and 2012 (excluding the impact of employees' bonuses) while the remunerations to directors and supervisors were estimated based on MTK's Articles of Incorporation. Estimated amount of employees' bonuses and remunerations paid to directors and supervisors were charged to current income. If the resolution of shareholders' general meeting modifies the estimates significantly in the subsequent year, MTK shall recognize the change as an adjustment to income of next year. If stock bonuses are resolved for distribution to employees, the number of shares distributed is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of shares on the day preceding the shareholders' meeting.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The appropriations of earnings for 2012 and 2011 were resolved by the board of directors' meeting on May 10, 2013 and March 21, 2012, while the appropriations of earnings for 2012 and 2011 were resolved by the shareholders' general meeting on June 21, 2013 and June 13, 2012. The amounts resolved in the shareholders' general meeting were consistent with those determined by the board of directors. The details of the distribution are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2012	2011	2012	2011
Legal reserve	$1,568,753	$1,362,307	$-	$-
Special reserve (reversal)	2,862,113	(1,987,809)	$-	$-
Cash dividends-common stock	674,690	10,328,124	$0.50	$9.00
Directors' and supervisors' remunerations	28,141	28,497	$-	$-
Employees' bonuses-cash	895,875	1,714,243	$-	$-
Total	$6,029,572	$11,445,362		

On May 10, 2013, the board of directors resolved a cash distribution of NT$9 per share (NT$12,144,424 thousand in the amount), among which NT$8.5 per share (NT$11,469,734 thousand in the amount) is from capital surplus while the remaining is from earnings. The cash distribution was approved by the shareholders' meeting on June 21, 2013.

The difference between the resolution of the shareholders' general meeting and the estimated expense of the directors' and supervisors' remuneration and the employees' bonuses for 2012 are as follows:

Appropriations	The amount resolved by the shareholders' general meeting	Expense estimated	Difference	Difference reasons and the accounting treatment
Employees' bonuses-cash	$895,875	$895,875	$-	-
Directors' and supervisors' remunerations	$28,141	$24,421	$3,720	(Note)

Note: The difference, which was resulted from different calculation basis between the original accrual and the amount actually paid, was included in the profit or loss in 2013.

The information about employees' bonuses and directors' and supervisors' remunerations which were resolved by the board of directors' meeting and shareholders' meeting is available at the Market Observation Post System website.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

E. Other equity

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2013	$(5,762,485)	$579,111	$(5,183,374)
Exchange differences resulting from translating the financial statements of foreign operations	1,802,933	-	1,802,933
Unrealized gains from available-for-sale financial assets	-	880,001	880,001
Unrealized gains reclassified to profit or loss upon disposal of available-for-sale financial assets	-	49,780	49,780
Share of other comprehensive income of associates accounted for using equity method	1,554,911	-	1,554,911
As of December 31, 2013	$(2,404,641)	$1,508,892	$(895,749)

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2012	$(2,253,687)	$43,192	$(2,210,495)
Exchange differences resulting from translating the financial statements of foreign operations	(1,963,358)	-	(1,963,358)
Unrealized gains from available-for-sale financial assets	-	534,085	534,085
Unrealized gains reclassified to profit or loss upon disposal of available-for-sale financial assets	-	1,834	1,834
Share of other comprehensive income of associates accounted for using equity method	(1,545,440)	-	(1,545,440)
As of December 31, 2012	$(5,762,485)	$579,111	$(5,183,374)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

F. Non-controlling interests

	For the years ended December 31	
	2013	2012
Beginning balance	$34,209	$50,311
Loss attributable to non-controlling interests	(30,402)	(39,215)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	8,244	23,113
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	26,142	-
Ending balance	$38,193	$34,209

(16) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

In December 2007, July 2009, May 2010, August 2011, August 2012 and August 2013, MTK was authorized by the Financial Supervisory Commission, Executive Yuan, to issue employee stock options of 5,000,000 units, 3,000,000 units, 3,500,000 units, 3,500,000 units, 3,500,000 units and 3,500,000 units, respectively, each unit eligible to subscribe for one common share. The options may be granted to qualified employees of MTK or any of its domestic or foreign subsidiaries, in which MTK's shareholding with voting rights, directly or indirectly, is more than fifty percent. The options are valid for ten years and exercisable at certain percentage subsequent to the second anniversary of the granted date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of MTK's common shares listed on the TWSE on the grant date.

Detail information relevant to the share-based payment plan is disclosed as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NTD) (Note)
2008.03.31	1,134,119	381,504	381,504	$358.0
2008.08.28	1,640,285	595,726	595,726	344.5
2009.08.18	1,382,630	681,073	681,073	431.0
2010.08.27	1,605,757	874,892	525,546	404.8
2010.11.04	65,839	14,634	8,778	377.0
2011.08.24	2,109,871	1,543,898	406,395	277.4
2012.08.14	1,346,795	1,167,038	-	286.8
2013.08.22	1,436,343	1,382,426	-	368.0

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash, the appropriations of earnings, issuance of new shares in connection with merger, or issuance of new shares to acquire shares of other companies) in accordance with the plan.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	Employee Stock Option
Expected dividend yield (%)	2.43%~6.63%
Expected volatility (%)	32.9%~50.06%
Risk free interest rate (%)	0.93%~2.53%
Expected life (Years)	6.5 years

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	For the years ended December 31			
	2013		2012	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NTD)	Options (Unit)	Weighted-averag e Exercise Price per Share (NTD)
Outstanding at beginning of period	6,045,493	$332.7	5,198,793	$359.6
Granted	1,436,343	368.0	1,346,795	286.8
Exercised	(285,885)	314.6	-	-
Forfeited (Expired)	(554,760)	289.1	(500,095)	337.6
Outstanding at end of period	6,641,191	341.3	6,045,493	332.7
Exercisable at end of period	2,599,022		1,910,836	
Weighted-average fair value of options granted during the period (in NTD)	$96.5		$90.5	

The weighted average share price at the date of exercise of those options was NT$397.3 for the year ended December 31, 2013.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The information on the outstanding share-based payment plan as of December 31, 2013 and 2012 is as follows:

		For the years ended December 31			
		2013		2012	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)
2007.12.19	$344.5~358.0	1.00	$349.8	2.01	$349.7
2009.07.27	431.0	2.13	431.0	3.13	431.0
2010.05.10	377.0~404.8	3.17	404.3	4.17	404.3
2011.08.09	277.4	4.17	277.4	5.17	277.4
2012.08.09	286.8	5.13	286.8	6.13	286.8
2013.08.09	368.0	6.17	368.0	-	-

MTK issued new shares to exchange 100% shares of Ralink Technology Corp. on October 1, 2011. According to the share-swap agreement, MTK also issued its own stock options to replace Ralink's stock options. The original terms of Ralink's options remain except for the changes: a) the underlying shares have been changed to MTK's shares; and b) the number of shares each option can subscribe for has been changed according to the share exchange ratio stated in the share swap agreement.

Details of Ralink's share-based payment plan to be replaced are shown below:

Date of grant	Total number of options granted	Total number of options outstanding on the shares exchange date	Total number of options outstanding translated by share exchange ratio on the shares exchange date	Total number of options outstanding	Shares available for option holders	Exercise price (NTD) (Note)
2006.06.30	91,000	1,575	499	-	-	$14.3
2006.09.30	599,500	9,763	3,092	-	-	14.3
2006.12.31	78,000	3,936	1,247	-	-	14.3
2007.03.31	273,000	11,967	3,791	-	-	15.7
2007.06.30	150,000	32,879	10,416	-	-	15.7
2007.09.30	560,000	149,568	47,368	-	-	15.7
2007.12.30	17,000	944	299	-	-	15.7
2007.12.31	1,000,000	277,490	87,895	-	-	16.7

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash or the appropriations of earnings) in accordance with the plan.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Black-Scholes Option Pricing model was used to estimate the fair value of options granted to replace Ralink's options. Assumptions used in calculating the fair value are disclosed as follows:

	Employee Stock Option
Expected dividend yield (%)	6.57%
Expected volatility (%)	39.5%
Risk free interest rate (%)	0.71%~0.86%
Expected life (Years)	0.75 year

The aforementioned expected option life is based on historical data of period for previously granted options and current expectations are not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted-average exercise price of the options granted to replace Ralink's options is disclosed as follows:

	For the years ended December 31			
	2013		2012	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NTD)	Options (Unit)	Weighted-average Exercise Price per Share (NTD)
Outstanding at beginning of period	52,483	$16.4	144,735	$16.3
Granted	-	-	-	-
Exercised	(47,695)	16.4	(92,252)	16.2
Forfeited (Expired)	(4,788)	16.2	-	-
Outstanding at end of period	-	-	52,483	16.4
Exercisable at end of period	-		52,483	
Weighted-average fair value of options granted during the period (in NTD)	$-		$-	

The weighted average share price at the date of exercise of those options were NT$347.6 and NT$284.9 for the years ended December 31, 2013 and 2012, respectively.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The information on the outstanding share-based payment plan as of December 31, 2013 and 2012 is as follows:

		As of December 31			
		2013		2012	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)
2007.01.29	$15.7	-	$15.7	-	$15.7
2007.10.30	16.7	-	16.7	-	16.7

The expense recognized for employee services received for the years ended December 31, 2013 and 2012, is shown in the following table:

	For the years ended December 31	
	2013	2012
Total equity-settled transactions	$75,799	$49,661

There have been no cancellations or modifications to any of the plans during the years ended December 31, 2013 and 2012.

(17) Sales

	For the years ended December 31	
	2013	2012
Sale of goods	$156,364,494	$111,230,467
Other operating revenues	1,061,939	784,272
Less: Sales returns and discounts	(21,370,479)	(12,751,579)
Net sales	$136,055,954	$99,263,160

(18) Summary of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2013 and 2012:

	For the years ended December 31					
	2013			2012		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$194,538	$16,839,520	$17,034,058	$198,580	$13,445,398	$13,643,978
Labor and health insurance	$17,371	$731,776	$749,147	$12,838	$673,106	$685,944
Pension	$11,484	$703,811	$715,295	$11,804	$578,689	$590,493
Others	$ 5,984	$701,033	$707,017	$5,279	$571,517	$576,796
Depreciation	$2,791	$1,179,400	$1,182,191	$2,857	$1,215,518	$1,218,375
Amortization	$-	$544,639	$544,639	$246	$2,477,834	$2,478,080

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(19) Other income

	For the years ended December 31	
	2013	2012
Rental income	$9,812	$9,167
Interest income	1,755,482	1,730,158
Dividend income	167,855	148,878
Gain on reversal of bad debts	79,110	81,003
Others	390,368	422,423
Total	$2,402,627	$2,391,629

(20) Other gains and losses

	For the years ended December 31	
	2013	2012
Losses on disposal of property, plant and equipment	$(3,137)	$(10,000)
(Loss) gain on disposal of investments		
Financial assets measured at cost	1,772	15,510
Available-for-sale financial assets	(49,780)	(1,834)
Investment accounted for using the equity method	-	1,038,122
Foreign exchange gains	545,463	119,544
Impairment losses		
Financial assets measured at cost	(380,210)	(264,452)
Available-for-sale financial assets	(97,900)	(324,295)
(Loss) gain on financial assets at fair value through profit or loss	(39,529)	79,251
Losses on financial liabilities at fair value through profit or loss	(26,017)	(2,638)
Others	(54,334)	91,057
Total	$(103,672)	$740,265

(21) Finance costs

	For the years ended December 31	
	2013	2012
Interest expenses on short-term borrowings	$146,816	$109,458

(22) Income tax

The major components of income tax expense are as follows:

	For the years ended December 31	
	2013	2012
Current income tax expenses	$2,998,863	$901,941
Deferred tax income	(1,008,094)	(29,205)
Others	71,403	67,815
Total income tax expense recognized in profit or loss	$2,062,172	$940,551

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2013	2012
Accounting profit before tax from continuing operations	$29,546,822	$16,485,081
Tax at the domestic rates applicable to profits in the country concerned	$6,091,788	$3,968,382
Tax effect of revenues exempt from taxation	(2,564,637)	(1,180,571)
Tax effect of expenses not deductible for tax purposes	(1,368,278)	(1,861,562)
Investment tax credits	(1,058,197)	(392,045)
Tax effect of deferred tax assets/liabilities	178,457	(196,088)
10% surtax on undistributed retained earnings	1,058,197	392,045
Others	(275,158)	210,390
Total income tax expense recognized in profit or loss	$2,062,172	$940,551

For the year ended December 31, 2013

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$36,514	$325,652	$-	$-	$-	$362,166
Allowance for sales returns and discounts	46,338	736,904	-	-	-	783,242
Amortization of difference for tax purpose	69,067	113,281	-	-	-	182,348
Amortization of goodwill difference for tax purpose	(1,158,926)	117,178	-	-	-	(1,041,748)
Unused foreign tax losses	152,757	20,069	-	-	-	172,826
Unused tax credits	490,160	(346,797)	-	-	-	143,363
Others	84,747	41,807	-	-	-	126,554
Deferred tax income		$1,008,094	$-	$-	$-	
Net deferred tax assets (liabilities)	$(279,343)					$728,751
Reflected in balance sheet as follows:						
Deferred tax assets	$915,791					$1,778,859
Deferred tax liabilities	$(1,195,134)					$(1,050,108)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2012

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$50,739	$(14,225)	$-	$-	$-	$36,514
Allowance for sales returns and discounts	4,388	41,950	-	-	-	46,338
Amortization of difference for tax purpose	37,901	31,166	-	-	-	69,067
Amortization of goodwill difference for tax purpose	(927,141)	(231,785)	-	-	-	(1,158,926)
Unused foreign tax losses	128,677	24,080	-	-	-	152,757
Unused tax credits	267,108	223,052	-	-	-	490,160
Others	112,256	(45,033)	17,524	-	-	84,747
Deferred tax income		$29,205	$17,524	$-	$-	
Net deferred tax assets (liabilities)	$(326,072)					$(279,343)
Reflected in balance sheet as follows:						
Deferred tax assets	$269,382					$915,791
Deferred tax liabilities	$(595,454)					$(1,195,134)

Details of MTK and domestic subsidiaries' unused tax credit are as follows:

Pursuant to the "Statute for Upgrading Industries", MTK and subsidiary - Ralink Technology Corp. are qualified as a technical service industry and is therefore entitled to an income tax exemption period for five consecutive years on the income generated from qualifying high technology activities. MTK has elected the tax exemption periods from January 1, 2009 through December 31, 2013, January 1, 2010 through December 31, 2014 and January 1, 2011 through December 31, 2015. The subsidiary, Ralink Technology Corp. has elected the tax exemption periods form March 1, 2007 through February 29, 2012 and January 1, 2012 through December 31, 2016.

		Unused tax credits as of			
Laws and regulations	Items	December 31, 2013	December 31, 2012	January 1, 2012	Expiration year
The Statute for Upgrading Industries	Investment tax credit relates to research and development	$-	$-	$2,448,042	2012
The Statute for Upgrading Industries	Investment tax credit relates to research and development	-	4,241,929	4,727,169	2013
		$-	$4,241,929	$7,175,211	

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Integrated income tax information

	December 31, 2013	December 31, 2012	January 1, 2012
Balance of the imputation credit account	$1,892,716	$1,257,643	$1,220,357

The estimated and actual creditable ratios for 2013 and 2012 were 5.50% and 2.83%, respectively.

MTK's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

The assessment of income tax returns

As of December 31, 2013, the assessment of the income tax returns of MTK and its subsidiaries are as follows:

	The assessment of income tax returns	Notes
MTK	Assessed and approved up to 2011	(Note)
Subsidiary-Ralink Technology Corp.	Assessed and approved up to 2010	(Note)

Note: For the tax returns of 2011, 2010, 2009 of MTK, and the tax return of 2010 of subsidiary-Ralink Technology Corp., the tax authorities have assessed additional taxes. The discrepancy between the Company's tax return filing and the result of tax authority's assessment was mainly due to different interpretations by applying rules. Although the Company has vigorously filed several administrative appeals to tax authorities and courts, the Company paid the amount in full.

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31	
	2013	2012
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$27,515,052	$15,583,745
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,341,660,900	1,216,422,577
Basic earnings per share (NT$)	$20.51	$12.81

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	For the years ended December 31	
	2013	2012
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$27,515,052	$15,583,745
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,341,660,900	1,216,422,577
Effect of dilution:		
Employee bonuses-stock (share)	4,851,460	5,891,802
Employee stock options (share)	652,161	73,131
Weighted average number of ordinary shares outstanding after dilution (share)	1,347,164,521	1,222,387,510
Diluted earnings per share (NT$)	$20.42	$12.75

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(24) Business combinations

Acquisition of MediaTek Sweden AB

The Company's subsidiary Gaintech Co. Limited ("GCL") acquired 100% shares of Coresonic AB on April 10, 2012. Coresonic AB is a non-public company, and specializing in the Digital signal processing (DSP) architecture. The Company has acquired Coresonic AB because it significantly enlarges the range of framework and technologies products of wireless communication that can be more competitive in market for relative solution. After the merger, Coresonic AB became 100%-owned by GCL and was renamed "MediaTek Sweden AB".

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The fair value of the identifiable assets and liabilities of MediaTek Sweden AB as of the date of acquisition were:

	Fair value recognized on the acquisition date (US$'000)
Cash and cash equivalents	3,235
Trade receivables	36
Other receivables	22
Prepayments	49
Property, plant and equipment	138
Intangible assets-IPs	15,221
	18,701
Trade payables	(74)
Other payables	(40)
Current tax liabilities	(434)
Other current liabilities	(882)
	(1,430)
Identifiable net assets	17,271

Goodwill of MediaTek Sweden AB is as follows:	
Purchase consideration	35,000
Less: identifiable net assets at fair value	(17,271)
Goodwill	17,729

Cash flows on acquisition:	
Net cash acquired with the subsidiary	3,235
Transaction costs attributable to cash paid	(35,000)
Net cash flow on acquisition	(31,765)

The goodwill of USD17,729 thousand comprises the value of expected synergies arising from the acquisition. The goodwill recognized is expected not to be deductible for income tax purposes.

MediaTek Sweden AB contributed NT$91,086 thousand from the date of acquisition (April 10, 2012) to December 31, 2012 to net loss before tax of the Company. If the combination had taken place at the beginning of that year, revenue would have been NT$1,049 thousand and the net loss before tax for the Company would have been NT$149,152 thousand.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(25) Changes in parent's ownership interests in subsidiaries

Changes in ownership of subsidiaries

In October 2012, Gaintech Co. Limited disposed of certain shares of Hesine Technologies International Worldwide Inc. and received certain publicly quoted equity investments as the considerations. Therefore, the percentage of ownership of Hesine Technologies International Worldwide Inc. decreased to 65%. The Company did not lose control over Hesine Technologies International Worldwide Inc. under the disposal and therefore the disposal was recorded as an equity transaction. The difference of NT$151,548 thousand between the fair value of the consideration received and the non-controlling interests was recognized directly in equity.

Lepower Limited, E-Vehicle Semiconductor Technology Co. Ltd. and RollTech Technology, Co. Ltd. issued new shares on February, April and July 2013, respectively. The Company did not purchase new shares in proportionate to its original ownership interest. Consequently, the ownership interest in these companies was changed but control over these companies remains. The difference between the fair value of purchased equity investments and the increase in the non-controlling interest was NT$10,546 thousand and was recognized in equity.

7. Related Party Transactions

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31	
	2013	2012
Associates	$-	$874

For the years ended December 31, 2013 and 2012, the trade credit terms for related parties and third-party customers were both 45 to 60 days. Third-party customers may prepay their accounts in advance.

B. IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2013	2012
Other related parties	$6,908,329	$4,936,842

C. Royalty Expense

	For the years ended December 31	
	2013	2012
Other related parties	$26,807	$-

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

D. Rental income

	For the years ended December 31	
	2013	2012
Associates	$500	$57
Other related parties	9,187	8,873
	$9,687	$8,930

NT$876 thousand was received from other related parties, which was accounted for as deposits received due to a lease of office space.

E. Trade receivables from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$-	$-	$23,567

F. Other receivables from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$60	$30	$-
Other related parties	340	766	327
	$400	$796	$327

Other receivables from related parties are composed mainly of rent receivables as of December 31, 2013 and 2012 and January 1, 2012.

G. Trade payables to related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties	$2,082,028	$1,003,337	$958,936

H. Key management personnel compensation

	For the years ended December 31	
	2013	2012
Short-term employee benefits (Note)	$564,280	$290,826
Post-employment benefits	2,610	2,099
Total	$566,890	$292,925

Note: The Company estimated the management personnel compensation of short-term employee benefits based on the accrued bonuses and the actual proportion of earning appropriation in the past.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

8. Assets Pledged as Collateral

The following table lists assets of the Company pledged as security:

	Carrying amount			
Assets pledged for security	December 31, 2013	December 31, 2012	January 1, 2012	Purpose of pledge
Bond investments for which no active market exists-current	$6,917	$6,917	$6,917	Land lease guarantee
Bond investments for which no active market exists-current	3,104	3,067	3,030	Customs clearance deposits
Bond investments for which no active market exists-current	102,000	102,000	-	Project performance deposits
Bond investments for which no active market exists-current	1,657	1,547	3,165	Credit guarantee
Bond investments for which no active market exists-current	-	67	-	Customs clearance deposits
Bond investments for which no active market exists-noncurrent	243	267	671	Customs clearance deposits
Bond investments for which no active market exists-noncurrent	121	133	-	Lease execution deposits
Total	$114,042	$113,998	$13,783	

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

The Company has entered into commercial leases, and these leases have an average life of three to ten years with no renewal options included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$374,715	$311,865	$141,427
Later than one year and not later than five years	753,028	673,326	346,365
Later than five years	181,444	284,296	249,276
Total	$1,309,187	$1,269,487	$737,068

(2) Legal claim contingency

a. Freescale Semiconductor, Inc. ("Freescale") filed a complaint with the U.S. International Trade Commission against MTK and two other Respondents on June 8, 2011 alleging infringement of United States Patents No. 5,467,455. Freescale alleged that MTK's DTV chips infringe its patent and sought to prevent the accused products from being imported into the United States. U.S. International Trade Commission issued an Initial Determination for the above referenced matter on July 12, 2012 that found no violation of Section 337 of the Tariff Act by MTK's products, Freescale failed to establish the domestic industry element, Freescale's asserted patent claims are invalid, and MTK's products do not infringe the asserted patent claims. On September 12, 2012, the U.S. International Trade Commission issued a Notice of its affirmation of all of the findings listed above and the termination of this investigation.

Freescale also filed a complaint in the United States District Court for the Western District of Texas against MTK and one other defendant on June 8, 2011, alleging infringement of United States Patent No. 5,467,455. Freescale alleged that MTK's DTV chips infringe its patent and sought damages and an injunction to prevent the accused products from being sold in the future.

MTK filed a complaint in the United States District Court for the Northern District of California against Freescale on November 3, 2011 alleging infringement of United States Patent Nos. 6,738,845, 6,088,753, 6,311,244, and 6,889,331. MTK alleged that Freescale's multimedia application processors and micro-controller products infringe the above referenced patents, and sought damages and an injunction to prevent the accused products from being sold in the future.

Freescale filed a complaint in the U.S. International Trade Commission against MTK and thirteen other Respondents on November 30, 2011 alleging infringement of United States Patent No. 5,467,455. Freescale alleged that MTK's DTV chips infringe its patent and sought to prevent the accused products from being imported into the United States. U.S. International Trade Commission issued an Initial Determination for the above referenced matter on September 28, 2012, granting MTK and other Respondents' request to terminate this investigation. On October 31, 2012, the U.S. International Trade Commission issued a Notice of its affirmation of the Initial Determination, formally terminating this investigation.

Additionally, Freescale filed a complaint in the United States District Court for the Western District of Texas against MTK on July 6, 2012 alleging infringement of United States Patent Nos. 6,920,316, 5,825,640, 5,943,274. Freescale alleged that MTK's DTV chips infringe its patents and sought damages and an injunction to prevent the accused products from being sold in the future.

b. Azure Networks, LLC ("Azure") and Tri-County Excelsior Foundation ("TCEF") filed a complaint in the United States District Court for the Eastern District of Taxes against Ralink and Ralink Technology Corporation (USA), along with other defendants in March 2011, alleging infringement of United States Patent No. 7,756,129. On April 6, 2012, Azure and TCEF filed a complaint in the United States District Court for the Eastern District of Texas against MTK alleging infringement of the same patent referenced above. The operation of MTK and subsidiaries Ralink and Ralink Technology Corporation (USA) would not be materially affected by those patent litigations. On May 30, 2013, the Court entered a judgment in favor of Ralink and other defendants, dismissing the earlier case subject to the plaintiffs' right to appeal. An appeal has been filed by plaintiffs on June 20, 2013. On June 10, 2013, the Court entered a judgment dismissing the later case pursuant to the parties' joint stipulation.

c. Commonwealth Scientific and Industrial Research Organization filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA), along with other defendants on August 27, 2012 alleging infringement of United States Patent No. 5,487,069. The operations of MTK and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) would not be materially affected by this case.

d. Palmchip Technology Corporation ("Palmchip") filed a complaint in the Superior Court of California in the County of Santa Clara against MTK and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on October 19, 2012, asserting claims of breach of contract. The operations of MTK and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) would not be materially affected by this case.

   Palmchip filed a complaint in the United States District Court for the Central District of California against MTK and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) on August 30, 2013, alleging infringement of United States Patents Nos. 6,601,126, 6,769,046, and 7,124,376. The operations of the Company and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) would not be materially affected by this case.

e. Lake Cherokee Hard Drive Technologies, LLC filed a complaint in the United States District Court for the Eastern District of Texas against MTK, and subsidiary MediaTek USA Inc., along with other defendants on July 23, 2013 alleging that MTK's optical disc drive chips infringe United States Patents Nos. 5,991,911 and 6,048,090. The operations of MTK and subsidiary MediaTek USA Inc., would not be materially affected by this case.

f. Optical Devices, LLC ("Optical Devices") filed a complaint with the U.S. International Trade Commission against MTK and subsidiary MediaTek USA Inc. on September 3, 2013 alleging infringement of United States Patent No. 8,416,651. Optical Devices alleged that MTK's optical disc drive chips infringe its patent and sought to prevent the accused products from being imported into the United States. Also on September 3, 2013, Optical Devices filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiary MediaTek USA Inc., alleging that MTK's optical disc drive chips infringe the above referenced patent. The operations of MTK and subsidiary MediaTek USA Inc., would not be materially affected by this case.

g. Vantage Point Technology, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek USA Inc. on November 21, 2013, alleging infringement of United State Patent Nos. 5,463,750 and 6,374,329. The operations of MediaTek and subsidiary MediaTek USA Inc. would not be materially affected by this case.

The Company will handle these cases carefully.

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

The merger with MStar Semiconductor, Inc. (Cayman)

The merger was approved by the Extraordinary Shareholders Meeting of MTK on October 12, 2012. Based on the resolution of the Extraordinary Shareholders Meeting, MTK paid 0.794 company shares and NT$1 in cash for each share of MStar Semiconductor, Inc. (Cayman) ("MStar").

The merger was approved by Ministry of Commerce of the People's Republic of China ("MOFCOM") on August 26, 2013, contingent upon the completion of a working plan which should be reviewed by MOFCOM. On November 26, 2013, the working plan was approved by MOFCOM. MTK has successfully obtained all relevant domestic and foreign regulators approvals. The merger effective date was set on February 1, 2014. MTK acquired the remaining 52% ownership of MStar by issuing 221,123,877 shares and paying NT$278,494 thousands in cash. As of March 21, 2014, the business registration of MTK's new share issuance is still in process. MStar was delisted and dissolved.

According to MOFCOM's conditional approval, following the delist of MStar, its mobile phone chips and wireless communication business can be integrated into MTK while TV chips and related business operation has to be maintained by MStar Semiconductor, Inc. ("MStar Taiwan") for three years post merger. MStar Taiwan can be further integrated with MTK after the third anniversary, subject to condition removal. Synergy from the merger at this stage will be primarily reflected in mobile phone chips and wireless communication business. Through the integration of research and development team and technology resources, MTK can enhance its technology and product development capabilities. In addition, MTK will expand its global business operation and further strengthen the industry leading position to optimize shareholder value.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at fair value through profit or loss:			
Held for trading financial assets	$8,894	$244	$66
Financial assets designated upon initial recognition at fair value through profit or loss	3,601,903	2,114,173	3,356,687
Subtotal	3,610,797	2,114,417	3,356,753
Available-for-sale financial assets	7,913,475	7,185,908	5,356,022
Financial assets measured at cost	2,061,563	2,083,114	2,017,613
Held-to-maturity financial assets	891,510	796,860	876,548
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand and petty cash)	132,996,624	85,866,200	85,819,418
Bond investments for which no active market exists	114,042	113,998	1,013,783
Trade receivables (including related parties)	7,627,591	6,584,610	7,383,884
Other receivables	3,652,885	5,076,122	2,961,830
Subtotal	144,391,142	97,640,930	97,178,915
Total	$158,868,487	$109,821,229	$108,785,851

Financial liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities at fair value through profit or loss:			
Held for trading financial liabilities	$26,017	$2,638	$-
Financial liabilities at amortized cost:			
Short-term borrowings	29,051,500	8,880,430	4,089,150
Trade payables (including related parties)	10,944,174	9,047,400	9,021,903
Other payables	16,835,299	13,356,034	15,865,576
Long-term payables (including current portion)	116,805	142,766	165,743
Subtotal	56,947,778	31,426,630	29,142,372
Total	$56,973,795	$31,429,268	$29,142,372

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties), other payables approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

(c) The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

(d) The fair value of other financial assets and liabilities is determined using discounted cash flow analysis, the interest rate and discount rate are selected with reference to those of similar financial instruments.

b. Fair value of financial instruments measured at amortized cost

Other than those listed in the table below, the carrying amount of the Company’s financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount as of			Fair value as of		
	December 31, 2013	December 31, 2012	January 1, 2012	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets						
Held-to-maturity financial assets						
Structure deposits	$-	$-	$48,126	$-	$-	$48,126
Bonds	$891,510	$796,860	$828,422	$912,021	$810,845	$821,049
Bond investments for which no active market exists						
Series B preferred stock	$-	$-	$1,000,000	$-	$-	$1,059,128

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

c. Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$546,109	$-	$59,583	$605,692
Derivative financial instruments	-	8,894	-	8,894
Linked deposits	-	1,912,174	1,084,037	2,996,211
Available-for-sale financial assets				
Depositary receipts	22,577	-	-	22,577
Common shares	1,746,775	-	-	1,746,775
Bonds	1,536,906	-	198,395	1,735,301
Funds	4,408,822	-	-	4,408,822
Total	$8,261,189	$1,921,068	$1,342,015	$11,524,272
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$-	$26,017	$-	$26,017

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Derivative financial instruments	$-	$244	$-	$244
Linked deposits	-	1,796,576	317,597	2,114,173
Available-for-sale financial assets				
Depositary receipts	20,808	-	-	20,808
Common shares	1,309,087	-	-	1,309,087
Bonds	636,911	-	176,781	813,692
Funds	5,042,321	-	-	5,042,321
Total	$7,009,127	$1,796,820	$494,378	$9,300,325
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$-	$2,638	$-	$2,638

As of January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$103,510	$-	$119,000	$222,510
Derivative financial instruments	-	66	-	66
Linked deposits	-	3,134,177	-	3,134,177
Available-for-sale financial assets				
Depositary receipts	56,436	-	-	56,436
Bonds	724,775	-	182,608	907,383
Funds	4,392,203	-	-	4,392,203
Total	$5,276,924	$3,134,243	$301,608	$8,712,775

For the years ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy is as follows:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets	
	Bonds	Linked deposits	Bonds	Total
As of January 1, 2013	$-	$317,597	$176,781	$494,378
Amount recognized in profit or loss	(315)	(4,986)	-	(5,301)
Amount recognized in OCI	-	-	21,614	21,614
Acquisitions	59,898	1,483,150	-	1,543,048
Settlements	-	(711,724)	-	(711,724)
As of December 31, 2013	$59,583	$1,084,037	$198,395	$1,342,015

	Financial assets at fair value through profit or loss		Available-for-sale financial assets	
	Bonds	Linked deposits	Bonds	Total
As of January 1, 2012	$119,000	$-	$182,608	$301,608
Amount recognized in profit or loss	-	4,582	-	4,582
Amount recognized in OCI	-	-	(5,827)	(5,827)
Acquisitions	-	313,015	-	313,015
Settlements	(119,000)	-	-	(119,000)
As of December 31, 2012	$-	$317,597	$176,781	$494,378

Total gains (losses) recognized for the years ended December 31, 2013 and 2012 contain gains and losses related to bonds, derivative financial instruments and linked deposits on hand as of December 31, 2013 and 2012 in the amount of NT$387 thousand and NT$4,582 thousand, respectively.

C. Derivative financial instruments

The Company's derivative financial instruments held for trading were forward exchange contracts. The related information is as follows:

The Company entered into forward exchange contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward exchange contracts:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of December 31, 2013	TWD to USD	Sell USD200,000	January 2014
As of December 31, 2012	TWD to USD	Sell USD69,000	January 2013
As of January 1, 2012	TWD to USD	Sell USD14,000	January 2012

The Company entered into forward foreign exchange contracts to hedge foreign currency risk of net assets or net liabilities. As there will be corresponding cash inflows or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

(2) Financial risk management objectives

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

A. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company reviews its assets and liabilities denominated in foreign currency and enters into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains or losses made on the hedged item. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1 cent, the profit for the years ended December 31, 2013 and 2012 decreases or increases by NT$1,399 thousand and NT$983 thousand, while equity decrease/increase by NT$18,669 thousand and NT$16,881 thousand, respectively.

b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates. Moreover, the market value of the Company's investment in credit-linked deposits and interest rate-linked deposits are affected by interest rate. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2013 and 2012 to decrease/increase by NT$2,570 thousand and NT$4,327 thousand, respectively.

c. Other price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under available-for-sale financial assets (including financial assets measured at cost). The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain equity investments according to level of authority.

At the reporting date, a change of 1% in the price of the listed equity securities classified under available-for-sale could only impact the Company's equity, but has no effect on profit or loss. The price risk related to unlisted equity securities classified under available-for-sale is insignificant.

B. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2013, December 31, 2012, and January 1, 2012, receivables from top ten customers represent 65.45%, 65.14% and 65.45% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

The Company's exposure to credit risk arises from potential default of the counter-party or other third-party. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivables of financial instruments. Since the counter-party or third-party to the foregoing forward exchange contracts are all reputable financial institutions, management believes that the Company's exposure to default by those parties is minimal.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Credit risk of credit-linked deposits, interest rate-linked deposits, exchange-linked deposit, index-linked deposit and convertible bonds arises if the issuing banks breached the contracts or the debt issuer could not pay off the debts; the maximum exposure is the carrying value of those financial instruments. Therefore, the Company minimized the credit risk by only transacting with counter-party who is reputable, transparent and in good financial standing.

C. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2013			
Borrowings	$29,094,447	$-	$29,094,447
Trade payables (including related parties)	10,944,174	-	10,944,174
Other payables	16,812,303	-	16,812,303
Long-term payables	29,950	86,855	116,805
Total	$56,880,874	$86,855	$56,967,729
As of December 31, 2012			
Borrowings	$8,893,436	$-	$8,893,436
Trade payables (including related parties)	9,047,400	-	9,047,400
Other payables	13,356,034	-	13,356,034
Long-term payables	29,136	113,630	142,766
Total	$31,326,006	$113,630	$31,439,636
As of January 1, 2012			
Borrowings	$4,116,309	$-	$4,116,309
Trade payables (including related parties)	9,021,903	-	9,021,903
Other payables	15,865,576	-	15,865,576
Long-term payables	18,081	147,662	165,743
Total	$29,021,869	$147,662	$29,169,531

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2013			
Gross settlement			
Forward exchange contracts			
Inflow	$590,400	$-	$590,400
Outflow	(599,000)	-	(599,000)
Net	(8,600)	-	(8,600)
Net settlement			
Forward exchange contracts	(25,930)	-	(25,930)
Total	$(34,530)	$-	$(34,530)

	Less than 1 year	1 to 5 years	Total
As of December 31, 2012			
Gross settlement			
Forward exchange contracts			
Inflow	$1,161,790	$-	$1,161,790
Outflow	(1,165,440)	-	(1,165,440)
Net	(3,650)	-	(3,650)
Net settlement			
Forward exchange contracts	(468)	-	(468)
Total	$(4,118)	$-	$(4,118)

There were no outstanding forward exchange contracts which were included in financial instruments as of January 1, 2012.

The table above contains the undiscounted net cash flows of derivative financial instruments.

(3) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	December 31, 2013			December 31, 2012			January 1, 2012		
	Foreign Currency (thousand)	Exchange rate	NTD (thousand)	Foreign Currency (thousand)	Exchange rate	NTD (thousand)	Foreign Currency (thousand)	Exchange rate	NTD (thousand)
Financial assets									
Monetary item:									
USD	$3,222,505	$29.950	$96,514,018	$2,185,217	$29.136	$63,668,506	$1,812,357	$30.290	$54,472,301
CNY	$3,000	$4.947	$14,841	$-	-	$-	$-	-	$-
Non-monetary item:									
USD	$312,787	$29.950	$9,367,985	$221,165	$29.136	$6,443,874	$202,736	$30.290	$6,140,882
CNY	$58,203	$4.947	$287,924	$-	-	$-	$179,899	$4.813	$865,782
Financial liabilities									
Monetary item:									
USD	$1,528,514	$29.950	$45,778,992	$620,047	$29.136	$18,065,696	$508,035	$30.290	$15,388,386

(4) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Segment Information

(1) General Information

The major sales of the Company come from multimedia and mobile phone chips and other integrated circuit design products. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Geographical information

a. Sales to other than consolidated entities

	For the years ended December 31	
	2013	2012
Taiwan	$8,690,900	$10,201,827
Asia	126,687,863	87,290,990
Others	677,191	1,770,343
Total	$136,055,954	$99,263,160

Sales are presented by customers' country.

b. Non-current assets

	December 31, 2013	December 31, 2012	January 1, 2013
Taiwan	$22,226,180	$22,343,544	$22,662,060
Asia	3,757,147	3,176,727	3,186,171
Others	956,468	1,054,018	163,858
Total	$26,939,795	$26,574,289	$26,012,089

(3) Major customers

Sales to customers representing over 10% of the Company's consolidated net sales are as follows:

	For the years ended December 31			
	2013		2012	
Customers	Amounts	%	Amounts	%
A	$20,855,656	15.33	$10,465,080	10.54
B	14,004,694	10.29	14,057,376	14.16
Total	$34,860,350	25.62	$24,522,456	24.70

14. First-time Adoption of TIFRS

For all periods up to and including the year ended December 31, 2012, the Company prepared its financial statements in accordance with generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The consolidated financial statements for the year ended December 31, 2013 are the first the Company has prepared in accordance with TIFRS.

Accordingly, the Company has prepared financial statements which comply with TIFRS and the Regulations Governing the Preparation of Financial Reports by Securities Issuers for periods beginning January 1, 2013 as described in the accounting policies under Note 4. Furthermore the first interim financial statements prepared under TIFRS also comply with the requirements under IFRS 1 First-time Adoption of International Financial Reporting Standards. The Company's opening balance sheet was prepared as of January 1, 2012, the Company's date of transition to TIFRS.

Exemptions applied in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards"

IFRS 1 "First-time Adoption of International Financial Reporting Standards" allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemptions:

(1) IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2012. By applying this exemption, immediately after the business combination, the carrying amount in accordance with R.O.C. GAAP of assets acquired and liabilities assumed in that business combination, shall be their deemed costs in accordance with TIFRS at that date. The subsequent measurement of these assets and liabilities will be in accordance with TIFRS. Under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the carrying amount of goodwill in the opening balance sheet shall be its carrying amount in accordance with R.O.C. GAAP at December 31, 2011, after testing for impairment and reclassifying amounts to intangible assets that are required to be recognized. The Company has performed goodwill impairment testing as of the date of transition to TIFRS and no impairment loss has been recognized as of that date.

(2) The Company has recognized all cumulative actuarial gains and losses on pensions as of the date of transition to TIFRS directly in retained earnings.

(3) The Company has elected to disclose amounts required by paragraph 120A(p) of IAS 19 prospectively from the date of transition to TIFRS.

(4) IFRS 2 has not been applied to equity instruments in share-based payment transactions that vested before the date (January 1, 2012) of transition to TIFRS.

(5) The Company has applied the transitional provision in IFRIC 4 and has assessed all arrangements whether include lease transaction as of January 1, 2012.

(6) IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The Company needs not comply with these requirements for changes in such liabilities that occurred before the date of transition to TIFRS by adopting the first-time adoption exemption.

Impacts of transitioning to TIFRS

The following tables contain reconciliation of balance sheets as of January 1 and December 31, 2012 and statements of comprehensive income for the year ended December 31, 2012:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of consolidated balance sheet items as of January 1, 2012 (the date of transition to TIFRS)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current assets					Current assets	
Cash and cash equivalents	$85,821,438	$-	$-	$85,821,438	Cash and cash equivalents	
Financial assets at fair value through profit or loss-current	1,617,416	-	-	1,617,416	Financial assets at fair value through profit or loss-current	
Available-for-sale financial assets-current	2,545,354	-	-	2,545,354	Available-for-sale financial assets-current	
Held-to-maturity investments-current	48,126	-	-	48,126	Held-to-maturity investments-current	
Bond portfolios with no active market -current	1,000,000	-	13,112	1,013,112	Bond investments for which no active market exists-current	9
Accounts receivables, net	7,360,317	-	-	7,360,317	Trade receivables, net	
Receivables from related parties, net	23,567	-	-	23,567	Trade receivables from related parties, net	
Other receivables	3,027,004	-	(65,174)	2,961,830	Other receivables	9
-	-	-	65,174	65,174	Current tax assets	9
Inventories, net	9,392,282	-	-	9,392,282	Inventories	
Prepayments	689,987	-	-	689,987	Prepayments	
Other current assets	282,585	-	-	282,585	Other current assets	
Deferred income tax assets-current	220,940	-	(220,940)	-	-	8
Restricted assets-current	13,112	-	(13,112)	-	-	9
Total current assets	112,042,128	-	(220,940)	111,821,188	Total current assets	
Funds and investments					Non-current assets	
Financial assets at fair value through income statement-noncurrent	1,739,337	-	-	1,739,337	Financial assets at fair value through profit or loss-noncurrent	
Available-for-sale financial assets-noncurrent	2,810,668	-	-	2,810,668	Available-for-sale financial assets - noncurrent	
Held-to-maturity investments-noncurrent	828,422	-	-	828,422	Held-to-maturity investments-noncurrent	
Financial assets measured at cost-noncurrent	2,203,872	(186,259)	-	2,017,613	Financial assets measured at cost-noncurrent	2
-	-	-	671	671	Bond investments for which no active market exists-noncurrent	9
Investments accounted for using the equity method	1,834,664	146,319	-	1,980,983	Investments accounted for using the equity method	2
Total funds and investments	9,416,963					
Property, plant and equipment, net	9,810,051	-	51,379	9,861,430	Property, plant and equipment	9
Intangible assets	16,150,659	-	-	16,150,659	Intangible assets	
Other assets						
Refundable deposit	265,431	-	-	265,431	Refundable deposit	
Deferred charges	51,379	-	(51,379)	-	-	9
Deferred income tax assets-noncurrent	-	43,272	226,110	269,382	Deferred tax assets	4,8
Restricted assets-noncurrent	671	-	(671)	-	-	9
Other assets	3,826	(3,826)	-	-	-	4
Total other assets	321,307	(494)	226,110	35,924,596	Total noncurrent assets	
Total assets	$147,741,108	$(494)	$5,170	$147,745,784	Total assets	

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MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current liabilities					Current liabilities	
Short-term borrowings	$4,089,150	$-	$-	$4,089,150	Short-term borrowings	
Accounts payables	8,062,967	-	-	8,062,967	Trade payables	
Payables to related parties	958,936	-	-	958,936	Trade payables to related parties	
Income tax payable	681,003	-	-	681,003	Current tax liabilities	
Accrued expenses	15,714,455	-	(15,714,455)	-	-	9
Payables to contractors and equipment suppliers	76,861	-	(76,861)	-	-	9
Other payables	74,260	-	15,791,316	15,865,576	Other payables	9
Current portion of long-term payables	18,081	-	-	18,081	Current portion of long-term liabilities	
Other current liabilities	752,407	-	-	752,407	Other current liabilities	
Total current liabilities	30,428,120	-	-	30,428,120	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term payables	147,662	-	-	147,662	Long-term payables	
Other liabilities						
Accrued pension liabilities	190,538	254,541	-	445,079	Accrued pension liabilities	4
Deposits received	6,176	-	-	6,176	Deposits received	
Deferred income tax liabilities-noncurrent	590,934	(650)	5,170	595,454	Deferred tax liabilities	4,8
Other liabilities-others	49,351	-	-	49,351	Non-current liabilities-others	
Total other liabilities	836,999	253,891	5,170	1,243,722	Total non-current liabilities	
Total liabilities	31,412,781	253,891	5,170	31,671,842	Total liabilities	
Share capital					Share capital	
Common stock	11,475,108	-	-	11,475,108	Common stock	
Capital collected in advance	83	-	-	83	Capital collected in advance	
Capital reserve	24,605,882	(117,473)	-	24,488,409	Capital surplus	2,5
Retained earnings			-		Retained earnings	
Legal reserve	21,710,122	-	-	21,710,122	Legal reserve	
Special reserve	4,198,121	-	-	4,198,121	Special reserve	
Undistributed earnings	56,554,982	(136,729)	-	56,418,253	Undistributed earnings	2,4,5
Adjusting items in shareholders' equity					Other equity	
Unrealized gain (loss) on financial instruments	43,192	-	-	43,192	Unrealized gains (losses) from available-for-sale financial assets	
Cumulative translation adjustment	(2,253,504)	(183)	-	(2,253,687)	Exchange differences resulting from translating the financial statements of a foreign operation	2
Treasury stock	(55,970)	-	-	(55,970)	Treasury shares	
Total shareholders’ equity attributable to parent company	116,278,016	(254,385)	-	116,023,631	Equity attributable to owners of the parent	
Minority interest	50,311	-	-	50,311	Non-controlling interest	
Total shareholders' equity	116,328,327	(254,385)	-	116,073,942	Total equity	
Total liabilities and shareholders' equity	$147,741,108	$(494)	$5,170	$147,745,784	Total liabilities and equity	

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of consolidated balance sheet items as of December 31, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current assets					Current assets	
Cash and cash equivalents	$85,867,210	$-	$-	$85,867,210	Cash and cash equivalents	
Financial assets at fair value through profit or loss-current	629,912	-	-	629,912	Financial assets at fair value through profit or loss-current	
Available-for-sale financial assets-current	3,779,013	200,000	-	3,979,013	Available-for-sale financial assets-current	1
-	-	-	113,598	113,598	Bond investments for which no active market exists-current	9
Accounts receivables, net	6,584,610	-	-	6,584,610	Trade receivables, net	
Other receivables	5,135,613	-	(59,491)	5,076,122	Other receivables	9
-	-	-	59,501	59,501	Current tax assets	9
Inventories, net	13,867,311	-	-	13,867,311	Inventories	
Prepayments	1,141,033	-	(10)	1,141,023	Prepayments	9
Other current assets	426,062	-	-	426,062	Other current assets	
Deferred income tax assets-current	526,731	-	(526,731)	-	-	8
Restricted assets-current	113,598	-	(113,598)	-	-	9
Total current assets	118,071,093	200,000	(526,731)	117,744,362	Total current assets	
Funds and investments					Non-current assets	
Financial assets at fair value through income statement-noncurrent	1,484,505	-	-	1,484,505	Financial assets at fair value through profit or loss-noncurrent	
Available-for-sale financial assets-noncurrent	3,206,895	-	-	3,206,895	Available-for-sale financial assets -noncurrent	
Held-to-maturity investments-noncurrent	796,860	-	-	796,860	Held-to-maturity investments-noncurrent	
Financial assets measured at cost-noncurrent	2,469,373	(386,259)	-	2,083,114	Financial assets measured at cost-noncurrent	1,2
-	-	-	400	400	Bond investments for which no active market exists-noncurrent	9
Investments accounted for using the equity method	57,162,699	231,210	-	57,393,909	Investments accounted for using the equity method	2
Total funds and investments	65,120,332					
Property, plant and equipment, net	10,707,589	-	24,905	10,732,494	Property, plant and equipment	9
Intangible assets	15,842,236	(441)	(114,347)	15,727,448	Intangible assets	3,4
Other assets						
Refundable deposit	206,393	-	-	206,393	Refundable deposit	
Deferred charges	24,905	-	(24,905)	-	-	9
Deferred income tax assets-noncurrent	266,785	117,148	531,858	915,791	Deferred tax assets	2,4,8
-	-	-	114,347	114,347	Long-term prepaid rent	3
Restricted assets-noncurrent	400	-	(400)	-	-	9
Other assets	3,223	(3,223)	-	-	-	4
Total other assets	501,706	(41,565)	531,858	92,662,156	Total noncurrent assets	
Total assets	$210,242,956	$158,435	$5,127	$210,406,518	Total assets	

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MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current liabilities					Current liabilities	
Short-term borrowings	$8,880,430	$-	$-	$8,880,430	Short-term borrowings	
Financial liability at fair value through profit or loss-current	2,638	-	-	2,638	Financial liability at fair value through profit or loss-current	
Accounts payables	8,044,063	-	-	8,044,063	Trade payables	
Payables to related parties	1,003,337	-	-	1,003,337	Trade payables to related parties	
Income tax payable	1,053,591	-	-	1,053,591	Current tax liabilities	
Accrued expenses	13,139,736	114,144	(13,253,880)	-	-	4,9
Payables to contractors and equipment suppliers	60,894	-	(60,894)	-	-	9
Other payables	41,260	-	13,314,774	13,356,034	Other payables	9
Current portion of long-term payables	29,136	-	-	29,136	Current portion of long-term liabilities	
Deferred income tax liabilities-current	8,123	-	(8,123)	-	-	8
Other current liabilities	610,139	-	-	610,139	Other current liabilities	
Total current liabilities	32,873,347	114,144	(8,123)	32,979,368	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term payables	113,630	-	-	113,630	Long-term payables	
Other liabilities						
Accrued pension liabilities	220,083	335,671	-	555,754	Accrued pension liabilities	4
Deposits received	30,233	-	-	30,233	Deposits received	
Deferred income tax liabilities-noncurrent	1,156,875	25,009	13,250	1,195,134	Deferred tax liabilities	2,4,8
Other liabilities-others	74,675	-	-	74,675	Non-current liabilities-others	
Total other liabilities	1,481,866	360,680	13,250	1,969,426	Total non-current liabilities	
Total liabilities	34,468,843	474,824	5,127	34,948,794	Total liabilities	
Share capital					Share capital	
Common stock	13,493,702	-	-	13,493,702	Common stock	
Capital collected in advance	102	-	-	102	Capital collected in advance	
Capital reserve	79,551,866	120,632	-	79,672,498	Capital surplus	2,5,6
Retained earnings					Retained earnings	
Legal reserve	23,072,429	-	-	23,072,429	Legal reserve	
Special reserve	2,210,312	-	-	2,210,312	Special reserve	
Undistributed earnings	62,539,888	(326,072)	-	62,213,816	Undistributed earnings	2,4,5,6
Adjusting items in shareholders' equity					Other equity	
Unrealized gain (loss) on financial instruments	700,343	(121,232)	-	579,111	Unrealized gains (losses) from available-for-sale financial assets	2
Net loss not recognized as pension cost	(10,503)	10,503	-	-	-	4
Cumulative translation adjustment	(5,762,265)	(220)	-	(5,762,485)	Exchange differences resulting from translating the financial statements of a foreign operation	2
Treasury stock	(55,970)	-	-	(55,970)	Treasury shares	
Total shareholders' equity attributable to parent company	175,739,904	(316,389)	-	175,423,515	Equity attributable to owners of the parent	
Minority interest	34,209	-	-	34,209	Non-controlling interest	
Total shareholders' equity	175,774,113	(316,389)	-	175,457,724	Total equity	
Total liabilities and shareholders' equity	$210,242,956	$158,435	$5,127	$210,406,518	Total liabilities and equity	

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of statement of comprehensive income items for the year ended December 31, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Net sales	$99,263,160	$-	$-	$99,263,160	Net sales	
Operating costs	(58,200,706)	(3,433)	-	(58,204,139)	Operating costs	4
Gross profit	41,062,454	(3,433)	-	41,059,021	Gross profit	
Operating expenses					Operating expenses	
Selling expenses	(3,109,276)	(5,591)	-	(3,114,867)	Selling expenses	4
Administrative expenses	(3,064,310)	(5,414)	157,551	(2,912,173)	Administrative expenses	4,7,9
Research and development expenses	(22,383,562)	(88,093)	(157,551)	(22,629,206)	Research and development expenses	4,7,9
Total	(28,557,148)	(99,098)	-	(28,656,246)		
Operating income	12,505,306	(102,531)	-	12,402,775	Operating income	
Non-operating income					Non-operating income and expenses	
Interest revenue	1,730,158	-	661,471	2,391,629	Other income	7,9
Gain on equity investments, net	1,074,451	(14,581)	-	1,059,870	Share of profit (loss) of associates and joint ventures accounted for using the equity method	2
Dividend income	148,878	-	(148,878)	-	-	7,9
Gain on disposal of investments	829,865	221,933	(311,533)	740,265	Other gains (losses)	2,6,7,9
Foreign exchange gain, net	119,544	-	(119,544)	-	-	7,9
Valuation gain on financial assets	79,251	-	(79,251)	-	-	7,9
Others	609,123	-	(609,123)	-	-	7,9
Total	4,591,270					
Non-operating expenses						
Interest expense	(109,458)	-	-	(109,458)	Finance costs	
Loss on disposal of property, plant and equipment	(10,000)	-	10,000	-	-	7,9
Impairment loss	(349,450)	(239,297)	588,747	-	-	2,7,9
Valuation loss on financial liabilities	(2,638)	-	2,638	-	-	7,9
Others	(5,473)	-	5,473	-	-	7,9
Total	(477,019)	(31,945)	-	4,082,306	Total non-operating income and expenses	
Profit before tax	16,619,557	(134,476)	-	16,485,081	Profit before tax	
Income tax expense	(971,244)	30,693	-	(940,551)	Income tax expense	2,4,8
Consolidated net income	$15,648,313	(103,783)	-	15,544,530	Profit	
-				(1,940,245)	Exchange differences resulting from translating the financial statements of a foreign operation	
-				535,919	Unrealized gain or loss from available-for-sale financial assets	
-				(103,084)	Actuarial losses on defined benefit plans	
-				(1,545,440)	Share of other comprehensive income of associates accounted for using the equity method	
-				17,524	Income tax relating to components of other comprehensive income	
-				(3,035,326)	Other comprehensive income, net of tax	
-				$12,509,204	Total comprehensive income	

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Material adjustments to the consolidated statement of cash flows for the year ended December 31, 2012

The transition from R.O.C. GAAP to TIFRS has not had a material impact on the statement of cash flows. The statement of cash flow prepared under R.O.C. GAAP was reported using the indirect method. Furthermore, cash flows from interest and dividends received and interest paid were classified as cash flows from operating activities and interest and dividends received were not disclosed separately. However, in accordance with the requirements under IAS 7 "Statement of Cash Flows", the interest received for the year ended December 31, 2012, are disclosed in the statement of cash flow in the amount of NT$1,487,073 thousand. The dividends received for the year ended December 31, 2012, are disclosed in the statement of cash flow in the amount of NT$148,878 thousand.

Apart from the aforementioned differences, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

(1) Financial assets measured at cost

Under the previous accounting policies, equity investments in unlisted entities were measured at cost and net of impairment loss if objective evidence of impairment exists. However under the requirements of IAS 39 "Financial Instruments: Recognition and Measurement", only investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured could be measured at cost. Therefore these investments in unlisted entities are measured at fair value and reclassified to available-for-sale financial assets. The following table illustrates the impact of the adjustments:

As of December 31, 2012

				Differences	
Classification under R.O.C. GAAP	Classification under TIFRS	Carrying amount under R.O.C. GAAP	Carrying amount under TIFRS	Recognized in unrealized gains or losses from available-for-sale financial assets	Recognized in retained earnings
Financial assets measured at cost-noncurrent	Available-for-sale financial assets -current	$200,000	$200,000	-	-

Financial assets measured at cost did not affected by the adjustment as of January 1, 2012.

Unrealized valuation gains and losses from available-for-sale financial assets were nil for the year ended December 31, 2012 was recognized under other comprehensive income.

(2) Investments accounted for under the equity method

Under the requirements of IAS 28 "Investments in Associates", the Company remeasured and reclassified financial assets carried at cost-noncurrent to investments accounted for using the equity method. As of January 1 and December 31, 2012, the Company's financial assets measured at cost-noncurrent were decreased by NT$186,259 thousand and NT$186,259 thousand, respectively, investments accounted for under the equity method were increased by NT$147,883 thousand and NT$132,303 thousand, respectively, capital reserve were increased by NT$2,514 thousand and NT$2,714 thousand, respectively, exchange differences resulting from translating the financial statements of a foreign operation were decreased by NT$183 thousand and NT$220 thousand, respectively, and retained earnings were decreased by NT$40,707 thousand and NT$56,450 thousand, respectively. Moreover, the non-operating income and expenses of associates accounted for using the equity method for the year ended December 31, 2012 were decreased by NT$15,743 thousand.

Under the requirements of IAS 28 "Investments in Associates", the associates' accounting policy should conform to the investor's when the associate's financial statements are used by the investor in applying the equity method. Therefore, investments accounted for using the equity method were decreased by NT$1,564 thousand and NT$402 thousand, respectively, capital reserve were increased by NT$205 thousand and NT$205 thousand, respectively, retained earnings were decreased by NT$1,769 thousand and NT$607 thousand, respectively, as of January 1 and December 31, 2012. Additionally, the non-operating income and expenses of associates accounted for using the equity method for the year ended December 31, 2012 were increased by NT$1,162 thousand.

According to IFRSs, when the Company's equity investment increases and the significant influence is obtained, the Company shall remeasure the entire equity investment at fair value and the investment costs would be the fair value at the acquired date. As of December 31, 2012, the Company's investments accounted for using the equity method and retained earnings were increased by NT$99,309 thousand and NT$99,309 thousand, respectively. Also, the gains on disposal of investments (other gains or losses) was increased by NT$99,309 thousand for the year ended December 31, 2012.

Under IFRSs, when the Company loses its significant influence to associates, the Company shall remeasure the remaining investment at fair value and recognize the difference between the book value of the entire investment and the fair value of the remaining investment plus the proceeds of the disposal as a gain or loss. After that, the Company shall account for the investment according to the accounting standards of financial instruments. As of December 31, 2012, the Company's retained earnings, deferred income asset-noncurrent, deferred income tax liabilities-noncurrent and unrealized gains (losses) from available-for-sale financial assets were increased(decreased) by NT$134,495 thousand, NT$40,680 thousand, NT$27,417 thousand and NT$(121,232) thousand, respectively. Moreover, the Company's gains on disposal of investments (other gains or losses), impairment losses (other gains or losses) and income tax expenses were increased (decreased) by NT$274,172 thousand, NT$239,297 thousand and NT$(13,263) thousand for the year ended December 31, 2012, respectively.

(3) Reclassification of land use rights to long-term prepaid rent

Land use rights were classified as intangible assets under R.O.C. GAAP. Upon transitioning to TIFRS, in accordance with the requirements of IAS 17 "Leases", land use rights were reclassified to long-term prepaid rent under non-current assets. As of December 31, 2012, land use rights reclassified to long-term prepaid rent were NT$114,347 thousand.

(4) Employee benefits

The Company used actuarial techniques to calculate the defined benefit obligation and recognized related pension costs and accrued pension liabilities under R.O.C. GAAP. Upon transitioning to TIFRS, actuarial calculations were made in accordance with the requirements under IAS 19 "Employee Benefits". Under the requirement of IFRS 1, the Company re-performed actuarial calculation on defined benefit obligations as of January 1, and December 31, 2012, adjusted its cumulative actuarial gains and losses to zero, and recognized all unrecognized transitional net benefit obligations as of the date of transition to TIFRS. As of January 1, and December 31, 2012, the Company's accrued pension liabilities were increased by NT$254,541 thousand and NT$335,671 thousand, respectively, other assets-prepaid pension costs were decreased by NT$3,826 thousand and NT$3,223 thousand, respectively, intangible assets-deferred pension costs were decreased by nil and NT$441 thousand, respectively, deferred income tax assets-noncurrent were increased by NT$43,272 thousand and NT$57,064 thousand, respectively, deferred income tax liabilities-noncurrent were decreased by NT$650 thousand and NT$2,408 thousand, respectively, retained earnings were decreased by NT$214,445 thousand and NT$290,366 thousand, respectively, and net loss not recognized as pension costs were decreased by nil and NT$10,503 thousand, respectively.

Furthermore, as the Company adopts the accounting policy of recognizing all actuarial gains or losses to other comprehensive income after transitioning to TIFRS, and combining with the effect of the aforementioned adjustments, the pension costs for the year ended December 31, 2012 was decreased by NT$11,613 thousand, income tax expenses was increased by NT$1,974 thousand. The actuarial gains and losses under other comprehensive income for the year ended December 31, 2012 was decreased by NT$85,560 thousand.

Under the requirement of IAS 19 "Employee Benefits", the Company shall recognize unused accumulating compensated absences. Therefore, accrued expenses (other payables) were increased by nil and NT$114,144 thousand, respectively, deferred income tax assets-noncurrent were increased by nil and NT$19,404 thousand, respectively, and retained earnings were decreased by nil and NT$94,740 thousand, respectively, as of January 1 and December 31, 2012. Furthermore, the operating costs and operating expenses were increased by NT$114,144 thousand and the income tax expense was decreased by NT$19,404 thousand for the year ended December 31, 2012.

(5) Adjustments of capital reserve-share of changes in net assets of associates for using the equity method

As of January 1 and December 31, 2012, capital reserve-share of changes in net assets of associates accounted for using the equity method were decreased by NT$120,192 thousand and NT$33,835 thousand, respectively, retained earnings were increased by NT$120,192 thousand and NT$33,835 thousand, respectively, due to incompliance with IFRSs, respectively.

(6) Changes in ownership of subsidiaries-not loses control

Under the requirements of IAS 27 "Consolidated and Separated Financial Statements", the transactions shall be measured as equity transaction, when the Company still possesses control after disposed part shares of a subsidiary. Therefore, the Company's capital reserve and retained earnings were increased (decreased) by NT$151,548 thousand and NT$(151,548) thousand as of December 31, 2012, respectively. Furthermore, the gain of disposal investment (other gains or losses) was decreased by NT$151,548 thousand for the year ended December 31, 2012.

(7) Reconciliations of consolidated statement of comprehensive income

Upon transitioning to TIFRS, in order to comply with the presentation of financial statements under TIFRS and the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers, certain items on the statement of comprehensive income have been reclassified. All other impact on the statement of comprehensive income as results of adjustments upon transitioning to TIFRS has been described in item 1-6.

(8) Income tax

Classification and valuation of deferred tax

Under the requirements of R.O.C. GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However under the requirements of IAS 12 "Income Taxes", an entity shall offset deferred tax assets and deferred tax liabilities when the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Under the requirements of R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. If a deferred tax asset or liability is not related to an asset or liability for financial reporting, it should be classified as current or non-current according to the expected reversal date of the temporary difference. However under the requirements of IAS 1 "Presentation of Financial Statements", deferred tax assets or liabilities are classified as non-current. Therefore as of January 1 and December 31, 2012, deferred tax assets reclassified to non-current assets were NT$226,110 thousand and NT$531,858 thousand, respectively, reclassified to non-current liabilities were NT$5,170 thousand and NT$5,127 thousand, respectively. Moreover, as of January 1 and December 31, 2012, deferred tax liabilities reclassified to non-current liabilities were nil and NT$8,123 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The following tables illustrate the deferred tax effects of all adjustments relating to the transitioning to TIFRS:

Income tax expense:

	Note	Year ended December 31, 2012
Recognized in profit or loss:		
Employee benefits	4	$(17,430)
Adjustment from investments accounted for using the equity method	2	(13,263)
		$(30,693)
Recognized in other comprehensive income:		
Employee benefits	4	$17,524

Deferred tax assets and liabilities:

		January 1, 2012		December 31, 2012	
	Note	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Employee benefits	4	$43,272	$(650)	$76,468	$(2,408)
Adjustment from investments accounted for using the equity method	2	-	-	40,680	27,417
Total		$43,272	$(650)	$117,148	$25,009

(9) Others

Certain items in the financial statements prepared based on R.O.C. GAAP have been reclassified for comparison purposes.

7. Financial Statements and Independent Auditors' Report – Parent Company

English Translation of a Report and Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS THEN ENDED
DECEMBER 31, 2013 AND 2012

安永聯合會計師事務所
30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.
Tel: 886 3 688 5678
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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of MediaTek Inc.

We have audited the accompanying parent company only balance sheets of MediaTek Inc. as of December 31, 2013 and 2012 and January 1, 2012 and the related parent company only statements of comprehensive income, parent company only changes in equity, and parent company only cash flows for the years then ended December 31, 2013 and 2012. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of MediaTek Inc. as of December 31, 2013 and 2012 and January 1, 2012, and the results of its operations and its cash flows for the years then ended December 31, 2013 and 2012, in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 21, 2014
Taipei, Taiwan
Republic of China

Notice to Readers

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying parent company only financial statements are intended only to present the parent company only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the R.O.C.

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2013, December 31, 2012 and January 1, 2012

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2013	%	December 31, 2012	%	January 1, 2012	%
Current assets							
Cash and cash equivalents	4, 6(1)	$ 53,710,940	23	$ 28,288,474	14	$ 27,137,268	20
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	57,473	-	50,240	-	393,510	-
Available-for-sale financial assets-current	4, 5, 6(3), 6(7)	2,342,414	1	2,646,892	1	1,627,536	1
Bond investments for which no active market exists-current	4, 6(4), 8	112,021	-	111,984	-	1,009,947	1
Trade receivables, net	4, 5, 6(5)	4,113,848	2	2,945,188	2	3,200,385	2
Trade receivables from related parties, net	4, 6(5), 7	160,054	-	31,712	-	61,418	-
Other receivables	6(5), 7	3,189,179	2	3,559,885	2	2,156,836	2
Inventories, net	4, 5, 6(6)	5,748,634	3	10,589,234	6	6,278,630	5
Prepayments		905,256	-	329,269	-	305,418	-
Other current assets		367,827	-	395,881	-	265,275	-
Total current assets		70,707,646	31	48,948,759	25	42,436,223	31
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	260,334	-	-	-	-	-
Available-for-sale financial assets-noncurrent	4, 5, 6(3)	2,067,800	1	1,965,084	1	1,592,572	1
Investments accounted for using the equity method	4, 6(7)	142,644,666	62	133,193,956	67	79,525,258	57
Property, plant and equipment	4, 6(8)	6,331,668	3	6,282,152	3	6,503,119	5
Intangible assets	4, 6(9), 6(10)	7,242,842	3	7,039,987	4	7,714,627	6
Deferred tax assets	4, 5, 6(20)	1,148,644	-	470,085	-	114,188	-
Refundable deposits		68,341	-	109,598	-	141,602	-
Total non-current assets		159,764,295	69	149,060,862	75	95,591,366	69
Total assets		$ 230,471,941	100	$ 198,009,621	100	$ 138,027,589	100

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2013, December 31, 2012 and January 1, 2012

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2013	%	December 31, 2012	%	January 1, 2012	%
Current liabilities							
Short-term borrowings	6(11)	$ 8,985,000	4	$ 2,179,150	1	$ -	-
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	26,017	-	2,592	-	-	-
Trade payables		6,822,620	3	6,550,078	3	6,696,357	5
Trade payables to related parties	7	433,716	-	116,392	-	119,190	-
Other payables		13,545,923	6	10,532,074	5	12,856,882	9
Current tax liabilities	4, 5, 6(20)	2,755,934	1	878,403	1	470,032	-
Other current liabilities		1,061,452	1	565,046	-	598,081	1
Total current liabilities		33,630,662	15	20,823,735	10	20,740,542	15
Non-current liabilities							
Accrued pension liabilities	4, 6(12)	608,694	-	545,243	-	435,908	-
Deposits received	7	47,298	-	29,579	-	5,969	-
Deferred tax liabilities	4, 5, 6(20)	870,081	-	1,187,549	1	821,539	1
Total non-current liabilities		1,526,073	-	1,762,371	1	1,263,416	1
Total liabilities		35,156,735	15	22,586,106	11	22,003,958	16
Equity							
Share capital	6(7), 6(13)						
Common stock		13,494,667	6	13,493,702	7	11,475,108	8
Capital collected in advance		2,473	-	102	-	83	-
Capital surplus	6(13), 6(14)	68,474,910	30	79,672,498	40	24,488,409	18
Retained earnings	6(13)						
Legal reserve		24,641,182	11	23,072,429	12	21,710,122	16
Special reserve		5,072,425	2	2,210,312	1	4,198,121	3
Undistributed earnings		84,581,268	36	62,213,816	32	56,418,253	41
Other equity	6(13)	(895,749)	-	(5,183,374)	(3)	(2,210,495)	(2)
Treasury shares	4, 6(13)	(55,970)	-	(55,970)	-	(55,970)	-
Total equity		195,315,206	85	175,423,515	89	116,023,631	84
Total liabilities and equity		$ 230,471,941	100	$ 198,009,621	100	$ 138,027,589	100

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2013 and 2012

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2013	%	2012	%
Net sales	4, 5, 6(15), 7	$ 96,230,064	100	$ 63,474,029	100
Operating costs	4, 5, 6(6), 6(16), 7	(54,894,385)	(57)	(40,773,789)	(64)
Gross profit		41,335,679	43	22,700,240	36
Unrealized gross profit on sales		(59,028)	-	-	-
Gross profit, net		41,276,651	43	22,700,240	36
Operating expenses	6(16), 7				
Selling expenses		(3,476,394)	(4)	(2,258,462)	(4)
Administrative expenses		(1,998,501)	(2)	(1,552,934)	(2)
Research and development expenses		(16,989,264)	(18)	(13,130,962)	(21)
Total operating expenses		(22,464,159)	(24)	(16,942,358)	(27)
Operating income		18,812,492	19	5,757,882	9
Non-operating income and expenses					
Other income	4, 6(17), 7	593,595	1	540,265	1
Other gains and losses	4, 6(7), 6(18)	243,961	-	711,914	1
Finance costs	6(19)	(20,981)	-	(1,734)	-
Share of profit of subsidiaries and associates accounted for using the equity method	4, 6(7)	9,578,438	10	9,314,782	15
Total non-operating income and expenses		10,395,013	11	10,565,227	17
Net income before income tax		29,207,505	30	16,323,109	26
Income tax expense	4, 5, 6(20)	(1,692,453)	(1)	(739,364)	(1)
Net income		27,515,052	29	15,583,745	25
Other comprehensive income	4, 6(7), 6(12), 6(13)				
Exchange differences resulting from translating the financial statements of foreign operations		1,813,956	2	(1,957,446)	(3)
Unrealized gains from available-for-sale financial assets		313,902	-	535,085	-
Actuarial losses on defined benefit plans		(55,167)	-	(101,531)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method		2,172,890	2	(1,552,071)	(2)
Income tax relating to components of other comprehensive income		-	-	17,524	-
Other comprehensive income, net of tax		4,245,581	4	(3,058,439)	(5)
Total comprehensive income		$ 31,760,633	33	$ 12,525,306	20
Basic Earnings Per Share (in New Taiwan Dollars)	6(21)	$ 20.51		$ 12.81	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(21)	$ 20.42		$ 12.75	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2013 and 2012

(Amounts in thousands of New Taiwan Dollars)

Description	Share capital		Capital surplus	Retained earnings			Other equity		Treasury shares	Total equity
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets		
Balance as of January 1, 2012	$ 11,475,108	$ 83	$ 24,488,409	$ 21,710,122	$ 4,198,121	$ 56,418,253	$ (2,253,687)	$ 43,192	$ (55,970)	$ 116,023,631
Appropriation and distribution of 2011 earnings:										
Legal reserve	-	-	-	1,362,307	-	(1,362,307)	-	-	-	-
Reversal of special reserve	-	-	-	-	(1,987,809)	1,987,809	-	-	-	-
Cash dividends	-	-	-	-	-	(10,328,124)	-	-	-	(10,328,124)
Total	-	-	-	1,362,307	(1,987,809)	(9,702,622)	-	-	-	(10,328,124)
Profit for the year ended December 31, 2012	-	-	-	-	-	15,583,745	-	-	-	15,583,745
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	-	(85,560)	(3,508,798)	535,919	-	(3,058,439)
Total comprehensive income	-	-	-	-	-	15,498,185	(3,508,798)	535,919	-	12,525,306
Share-based payment transactions	915	19	50,437	-	-	-	-	-	-	51,371
Shares issued to acquire a new entity	2,017,679	-	54,880,856	-	-	-	-	-	-	56,898,535
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,145	-	-	-	-	-	-	70,145
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	151,548	-	-	-	-	-	-	151,548
Change in other capital surplus	-	-	31,103	-	-	-	-	-	-	31,103
Balance as of Dcecember 31, 2012	13,493,702	102	79,672,498	23,072,429	2,210,312	62,213,816	(5,762,485)	579,111	(55,970)	175,423,515
Appropriation and distribution of 2012 earnings:										
Legal reserve	-	-	-	1,568,753	-	(1,568,753)	-	-	-	-
Special reserve	-	-	-	-	2,862,113	(2,862,113)	-	-	-	-
Cash dividends	-	-	-	-	-	(674,690)	-	-	-	(674,690)
Cash distributed from capital surplus	-	-	(11,469,734)	-	-	-	-	-	-	(11,469,734)
Total	-	-	(11,469,734)	1,568,753	2,862,113	(5,105,556)	-	-	-	(12,144,424)
Profit for the year ended Dcecember 31, 2013	-	-	-	-	-	27,515,052	-	-	-	27,515,052
Other comprehensive income for the year ended Dcecember 31, 2013	-	-	-	-	-	(42,044)	3,357,844	929,781	-	4,245,581
Total comprehensive income	-	-	-	-	-	27,473,008	3,357,844	929,781	-	31,760,633
Share-based payment transactions	965	2,371	79,420	-	-	-	-	-	-	82,756
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,145	-	-	-	-	-	-	70,145
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	10,546	-	-	-	-	-	-	10,546
Change in other capital surplus	-	-	112,035	-	-	-	-	-	-	112,035
Balance as of Dcecember 31, 2013	$ 13,494,667	$ 2,473	$ 68,474,910	$ 24,641,182	$ 5,072,425	$ 84,581,268	$ (2,404,641)	$ 1,508,892	$ (55,970)	$ 195,315,206

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai   President : Ching-Jiang Hsieh   Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended Dcecember 31, 2013 and 2012

(Amounts in thousands of New Taiwan Dollars)

Description	2013	2012
Cash flows from operating activities :		
Profit before tax from continuing operations	$ 29,207,505	$ 16,323,109
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	576,119	617,824
Amortization	117,935	1,753,083
Bad debt provision (reversal)	24,411	(90,204)
Loss (gain) on financial assets and liabilities at fair value through profit or loss	15,227	(3,993)
Interest expenses	20,981	1,734
Interest income	(397,445)	(305,216)
Dividend income	(48,197)	(47,768)
Share of profit of associates accounted for using the equity method	(9,578,438)	(9,314,783)
Losses on disposal of property, plant and equipment	445	1,298
Loss (gain) on disposal of investments	16,113	(966,563)
Impairment of financial assets	-	324,295
Unrealized gross profit	59,028	-
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(259,369)	349,855
Trade receivables	(1,193,071)	345,401
Trade receivables from related parties	(128,342)	29,706
Other receivables	1,400,619	(422,911)
Inventories	4,840,600	(4,310,604)
Prepayments	(575,987)	(23,851)
Other current assets	28,054	(106,263)
Trade payables	272,542	(146,279)
Trade payables to related parties	317,324	(2,798)
Other payables	3,008,653	(2,347,517)
Other current liabilities	496,406	(33,035)
Accrued pension liabilities	8,284	24,855
Cash generated from operating activities		
Interest received	404,316	325,078
Dividend received	3,247,709	2,789,371
Interest paid	(12,240)	(689)
Income tax paid	(810,949)	(320,880)
Net cash provided by operating activities	31,058,233	4,442,255
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	-	(296,804)
Proceeds from disposal of available-for-sale financial assets	499,551	41,896
Acquisition of bond investment for which no active market exists	(37)	(102,037)
Acquisition of investments accounted for using the equity method	-	(2,999,635)
Proceeds from disposal of investments accounted for using the equity method	-	1,528,400
Proceeds from capital return of equity investees	-	8,108,258
Acquisition of property, plant and equipment	(639,516)	(431,187)
Proceeds from disposal of property, plant and equipment	7,456	-
Decrease in refundable deposits	41,257	32,004
Acquisition of intangible assets	(318,355)	(1,048,090)
Net cash (used in) provided by investing activities	(409,644)	4,832,805
Cash flows from financing activities :		
Increase in short-term borrowings	6,805,850	2,179,150
Increase in deposits received	17,719	23,610
Proceeds from exercise of employee stock options	94,732	1,510
Cash dividends	(12,144,424)	(10,328,124)
Net cash used in financing activities	(5,226,123)	(8,123,854)
Net increase in cash and cash equivalents	25,422,466	1,151,206
Cash and cash equivalents at the beginning of the period	28,288,474	27,137,268
Cash and cash equivalents at the end of the period	$ 53,710,940	$ 28,288,474

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

1. Organization and Operation

As officially approved, MediaTek Inc. ("the Company") was incorporated at Hsinchu Science-based Industrial Park on May 28, 1997. Since then, it has been specialized in the R&D, production, manufacturing and marketing of multimedia integrated circuits (ICs), computer peripherals oriented ICs, high-end consumer-oriented ICs and other ICs of extraordinary application. Meanwhile, it has rendered design, test runs, maintenance and repair and technological consultation services for software & hardware of the aforementioned products, import and export trades for the aforementioned products, sale and delegation of patents and circuit layout rights for the aforementioned products.

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 21, 2014.

3. Newly Issued or Revised Standards and Interpretations

(1) Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission (“FSC”), but not yet adopted by the Company at the date of issuance of the Company’s financial statements are listed below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments which is divided in three distinct phases is designed by the International Accounting Standards Board (“IASB”) to eventually replace IAS 39 “Financial Instruments: Recognition and Measurement” in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities. The effective date has not been announced. The IASB will work on the remaining phases relate to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC (collectively referred to as “TIFRS”) may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Company could not be determined at this stage.

(2) Standards issued by IASB but not yet recognized by FSC at the date of issuance of the Company’s financial statements are listed below:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
Improvements to International Financial Reporting Standards (issued in 2010)		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2011
IFRS 3	"Business Combinations"	July 1, 2010
IFRS 7	"Financial Instruments: Disclosures"	January 1, 2011
IAS 1	"Presentation of Financial Statements"	January 1, 2011
IAS 34	"Interim Financial Reporting"	January 1, 2011
IFRIC 13	"Customer Loyalty Programmes"	January 1, 2011
IFRS 7	Limited Exemption from Comparative Disclosures for First-time Adopters (Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards")	July 1, 2010
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter	July 1, 2011
IFRS 7	"Financial Instruments: Disclosures" (Amendment)	July 1, 2011
IAS 12(Amendment)	"Income Taxes" - Deferred Taxes: Recovery of Underlying Assets	January 1, 2012
IFRS 10	"Consolidated Financial Statements"	January 1, 2013
IAS 27	"Separate Financial Statements "	January 1, 2013
IFRS 11	"Joint Arrangements"	January 1, 2013
IAS 28	"Investments in Associates and Joint Ventures"	January 1, 2013
IFRS 12	"Disclosures of Interests in Other Entities"	January 1, 2013
IFRS 13	"Fair Value Measurement"	January 1, 2013
IAS 1	"Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income	July 1, 2012
IAS 19	"Employee Benefits" (Revised)	January 1, 2013
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Government Loans	January 1, 2013
IFRS 7(Amendment)	"Financial Instruments: Disclosures" - Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013

(Continued)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(To be continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 32(Amendment)	"Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013
Improvements to International Financial Reporting Standards (2009-2011 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2013
IAS 1	"Presentation of Financial Statements"	January 1, 2013
IAS 16	"Property, Plant and Equipment"	January 1, 2013
IAS 32	"Financial Instruments: Presentation"	January 1, 2013
IAS 34	"Interim Financial Reporting"	January 1, 2013
IFRS 10	"Consolidated Financial Statements" (Amendment)	January 1, 2014
IAS 36	"Impairment of Assets" (Amendment)	January 1, 2014
IFRIC 21	"Levies"	January 1, 2014
IFRS 9	"Financial Instruments" - Hedge accounting	-
IAS 19	"Employee Benefits" - Defined benefit plans: employee contributions	July 1, 2014
Improvements to International Financial Reporting Standards (2010-2012 cycle):		
IFRS 2	"Share-based Payment"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 8	"Operating Segments"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014
IAS 16	"Property, Plant and Equipment"	July 1, 2014
IAS 24	"Related Party Disclosures"	July 1, 2014
IAS 38	"Intangible Assets"	July 1, 2014
Improvements to International Financial Reporting Standards (2011-2013 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014
IAS 40	"Investment Property"	July 1, 2014
IFRS 14	"Regulatory Deferral Accounts"	January 1, 2016

A. Improvements to International Financial Reporting Standards (issued in 2010):

a. IFRS 7 "Financial Instruments: Disclosures"

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

b. IAS 1 "Presentation of Financial Statements"

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

c. IAS 34 "Interim Financial Reporting"

The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore the amendment adds disclosure requirements of financial instruments and contingent liabilities/assets.

B. IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated.

C. IFRS 12 "Disclosures of Interests in Other Entities"

IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

D. IFRS 13 "Fair Value Measurement"

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosures required.

E. IAS 1 "Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified.

F. IAS 19 "Employee Benefits" (Revised)

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in other comprehensive income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", etc.

G. Improvements to International Financial Reporting Standards (2009-2011 cycle):

IAS 34 "Interim Financial Reporting" (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 "Operating Segments". Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

H. IAS 36 "Impairment of Assets" (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

I. Improvements to International Financial Reporting Standards (2010-2012 cycle):
IFRS 8 "Operating Segments"
The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

J. Improvements to International Financial Reporting Standards (2011-2013 cycle):
IFRS 13 "Fair Value Measurement"`
The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Company's financial statements, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under A~J, it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

Foreign currency transactions

The Company's parent company only financial statements are presented in NT$.

Transactions in foreign currencies are initially recorded by the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
B. Foreign currency items within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are accounted for based on the accounting policy for financial instruments.
C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjustment in "investments accounted for using the equity method". In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
B. The Company holds the asset primarily for the purpose of trading
C. The Company expects to realize the asset within twelve months after the reporting period
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle
B. The Company holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in short term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or

(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

b. Available-for-sale financial assets
Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

c. Held-to-maturity financial assets
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

d. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

e. Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that an individual or a group of financial asset other than the financial assets at fair value through profit or loss is impaired. An individual or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:
(a) significant financial difficulty of the issuer or obligor; or
(b) a breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(d) the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

f. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

a. Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

c. Financial liabilities

Financial liabilities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in short term;
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

(b) Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

(c) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

D. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Derivative financial instrument

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Inventories

Costs incurred in bringing each inventory to its present location and condition. Raw materials are valued at purchase cost. Finish goods and work in progress include cost of direct materials and related manufacturing overheads. Inventories are valued at lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories that were not sold or moved for further production were assessed allowance and set aside to reflect the potential loss from stock obsolescence.

Investments accounted for using the equity method

According to article 21 of the Regulations, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" and change in value will be adjusted to comply. The profit or loss and other comprehensive income presented in parent company only financial reports will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under "investments accounted for using equity method", "share of profit of subsidiaries and associates accounted for using equity method" and "share of other comprehensive income of subsidiaries and associates accounted for using equity method".

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	3~50 years
Machinery and equipment	3~5 years
Computer and telecommunication equipment	3~5 years
Testing equipment	3~5 years
Miscellaneous equipment	2~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

Leases

A. The Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

B. The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

Expenditures related to research activities as well as those expenditures not meeting the criteria for capitalization are expensed when incurred. Expenditures related to development activities meeting the criteria for capitalization are capitalized.

The Company's intangible assets mainly include patents, software, IPs and other which are acquired from third parties. A summary of the amortization policies applied to the Company's intangible assets is as follows:

Patents	Software	IPs and others
2~7 years	2~5 years	2~10 years
Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life

The Company's intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

A. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

a. the significant risks and rewards of ownership of the goods have passed to the buyer;
b. neither continuing managerial involvement nor effective control over the goods sold have been retained;
c. the amount of revenue can be measured reliably;
d. it is probable that the economic benefits associated with the transaction will flow to the entity; and
e. the costs incurred in respect of the transaction can be measured reliably.

The amount of revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by entity. The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue.

B. Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

C. Dividends
Revenue is recognized when the Company’s right to receive the payment is established.

Post-employment benefits
All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company’s parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. 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 the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Share-based payment transactions
The cost of equity-settled transactions between the Company is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The Company elected to take the optional exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards" for the liabilities and the equity instruments in shared-based payment transactions settled and vested before January 1, 2012 (the date of transition to TIFRS).

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is estimated using the tax rate that would be applicable to expected total annual earnings, that is, calculated by the pre-tax income of the interim period multiply by the estimated average annual effective income tax rate.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The judgments and estimates made by the Company are based on historical experience and other related factors and continuously being evaluated and adjusted. Please refer to below description:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Valuation of inventory

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

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could cause future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

D. Revenue recognition - sales returns and discounts
The Company estimates sales returns and discounts based on historical experience and other known factors at the time of sale, which reduces the sales. The management periodically reviews the adequacy of the estimation used.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Checking and savings accounts	$6,455,890	$4,000,394	$3,537,268
Time deposits	47,255,050	24,288,080	23,600,000
Total	$53,710,940	$28,288,474	$27,137,268

Time deposits include deposits whose maturities are under twelve months and are readily convertible to known amounts of cash with values subject to an insignificant risk of changes.

Cash and cash equivalents were not pledged.

(2) Financial assets and financial liabilities at fair value through profit or loss

Financial assets designated upon initial recognition at fair value through profit or loss:

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Convertible bonds	$-	$-	$103,510
Credit-linked deposits	50,053	50,129	-
Interest rate-linked deposits	-	-	290,000
Subtotal	$50,053	$50,129	$393,510
Noncurrent			
Convertible bonds	35,000	-	-
Credit-linked deposits	225,334	-	-
Subtotal	260,334	-	-
Total	$310,387	$50,129	$393,510

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial assets and financial liabilities held for trading:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets			
Forward exchange contracts	$7,420	$111	$-
Current liabilities			
Forward exchange contracts	$26,017	$2,592	$-

Financial assets at fair value through profit or loss were not pledged.

(3) Available-for-sale financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Funds	$1,570,378	$1,716,165	$1,571,100
Depositary receipts	22,577	20,808	56,436
Common shares	749,459	909,919	-
Subtotal	2,342,414	2,646,892	1,627,536
Noncurrent			
Funds	2,067,800	1,965,084	1,592,572
Total	$4,410,214	$4,611,976	$3,220,108

Available-for-sale financial assets were not pledged.

(4) Bond investments for which no active market exists

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Series B preferred stock	$-	$-	$1,000,000
Time deposits	112,021	111,984	9,947
Total	$112,021	$111,984	$1,009,947

Please refer to Note 8 for more details on bond investments for which no active market exists under pledge.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(5) Trade receivables and trade receivables from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Trade receivables	$9,856,716	$4,530,803	$3,318,180
Less: allowance for doubtful debts	(52,002)	(27,591)	(117,795)
Less: allowance for sales returns and discounts	(5,690,866)	(1,558,024)	-
Subtotal	4,113,848	2,945,188	3,200,385
Trade receivables from related parties	160,054	31,712	61,418
Less: allowance for doubtful debts	-	-	-
Subtotal	160,054	31,712	61,418
Total	$4,273,902	$2,976,900	$3,261,803

Trade receivables were not pledged.

Trade receivables are generally on 45-60 day terms. The movements in the provision for impairment of trade receivables and trade receivables from related parties are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2013	$-	$27,591	$27,591
Provision for the current period	-	24,411	24,411
As of December 31, 2013	$-	$52,002	$52,002

	Individually impaired	Collectively impaired	Total
As of January 1, 2012	$-	$117,795	$117,795
Reversal for the current period	-	(90,204)	(90,204)
As of December 31, 2012	$-	$27,591	$27,591

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Aging analysis of trade receivables and trade receivables from related parties that are past due as of the end of the reporting period but not impaired is as follows:

		Past due but not impaired		
As of	Neither past due nor impaired	1 to 90 days	More than 91 days	Total
December 31, 2013	$4,065,877	$208,025	$-	$4,273,902
December 31, 2012	$2,919,476	$57,424	$-	$2,976,900
January 1, 2012	$3,075,981	$185,822	$-	$3,261,803

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. The Company has not withdrawn cash entitled by the factoring agreements from banks as of December 31, 2013, December 31, 2012, and January 1, 2012. Receivables from banks due to factoring agreement were NT$1,614,185 thousand, NT$1,880,539 thousand and NT$1,588,941 thousand, respectively.

As of December 31, 2013, December 31, 2012 and January 1, 2012, trade receivables derecognized were as follows:

(a) As of December 31, 2013:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$34,028	$-	$34,028	$148,434
BNP Paribas	-	19,868	-	19,868	100,000
Total		$53,896	$-	$53,896	$248,434

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(b) As of December 31, 2012:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$49,271	$-	$49,271	$148,443
BNP Paribas	-	15,272	-	15,272	100,000
Total		$64,543	$-	$64,543	$248,443

(c) As of January 1, 2012:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$31,601	$-	$31,601	$123,830
BNP Paribas	-	20,857	-	20,857	65,000
Total		$52,458	$-	$52,458	$188,830

(6) Inventories

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	$-	$243	$-
Work in progress	5,150,525	7,523,389	4,876,561
Finished goods	3,481,697	4,503,028	4,041,226
Total	8,632,222	12,026,660	8,917,787
Less: allowance for inventory valuation losses	(2,883,588)	(1,437,426)	(2,639,157)
Net amount	$5,748,634	$10,589,234	$6,278,630

For the years ended December 31, 2013 and 2012, the cost of inventories recognized in expenses amounts to NT$54,894,385 thousand and NT$40,773,789 thousand, including the write-down of inventories of NT$1,446,162 thousand for the year ended December 31, 2013, and the reversal gain of the write-down of inventories of NT$1,201,731 thousand for the year ended December 31, 2012 because of the circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed.

No inventories were pledged.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(7) Investments accounted for using the equity method

Investees	December 31, 2013 Carrying amount	December 31, 2013 Percentage of ownership (%)	December 31, 2012 Carrying amount	December 31, 2012 Percentage of ownership (%)	January 1, 2012 Carrying amount	January 1, 2012 Percentage of ownership (%)
Subsidiaries:						
MediaTek Investment Corp.	$59,647,522	100%	$56,376,190	100%	$54,548,874	100%
Hsu-Ta Investment Corp.	3,300,464	100%	2,527,137	100%	3,726,464	100%
Hsu-Chia Investment Limited	-	-	-	-	3,451,920	100%
Hsu-Kang Investment Limited	-	-	-	-	3,464,810	100%
Ralink Technology Corporation	15,167,519	100%	15,133,663	100%	12,909,556	100%
MediaTek Singapore Pte. Ltd	6,336,283	100%	2,776,350	100%	-	-
Subtotal	84,451,788		76,813,340		78,101,624	
Investments in Associates:						
MStar Semiconductor, Inc. (Cayman)	58,192,878	48%	56,380,616	48%	-	-
ALi Corporation	-	-	-	-	1,423,634	21%
Subtotal	58,192,878		56,380,616		1,423,634	
Total	$142,644,666		$133,193,956		$79,525,258	

A. The carrying amount of investments in the associates for which there are published price quotations amounts to NT$58,192,878 thousand, NT$56,380,616 thousand and NT$1,423,634 thousand, as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The fair value of these investments are NT$88,178,143 thousand, NT$55,397,219 thousand and NT$1,919,747 thousand, as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The share of profit of these associates accounted for using the equity method amounts to NT$9,578,438 thousand and NT$9,314,782 thousand for the years ended December 31, 2013 and 2012, respectively. The share of other comprehensive income of these associates accounted for using the equity method amounts to NT$1,543,888 thousand and NT$(1,551,352) thousand for the years ended December 31, 2013 and 2012, respectively.

In May 2012, the Company sold partial shares of ALi Corporation. As the Company had lost its significant influence over ALi Corporation, the Company recognized an investment disposal gain of NT$958,957 thousand from the difference between the carrying amount of the investment at the disposal date and the aggregate amounts of the fair value of the remaining shares and the disposing proceeds of NT$1,528,400 thousand. Moreover, the Company reclassified the remaining shares to available-for-sale financial assets-current at its fair value.

In 2012, the Company totally acquired 254,115,685 shares (48% of MStar's outstanding shares) of MStar Semiconductor, Inc. (Cayman) through a tender offer. The price of the tender offer was 1 MStar share in exchange for 0.794 share of the Company's common stock plus NT$1 in cash. The Company aggregately issued 201,767,854 new shares and paid NT$254,116 thousand in cash for this tender offer.

No investment in the associate was pledged.

B. The following table illustrates summarized financial information of the Company's investment in the associates:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$43,496,110	$40,475,322	$6,408,147
Total liabilities	$10,004,750	$8,846,935	$953,854

	Years ended December 31	
	2013	2012
Revenue	$33,748,990	$37,495,273
Profit	$4,213,680	$4,531,493

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(8) Property, plant and equipment

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2013	$888,722	$5,752,531	$57,536	$895,247	$2,072,827	$158,006	$230,146	$10,055,015
Additions	-	2,311	-	142,831	218,200	420	272,209	635,971
Disposals	-	(11,858)	-	(35,463)	(39,396)	(730)	-	(87,447)
Transfers	-	(1,232)	-	1,276	14,488	-	(16,797)	(2,265)
As of December 31, 2013	$888,722	$5,741,752	$57,536	$1,003,891	$2,266,119	$157,696	$485,558	$10,601,274
As of January 1, 2012	$888,722	$5,768,329	$98,833	$798,950	$2,014,374	$158,006	$101,731	$9,828,945
Additions	-	343	944	115,021	147,118	-	189,425	452,851
Disposals	-	(14,095)	(42,241)	(17,525)	(26,116)	-	-	(99,977)
Transfers	-	(2,046)	-	(1,199)	(62,549)	-	(61,010)	(126,804)
As of December 31, 2012	$888,722	$5,752,531	$57,536	$895,247	$2,072,827	$158,006	$230,146	$10,055,015

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As of January 1, 2013	$-	$1,534,152	$56,397	$573,850	$1,475,195	$133,269	$-	$3,772,863
Depreciation	-	154,075	217	171,070	236,613	14,144	-	576,119
Disposals	-	(6,733)	-	(33,785)	(38,298)	(730)	-	(79,546)
Transfers	-	(117)	-	-	287	-	-	170
As of December 31, 2013	$-	$1,681,377	$56,614	$711,135	$1,673,797	$146,683	$-	$4,269,606
As of January 1, 2012	$-	$1,403,712	$98,484	$428,767	$1,284,604	$110,259	$-	$3,325,826
Depreciation	-	155,236	154	163,012	276,412	23,010	-	617,824
Disposals	-	(14,095)	(42,241)	(16,736)	(25,607)	-	-	(98,679)
Transfers	-	(10,701)	-	(1,193)	(60,214)	-	-	(72,108)
As of December 31, 2012	$-	$1,534,152	$56,397	$573,850	$1,475,195	$133,269	$-	$3,772,863
Net carrying amount as of:								
December 31, 2013	$888,722	$4,060,375	$922	$292,756	$592,322	$11,013	$485,558	$6,331,668
December 31, 2012	$888,722	$4,218,379	$1,139	$321,397	$597,632	$24,737	$230,146	$6,282,152
January 1, 2012	$888,722	$4,364,617	$349	$370,183	$729,770	$47,747	$101,731	$6,503,119

Property, plant and equipment were not pledged.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(9) Intangible Asset

	Software	Patents, IPs and others	Goodwill	Total
Cost:				
As of January 1, 2013	$615,623	$4,605,512	$6,817,211	$12,038,346
Additions	58,460	259,895	-	318,355
Disposals	(374,449)	(4,077,061)	-	(4,451,510)
Transfers	2,435	-	-	2,435
As of December 31, 2013	$302,069	$788,346	$6,817,211	$7,907,626
As of January 1, 2012	$505,541	$3,642,019	$6,817,211	$10,964,771
Additions	85,654	962,436	-	1,048,090
Transfers	24,428	1,057	-	25,485
As of December 31, 2012	$615,623	$4,605,512	$6,817,211	$12,038,346
Amortization and impairment:				
As of January 1, 2013	$500,824	$4,497,535	$-	$4,998,359
Amortization	80,573	37,362	-	117,935
Disposals	(374,449)	(4,077,061)	-	(4,451,510)
As of December 31, 2013	$206,948	$457,836	$-	$664,784
As of January 1, 2012	$379,131	$2,871,013	$-	$3,250,144
Amortization	126,649	1,626,434	-	1,753,083
Transfers	(4,956)	88	-	(4,868)
As of December 31, 2012	$500,824	$4,497,535	$-	$4,998,359
Net carrying amount as of:				
December 31, 2013	$95,121	$330,510	$6,817,211	$7,242,842
December 31, 2012	$114,799	$107,977	$6,817,211	$7,039,987
January 1, 2012	$126,410	$771,006	$6,817,211	$7,714,627

(10) Impairment testing of goodwill

The Company's goodwill allocated to each of cash-generating units or groups of cash-generating units is expected to benefit from synergies of the business combination. Key assumptions used in impairment testing are as follows:

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a five-year period. The projected cash flows reflect the change in demand for products and services. As a result of the analysis, the Company did not identify any impairment for the goodwill of NT$6,817,211 thousand.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

(a) Gross margin
(b) Discount rates
(c) Growth rates of sales of budget period

Gross margins - Gross margins are based on the gross margins of latest fiscal year and future trend of the market.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equity. The cost of equity is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Company has obligation to settle.

Growth rates of sales estimates - The growth rate of sales were estimated by historical experience. The long-term average growth rate the Company predicted was adjusted by considering the product life cycle and the macroeconomic environment.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(11) Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank loans	$8,985,000	$2,179,150	$-
Interest rates	0.80-0.95%	0.49-0.50%	-
Unused lines of credits	$3,951,750	$2,330,880	$3,331,900

(12) Post-employment benefits

Defined contribution plans

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended December 31, 2013 and 2012 are NT$290,083 thousand and NT$277,781 thousand, respectively.

Defined benefit plans

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The summarization of defined benefits plan reflected in profit or loss is as follows:

	For the years ended December 31	
	2013	2012
Current service cost	$4,764	$2,461
Interest cost	8,956	8,488
Expected return on plan assets	(907)	(859)
Past service cost	-	-
Total	$12,813	$10,090

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The cumulative amount of actuarial losses recognized in other comprehensive income is as follows:

	For the years ended December 31	
	2013	2012
As of January 1	$101,531	$-
Actuarial losses for the period	55,167	101,531
As of December 31	$156,698	$101,531

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Defined benefit obligation at present value	$657,786	$597,086	$485,039
Plan assets at fair value	(49,092)	(51,843)	(49,131)
Funded status	608,694	545,243	435,908
Unrecognized past service cost	-	-	-
Accrued pension liabilities recognized on the balance sheets	$608,694	$545,243	$435,908

Changes in present value of the defined benefit obligation are as follows:

	For the years ended December 31	
	2013	2012
Defined benefit obligation as of January 1	$597,086	$485,039
Current service cost	4,764	2,461
Interest cost	8,956	8,488
Actuarial losses	54,912	101,098
Benefits paid	(7,932)	-
Defined benefit obligation as of December 31	$657,786	$597,086

Changes in fair value of plan assets are as follows:

	For the years ended December 31	
	2013	2012
Fair value of plan assets as of January 1	$51,843	$49,131
Expected return on plan assets	907	859
Contributions by employer	1,864	2,286
Benefits paid	(7,932)	-
Actuarial losses	(255)	(433)
Others	2,665	-
Fair value of plan assets as of December 31	$49,092	$51,843

The Company expects to contribute NT$14,130 thousand to its defined benefit plan for the year ended December 31, 2014.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as of		
	December 31, 2013	December 31, 2012	January 1, 2012
Cash	26.96%	35.05%	31.48%
Equity instruments	44.77%	37.43%	40.75%
Debt instruments	27.48%	26.73%	27.77%
Others	0.79%	0.79%	-

The Company's actual return on plan assets was NT$652 thousand and NT$426 thousand for the years ended December 31, 2013 and 2012.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	2.00%	1.50%	1.75%
Expected rate of return on plan assets	2.00%	1.75%	1.75%
Expected rate of salary increases	3.00%	3.00%	3.00%

A 0.5 percentage point change in discount rate on defined benefit obligation:

	For the years ended December 31			
	2013		2012	
	0.5% increase in discount rate	0.5% decreased in discount rate	0.5% increase in discount rate	0.5% decreased in discount rate
Effect on the aggregate service cost in next period	$(189)	$214	$(234)	$265
Effect on the defined benefit obligation	$(71,499)	$81,112	$(68,893)	$78,674

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Other information on the defined benefit plan is as follows:

	For the years ended December 31	
	2013	2012
Defined benefit obligation at present value as of December 31	$657,786	$597,086
Plan assets at fair value as of December 31	(49,092)	(51,843)
Deficit in plan as of December 31	$608,694	$545,243
Experience adjustments on plan liabilities	$(35,542)	$(16,434)
Experience adjustments on plan assets	$(255)	$(433)

(13) Equity

A. Share capital

The Company's authorized capital was NT$20,000,000 thousand, NT$20,000,000 thousand, and NT$12,000,000 thousand, divided into 2,000,000,000 shares, 2,000,000,000 shares, and 1,200,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options at each period) as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, each at a par value of NT$10. The Company's issued capital was NT$13,494,667 thousand, NT$13,493,702 thousand, and NT$11,475,108 thousand, divided into 1,349,466,701 shares, 1,349,370,189 shares, and 1,147,510,834 shares as of December 31, 2013, December 31, 2012, and January 1, 2012, respectively. Each share has one voting right and a right to receive dividends.

Based on the resolution of shareholders' general meeting on June 13, 2012, the Company resolved to increase authorized shares of the Company amounted to NT$20,000,000 thousand, divided into 2,000,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options), each share at par value of NT$10. The government approval has been successfully obtained.

The board of directors approved a tender offer to acquire shares of MStar Semiconductor, Inc. (Cayman) ("MStar") on June 22, 2012. The Company totally issued 201,767,854 new shares at par value of NT$10 to acquire 48% shares of MStar. The government approval has been successfully obtained.

During 2013, the Company totally issued 333,580 new shares at par value of NT$10 for the employee stock options exercised. Furthermore, 247,293 shares (NT$2,473 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital	$66,585,671	$78,042,994	$23,161,573
Treasury share transactions	1,081,591	1,011,446	941,301
Adjustments arising from changes in percentage of ownership in subsidiaries	162,094	151,548	-
Donated assets	1,260	1,260	1,260
From share of changes in net assets of associates	51,144	36,634	2,719
Employee stock options	401,842	326,043	276,382
Others	191,308	102,573	105,174
Total	$68,474,910	$79,672,498	$24,488,409

According to the Company Law, the capital surplus shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital (including the shares issued for mergers and the surplus from treasury shares transactions) and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury shares

As of December 31, 2013, December 31, 2012, and January 1, 2012, the Company's shares held by the subsidiary, MediaTek Capital Corp., were NT$55,970 thousand, and the number of the Company's shares held were 7,794,085 shares. These shares held by MediaTek Capital Corp. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company did not hold any other treasury shares.

D. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Income tax obligation;
b. Offsetting accumulated deficits, if any;

c. Legal reserve at 10% of net income after tax; where such legal reserve amounts to the total authorized capital, this provision shall not apply.
d. Special reserve in compliance with the Company Law or the Securities and Exchange Law;
e. Remuneration for directors and supervisors to a maximum of 0.5% of the remaining current year's earnings after deducting item (a) through (d). Remuneration for directors and supervisors' services is limited to cash payments.
f. The remaining after all above appropriations and distributions, combining with undistributed earnings from prior years, shall be fully for shareholders' dividends and employees' bonuses and may be retained or distributed proportionally. The portion of employees' bonuses may not be less than 1% of total earnings resolved to distribute for shareholders' dividends and employees' bonuses. Employees' bonuses may be distributed in the form of shares or cash, or a combination of both. Employees' of the Company's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' stock bonuses.

Shareholders' dividends may be distributed in the form of shares or cash, or a combination of both, and cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the Company Law, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside special reserve based on difference between the amount already set aside and the total debit balances of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2013, special reserve set aside for the first-time adoption of TIFRS amounts to nil.

During the years ended December 31, 2013 and 2012, the amounts of the employees' bonuses were estimated to be NT$1,593,476 thousand and NT$895,875 thousand, respectively. During the years ended December 31, 2013 and 2012, the amounts of remunerations to directors and supervisors were estimated to be NT$56,784 thousand and NT$24,421 thousand, respectively. The employees' bonuses were estimated based on a specific rate of net income for the years ended December 31, 2013 and 2012 (excluding the impact of employees' bonuses) while the remunerations to directors and supervisors were estimated based on the Company's Articles of Incorporation. Estimated amount of employees' bonuses and remunerations paid to directors and supervisors were charged to current income. If the resolution of shareholders' general meeting modifies the estimates significantly in the subsequent year, the Company shall recognize the change as an adjustment to income of next year. If stock bonuses are resolved for distribution to employees, the number of shares distributed is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of shares on the day preceding the shareholders' meeting.

The appropriations of earnings for 2012 and 2011 were resolved by the board of directors' meeting on May 10, 2013 and March 21, 2012, while the appropriations of earnings for 2012 and 2011 were resolved by the shareholders' general meeting on June 21, 2013 and June 13, 2012. The amounts resolved in the shareholders' general meeting were consistent with those determined by the board of directors. The details of the distribution are as follows:

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Appropriation of earnings		Dividend per share (NT$)	
	2012	2011	2012	2011
Legal reserve	$1,568,753	$1,362,307	$-	$-
Special reserve (reversal)	2,862,113	(1,987,809)	$-	$-
Cash dividends-common stock	674,690	10,328,124	$0.50	$9.00
Directors' and supervisors' remunerations	28,141	28,497	$-	$-
Employees' bonuses-cash	895,875	1,714,243	$-	$-
Total	$6,029,572	$11,445,362		

On May 10, 2013, the board of directors resolved a cash distribution of NT$9 per share (NT$12,144,424 thousand in the amount), among which NT$8.5 per share (NT$11,469,734 thousand in the amount) is from capital surplus while the remaining is from earnings. The cash distribution was approved by the shareholders' meeting on June 21, 2013.

The difference between the resolution of the shareholders' general meeting and the estimated expense of the directors' and supervisors' remuneration and the employees' bonuses for 2012 are as follows:

Appropriations	The amount resolved by the shareholders' general meeting	Expense estimated	Difference	Difference reasons and the accounting treatment
Employees' bonuses-cash	$895,875	$895,875	$-	-
Directors' and supervisors' remunerations	$28,141	$24,421	$3,720	(Note)

Note: The difference, which was resulted from different calculation basis between the original accrual and the amount actually paid, was included in the profit or loss in 2013.

The information about employees' bonuses and directors' and supervisors' remunerations which were resolved by the board of directors' meeting and shareholders' meeting is available at the Market Observation Post System website.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

E. Other equity

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2013	$(5,762,485)	$579,111	$(5,183,374)
Exchange differences resulting from translating the financial statements of foreign operations	1,813,956	-	1,813,956
Unrealized gains from available-for-sale financial assets	-	297,789	297,789
Unrealized gains reclassified to profit or loss upon disposal of available-for-sale financial assets	-	16,113	16,113
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	1,543,888	615,879	2,159,767
As of December 31, 2013	$(2,404,641)	$1,508,892	$(895,749)

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2012	$(2,253,687)	$43,192	$(2,210,495)
Exchange differences resulting from translating the financial statements of foreign operations	(1,957,446)	-	(1,957,446)
Unrealized gains from available-for-sale financial assets	-	539,651	539,651
Unrealized gains reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(4,566)	(4,566)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(1,551,352)	834	(1,550,518)
As of December 31, 2012	$(5,762,485)	$579,111	$(5,183,374)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(14) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

In December 2007, July 2009, May 2010, August 2011, August 2012 and August 2013, the Company was authorized by the Financial Supervisory Commission, Executive Yuan, to issue employee stock options of 5,000,000 units, 3,000,000 units, 3,500,000 units, 3,500,000 units, 3,500,000 units and 3,500,000 units, respectively, each unit eligible to subscribe for one common share. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent. The options are valid for ten years and exercisable at certain percentage subsequent to the second anniversary of the granted date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TWSE on the grant date.

Detail information relevant to the share-based payment plan is disclosed as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NTD) (Note)
2008.03.31	1,134,119	381,504	381,504	$358.0
2008.08.28	1,640,285	595,726	595,726	344.5
2009.08.18	1,382,630	681,073	681,073	431.0
2010.08.27	1,605,757	874,892	525,546	404.8
2010.11.04	65,839	14,634	8,778	377.0
2011.08.24	2,109,871	1,543,898	406,395	277.4
2012.08.14	1,346,795	1,167,038	-	286.8
2013.08.22	1,436,343	1,382,426	-	368.0

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash, the appropriations of earnings, issuance of new shares in connection with merger, or issuance of new shares to acquire shares of other companies) in accordance with the plan.

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	Employee Stock Option
Expected dividend yield (%)	2.43%~6.63%
Expected volatility (%)	32.9%~50.06%
Risk free interest rate (%)	0.93%~2.53%
Expected life (Years)	6.5 years

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	For the years ended December 31			
	2013		2012	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NTD)	Options (Unit)	Weighted-average Exercise Price per Share (NTD)
Outstanding at beginning of period	6,045,493	$332.7	5,198,793	$359.6
Granted	1,436,343	368.0	1,346,795	286.8
Exercised	(285,885)	314.6	-	-
Forfeited (Expired)	(554,760)	289.1	(500,095)	337.6
Outstanding at end of period	6,641,191	341.3	6,045,493	332.7
Exercisable at end of period	2,599,022		1,910,836	
Weighted-average fair value of options granted during the period (in NTD)	$96.5		$90.5	

The weighted average share price at the date of exercise of those options was NT$397.3 for the year ended December 31, 2013.

The information on the outstanding share-based payment plan as of December 31, 2013 and 2012 is as follows:

		For the years ended December 31			
		2013		2012	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)
2007.12.19	$344.5~358.0	1.00	$349.8	2.01	$349.7
2009.07.27	431.0	2.13	431.0	3.13	431.0
2010.05.10	377.0~404.8	3.17	404.3	4.17	404.3
2011.08.09	277.4	4.17	277.4	5.17	277.4
2012.08.09	286.8	5.13	286.8	6.13	286.8
2013.08.09	368.0	6.17	368.0	-	-

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Company issued new shares to exchange 100% shares of Ralink Technology Corp. on October 1, 2011. According to the share-swap agreement, the Company also issued its own stock options to replace Ralink's stock options. The original terms of Ralink's options remain except for the changes: a) the underlying shares have been changed to the Company's shares; and b) the number of shares each option can subscribe for has been changed according to the share exchange ratio stated in the share swap agreement.

Details of Ralink's share-based payment plan to be replaced are shown below:

Date of grant	Total number of options granted	Total number of options outstanding on the shares exchange date	Total number of options outstanding translated by share exchange ratio on the shares exchange date	Total number of options outstanding	Shares available for option holders	Exercise price (NTD) (Note)
2006.06.30	91,000	1,575	499	-	-	$14.3
2006.09.30	599,500	9,763	3,092	-	-	14.3
2006.12.31	78,000	3,936	1,247	-	-	14.3
2007.03.31	273,000	11,967	3,791	-	-	15.7
2007.06.30	150,000	32,879	10,416	-	-	15.7
2007.09.30	560,000	149,568	47,368	-	-	15.7
2007.12.30	17,000	944	299	-	-	15.7
2007.12.31	1,000,000	277,490	87,895	-	-	16.7

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash or the appropriations of earnings) in accordance with the plan.

The Black-Scholes Option Pricing model was used to estimate the fair value of options granted to replace Ralink's options. Assumptions used in calculating the fair value are disclosed as follows:

	Employee Stock Option
Expected dividend yield (%)	6.57%
Expected volatility (%)	39.5%
Risk free interest rate (%)	0.71%~0.86%
Expected life (Years)	0.75 year

The aforementioned expected option life is based on historical data of period for previously granted options and current expectations are not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The weighted-average exercise price of the options granted to replace Ralink's options is disclosed as follows:

	For the years ended December 31			
	2013		2012	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NTD)	Options (Unit)	Weighted-average Exercise Price per Share (NTD)
Outstanding at beginning of period	52,483	$16.4	144,735	$16.3
Granted	-	-	-	-
Exercised	(47,695)	16.4	(92,252)	16.2
Forfeited (Expired)	(4,788)	16.2	-	-
Outstanding at end of period	-	-	52,483	16.4
Exercisable at end of period	-		52,483	
Weighted-average fair value of options granted during the period (in NTD)	$-		$-	

The weighted average share price at the date of exercise of those options were NT$347.6 and NT$284.9 for the years ended December 31, 2013 and 2012, respectively.

The information on the outstanding share-based payment plan as of December 31, 2013 and 2012 is as follows:

		For the years ended December 31			
		2013		2012	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NTD)
2007.01.29	$15.7	-	$15.7	-	$15.7
2007.10.30	16.7	-	16.7	-	16.7

There have been no cancellations or modifications to any of the plans during the years ended December 31, 2013 and 2012.

(15) Sales

	For the years ended December 31	
	2013	2012
Sale of goods	$111,866,310	$72,970,234
Other operating revenues	1,307,015	1,111,166
Less: Sales returns and discounts	(16,943,261)	(10,607,371)
Net sales	$96,230,064	$63,474,029

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(16) Summary of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2013 and 2012:

	For the years ended December 31					
	2013			2012		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$179,423	$10,544,511	$10,723,934	$185,545	$7,827,310	$8,012,855
Labor and health insurance	$17,371	$450,694	$468,065	$12,838	$350,181	$363,019
Pension	$10,219	$292,677	$302,896	$10,510	$277,361	$287,871
Others	$5,755	$203,227	$208,982	$5,138	$168,397	$173,535
Depreciation	$2,791	$573,328	$576,119	$2,858	$614,966	$617,824
Amortization	$-	$117,935	$117,935	$193	$1,752,890	$1,753,083

(17) Other income

	For the years ended December 31	
	2013	2012
Rental income	$10,527	$10,850
Interest income	397,445	305,216
Dividend income	48,197	47,768
Gain on reversal of bad debts	-	55,797
Others	137,426	120,634
Total	$593,595	$540,265

(18) Other gains and losses

	For the years ended December 31	
	2013	2012
Losses on disposal of property, plant and equipment	$(445)	$(1,298)
(Loss) gain on disposal of investments		
Available-for-sale financial assets	(16,113)	4,566
Investment accounted for using the equity method	-	961,997
Foreign exchange gains	325,504	51,617
Impairment losses		
Available-for-sale financial assets	-	(324,295)
(Loss) Gain on financial assets at fair value through profit or loss	(36,433)	23,221
Losses on financial liabilities at fair value through profit or loss	(26,017)	(2,592)
Others	(2,535)	(1,302)
Total	$243,961	$711,914

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(19) Finance costs

	For the years ended December 31	
	2013	2012
Interest expenses on short-term borrowings	$20,981	$1,734

(20) Income tax

The major components of income tax expense are as follows:

	For the years ended December 31	
	2013	2012
Current income tax expenses	$2,799,749	$589,032
Deferred tax (income) expense	(996,027)	10,113
Others	(111,269)	140,219
Total income tax expense recognized in profit or loss	$1,692,453	$739,364

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2013	2012
Accounting profit before tax from continuing operations	$29,207,505	$16,323,109
Tax at the domestic rates applicable to profits in the country concerned	$4,965,276	$2,774,929
Tax effect of revenues exempt from taxation	(1,679,665)	(376,456)
Tax effect of expenses not deductible for tax purposes	(1,366,249)	(1,723,224)
Investment tax credits	(1,058,197)	(392,045)
Tax effect of deferred tax assets/liabilities	166,468	56,393
10% surtax on undistributed retained earnings	1,058,197	392,045
Others	(393,377)	7,722
Total income tax expense recognized in profit or loss	$1,692,453	$739,364

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

For the year ended December 31, 2013

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$27,183	$324,631	$-	$-	$-	$351,814
Allowance for sales returns and discounts	29,463	664,855	-	-	-	694,318
Amortization of difference for tax purpose	35,178	77,723	-	-	-	112,901
Amortization of goodwill difference for tax purpose	(1,158,925)	288,844	-	-	-	(870,081)
Unused tax credits	364,189	(364,189)	-	-	-	-
Others	(14,552)	4,163	-	-	-	(10,389)
Deferred tax income		$996,027	$-	$-	$-	
Net deferred tax assets (liabilities)	$(717,464)					$278,563
Reflected in balance sheet as follows:						
Deferred tax assets	$470,085					$1,148,644
Deferred tax liabilities	$(1,187,549)					$(870,081)

For the year ended December 31, 2012

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$65,199	$(38,016)	$-	$-	$-	$27,183
Allowance for sales returns and discounts	-	29,463	-	-	-	29,463
Amortization of difference for tax purpose	37,557	(2,379)	-	-	-	35,178
Amortization of goodwill difference for tax purpose	(927,141)	(231,784)	-	-	-	(1,158,925)
Unused tax credits	108,108	256,081	-	-	-	364,189
Others	8,926	(41,002)	17,524	-	-	(14,552)
Deferred tax (expenses)income		$(27,637)	$17,524	$-	$-	
Net deferred tax assets (liabilities)	$(707,351)					$(717,464)
Reflected in balance sheet as follows:						
Deferred tax assets	$114,188					$470,085
Deferred tax liabilities	$(821,539)					$(1,187,549)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Details of the Company's unused tax credit are as follows:
Pursuant to the "Statute for Upgrading Industries", the Company is qualified as a technical service industry and is therefore entitled to an income tax exemption period for five consecutive years on the income generated from qualifying high technology activities. The Company has elected the tax exemption periods from January 1, 2009 through December 31, 2013, January 1, 2010 through December 31, 2014 and January 1, 2011 through December 31, 2015.

		Unused tax credits as of			
Laws and regulations	Items	December 31, 2013	December 31, 2012	January 1, 2012	Expiration year
The Statute for Upgrading Industries	Investment tax credit relates to research and development	$-	$-	$2,291,169	2012
The Statute for Upgrading Industries	Investment tax credit relates to research and development	-	3,984,358	4,469,598	2013
		$-	$3,984,358	$6,760,767	

Integrated income tax information

	December 31, 2013	December 31, 2012	January 1, 2012
Balance of the imputation credit account	$1,892,716	$1,257,643	$1,220,357

The estimated and actual creditable ratios for 2013 and 2012 were 5.50% and 2.83%, respectively.

The Company's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

The tax authorities have assessed income tax returns of the Company through 2011. For the tax return of 2011, 2010, 2009 of the Company, the tax authorities have assessed additional taxes. The discrepancy between the Company's tax return filing and the result of tax authority's assessment was mainly due to different interpretations by applying rules. Although the Company has vigorously filed several administrative appeals to tax authorities and courts, the Company paid the amount in full.

(21) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	For the years ended December 31	
	2013	2012
A. Basic earnings per share		
Profit (in thousand NT$)	$27,515,052	$15,583,745
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,341,660,900	1,216,422,577
Basic earnings per share (NT$)	$20.51	$12.81

	For the years ended December 31	
	2013	2012
B. Diluted earnings per share		
Profit (in thousand NT$)	$27,515,052	$15,583,745
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,341,660,900	1,216,422,577
Effect of dilution:		
Employee bonuses-stock (share)	4,851,460	5,891,802
Employee stock options (share)	652,161	73,131
Weighted average number of ordinary shares outstanding after dilution (share)	1,347,164,521	1,222,387,510
Diluted earnings per share (NT$)	$20.42	$12.75

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related Party Transactions

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31	
	2013	2012
Subsidiaries	$506,335	$421,587
Associates	-	874
Total	$506,335	$422,461

For the years ended December 31, 2013 and 2012, the trade credit terms for related parties and third-party customers were both 45 to 60 days. Third-party customers may prepay their accounts in advance. Above sales include royalty revenues, which were charged based on the royalty agreement.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2013	2012
Other related parties	$1,610,995	$1,297,002

C. Royalty Expense

	For the years ended December 31	
	2013	2012
Other related parties	$26,807	$-

D. Rental income

	For the years ended December 31	
	2013	2012
Subsidiaries	$840	$1,920
Associates	500	57
Other related parties	9,187	8,873
Total	$10,527	$10,850

NT$876 thousand was received from other related parties, which was accounted for as deposits received due to a lease of office space.

E. Endorsement amount for office lease, bank financing and IP purchasing

	As of December 31, 2013		As of December 31, 2012	
	Endorsement limit	Actual amount	Endorsement limit	Actual amount
Subsidiaries	$24,133,185	$18,402,685	$24,147,336	$6,848,616

F. Trade receivables from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$160,054	$31,712	$37,851
Associates	-	-	23,567
Total	$160,054	$31,712	$61,418

G. Other receivables from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$1,063,022	$5,995	$168
Associates	60	30	-
Other related parties	340	766	327
Total	$1,063,422	$6,791	$495

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Other receivables from related parties are composed mainly of rent receivables and dividends receivables.

H. Trade payables to related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties	$433,716	$116,392	$119,190

I. Key management personnel compensation

	For the years ended December 31	
	2013	2012
Short-term employee benefits (Note)	$480,520	$245,838
Post-employment benefits	1,035	1,179
Total	$481,555	$247,017

Note: The Company estimated the management personnel compensation of short-term employee benefits based on the accrued bonuses and the actual proportion of earning appropriation in the past.

8. Assets Pledged as Collateral

The following table lists assets of the Company pledged as security:

	Carrying amount			
Assets pledged for security	December 31, 2013	December 31, 2012	January 1, 2012	Purpose of pledge
Bond investments for which no active market exists-current	$6,917	$6,917	$6,917	Land lease guarantee
Bond investments for which no active market exists-current	3,104	3,067	3,030	Customs clearance deposits
Bond investments for which no active market exists-current	102,000	102,000	-	Project performance deposits
Total	$112,021	$111,984	$9,947	

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

The Company has entered into commercial leases, and these leases have an average life of three to ten years with no renewal options included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$30,371	$30,371	$30,371
Later than one year and not later than five years	121,484	121,484	121,484
Later than five years	153,306	183,677	214,048
Total	$305,161	$335,532	$365,903

(2) Legal claim contingency

a. Freescale Semiconductor, Inc. ("Freescale") filed a complaint with the U.S. International Trade Commission against the Company and two other Respondents on June 8, 2011 alleging infringement of United States Patents No. 5,467,455. Freescale alleged that the Company's DTV chips infringe its patent and sought to prevent the accused products from being imported into the United States. U.S. International Trade Commission issued an Initial Determination for the above referenced matter on July 12, 2012 that found no violation of Section 337 of the Tariff Act by the Company's products, Freescale failed to establish the domestic industry element, Freescale's asserted patent claims are invalid, and the Company's products do not infringe the asserted patent claims. On September 12, 2012, the U.S. International Trade Commission issued a Notice of its affirmation of all of the findings listed above and the termination of this investigation.

Freescale also filed a complaint in the United States District Court for the Western District of Texas against the Company and one other defendant on June 8, 2011, alleging infringement of United States Patent No. 5,467,455. Freescale alleged that the Company's DTV chips infringe its patent and sought damages and an injunction to prevent the accused products from being sold in the future.

The Company filed a complaint in the United States District Court for the Northern District of California against Freescale on November 3, 2011 alleging infringement of United States Patent Nos. 6,738,845, 6,088,753, 6,311,244, and 6,889,331. The Company alleged that Freescale's multimedia application processors and micro-controller products infringe the above referenced patents, and sought damages and an injunction to prevent the accused products from being sold in the future.

Freescale filed a complaint in the U.S. International Trade Commission against the Company and thirteen other Respondents on November 30, 2011 alleging infringement of United States Patent No. 5,467,455. Freescale alleged that the Company's DTV chips infringe its patent and sought to prevent the accused products from being imported into the United States. U.S. International Trade Commission issued an Initial Determination for the above referenced matter on September 28, 2012, granting the Company and other Respondents' request to terminate this investigation. On October 31, 2012, the U.S. International Trade Commission issued a Notice of its affirmation of the Initial Determination, formally terminating this investigation.

Additionally, Freescale filed a complaint in the United States District Court for the Western District of Texas against the Company on July 6, 2012 alleging infringement of United States Patent Nos. 6,920,316, 5,825,640, 5,943,274. Freescale alleged that the Company’s DTV chips infringe its patents and sought damages and an injunction to prevent the accused products from being sold in the future.

b. Azure Networks, LLC (“Azure”) and Tri-County Excelsior Foundation (“TCEF”) filed a complaint in the United States District Court for the Eastern District of Taxes against Ralink and Ralink Technology Corporation (USA), along with other defendants in March 2011, alleging infringement of United States Patent No. 7,756,129. On April 6, 2012, Azure and TCEF filed a complaint in the United States District Court for the Eastern District of Texas against the Company alleging infringement of the same patent referenced above. The operation of the Company and subsidiaries Ralink and Ralink Technology Corporation (USA) would not be materially affected by those patent litigations. On May 30, 2013, the Court entered a judgment in favor of Ralink and other defendants, dismissing the earlier case subject to the plaintiffs’ right to appeal. An appeal has been filed by plaintiffs on June 20, 2013. On June 10, 2013, the Court entered a judgment dismissing the later case pursuant to the parties' joint stipulation.

c. Commonwealth Scientific and Industrial Research Organization filed a complaint in the United States District Court for the Eastern District of Texas against the Company and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA), along with other defendants on August 27, 2012 alleging infringement of United States Patent No. 5,487,069. The operations of the Company and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) would not be materially affected by this case.

d. Palmchip Technology Corporation (“Palmchip”) filed a complaint in the Superior Court of California in the County of Santa Clara against the Company and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on October 19, 2012, asserting claims of breach of contract. The operations of the Company and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) would not be materially affected by this case.

Palmchip filed a complaint in the United States District Court for the Central District of California against the Company and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on August 30, 2013, alleging infringement of United States Patents Nos. 6,601,126, 6,769,046, and 7,124,376. The operations of the Company and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) would not be materially affected by this case.

e. Lake Cherokee Hard Drive Technologies, LLC filed a complaint in the United States District Court for the Eastern District of Texas against the Company, and subsidiary MediaTek USA Inc., along with other defendants on July 23, 2013 alleging that the Company’s optical disc drive chips infringe United States Patents Nos. 5,991,911 and 6,048,090. The operations of the Company and subsidiary MediaTek USA Inc., would not be materially affected by this case.

f. Optical Devices, LLC ("Optical Devices") filed a complaint with the U.S. International Trade Commission against the Company and subsidiary MediaTek USA Inc. on September 3, 2013 alleging infringement of United States Patent No. 8,416,651. Optical Devices alleged that the Company's optical disc drive chips infringe its patent and sought to prevent the accused products from being imported into the United States. Also on September 3, 2013, Optical Devices filed a complaint in the United States District Court for the District of Delaware against the Company and subsidiary MediaTek USA Inc., alleging that the Company's optical disc drive chips infringe the above referenced patent. The operations of the Company and subsidiary MediaTek USA Inc., would not be materially affected by this case.

g. Vantage Point Technology, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek USA Inc. on November 21, 2013, alleging infringement of United State Patent Nos. 5,463,750 and 6,374,329. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

The Company will handle these cases carefully.

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

The merger with MStar Semiconductor, Inc. (Cayman)

The merger was approved by the Extraordinary Shareholders Meeting of the Company on October 12, 2012. Based on the resolution of the Extraordinary Shareholders Meeting, the Company paid 0.794 company shares and NT$1 in cash for each share of MStar Semiconductor, Inc. (Cayman) ("MStar").

The merger was approved by Ministry of Commerce of the People's Republic of China ("MOFCOM") on August 26, 2013, contingent upon the completion of a working plan which should be reviewed by MOFCOM. On November 26, 2013, the working plan was approved by MOFCOM. The Company has successfully obtained all relevant domestic and foreign regulators approvals. The merger effective date was set on February 1, 2014. The Company acquired the remaining 52% ownership of MStar by issuing 221,123,877 shares and paying NT$278,494 thousands in cash. As of March 21, 2014, the business registration of the Company's new share issuance is still in process. MStar was delisted and dissolved.

According to MOFCOM's conditional approval, following the delist of MStar, its mobile phone chips and wireless communication business can be integrated into the Company while TV chips and related business operation has to be maintained by MStar Semiconductor, Inc. ("MStar Taiwan") for three years post merger. MStar Taiwan can be further integrated with the Company after the third anniversary, subject to condition removal. Synergy from the merger at this stage will be primarily reflected in mobile phone chips and wireless communication business. Through the integration of research and development team and technology resources, the Company can enhance its technology and product development capabilities. In addition, the Company will expand its global business operation and further strengthen the industry leading position to optimize shareholder value.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at fair value through profit or loss:			
Held for trading financial assets	$7,420	$111	$-
Financial assets designated upon initial recognition at fair value through profit or loss	310,387	50,129	393,510
Subtotal	317,807	50,240	393,510
Available-for-sale financial assets	4,410,214	4,611,976	3,220,108
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand and petty cash)	53,710,940	28,288,474	23,137,268
Bond investments for which no active market exists	112,021	111,984	1,009,947
Trade receivables (including related parties)	4,273,902	2,976,900	3,261,083
Other receivables	3,189,179	3,559,885	2,156,836
Subtotal	61,286,042	34,937,243	29,565,134
Total	$66,014,063	$39,599,459	$33,178,752

Financial liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities at fair value through profit or loss:			
Held for trading financial liabilities	$26,017	$2,592	$-
Financial liabilities at amortized cost:			
Short-term borrowings	8,985,000	2,179,150	-
Trade payables (including related parties)	7,256,336	6,666,470	6,815,547
Other payables	13,545,923	10,532,074	12,856,882
Subtotal	29,787,259	19,377,694	19,672,429
Total	$29,813,276	$19,380,286	$19,672,429

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties), other payables approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

(c) The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

(d) The fair value of other financial assets and liabilities is determined using discounted cash flow analysis, the interest rate and discount rate are selected with reference to those of similar financial instruments.

b. Fair value of financial instruments measured at amortized cost

Other than those listed in the table below, the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount as of			Fair value as of		
	December 31, 2013	December 31, 2012	January 1, 2012	December 31, 2013	December 31, 2012	January 1, 2012
Series B preferred stock	$-	$-	$1,000,000	$-	$-	$1,059,128

c. Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$35,000	$-	$-	$35,000
Derivative financial instruments	-	7,420	-	7,420
Linked deposits	-	-	275,387	275,387
Available-for-sale financial assets				
Depositary receipts	22,577	-	-	22,577
Common shares	749,459	-	-	749,459
Funds	3,638,178	-	-	3,638,178
Total	$4,445,214	$7,420	$275,387	$4,728,021

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$-	$26,017	$-	$26,017

As of December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Derivative financial instruments	$-	$111	$-	$111
Linked deposits	-	-	50,129	50,129
Available-for-sale financial assets				
Depositary receipts	20,808	-	-	20,808
Common shares	909,114	-	-	909,114
Funds	3,682,054	-	-	3,682,054
Total	$4,611,976	$111	$50,129	$4,662,216

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$-	$2,592	$-	$2,592

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As of January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$103,510	$-	$-	$103,510
Linked deposits	-	290,000	-	290,000
Available-for-sale financial assets				
Depositary receipts	56,436	-	-	56,436
Funds	3,163,672	-	-	3,163,672
Total	$3,323,618	$290,000	$-	$3,613,618

For the years ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy is as follows:

Financial assets at fair value through profit or loss- linked deposits

	For the years ended December 31	
	2013	2012
As of January 1, 2013	$50,129	$-
Amount recognized in profit or loss	258	129
Acquisitions	875,000	50,000
Settlements	(650,000)	-
As of December 31, 2013	$275,387	$50,129

Total gains (losses) recognized for the years ended December 31, 2013 and 2012 contain gains and losses related to bonds, derivative financial instruments and linked deposits on hand as of December 31, 2013 and 2012 in the amount of NT$387 thousand and NT$129 thousand, respectively.

C. Derivative financial instruments

The Company's derivative financial instruments held for trading were forward exchange contracts. The related information is as follows:

The Company entered into forward exchange contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward exchange contracts:

Forward exchange contracts	Currency	Contract amount (US'000)	Maturity
As of December 31, 2013	TWD to USD	Sell 190,000	January 2014
As of December 31, 2012	TWD to USD	Sell 55,000	January 2013

The Company entered into forward foreign exchange contracts to hedge foreign currency risk of net assets or net liabilities. As there will be corresponding cash inflows or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

(2) Financial risk management objectives

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

A. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company reviews its assets and liabilities denominated in foreign currency and enters into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains or losses made on the hedged item. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1 cent, the profit for the years ended December 31, 2013 and 2012 decreases/increases by NT$1,370 thousand and NT$604 thousand.

b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates. Moreover, the market value of the Company's investment in credit-linked deposits and interest rate-linked deposits are affected by interest rate. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2013 and 2012 to decrease/increase by NT$477 thousand and NT$10 thousand, respectively.

c. Other price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under available-for-sale financial assets. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain equity investments according to level of authority.

At the reporting date, a change of 1% in the price of the listed equity securities classified under available-for-sale could only impact the Company's equity, but has no effect on profit or loss. The price risk related to unlisted equity securities classified under available-for-sale is insignificant.

B. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2013 and December 31, 2012, receivables from top ten customers represent 93.97% and 88.79% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

The Company's exposure to credit risk arises from potential default of the counter-party or other third-party. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivables of financial instruments. Since the counter-party or third-party to the foregoing forward exchange contracts are all reputable financial institutions, management believes that the Company's exposure to default by those parties is minimal.

Credit risk of credit-linked deposits, interest rate-linked deposits, and convertible bonds arises if the issuing banks breached the contracts or the debt issuer could not pay off the debts; the maximum exposure is the carrying value of those financial instruments. Therefore, the Company minimized the credit risk by only transacting with counter-party who is reputable, transparent and in good financial standing.

C. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Non-derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2013			
Borrowings	$8,996,735	$-	$8,996,735
Trade payables (including related parties)	7,256,336	-	7,256,336
Other payables	13,536,137	-	13,536,137
Total	$29,789,208	$-	$29,789,208
As of December 31, 2012			
Borrowings	$2,184,872	$-	$2,184,872
Trade payables (including related parties)	6,666,470	-	6,666,470
Other payables	10,531,029	-	10,531,029
Total	$19,382,371	$-	$19,382,371
As of January 1, 2012			
Trade payables (including related parties)	$6,815,547	$-	$6,815,547
Other payables	12,856,882	-	12,856,882
Total	$19,672,429	$-	$19,672,429

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2013			
Gross settlement			
Forward exchange contracts			
Inflow	$590,400	$-	$590,400
Outflow	(599,000)	-	(599,000)
Net	(8,600)	-	(8,600)
Net settlement			
Forward exchange contracts	(25,930)	-	(25,930)
Total	$(34,530)	$-	$(34,530)

	Less than 1 year	1 to 5 years	Total
As of December 31, 2012			
Gross settlement			
Forward exchange contracts			
Inflow	$1,161,790	$-	$1,161,790
Outflow	(1,165,440)	-	(1,165,440)
Net	$(3,650)	$-	$(3,650)

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

There were no outstanding forward exchange contracts which were included in financial instruments as of January 1, 2012.

The table above contains the undiscounted net cash flows of derivative financial instruments.

(3) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2013			December 31, 2012			January 1, 2012		
	Foreign Currency (thousand)	Exchange rate	NTD (thousand)	Foreign Currency (thousand)	Exchange rate	NTD (thousand)	Foreign Currency (thousand)	Exchange rate	NTD (thousand)
Financial assets									
Monetary item:									
USD	$800,745	$29.950	$23,982,303	$309,475	$29.136	$9,016,877	$252,855	$30.290	$7,658,970
CNY	$3,000	$4.947	$14,841	$-	$-	$-	$-	$-	$-
Financial liabilities									
Monetary item:									
USD	$663,702	$29.950	$19,877,863	$249,027	$29.136	$7,255,657	$243,966	$30.290	$7,389,724
CNY	$120	$4.947	$594	$-	$-	$-	$-	$-	$-

(4) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. First-time Adoption of TIFRS

For all periods up to and including the year ended December 31, 2012, the Company prepared its financial statements in accordance with generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The parent company only financial statements for the year ended December 31, 2013 are the first the Company has prepared in accordance with the Regulations.

Accordingly, the Company has prepared financial statements which comply with the Regulations for periods beginning January 1, 2013 as described in the accounting policies under Note 4. Furthermore the first parent company only financial statements prepared under IFRS 1 First-time Adoption of International Financial Reporting Standards. The Company's opening balance sheet was prepared as of January 1, 2012, the Company's date of transition to TIFRS.

Exemptions applied in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards"

IFRS 1 "First-time Adoption of International Financial Reporting Standards" allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemptions:

(1) IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2012. By applying this exemption, immediately after the business combination, the carrying amount in accordance with R.O.C. GAAP of assets acquired and liabilities assumed in that business combination, shall be their deemed costs in accordance with TIFRS at that date. The subsequent measurement of these assets and liabilities will be in accordance with TIFRS. Under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the carrying amount of goodwill in the opening balance sheet shall be its carrying amount in accordance with R.O.C. GAAP at December 31, 2011, after testing for impairment and reclassifying amounts to intangible assets that are required to be recognized. The Company has performed goodwill impairment testing as of the date of transition to TIFRS and no impairment loss has been recognized as of that date.

(2) The Company has recognized all cumulative actuarial gains and losses on pensions as of the date of transition to TIFRS directly in retained earnings.

(3) The Company has elected to disclose amounts required by paragraph 120A(p) of IAS 19 prospectively from the date of transition to TIFRS.

(4) IFRS 2 has not been applied to equity instruments in share-based payment transactions that vested before the date (January 1, 2012) of transition to TIFRS.

(5) The Company has applied the transitional provision in IFRIC 4 and has assessed all arrangements whether include lease transaction as of January 1, 2012.

(6) IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. The Company needs not comply with these requirements for changes in such liabilities that occurred before the date of transition to TIFRS by adopting the first-time adoption exemption.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Impacts of transitioning to TIFRS

The following tables contain reconciliation of parent company only balance sheets as of January 1 and December 31, 2012 and parent company only statements of comprehensive income for the year ended December 31, 2012:

Reconciliation of parent company only balance sheet items as of January 1, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Current assets					Current assets	
Cash and cash equivalents	$27,137,268	$-	$-	$27,137,268	Cash and cash equivalents	
Financial assets at fair value through profit or loss-current	393,510	-	-	393,510	Financial assets at fair value through profit or loss-current	
Available-for-sale financial assets-current	1,627,536	-	-	1,627,536	Available-for-sale financial assets-current	
Bond portfolios with no active market -current	1,000,000	-	9,947	1,009,947	Bond investments for which no active market exists-current	6
Accounts receivables, net	3,200,385	-	-	3,200,385	Trade receivables, net	
Receivables from related parties, net	61,418	-	-	61,418	Trade receivables from related parties, net	
Other receivables	2,156,836	-	-	2,156,836	Other receivables	
Inventories, net	6,278,630	-	-	6,278,630	Inventories	
Prepayments	305,418	-	-	305,418	Prepayments	
Other current assets	265,275	-	-	265,275	Other current assets	
Deferred income tax assets-current	72,475	-	(72,475)	-	-	5
Restricted assets-current	9,947	-	(9,947)	-	-	6
Total current assets	42,508,698	-	(72,475)	42,436,223	Total current assets	
Funds and investments					Non-current assets	
Available-for-sale financial assets-noncurrent	1,592,572	-	-	1,592,572	Available-for-sale financial assets - noncurrent	
Investments accounted for using the equity method	79,575,986	(50,728)	-	79,525,258	Investments accounted for using the equity method	1
Total funds and investments	81,168,558					
Property, plant and equipment, net	6,503,119	-	-	6,503,119	Property, plant and equipment	
Intangible assets	7,714,627	-	-	7,714,627	Intangible assets	
Other assets						
Refundable deposit	141,602	-	-	141,602	Refundable deposit	
Deferred income tax assets-noncurrent	-	41,713	72,475	114,188	Deferred tax assets	2,5
Total other assets	141,602	(9,015)	72,475	95,591,366	Total noncurrent assets	
Total assets	$138,036,604	$(9,015)	$-	$138,027,589	Total assets	

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current liabilities					Current liabilities	
Accounts payables	$6,696,357	$-	$-	$6,696,357	Trade payables	
Payables to related parties	119,190	-	-	119,190	Trade payables to related parties	
Income tax payable	470,032	-	-	470,032	Current tax liabilities	
Accrued expenses	12,856,882	-	(12,856,882)	-	-	6
Other payables	-	-	12,856,882	12,856,882	Other payables	6
Other current liabilities	598,081	-	-	598,081	Other current liabilities	
Total current liabilities	20,740,542	-	-	20,740,542	Total current liabilities	
Other liabilities					Non-current liabilities	
Accrued pension liabilities	190,538	245,370	-	435,908	Accrued pension liabilities	2
Deposits received	5,969	-	-	5,969	Deposits received	
Deferred income tax liabilities-noncurrent	821,539	-	-	821,539	Deferred tax liabilities	
Total other liabilities	1,018,046	245,370	-	1,263,416	Total non-current liabilities	
Total liabilities	21,758,588	245,370	-	22,003,958	Total liabilities	
Share capital					Share capital	
Common stock	11,475,108	-	-	11,475,108	Common stock	
Capital collected in advance	83	-	-	83	Capital collected in advance	
Capital reserve	24,605,882	(117,473)	-	24,488,409	Capital surplus	1,3
Retained earnings					Retained earnings	
Legal reserve	21,710,122	-	-	21,710,122	Legal reserve	
Special reserve	4,198,121	-	-	4,198,121	Special reserve	
Undistributed earnings	56,554,982	(136,729)	-	56,418,253	Undistributed earnings	1,2,3
Adjusting items in shareholders' equity					Other equity	
Unrealized gain (loss) on financial instruments	43,192	-	-	43,192	Unrealized gains (losses) from available-for-sale financial assets	
Cumulative translation adjustment	(2,253,504)	(183)	-	(2,253,687)	Exchange differences resulting from translating the financial statements of a foreign operation	1
Treasury stock	(55,970)	-	-	(55,970)	Treasury shares	
Total shareholders' equity	116,278,016	(254,385)	-	116,023,631	Total equity	
Total liabilities and shareholders' equity	$138,036,604	$(9,015)	$-	$138,027,589	Total liabilities and equity	

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of parent company only balance sheet items as of December 31, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Current assets					Current assets	
Cash and cash equivalents	$28,288,474	$-	$-	$28,288,474	Cash and cash equivalents	
Financial assets at fair value through profit or loss-current	50,240	-	-	50,240	Financial assets at fair value through profit or loss-current	
Available-for-sale financial assets-current	2,646,087	-	805	2,646,892	Available-for-sale financial assets-current	6
Bond investments for which no active market exists-current	-	-	111,984	111,984	Bond investments for which no active market exists-current	6
Accounts receivables, net	2,945,188	-	-	2,945,188	Trade receivables, net	
Receivables from related parties, net	31,712	-	-	31,712	Receivables from related parties, net	
Other receivables	3,559,885	-	-	3,559,885	Other receivables	
Inventories, net	10,589,234	-	-	10,589,234	Inventories	
Prepayments	329,269	-	-	329,269	Prepayments	
Other current assets	395,881	-	-	395,881	Other current assets	
Deferred income tax assets-current	351,407	-	(351,407)	-	-	5
Restricted assets-current	111,984	-	(111,984)	-	-	6
Total current assets	49,299,361	-	(350,602)	48,948,759	Total current assets	
Funds and investments					Non-current assets	
Available-for-sale financial assets-noncurrent	1,965,084	-	-	1,965,084	Available-for-sale financial assets - noncurrent	
Investments accounted for using the equity method	133,170,053	23,903	-	133,193,956	Investments accounted for using the equity method	1
Total funds and investments	135,135,137					
Property, plant and equipment, net	6,282,152	-	-	6,282,152	Property, plant and equipment	
Intangible assets	7,040,428	(441)	-	7,039,987	Intangible assets	2
Other assets						
Refundable deposit	109,598	-	-	109,598	Refundable deposit	
Deferred income tax assets-noncurrent	-	113,550	356,535	470,085	Deferred tax assets	1,2,5
Total other assets	109,598	137,012	356,535	149,060,862	Total noncurrent assets	
Total assets	$197,866,676	$137,012	$5,933	$198,009,621	Total assets	

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current liabilities					Current liabilities	
Short-term borrowings	$2,179,150	$-	$-	$2,179,150	Short-term borrowings	
Financial liability at fair value through profit or loss-current	2,592	-	-	2,592	Financial liability at fair value through profit or loss-current	
Accounts payables	6,550,078	-	-	6,550,078	Trade payables	
Payables to related parties	116,392	-	-	116,392	Trade payables to related parties	
Income tax payable	878,403	-	-	878,403	Current tax liabilities	
Accrued expenses	10,406,921	-	(10,406,921)	-	-	6
Payables to contractors and equipment suppliers	21,664	-	(21,664)	-	-	6
Other payables	-	103,489	10,428,585	10,532,074	Other payables	2,6
Other current liabilities	565,046	-	-	565,046	Other current liabilities	
Total current liabilities	20,720,246	103,489	-	20,823,735	Total current liabilities	
Other liabilities					Non-current liabilities	
Accrued pension liabilities	220,083	325,160	-	545,243	Accrued pension liabilities	2
Deposits received	29,579	-	-	29,579	Deposits received	
Deferred income tax liabilities-noncurrent	1,156,864	25,557	5,128	1,187,549	Deferred tax liabilities	1,2,5
Total other liabilities	1,406,526	350,717	5,128	1,762,371	Total non-current liabilities	
Total liabilities	22,126,772	454,206	5,128	22,586,106	Total liabilities	
Share capital					Share capital	
Common stock	13,493,702	-	-	13,493,702	Common stock	
Capital collected in advance	102	-	-	102	Capital collected in advance	
Capital reserve	79,551,866	120,632	-	79,672,498	Capital surplus	1,3
Retained earnings					Retained earnings	
Legal reserve	23,072,429	-	-	23,072,429	Legal reserve	
Special reserve	2,210,312	-	-	2,210,312	Special reserve	
Undistributed earnings	62,539,888	(326,072)	-	62,213,816	Undistributed earnings	1,2,3
Adjusting items in shareholders' equity					Other equity	
Unrealized gain (loss) on financial instruments	700,343	(121,232)	-	579,111	Unrealized gains (losses) from available-for-sale financial assets	1
Net loss not recognized as pension cost	(10,503)	10,503	-	-	-	2
Cumulative translation adjustment	(5,762,265)	(220)	-	(5,762,485)	Exchange differences resulting from translating the financial statements of a foreign operation	1
Treasury stock	(55,970)	-	-	(55,970)	Treasury shares	
Total shareholders' equity	175,739,904	(316,389)	-	175,423,515	Total equity	
Total liabilities and shareholders' equity	$197,866,676	$137,817	$5,128	$198,009,621	Total liabilities and equity	

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Reconciliation of parent company only statement of comprehensive income items for the year ended December 31, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Net sales	$63,474,029	$-	$-	$63,474,029	Net sales	
Operating costs	(40,770,355)	(3,434)	-	(40,773,789)	Operating costs	2
Gross profit	22,703,674	(3,434)	-	22,700,240	Gross profit	
Operating expenses					Operating expenses	
Selling expenses	(2,253,862)	(4,600)	-	(2,258,462)	Selling expenses	2
Administrative expenses	(1,548,150)	(4,784)	-	(1,552,934)	Administrative expenses	2
Research and development expenses	(13,051,340)	(79,622)	-	(13,130,962)	Research and development expenses	2
Total	(16,853,352)	(89,006)	-	(16,942,358)		
Operating income	5,850,322	(92,440)	-	5,757,882	Operating income	
Non-operating income					Non-operating income and expenses	
Interest revenue	305,217	-	235,048	540,265	Other income	4,6
Gain on equity investments, net	9,389,978	(75,196)	-	9,314,782	Share of profit (loss) of subsidiaries and associates accounted for using the equity method	1
Dividend income	47,768	-	(47,768)	-	-	4,6
Gain on disposal of investments	692,391	274,172	(966,563)	-	-	1,4,6
Foreign exchange gain, net	51,617	-	(51,617)	-	-	4,6
Valuation gain on financial assets	23,221	-	688,693	711,914	Other gains (losses)	4,6
Others	187,280	-	(187,280)	-	-	4,6
Total	10,697,472					
Non-operating expenses						
Interest expense	(1,734)	-	-	(1,734)	Finance costs	
Loss on disposal of property, plant and equipment	(1,298)	-	1,298	-	-	4,6
Impairment loss	(84,998)	(239,297)	324,295	-	-	1,4,6
Valuation loss on financial liabilities	(2,592)	-	2,592	-	-	4,6
Others	(1,302)	-	1,302	-	-	4,6
Total	(91,924)	(40,321)	-	10,565,227	Total non-operating income and expenses	
Profit before tax	16,455,870	(132,761)	-	16,323,109	Profit before tax	
Income tax expense	(768,342)	28,978	-	(739,364)	Income tax expense	1,2,5
Net income	$15,687,528	(103,783)	-	15,583,745	Profit	
-				(1,957,446)	Exchange differences resulting from translating the financial statements of a foreign operation	
-				535,085	Unrealized gain or loss from available-for-sale financial assets	
-				(101,531)	Actuarial losses on defined benefit plans	
-				(1,552,071)	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	
-				17,524	Income tax relating to components of other comprehensive income	
-				(3,058,439)	Other comprehensive income, net of tax	
-				$12,525,306	Total comprehensive income	

Material adjustments to the parent company only statement of cash flows for the year ended December 31, 2012

The transition from R.O.C. GAAP to TIFRS has not had a material impact on the statement of cash flows. The statement of cash flow prepared under R.O.C. GAAP was reported using the indirect method. Furthermore, cash flows from interest and dividends received and interest paid were classified as cash flows from operating activities and interest and dividends received were not disclosed separately. However, in accordance with the requirements under IAS 7 “Statement of Cash Flows”, the interest received for the year ended December 31, 2012, are disclosed in the statement of cash flow in the amount of NT$325,078 thousand. The dividends received for the year ended December 31, 2012, are disclosed in the statement of cash flow in the amount of NT$2,789,371 thousand.

Apart from the aforementioned differences, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

(1) Investments accounted for under the equity method

Under the requirements of IAS 28 “Investments in Associates”, the Company remeasured and reclassified financial assets carried at cost-noncurrent to investments accounted for using the equity method. As of January 1 and December 31, 2012, investments accounted for using the equity method were decreased by NT$38,376 thousand and NT$53,956 thousand, respectively, capital reserve were increased by NT$2,514 thousand and NT$2,714 thousand, respectively, exchange differences resulting from translating the financial statements of a foreign operation were decreased by NT$183 thousand and NT$220 thousand, respectively, and retained earnings were decreased by NT$40,707 thousand and NT$56,450 thousand, respectively. Moreover, the non-operating income and expenses of subsidiaries and associates accounted for using the equity method for the year ended December 31, 2012 were decreased by NT$15,743 thousand.

Under the requirements of IAS 28 “Investments in Associates”, the subsidiaries and associates’ accounting policy should conform to the investor’s when the subsidiaries and associate’s financial statements are used by the investor in applying the equity method. Therefore, investments accounted for using the equity method were decrease by NT$12,352 thousand and NT$21,450 thousand, respectively, capital reserve were increased by NT$205 thousand and NT$205 thousand, respectively, retained earnings were decreased by NT$12,557 thousand and NT$20,850 thousand, respectively, as of January 1 and December 31, 2012. Additionally, the non-operating income and expenses of subsidiaries and associates accounted for using the equity method for the year ended December 31, 2012 were decreased by NT$7,214 thousand.

According to IFRSs, when the Company’s equity investment increases and the significant influence is obtained, the Company shall remeasure the entire equity investment at fair value and the investment costs would be the fair value at the acquired date. As of December 31, 2012, the Company’s investments accounted for using the equity method and retained earnings were increased by NT$99,309 thousand and NT$99,309 thousand, respectively. Also, the non-operating income and expenses of subsidiaries and associates accounted for using the equity method was increased by NT$99,309 thousand for the year ended December 31, 2012.

Under IFRSs, when the Company loses its significant influence to associates, the Company shall remeasure the remaining investment at fair value and recognize the difference between the book value of the entire investment and the fair value of the remaining investment plus the proceeds of the disposal as a gain or loss. After that, the Company shall account for the investment according to the accounting standards of financial instruments. As of December 31, 2012, the Company's retained earnings, deferred income asset-noncurrent, deferred income tax liabilities-noncurrent and unrealized gains (losses) from available-for-sale financial assets were increased(decreased) by NT$134,495 thousand, NT$40,680 thousand, NT$27,417 thousand and NT$(121,232) thousand, respectively. Moreover, the Company's gains on disposal of investments (other gains or losses), impairment losses (other gains or losses) and income tax expenses were increased (decreased) by NT$274,172 thousand, NT$239,297 thousand and NT$(13,263) thousand for the year ended December 31, 2012, respectively.

Under the requirement of IAS 27 "Consolidated and Separate Financial Statement", the transactions shall be measured as equity transaction, when the Company still possesses control after disposed part shares of a subsidiary. Therefore, the Company's capital reserve and retained earnings were increased (decreased) by NT$151,548 thousand and NT$(151,548) thousand as of December 31, 2012, respectively. Also, the non-operating income and expenses of subsidiaries and associates accounted for using the equity method was decreased by NT$151,548 thousand.

(2) Employee benefits

The Company used actuarial techniques to calculate the defined benefit obligation and recognized related pension costs and accrued pension liabilities under R.O.C. GAAP. Upon transitioning to TIFRS, actuarial calculations were made in accordance with the requirements under IAS 19 "Employee Benefits". Under the requirement of IFRS 1, the Company re-performed actuarial calculation on defined benefit obligations as of January 1, and December 31, 2012, adjusted its cumulative actuarial gains and losses to zero, and recognized all unrecognized transitional net benefit obligations as of the date of transition to TIFRS. As of January 1, and December 31, 2012, the Company's accrued pension liabilities were increased by NT$245,370 thousand and NT$325,160 thousand, respectively, intangible assets-deferred pension costs were decreased by nil and NT$441 thousand, respectively, deferred income tax assets-noncurrent were increased by NT$41,713 thousand and NT$55,277 thousand, respectively, deferred income tax liabilities-noncurrent were decreased by nil and NT$1,860 thousand, respectively, retained earnings were decreased by NT$203,657 thousand and NT$278,967 thousand, respectively, and net loss not recognized as pension costs were decreased by nil and NT$10,503 thousand, respectively.

Furthermore, as the Company adopts the accounting policy of recognizing all actuarial gains or losses to other comprehensive income after transitioning to TIFRS, and combining with the effect of the aforementioned adjustments, the pension costs for the year ended December 31, 2012 was decreased by NT$11,049 thousand, income tax expenses was increased by NT$1,878 thousand. The actuarial gains and losses under other comprehensive income for the year ended December 31, 2012 was decreased by NT$85,560 thousand.

Under the requirement of IAS 19 "Employee Benefits", the Company shall recognize unused accumulating compensated absences. Therefore, accrued expenses (other payables) were increased by nil and NT$103,489 thousand, respectively, deferred income tax assets-noncurrent were increased by nil and NT$17,593 thousand, respectively, and retained earnings were decreased by nil and NT$85,896 thousand, respectively, as of January 1 and December 31, 2012. Furthermore, the operating costs and operating expenses were increased by NT$103,489 thousand and the income tax expense was decreased by NT$17,593 thousand for the year ended December 31, 2012.

(3) Adjustments of capital reserve-share of changes in net assets of subsidiaries and associates for using the equity method

As of January 1 and December 31, 2012, capital reserve-share of changes in net assets of subsidiaries and associates accounted for using the equity method were decreased by NT$120,192 thousand and NT$33,835 thousand, respectively, retained earnings were increased by NT$120,192 thousand and NT$33,835 thousand, respectively, due to incompliance with IFRSs, respectively.

(4) Reconciliations of parent company only statement of comprehensive income

Upon transitioning to TIFRS, in order to comply with the presentation of financial statements under TIFRS and the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers, certain items on the statement of comprehensive income have been reclassified. All other impact on the statement of comprehensive income as results of adjustments upon transitioning to TIFRS has been described in item 1-3.

(5) Income tax

Classification and valuation of deferred tax

Under the requirements of R.O.C. GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However under the requirements of IAS 12 "Income Taxes", an entity shall offset deferred tax assets and deferred tax liabilities when the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Under the requirements of R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. If a deferred tax asset or liability is not related to an asset or liability for financial reporting, it should be classified as current or non-current according to the expected reversal date of the temporary difference. However under the requirements of IAS 1 "Presentation of Financial Statements", deferred tax assets or liabilities are classified as non-current. Therefore as of January 1 and December 31, 2012, deferred tax assets reclassified to non-current assets were NT$72,475 thousand and NT$356,535 thousand, respectively, reclassified to non-current liabilities were nil and NT$5,128 thousand, respectively.

The following tables illustrate the deferred tax effects of all adjustments relating to the transitioning to TIFRS:

Income tax expense:

	Note	Year ended December 31, 2012
Recognized in profit or loss:		
Employee benefits	2	$(15,715)
Adjustment from investments accounted for using the equity method	1	(13,263)
		$(28,978)
Recognized in other comprehensive income:		
Employee benefits	2	$17,524

Deferred tax assets and liabilities:

	Note	January 1, 2012		December 31, 2012	
		Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Adjustment from investments accounted for under the equity method	1	$-	$-	$40,680	$27,417
Employee benefits	2	41,713	-	72,870	(1,860)
Total		$41,713	$-	$113,550	$25,557

(6) Others

Certain items in the financial statements prepared based on R.O.C. GAAP have been reclassified for comparison purposes.

8. The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties

None

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