MEDIATEK

everyday genius

Annual Report 2015

Stock code : 2454 Date : April 30, 2016

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/

Contact Information

Spokesperson:

Name: David Ku

Title: Chief Financial Officer

Tel: +886 (0)3-567-0766

Fax: +886 (0)3-578-7610

Email: ir@mediatek.com

Deputy Spokesperson:

Name: Jane Chen

Title: Director, Financial Division

Tel: +886 (0)3-567-0766

Fax: +886 (0)3-578-7610

Email: ir@mediatek.com

MediaTek Inc. Headquarters:

Address: No. 1, Dusing 1st Rd., Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C., 30078

Tel: +886 (0)3-567-0766

MediaTek Inc. Taipei Office:

Address: No. 15, Lane 91, Sec. 1, Neihu Rd., Neihu District, Taipei City, Taiwan, R.O.C., 11442

Tel: +886 (0)2-2659-8088

Transfer Agent:

Company: ChinaTrust Commercial Bank, Transfer Agency Department

Address: 5F, No. 83, Sec. 1, Chungqing S. Rd., Taipei City, Taiwan, R.O.C. 100

Website: https://ecorp.chinatrust.com.tw/cts/en/index.jsp

Tel: +886 (0)2-6636-5566

Independent Auditor:

Company: Ernst & Young

Auditors: Jia-Ling Tu, Jin-Lai Wang

Address: 9F, No.333, Sec. 1, Keelung Rd., Taipei, Taiwan, R.O.C.

Tel: +886 (0)2-2757-8888

Website: http://www.ey.com

MediaTek Inc. Website:

Website: http://www.mediatek.com

2015 MediaTek Annual Report
Table of Contents

I. Letter to Shareholders

Dear Shareholders:

2015 was a year filled with opportunities and challenges for global semiconductor industry. Various kinds of innovative end applications came out, bringing the market new highlights. However, global economic fluctuation and uncertainty made customer demand more volatile than market expectations. Meanwhile, the entire IC design industry accelerated the speed of specification upgrade and market pricing competition became more severe. MediaTek actively responded to the dynamic industry and competitive situation, thanks to our employees' dedication, MediaTek achieving full year consolidated net revenues of NT $213.3 billion and consolidated earnings per share of NT $16.60.

Leveraging the foundation of 2G and 3G, MediaTek has been playing an important role in global smartphone market for the past four years. With rapid migration to LTE in Mainland China in 2015, MediaTek seized the opportunities and achieved several milestones. For example, MediaTek's shipments of LTE chipsets significantly grew 5 times to 150 million units and market shares in made-in-China LTE smartphone doubled to 40%. Also, MediaTek kept sharpening technology capability, upgrading world-mode LTE chipsets to CAT6 with carrier aggregation. In addition, MediaTek persisted in global market expansion by introducing Helio, brand name of premium mobile processor family in 2015. Helio had won around one hundred design wins in both international and regional brands' mainstream and premium models. Meanwhile, MediaTek closely works with operators and brand customers to expand business opportunities in Europe and United States markets. Numerous MediaTek-inside LTE smartphones are available in Europe and United States. All these achievements showed MediaTek's strong ambition and execution.

Powering with own advantages, MediaTek continuously explored business opportunities in other consumer electronic products such as leading the industry to launch Android TV with Google and standing out in the trend of Internet of Things with highly-integrated and low-power solutions as well as software services. MediaTek's software development kits have been certified by Apple HomeKit to support customers on smart home applications. Various MediaTek-inside new applications like smart watch, smart shoes and smart bands already lead a wave to the market.

Aside from the competitive edge enhancement of existing products, MediaTek goes on strengthening cross-platform advantages. The acquisitions of Richtek Technology, Ilitek and Alpha Image Technology extended IP portfolio to analog products, LCD drive IC and image signal processor, bringing MediaTek more niches and lifting long-term competition barrier.

Other than successful business expansion, MediaTek earned recognition from a number of international institutions. For example, MediaTek was awarded by Thomson Reuters' "Top 100 Global Innovators" for the second consecutive years and it was the only Taiwanese company selected. Meanwhile, MediaTek was honored "Outstanding Asia Pacific Semiconductor Company Award" for the fourth consecutive year and chairman Mr. Ming-Kai Tsai was elected as a winner of "Dr. Morris Chang Exemplary Leadership Award" by the Global Semiconductor Alliance (GSA). In addition, MediaTek's efforts on branding were recognized in "Taiwan Top 10 Global Brands 2015", which was hosted by Ministry of Economic Affairs and co-hosted by Interbrand. Moreover, MediaTek published six research papers in the ISSCC in 2016, which was the highest amount among Taiwanese companies and set the record as the only Taiwanese company to be selected for 13 consecutive years.

Looking forward, with the fundamentals in core business of mobile communication and home entertainment, MediaTek will extend the advantages to IoT, automotive electronics and adjacent markets. MediaTek will continue to strengthen global competitive edge, provide customers total solutions and services and deliver more shareholder values. Last but not the least, we would like to thank you - our shareholders - for your continuous support and belief in our efforts.

Chairman: Ming-Kai Tsai
Vice-Chairman and 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 Singapore, Mainland China, India, US, Japan, Korea, Denmark, England, Finland, Sweden, France, Holland and Dubai.

MediaTek Inc. is one of the top 3 IC design companies in the world. With continuous investments in advanced process and technologies, MediaTek provides highly-integrated and innovative chipsets in the following areas: optical storage solutions, digital home solutions (such as digital TV, DVD players, and Blu-Ray players), mobile communication solutions, and Internet of Things (IoT) and wearable solutions. MediaTek helps customers reduce the development time of new products and extend a competitive edge in global markets.

By building technologies that help connect individuals to the world around them, MediaTek is enabling people to expand their horizons and more easily achieve their goals. We believe anyone can achieve something amazing. And we believe they can do it every single day. We call this idea Everyday Genius and it drives everything we do.

2. Milestones

Year	Milestones
2016	■ Published 6 papers in ISSCC, and hit a new record of papers selected by ISSCC for thirteen consecutive years among Taiwan companies – "A 20nm, 2.5GHz, UltraLow Power TriCluster CPU Subsystem with Adaptive Power Allocation for Optimal Mobile SoC Performance", "A 10MHzbandwidth, 4μs largesignal settling, 6.5nV/vHz noise, 2μVoffset Chopper Operational Amplifier", "A Dual-Band Digital-WiFi 802.11a/b/g/n Transmitter SoC with Digital I/Q Combining and Diamond Profile Mapping for Compact Die Area and Improved Efficiency in 40nm CMOS", "A 160MHz BW, 72dB DR, 40mW Continuous Time DeltaSigma Modulator in 16nm CMOS with Analog ISIReduction Technique", "An Oversampling SAR ADC with DAC Mismatch Error Shaping Achieving 105dB SFDR and 101dB SNDR over 1kHz BW in 55nm CMOS" and "A 0.35mW 12b 100MS/s SAR Assisted Digital Slope ADC in 28nm CMOS"
2015	■ Once again selected by "Thomson Reuters' Top 100 Global Innovators 2015" (the only Greater China company won the prize for second consecutive year) ■ Awarded "Outstanding Asia Pacific Semiconductor Company Award" by Global Semiconductor Alliance (GSA) for the 4th consecutive year ■ Ming-Kai Tsai, MediaTek Chairman and CEO, winner of "Dr. Morris Chang Exemplary Leadership Award" given by Global Semiconductor Alliance (GSA) ■ Selected as "Taiwan Top 10 Global Brands 2015", hosted by Ministry of Economic Affairs and co-hosted by Interbrand for the first time ■ MediaTek MT6795 (MediaTek Helio X10), Highly-integrated 64-bit True Octa-Core SoC, honored as "Innovation Product Award and R&D Accomplishment Award (Integrated Circuit)" given by Hsinchu Science Park Bureau ■ MediaTek Helio Chinese naming campaign received Bronze prize in "MAwards - Best Use of Social Media Promotion & Innovation Awards" ■ MediaTek Helio Chinese naming campaign won Bronze prize in "GOLDEN AWARDS - Best Use of Social Media Promotion & Innovation Awards" ■ Awarded silver prize in "Taiwan Corporate Sustainability Award (TCSA) 2015 - Electronics Industry" ■ Ranked 6th in "Top 20 Most Innovative Taiwanese Companies 2015" by Ministry of Economic Affairs, China Productivity Center and Boston Consulting Group ■ Published 5 papers in ISSCC, and hit a new record of papers selected by ISSCC for twelve consecutive years among Taiwanese companies – "A Highly Integrated Smartphone SoC Featuring a 2.5GHz Octa-Core CPU with Advanced High-Performance and Low-Power Techniques", "An LTE SAW-less Transmitter Using 33% Duty-Cycle LO Signals for Harmonic Suppression", "A Wideband Fractional-N Ring PLL Using a Near-Ground Pre-Distorted Switched-Capacitor Loop Filter", "A 4.5mW CT Self-Coupled rΣ Modulator with 2.2MHz BW and 90.4dB SNDR Using Residual ELD Compensation" and "A 0.5nJ/Pixel 4K H.265/HEVC Codec LSI for Multi-format Smartphone Applications" ■ Acquired Alpha Imaging Technology Corp. ■ Acquired Chingis Technology Corp. ■ Acquired Richtek Technology Corp. ■ Approved the consolidation with Ili Technology Corp.
2014	■ Awarded "Outstanding Asia Pacific Semiconductor Company Award" by Global Semiconductor Alliance (GSA) for the 3rd consecutive year ■ MediaTek MT6592, High Performance and Low Power True Octa-Core Heterogeneous Computing SoC, honored as "Innovation Product Award and R&D Accomplishment Award (Integrated Circuit) " given by Hsinchu Science Park Bureau ■ Selected by Thomson Reuters in "The World's 100 Most Innovative Companies in 2014" ■ Mr. Ming-Kai Tsai, Chairman of MediaTek Inc., is honored by Harvard Business Review as one of "The Best-Performing CEOs in the World" for two consecutive years, and is the only leader from Taiwan on this list ■ Awarded "2014 Most Admired Company in Taiwan Top 3" by CommonWealth Magazine

	■ Awarded 7th place in the "2014 Top 20 Taiwan Innovative Corporations" by the Ministry of Economic Affairs, China Productivity Center and Boston Consulting Group ■ 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" and "Cloud 2.0 Clients and Connectivity 40nm CMOS with 0.19ps RMges" ■ Acquired with MStar Semiconductor, Inc. (Cayman)
2013	■ Awarded "Outstanding Asia Pacific Semiconductor Company Award" by Global Semiconductor Alliance (GSA) for the 2nd consecutive year ■ 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., was named 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 ■ 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 ■ Awarded "Outstanding Asia Pacific Semiconductor Company Award" by Global Semiconductor Alliance (GSA) ■ 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 CommonWealth 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 2 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" and "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 consecutive years ■ Published 5 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" ■ Acquired Ralink Technology Corp.
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 ■ 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 4 research papers in the ISSCC – "A Multi-Format Blu-ray Player SOC in 90nm CMOS", "A 1.2V 2MHz BW 0.084mm2 CT ΔΣ ADC with -97.7dBc THD and 80dB DR Using Low-Latency DEM ", "A 250Mb/s-to-3.4Gb/s HDMI Receiver with Adaptive Equalizer" and "A 110nm RFCMOS GPS SoC with 34mW -165dBm Tracking Sensitivity"

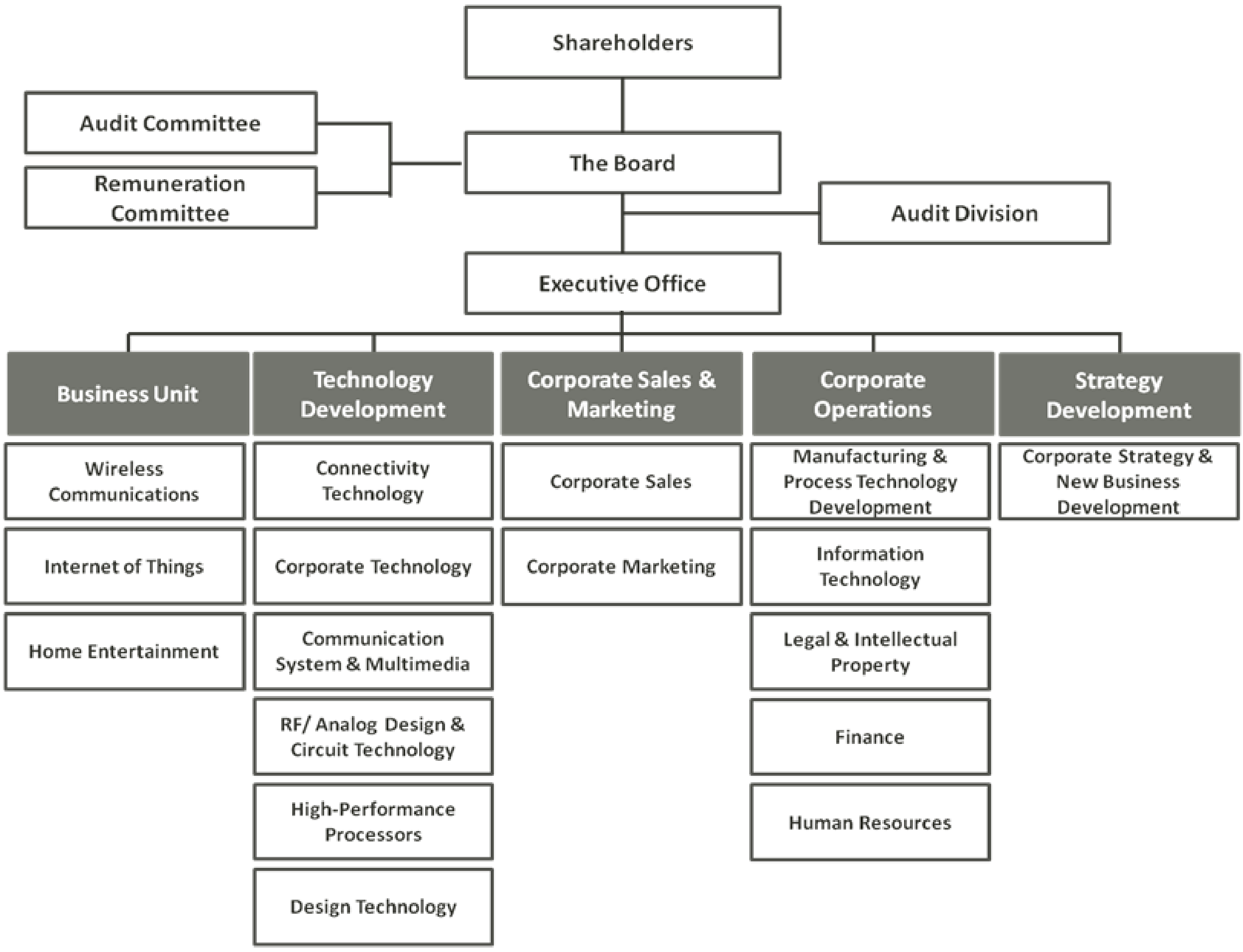
2008	■ Awarded “Innovative Product Award” for the company’s Full-HD ATSC DTV SoC, by Science-based Industrial Park Administration (SIPA) ■ Launched Blu-ray DVD player chipset, GSM/GPRS/EDGE handset baseband chip, and next-generation ATSC and DVB-T digital TV single-chip ■ Awarded “Best Financially Managed 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 ■ 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 3rd 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, 2016



1.2. Major Corporate Functions

Department	Functions
Wireless Communications	Research, design and promotion of mobile communication chips
Internet of Things	Research, design and promotion of Internet of Things-related chips
Home Entertainment	Research, design and promotion of digital consumer and digital TV chips
Connectivity Technology	Research, design and promotion of wireless local area network (LAN) and personal area network (PAN) chips
Corporate Technology	Advanced technology development and industry/academy collaboration management
Communication System & Multimedia	Research and design of communication system architecture and multimedia technologies for video and imaging applications
RF / Analog Design & 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 Division	Internal audit and operational procedure management

2. Directors and Supervisors

2.1. Information Regarding Board Members & Supervisors

As of April 30, 2016 / Unit: Shares

Title/Name	Nationality or Registry	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Experiences	Current Positions at MediaTek and Other Companies
					Shares	%	Shares	%	Shares	%		
Chairman Ming-Kai Tsai	R.O.C	June 12, 2015	3	May 21, 1997	41,006,187	2.61%	41,006,187	2.61%	46,009,145	2.93%	- 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 (Note1)	R.O.C	June 13, 2012	3	May 21, 1997	30,325,222	1.93%	30,325,222	1.93%	10,784,414	0.69%	- Master, Electronics Engineering, National Chiao Tung University - Manager, Multimedia R&D Team, UMC	None
Vice Chairman Ching-Jiang Hsieh	R.O.C	June 12, 2015	3	June 13, 2005	4,004,921	0.25%	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	R.O.C	June 12, 2015	3	June 13, 2012	29,244	0.00%	29,244	0.00%	-	-	- B.S., Chung Yuan Christian University of Taiwan - Managing Director, HP China	None
Director Kenneth Kin	R.O.C	June 12, 2015	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Nuclear Engineering and Applied Physics, Columbia University, USA - Senior VP, Worldwide Sales & Services, TSMC	- Independent director, eMemory Technology Inc., AzureWave Technologies Inc., Vanguard International Semiconductor Corp. and Hermes Microvision, Inc. - Vice Dean, College of Technology Management, National Tsing Hua University
Independent Director Chung-Yu Wu	R.O.C	June 12, 2015	3	June 13, 2012	-	-	-	-	964,118	0.06%	- Ph.D., Electronics Engineering, National Chiao Tung University - President, National Chiao Tung University	- Independent director / remuneration committee member/audit committee member, Global Unichip Corp. -Independent director / remuneration committee member, Leadtrend Technology Corp and Amazing Microelectronics Corp. - Chairman of National Chair Professorship, Ministry of Education - Chair Professor, Electronics Engineering, National Chiao Tung University - Principal Investigator Biomedical Electronics Translational Research Center
Independent Director Peng-Heng Chang	R.O.C / U.S.A	June 12, 2015	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Materials Engineering, Purdue University - VP, Human Resources / Materials Management & Risk Management, TSMC	- President & CEO, Motech Industries Inc.
Independent Director Tain-Jy Chen	R.O.C	June 12, 2015	3	June 12, 2015	-	-	-	-	-	-	- Ph.D. in Economics, The Pennsylvania State University, University Park, U.S.A. - Professor, Dept. of Economics, National Taiwan University	- Independent director / remuneration committee member, TECO Electric & Machinery Co., Ltd. and Chunghwa Telecom - Independent director, AU Optronics Corp

Note1: Vice Chairman, Mr. Jyh-Jer Cho, retired on June 12, 2015 after his tenure expired.

Note2: 2015 Annual Shareholders Meeting approved the establishment of Audit Committee to replace Supervisors. Supervisors' tenure expired on June 12, 2015

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. Professional qualifications and independence analysis of directors and supervisors

Name/ Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence 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
Ching-Jiang Hsieh			√			√	√	√	√	√	√	√	√	0
Cheng-Yaw Sun			√	√		√	√	√	√	√	√	√	√	0
Kenneth Kin	√		√	√		√	√	√	√	√	√	√	√	4
Chung-Yu Wu	√		√	√	√	√	√	√	√	√	√	√	√	3
Peng-Heng Chang			√	√	√	√	√	√	√	√	√	√	√	0
Tain-Jy Chen	√		√	√	√	√	√	√	√	√	√	√	√	3

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. Not applicable in cases where the person is an independent director of the Company, its parent 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 lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
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 Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.4. Remunerations Paid to Directors and Supervisors

2.4.1. Remunerations Paid to Directors (Note1)

Unit: Share / NT$ thousands

Title/Name	Remunerations Paid to Directors										Compensations Earned as Employee of MediaTek or of MediaTek Affiliates														(A+B+C+D+E+F+G) as % of 2015 Net Income (Note3)		Other compensations from non-subsidiary affiliates
	Salary (A)		Pension (B)		Remunerations (C)		Allowances (D)		(A+B+C+D) as % of 2015 Net Income		Salary, Bonus, etc. (E)		Pension (F) (Note2)		Employee Compensation (G)				Employee Option (H)		Granted Employee Restricted Stock (I)				
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek Cash	MediaTek Stock	Consolidated Entities Cash	Consolidated Entities Stock	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
Chairman Ming-Kai Tsai Vice Chairman Jyh-Jer Cho (Note4) Director Ching-Jiang Hsieh Director Cheng-Yaw Sun Director Kenneth Kin Independent Director Chung-Yu Wu Independent Director Peng-Heng Chang Independent Director Tain-Jy Chen (Note5)	4,000	4,000	-	-	40,891	40,891	690	690	0.18	0.18	151,152	151,152	10,866	10,866	-	-	-	-	-	-	-	-	0.80	0.80	(None)

Note1: The policies, standards, combinations, decision procedures and performance linkage 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 to resolve the compensation based on industry levels. A resolution was passed at a Board meeting of the Company held on February 1, 2016 to amend the Articles of Incorporation of the Company. According to the amend Articles of Incorporation of the Company, no higher than 0.5% of profit of the current year is distributable as remuneration to directors.
Note2: Pensions funded/paid according to applicable law.
Note3: Remunerations of the Company and its consolidated entities paid to directors in 2014, including their employee compensation, totaled NT$300,716 thousand, which was 0.64% of 2014 net profit.
Note4: Vice Chairman Mr. Jyh-Jer Cho retired on June 12, 2015.
Note5: Mr. Tain-Jy Chen was elected as the Company's independent director at the Company's Annual Shareholders' Meeting on June 12, 2015.

2.4.2. Remunerations Paid to Directors

	Compensation Paid to Directors (A+B+C+D)		Total Compensation Paid to Directors (A+B+C+D+E+F+G)	
	MediaTek	Consolidated Entities of MediaTek	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	-	-	-	-
NT$2 million ~ $5 million	Ming-Kai Tsai, Jyh-Jer Cho, Ching-Jiang Hsieh, Tain-Jy Chen		Tain-Jy Chen	
NT$5 million ~ $10 million	Cheng-Yaw Sun, Kenneth Kin, Peng-Heng Chang, Chung-Yu Wu		Cheng-Yaw Sun, Kenneth Kin, Peng-Heng Chang, Chung-Yu Wu	
NT$10 million ~ $15 million	-	-	Jyh-Jer Cho	
NT$15 million ~ $30 million	-	-	-	-
NT$30 million ~ $50 million	-	-	-	-
NT$50 million ~ $100 million	-	-	Ming-Kai Tsai, Ching-Jiang Hsieh	
Above NT$100 million	-	-	-	-
Total	8		8	

2.4.3. Remunerations Paid to Supervisors (Note1)

Unit: NT$ thousands

	Remunerations Paid to Supervisors						(A+B+C) as % of 2015 Net Income (Note2)		Other compensations from non-subsidiary affiliates
	Salary (A)		Profit Sharing (B)		Business Expense (C)				
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
Supervisor **Paul Wang**									
Supervisor **MediaTek Capital Co.** **Representative: Chung-Lang Liu**	-	-	6,525	6,525	90	90	Title/ Name	0.03	(None)
Supervisor **National Taiwan University** **Representative: Ruey-Shan Guo**									

Note1: Supervisors' tenure expired on June 12, 2015. 2015 Annual Shareholders Meeting approved the establishment of Audit Committee to replace Supervisors.
Note2: Remunerations of the Company and its consolidated entities paid to supervisors totaled NT$20,849 thousand, which was 0.04% of 2014 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, 2016 / Unit: Shares

Title/Name	Nationality	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Past Positions	Current Positions at Other Companies
			Shares	%	Shares	%	Shares	%		
Chairman & CEO **Ming-Kai Tsai**	R.O.C	May 21, 1997	41,006,187	2.61%	46,009,145	2.93%	-	-	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Chairman, Andes Technology Corp. and JMicron Technology Corp.
Vice Chairman **Jyh-Jer Cho (Note1)**	R.O.C	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)
Vice Chairman & President **Ching-Jiang Hsieh**	R.O.C	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
Executive Vice President & Co-COO **Jeffrey Ju**	R.O.C	May 1, 2012	22,401	0.00%	28,744	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, Winbond	- Director, MediaTek's affiliates
Executive Vice President & Co-COO **Joe Chen**	R.O.C	July 1, 2012	177,787	0.01%	30,414	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, SiS Corp	(None)
Senior Vice President **Chwei-Huang Chang (Note2)**	R.O.C	July 1, 2006	803,110	0.05%	673,318	0.04%	-	-	- Master, Electrical Engineering, Polytechnic University, USA - Engineer, Multimedia R&D Team, UMC	- Director, MediaTek's affiliates
Senior Vice President **Kou-Hung Loh**	R.O.C	July 1, 2006	-	-	-	-	-	-	- Ph.D., Electrical Engineering, Texas A&M University - CEO and founder of Silicon Bridge	(None)
Senior Vice President **Cheng-Te Chuang**	R.O.C	April 7, 2009	1,034,207	0.07%	316,077	0.02%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, UMC	(None)
Senior Vice President & CTO **Kevin Jou**	R.O.C	May 30, 2011	-	-	-	-	-	-	- Ph.D, Electrical Engineering, University of Southern California - Vice President, Qualcomm Inc.	- Director, MediaTek's affiliates
Senior Vice President & CFO & Spokesperson **David Ku**	R.O.C	Jan. 1, 2011	37,842	0.00%	-	-	-	-	- MBA, University of Illinois at Urbana Champaign - Vice President of JPMorgan Investment bank	- Chairman/Director, MediaTek's affiliates and invested companies
Vice President & General Counsel **Wei-Fu Hsu**	R.O.C	May 12, 2010	-	-	-	-	-	-	- Ph.D., Law School, University of Washington - Lawyer, Johns Day	- Director, Asia Pacific Intellectual Property Association - Vice Chairman, Taiwan Association for Trade Secrets Protection
Vice President & CMO **Johan Erik Lodenius**	Sweden	Dec. 20, 2012	-	-	-	-	-	-	- Bachelor, Electronics and Computer Technology, Lund Institute of Technology - Senior Vice President, Qualcomm Inc. - CEO, Coresonic AB	- Director, MediaTek's affiliates

Title/Name	Nationality	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Past Positions	Current Positions at Other Companies
			Shares	%	Shares	%	Shares	%		
Vice President Jerry Yu (Note3)	R.O.C	Feb. 16, 2015	2	0.00%	-	-	-	-	-Master, Electrical Engineering, National Taiwan University -Technical Director, Afreey Inc.	- Chairman/Director, MediaTek's affiliates and invested companies
Vice President Rolly Chang (Note4)	R.O.C	Aug. 1, 2015	83	0.00%	-	-	-	-	- Master, Communications Engineering, National Chiao Tung University - Technical Specialist, NCSIST	(None)
Vice President JC Hsu (Note4)	R.O.C	Aug. 1, 2015	58,746	0.00%	-	-	-	-	- Ph.D., Power Mechanical Engineering, National Tsing Hua University	- Chairman/Director, MediaTek's affiliates and invested companies

Note1: Vice Chairman Mr. Jyh-Jer Cho retired on June 12, 2015.
Note2: Senior Vice President Mr. Chwei-Huang Chang retired on October 1, 2015.
Note3: Mr. Jerry Yu was appointed as the Company's Vice President on February 16, 2015.
Note4: Mr. Rolly Chang and JC Hsu were appointed as the Company's Vice President on August 1, 2015.

3.2. Remunerations and Employee Compensation Paid to Key Managers (Note1)

Unit: Share / NT$ thousands

<table>
<tr><th rowspan="3">Name / Title</th><th colspan="2">Salary (A)</th><th colspan="2">Pension (B) (Note2)</th><th colspan="2">Bonus (C)</th><th colspan="4">Employee Compensation (D)</th><th colspan="2">(A+B+C+D) as % of 2015 Net Income (Note3)</th><th colspan="2">Employee Stock Options</th><th colspan="2">Restricted Stock</th><th rowspan="3">Remuneration from non-subsidiary affiliates</th></tr>
<tr><th rowspan="2">MediaTek</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">MediaTek</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">MediaTek</th><th rowspan="2">Consolidated Entities</th><th colspan="2">MediaTek (Note3)</th><th colspan="2">Consolidated Entities</th><th rowspan="2">MediaTek</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">MediaTek</th><th rowspan="2">Consolidated Entities</th><th rowspan="2">MediaTek</th><th rowspan="2">Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman & CEO
Ming-Kai Tsai</td><td rowspan="15">40,060</td><td rowspan="15">58,933</td><td rowspan="15">11,910</td><td rowspan="15">13,660</td><td rowspan="15">497,355</td><td rowspan="15">588,215</td><td rowspan="15">-</td><td rowspan="15">-</td><td rowspan="15">-</td><td rowspan="15">-</td><td rowspan="15">2.12</td><td rowspan="15">2.55</td><td rowspan="15">-</td><td rowspan="15">-</td><td rowspan="15">-</td><td rowspan="15">-</td><td rowspan="15">(None)</td></tr>
<tr><td>Vice Chairman
Jyh-Jer Cho (Note4)</td></tr>
<tr><td>Vice Chairman & President
Ching-Jiang Hsieh</td></tr>
<tr><td>Executive Vice President & Co-COO
Jeffrey Ju</td></tr>
<tr><td>Executive Vice President & Co-COO
Joe Chen</td></tr>
<tr><td>Senior Vice President
Chwei-Huang Chang (Note5)</td></tr>
<tr><td>Senior Vice President
Kou-Hung Loh</td></tr>
<tr><td>Senior Vice President
Cheng-Te Chuang</td></tr>
<tr><td>Senior Vice President & CTO
Kevin Jou</td></tr>
<tr><td>Senior Vice President & CFO
&Spokesperson
David Ku</td></tr>
<tr><td>Vice President & General Counsel
Wei-Fu Hsu</td></tr>
<tr><td>Vice President & CMO
Johan Erik Lodenius</td></tr>
<tr><td>Vice President
Jerry Yu (Note6)</td></tr>
<tr><td>Vice President
Rolly Chang (Note7)</td></tr>
<tr><td>Vice President
JC Hsu (Note7)</td></tr>
</table>

Note1: The policies, standards, combinations, decision procedures and performance linkage of remunerations paid to managers: The compensations are determined in accordance with managers' position, responsibility, contribution, performance and uncertainties and risks of the Company.

Note2: Pensions funded/paid according to applicable law.

Note3: Remunerations and bonus of MediaTek and its consolidated entities paid to key managers in 2014 were NT$598,816 thousand and NT$693,059 thousand respectively which were 1.29% and 1.49% of 2014 net income, respectively.

Note4: Vice Chairman Mr. Jyh-Jer Cho retired on June 12, 2015.

Note5: Senior Vice President Mr. Chwei-Huang Chang retired on October 1, 2015.

Note6: Mr. Jerry Yu was appointed as the Company's Vice President on February 16, 2015.

Note7: Mr. Rolly Chang and Mr. JC Hsu were appointed as the Company's Vice President on August 1, 2015.

3.3. Key Managers Remunerations Scale

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

3.4. Employee Compensation 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 and Supervisors held 3 sessions in 2015. The attendance of the Directors and Supervisors is shown in the following table:

Title/Name	Attend in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman: Ming-Kai Tsai	3	0	100%	Re-elected
Vice Chairman: Jyh-Jer Cho	3	0	100%	Re-elected
Director: Ching-Jiang Hsieh	3	0	100%	Re-elected
Director: Cheng-Yaw Sun	3	0	100%	Newly-elected
Director: Kenneth Kin	3	0	100%	Newly-elected
Independent Director: Chung-Yu Wu	3	0	100%	Newly-elected
Independent Director: Peng-Heng Chang	3	0	100%	Newly-elected
Supervisor: MediaTek Capital Co. (Rep.: Chung-Lang Liu)	3	0	100%	Re-elected
Supervisor: National Taiwan University (Rep.: Ruey-Shan Guo)	1	0	33%	Newly-elected
Supervisor: Paul Wang	2	0	67%	Newly-elected

The Company's shareholders elected the 7th Board of Directors in Annual General Meeting on June 12, 2015, effective immediately. (From June 12, 2015 to June 11, 2018)

The 7th Board of Directors held 4 sessions in 2015. 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	4	0	100%	Re-elected
Director: Ching-Jiang Hsieh	4	0	100%	Re-elected
Director: Cheng-Yaw Sun	4	0	100%	Re-elected
Director: Kenneth Kin	4	0	100%	Re-elected
Independent Director: Chung-Yu Wu	3	1	75%	Re-elected
Independent Director: Peng-Heng Chang	4	0	100%	Re-elected
Independent Director: Tain-Jy Chen	4	0	100%	Newly-elected

4.1.2. Other Required Notes for the Board 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 Audit Committee: the Company established the Remuneration Committee on August 24, 2011, elected independent directors in 2015 AGM and established the Audit Committee to enhance the Board's operation.

b. Corporate governance operations enhancement: the Company's Board approved "Ethical Corporate Management Best Practice Principles for MediaTek Inc.", "Corporate Governance Best Practice Principles for MediaTek Inc." and "Corporate Social Responsibility Best Practice Principles for MediaTek Inc." on October 30, 2015.

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

4.1.3. Other Required Notes for Supervisors' Participation on the Board 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 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.

4.2. Operation of Audit Committee

4.2.1 Audit Committee Meeting

The Audit Committee held 3 sessions in 2015. The attendance of the Independent Directors is shown in the following table:

Title/Name	Attend in Person	By Proxy	Attendance Rate in Person (%)	Note
Independent Director: Chung-Yu Wu	2	1	67%	Newly-elected
Independent Director: Peng-Heng Chang	3	0	100%	Newly-elected
Independent Director: Tain-Jy Chen	3	0	100%	Newly-elected

4.2.2. Other Required Notes for Audit Committee Meeting

A. Any action regulated by Securities and Exchange Act 14-5, or any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead: None.

B. Any recusal of Independent Directors due to conflict of interests: None.

C. Communications of Independent Directors with internal auditors and CPAs:

a. The internal auditors present the audit reports to the members of the Audit Committee periodically and report the findings in the meetings of the Audit Committee; immediate discussions and communications were held if any questions/concerns is raised by the independent directors. The communication between the independent directors and the internal auditors works well.

b. CPAs regularly report to Audit Committee on the Company’s financial results. The communication between the independent directors and the CPAs also works well.

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

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/ Listed Companies"?	✓		The Company has set up functional committees under the Board, including the Remuneration Committee and the Audit Committee. All the directors of The Company are world class professionals coming from industry and academic circles, and the board has established a comprehensive corporate governance framework. The Board approved "Corporate Governance Best Practice Principles for MediaTek Inc." on Oct. 30th, 2015. The Company also established a complete internal control system based on corporate governance best-practice principles, and fairly treat shareholders while protect their rights.	None
2.Equity structure and shareholders' equity				None
(1). Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has designated relevant departments, such as Investor Relations, Public Relations, Legal, etc. to handle shareholders' suggestions or disputes.	
(2). Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company tracks the shareholdings of directors, officers and shareholders' holding more than 10% of the outstanding MediaTek shares.	None
(3). Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		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
(4). Does the company establish internal rules against insiders trading with undisclosed information?	✓		The Company published "Standards of Behavior Regarding Insider Trading" in 2008, strictly prohibiting staffs and managers from insider trading with material nonpublic information. Violators are subject to punishment, investigation, and legal liability.	None
3. Composition and Responsibilities of the Board of Directors				
(1). Does the Board develop and implement a diversified policy for the composition of its members?	✓		The board members of the Company have diversified backgrounds, such as engineering and finance, in accordance with a policy of diversification.	None
(2). Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		The Remuneration Committee and Audit Committee were established under the board after the Board of Directors' election in AGM in 2015.	None
(3). Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		The Remuneration Committee sets up and reviews the performance evaluation and remuneration policy, standard, system and framework for board of directors.	None
(4). Does the company regularly evaluate the independence of CPAs?	✓		The Company followed "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and "Certified Public Accountant Act" to regularly evaluate the independence and adequacy of external auditors and to ensure the audit partner rotates every seven years.	None
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has established a Corporate Social Responsibility section with contact information of responsible person on the company website. The Company has also established a Stakeholder section to timely respond issues which stakeholders care about.	None
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed CTBC Bank's Transfer Agency Department to perform services required in regards to the general meeting.	None
6. Information Disclosure				None
(1). Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		1. MediaTek discloses financial information and corporate governance items on its company website: www.mediatek.com 2. MediaTek has designated appropriate persons to handle information collection and disclosure.	
(2). Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		Contact person: Jessie Wang, TEL: +886-(0)3-567-0766 ext.23447 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 in a timely manner 5. MediaTek discloses real-time information to shareholders and stakeholders on both Company website and MOPS website.	None
7. Is there any other important information to facilitate a 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).	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			The Company aims to provide free access to transparent information for employees, investors, suppliers and stakeholders. 2. MediaTek's Directors are experts in their professional specialties. The Company provides new regulation updates that require the attention of Directors. The executive team of the Company also reports to the Board periodically. Director 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 are conflicts of interests. 5. MediaTek maintains D&O insurance for its Directors and key officers.	
8. Has the company implemented a self-evaluation report 2 on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.	✓		The Company participated in the self-evaluation of corporate governance accord with the Corporate Governance Evaluation System of the TSE. TSE ranked the Company in top 20% in Second Corporate Governance Evaluation of Listed Companies. In the future, the Company will improve the process of self-evaluation of corporate governance according to the results.	None

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 evaluation procedure for directors, supervisors and managers as well as establishing compensation policy, system, standard and structure and regularly reviewing the compensation of directors, supervisors and managers.

4.4.2. Composition of the Company's Remuneration Committee:

The Company's Remuneration Committee was established on August 24, 2011. According to related regulations of the Securities and Futures Bureau, Financial Supervisory Commission, the professional qualification and independence criteria of the 3rd Remuneration Committee's members are below:

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 Peng-Heng Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Chung-Yu Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Other Ji-Ren Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	4

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. Not applicable in cases where the person is an independent director of the Company, its parent 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 lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not been a person of any conditions defined in Article 30 of the Company Law.

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 one session in 2015 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	1	100%	Re-elected
Member	Peng-Heng Chang	1	100%	Re-elected
Member	Wen-Tsuen Chen	1	100%	Term expired

The tenure of the Company's 3rd Remuneration Committee is from June 23, 2015 to June 11, 2018. The convener, Mr. Peng-Heng Chang held one session in 2015 and the attendance of members is shown in the following table:

Title	Name	Attend in Person	Attendance Rate in Person (%)	Note
Convener	Peng-Heng Chang	1	100%	Re-elected
Member	Chung-Yu Wu	1	100%	Re-elected
Member	Ji-Ren Lee	1	100%	Newly-elected

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
	Yes	No	Summary Description	
1. Implementation of corporate governance				
(1). Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✓		The Company has set up a "corporate social responsibility policy" in written. The company's implementation of corporate governance, environmental sustainability, social responsibility and information disclosure has been in accordance with corporate social responsibility policy principles. In addition, the Company set up internal performance targets and regularly review the implement results. Please refer to "Section 6, Social Responsibility" for more details.	None
(2). Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The Company arranges external and internal corporate social responsibility trainings for working team and core personnel in charge of corporate social responsibility implementation. Frequency of trainings is subject to team's turnover and frequency of standard updates.	None
(3). Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Company established a Corporate Social Responsibility Committee in 2014, led by Executive Vice President & Co-COO Mr. Joe Chen. Following sustainable development as the highest guiding principle, the Company focuses on three aspects, economics, society, and environment, to instruct six teams including corporate governance, innovative technology, workforce environment, natural environment, partnership and social welfare responsible for the implementation of each project. The related departments' managers are appointed as team leaders, responsible for coordinating all matters, including setting up the annual sustainable development objective, communication between management and each department, allocation of internal resources, controlling project progress, audit certification, awards application, and other tasks. The Company holds regular discussion meetings each quarter to report the execution plans of the current year focusing on economic, social and environmental aspects, while review the implementation results of the previous year. Therefore, the Company can improve continually in order to achieve the highest principle of sustainable development.	None
(4). Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		The Company reviews the remuneration standard in accordance to market rates and stipulates a reasonable remuneration policy according to macroeconomic indices to ensure a competitive level of remuneration. Also, by offering a platform of two-way communication though regular performance evaluations and future plan developments, we achieve individual and organization development by rewarding based on performance and encourage employees to grow with the company.	None
2. Sustainable Environment Development				
(1). Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The process to optimize utilization of raw materials: Waste management and recycling: in order to manage waste efficiently and maximize the benefits of recycling, the Company prioritizes waste reduction, classification for reuse, adherence to recycling and reutilization. The Company also handles and disposes waste properly and continually improves waste storage, transport and processes and evaluates the impact on the environment. We choose only qualified partners for waste disposal and recycling, and also audit the waste processes randomly to ensure the legal disposal of our waste and fulfill our responsibility in waste management supervision.	None
(2). Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		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 and promotion of environmental principles.	None
(3). Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		The Company implements the greenhouse gas examination and makes continuous efforts to reduce CO2 creation and save energy including the reducing, reusing and recycling resources. Dedicated personnel are assigned to take responsibility for environmental management. Please see "Section 6, Social Responsibility" section in this report	None
3. Preserving Public Welfare				
(1). Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company abides by the rules, policies, and procedures of the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees.	None
(2). Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		The Company establishes complaint mechanism and channels for employees, we also assign dedicated personnel and established an employee suggestion mailbox and dedicated personnel are assigned to resolve employee issues. We adhere to "Complaint and	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
			Punishment of Sexual Harassment in the Workplace", established complaint & punishment measures and establishing specific institutional sexual harassment grievance committee to handle gender equality in the workforce. In order to react rapidly, employee suggestions can directly go to Head of HR as well as Vice-Chairman and President.	
(3). Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		The Company aims to offer a safe and healthy working environment and promote a health life. The Company also regularly holds safety and health training sessions to employees.	None
(4). Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		The Employee Welfare Committee was established to encourage employees to enjoy company benefits. Labor Management conferences are convened periodically to ensure labor harmony. If significant impacts to operating activities are expected, it will be announced early to employees.	None
(5). Does the company provide its employees with career development and training sessions?	✓		The Company offers a comprehensive career development training program, a challenging learning environment to develop employee's potential and continue to invest in the organization's capabilities.	None
(6). Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		The Company established standards of the employee ethical behaviors and a reporting system. For further information, please refer to the company's web page athttp://www.mediatek.com/zh-TW/about/company-overview/code-of-ethics/ethical-misconduct-reporting/	None
(7). Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		Products of the Company comply with requirements of relevant regulations and international standards.	None
(8). Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		Past record of any harming behavior on environment and the society is one of the key items in vendors' qualification evaluation process.	None
(9). Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		If a supplier acts against the standards of the Company, rights to terminate cooperation will be carried out.	None
4. Enhancing Information Disclosure **Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?**	✓		The Company discloses CSR information on its company website or on the TSE "MOPS". The Company publishes CSR report from 2015 according to the GRI standard on an annual basis.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: **The Company has set up a corporate social responsibility policy in written and the practices are in accordance with "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies".**				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices： **Please refer to the company's web page at http://www.mediatek.com/en/about/citizenship/community-contribution/**				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: **The Company's CSR report follows the GRI standard and adopts ISAE 3000 for examination purposes.**				

4.6. Ethical Corporate Management

Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary Description	Reason for Non-implementation
1. Establishment of ethical corporate management policies and programs				
(1). Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The company strictly follows the six core values: integrity, conviction inspired by deep thinking, customer focus, constant renewal, innovation and inclusiveness as the guidance of business operation and sets up various internal guidelines based on the core values.	None
(2). Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		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) Operating Procedures of Endorsement and Guarantee (6) Operating Procedures of Outward Loans to Others (7) Procedures of Internal Material Information (8) Remuneration Committee Charter (9) Audit Committee Charter (10) Ethical Corporate Management Best Practice Principles for MediaTek Inc. (11) Corporate Social Responsibility Best Practice Principles for MediaTek Inc. (12) Corporate Governance Best Practice Principles for MediaTek Inc. Available on the Company's website http://www.mediatek.com	None
(3). Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		Integrity is highly-valued and is the major principle for the Company's Board and key management. The Board and key management will not vote in cases where they have a conflict of interest.	None
2. Fulfill operations integrity policy				None
(1). Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		Maximizing shareholders and employees' values has been the Company's major 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.	
(2). Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		The Board approved "Ethical Corporate Management Best Practice Principles for MediaTek Inc. " on October 30, 2015 to implement ethical corporate management. The policies were set by human resources department and legal & intellectual property department and supervised by audit department. The policies public in company website commit the implement of ethical corporate management and the regular report of execution status t to Audit Committee and the Board.	None
(3). Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		Ethic Regulations of Conducting Business and Regulations Governing the Directors and Managers' Behavior of the Company clearly define the policy to prevent conflicts of interest. In addition, the Company also designates a contact for each department to consult, communicate or resolve relevant issues in order to achieve results rapidly and effectively.	None
(4). Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		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.	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(5). Does the company regularly hold internal and external educational trainings on operational integrity?	✓		Integrity and respect are the core values which the Company is committed to and advocates regularly.	None
3. Operation of the integrity channel **(1). Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?**	✓		The Company established the Reporting Procedure and the reporting unethical behavior system. Employees can use this system to report unethical and improper behaviors, and the Company will designate senior management to handle the case.	None
(2). Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company established the SOP and relevant confidentiality mechanisms.	None
(3). Does the company provide proper whistleblower protection?	✓		The Company established precautions in order to protect whistleblowers.	None
4. Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company discloses and advocates Ethical Corporate Management Best Practice Principles for MediaTek Inc. on Company's internal website. The Company also discloses the annual report which including relevant information about ethical corporate management on company website and TSEC "MOPS" website	None
5. If the company has established the ethical corporate management policies based on "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the policies and their implementation. **The Company has set up a ethical corporate management policy and the practices are in accordance with Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies. Please refer to the corporate governance section for more details.**				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). **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) Operating Procedures of Endorsement and Guarantee
(6) Operating Procedures of Outward Loans to Others
(7) Procedures of Internal Material Information
(8) Remuneration Committee Charter
(9) Audit Committee Charter
(10) Ethical Corporate Management Best Practice Principles for MediaTek Inc.
(11) Corporate Social Responsibility Best Practice Principles for MediaTek Inc.
(12) Corporate Governance Best Practice Principles for MediaTek Inc.

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	Hours
Chairman Ming-Kai Tsai	Dec 9, 2015	Taiwan Corporate Governance Association	Corporate Governance Enhancement: Corporate Social Responsibility and Integrated Information Disclosure	6
Director Kenneth Kin	Apr 24, 2015	Securities & Future Institute	The Norms and Case Study of Competitive Behavior of Company Management Rights	3
	May 29, 2015	Taiwan Corporate Governance Association	The Effectiveness of Taiwan Corporate Boards is Assessed from the Viewpoint in the Book "The Effective Board"	3
	Jun 17, 2015	Taiwan Corporate Governance Association	Long-Term Incentive Compensation Trends and Design Considerations	3
Independent Director Chung-Yu Wu	May 8, 2015	Securities & Future Institute	Practice of Corporate Social Responsibility Report	3
	Aug 7, 2015	Securities & Future Institute	Legal Liability to Directors and Supervisors for Company's Mergers and Acquisitions	3
	Nov 9, 2015	Taiwan Corporate Governance Association	Strategy and Plan for Company's Mergers and Acquisitions	3
Independent Director Tain-Jy Chen	Jun 9, 2015	Taiwan Corporate Governance Association	Directors and Supervisors' Required Understanding on Corporate Transaction of Derivative Products	3
	Aug 10, 2015	Taiwan Corporate Governance Association	U.S. Antitrust Laws and Taiwan Corporate – The Reasons of Understanding and The Required Understanding	3
	Aug 18, 2015	Taiwan Corporate Governance Association	Corporate Risk Management and Fraud Risk Prevention and Detection	3

4.8.2. Key Management Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
Senior Vice President & CFO &Spokesperson David Ku	May 22, 2015 May 28, 2015	Accounting Research and Development Foundation	Advanced Lectures for Accounting Mangers of Issuers, Brokers and Securities Dealer	12
Director, Internal Audit Kirin Liu (Note)	Nov 9, 2015	Computer Audit Association	Network Security Management	6
	Nov 30, 2015	Computer Audit Association	Internal Audit to Effectively Assist Corporate Q4 Core Tasks	6

Note: Mr. Kirin Liu left his office from Director of Internal Audit on April 1, 2016 due to internal transfer and Mr. Perry Nien is the successor of Director of Internal Audit.

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 17th, 2016

MediaTek Inc. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2015, 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 effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation 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 assessment 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, timeliness, transparency of 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 17th 2016 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 12, 2015	2015 Annual General Meeting	Acknowledgement Items: (1) Adoption of the 2014 Business Report and Financial Statements	Approved.
		(2) Adoption of the Proposal for Distribution of 2014 Profits	Approved a cash dividend of NT$21.99993374. Board set up July 21, 2015 as ex-dividend record date and August 7, 2016 as cash dividend payment date. The total amount of cash dividend distribution was NT$34,574,697 thousand
		Discussion Items: (1) Amendment to the Company's "Articles of Incorporation"	Approved and implemented in accordance with the resolutions
		(2) Amendment to the following internal rules: (i) Procedures Governing the Acquisition or Disposition of Assets (ii) Operating Procedures of Outward Loans to Others (iii) Operating Procedures of Endorsement/Guarantee	Approved and implemented in accordance with the resolutions
		(3) Amendment to the Company's "Rules for Election of Directors and Supervisors"	Approved and implemented in accordance with the resolutions
		(4) To elect the 7th Board of Directors (including Independent Directors)	The newly-elected directors are as follows: Ming-Kai Tsai, Ching-Jiang Hsieh, Cheng-Yaw Sun, Kenneth Kin, Chung-Yu Wu (Independent Director), Peng-Heng Chang (Independent Director) and Tain-Jy Chen (Independent Director)
		(5) To suspend the Non-competition Restriction on the Company's Newly Elected Directors	Approved and implemented in accordance with the resolutions

4.11.2. Major Resolutions of Board Meetings

During the 2015 calendar year and as of the printing date of this annual report, 10 Board meetings were convened. Major resolutions approved at these meetings are summarized below:

Date	Meeting	Major Approvals
Feb 09, 2015	The 22nd meeting of the 6th board	proposal of contract signing with Bereau of High Speed Rail, MOTC of ROC. through subsidiary replacement of the Company's certified public accountants. suspend the non-competition restriction on management vice president appointment key management's 2014 performance evaluation and remuneration proposal for the first half of 2015
Mar 19, 2015	The 23rdmeeting of the 6th board	2014 operation report 2015 operating budget plan 2014 internal control statement 2015 AGM date, venue and agenda proposal of election of 7th Directors, including independent Directors proposal of 7th Directors candidates' period and location of nomination approved to nominate director of board proposal of lift regulations of business strife limitation clause of labor contract amendments to Article of Incorporation amendment to internal regulations amendment to rules for Directors and Supervisors elections amendment to rules and procedures of Board meetings amendment to procedures for internal material information amendment to Remuneration Committee charter establishment of Audit Committee charter amendment to internal control systems establishment of the code of ethics for director and management
Apr 30, 2015	The 24th meeting of the 6th board	review and confirm the list of candidates for directors proposal of 2014 profit distribution proposal of 2014 directors and supervisors' remuneration suggested by the Remuneration Committee
Jun 23, 2015	The 1st meeting of the 7th board	election of Chairman and Vice Chairman record date of 2014 profit distribution Remuneration Committee members appointment
Jul 31, 2015	The 2nd meeting of the 7th board	key management's remuneration proposal for the second half of 2015 proposal of remuneration plan and adjustment of key management's retirement/welfare key management appointment
Sep 7, 2015	The 3rd meeting of the 7th board	sign of Letter of Intent with Richtek Technology Corp. participation in cash capital increase of subsidiary Hus-Ta Investment Corp. by NT$28.8 billion
Oct 30, 2015	The 4th meeting of the 7th board	2015 fourth quarter financial forecasts 2016 audit plan establishment of the capability enhancement plan for self-prepared financial reports establishment of procedures for halt and resumption applications review the independence of CPA establishment of Ethical Corporate Management Best Practice Principles for MediaTek Inc. establishment of Corporate Social Responsibility Best Practice Principles for MediaTek Inc. establishment of Corporate Governance Best Practice Principles for MediaTek Inc.
Feb 1, 2016	The 5th meeting of the 7th board	2016 first quarter financial forecasts acquisition of real estate disposal of assets and participation in subsidiary's capital increase amendment to Article of Incorporation amendment to Remuneration Committee charter, remuneration plan for directors, remuneration plan and compensation for business strife limitation key management's 2015 performance evaluation and remuneration proposal for 2016
Mar 17, 2016	The 6th meeting of the 7th board	proposal of 2015 remuneration to directors proposal of 2015 employees' compensation 2015 operation report 2016 operating budget plan 2015 internal control statement 2016 AGM date, venue and agenda proposal of personnel change
Apr 29, 2016	The 7th meeting of the 7th board	proposal of the issuance of restricted stock awards 2016 second quarter financial forecasts proposal of 2015 profit distribution amendment to 2016 AGM agenda suspend the non-competition restriction on management

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 2015 to the Printing Date of this Report

Mr. Kirin Liu left his office from Director of Internal Audit on April 1, 2016 due to internal transfer and Mr. Perry Nien is the successor of Director of Internal Audit.

5. Information Regarding MediaTek's Independent Auditors

5.1. Auditor Information

Ernst & Young, Ms. Jia-Ling Tu and Mr. Jin-Lai Wang for the period of 2015.

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, Ms. Jia-Ling Tu and Mr. Jin-Lai Wang for the period of 2015 Audit fee paid: NT$11,540 thousand.
Total non-audit fee paid: NT$248 thousand.
(2) Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: None.
(3) Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.
(4) Audit fee reduced more than 15% year over year: None.

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 and February 9, 2015.

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 2015:

None.

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	2015		Jan. 1 to April 30, 2016	
	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 (Note1)**	-	-	-	-
Vice Chairman & President **Ching-Jiang Hsieh**	-	-	-	-
Director **Cheng-Yaw Sun**	-	-	-	-
Director **Kenneth Kin**	-	-	-	-
Independent Director **Chung-Yu Wu**	-	-	-	-
Independent Director **Peng-Heng Chang**	-	-	-	-
Independent Director **Tain-Jy Chen (Note2)**	-	-	-	-
Supervisor **MediaTek Capital Co. (Note3)**	-	-	-	-
Supervisor **National Taiwan University (Note3)**	-	-	-	-
Supervisor **Paul Wang (Note3)**	-	-	-	-
Executive Vice President & Co-COO **Jeffrey Ju**	-	-	-	-
Executive Vice President & Co-COO **Joe Chen**	-	-	-	-
Senior Vice President **Chwei-Huang Chang (Note4)**	-	-	-	-
Senior Vice President **Kou-Hung Loh**	-	-	-	-
Senior Vice President **Cheng-Te Chuang**	-	-	-	-
Senior Vice President & CTO **Kevin Jou**	-	-	-	-
Senior Vice President & CFO & Spokesperson **David Ku**	-	-	-	-
Vice President & General Counsel **Wei-Fu Hsu**	-	-	-	-
Vice President & CMO **Johan Erik Lodenius**	-	-	-	-
Vice President **Jerry Yu (Note5)**	-	-	-	-
Vice President **Rolly Chang (Note6)**	-	-	-	-
Vice President **JC Hsu (Note6)**	-	-	-	-

Note1: Vice Chairman, Mr. Jyh-Jer Cho retired on June 12, 2015 and no longer has to disclose his share information since then.

Note2: Mr. Tain-Jy Chen was elected as independent director on June 12, 2015 so his share information disclosure is from then on.

Note3: MediaTek Capital Co., National Taiwan University and Paul Wang were retired from Supervisors on June 12, 2015 so their share information disclosure was closed then.

Note4: Senior Vice President Mr. Chwei-Huang Chang was retired on October 1, 2015 so his share information disclosure was closed then.

Note5: Mr. Jerry Yu was appointed as Vice President on February 16, 2015 so his share information disclosure is from then on.

Note6: Mr. Rolly Chang and JC Hsu were appointed as Vice President on August 1, 2015 so their share information disclosure is from then on.

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 26, 2016. 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
Government of Singapore	58,746,954	3.74%	-	-	-	-	-	-
Chui-Hsing Lee	46,009,145	2.93%	41,006,187	2.61%	-	-	Ming-Kai Tsai	Spouse
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	41,959,000	2.67%	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	41,674,535	2.65%	-	-	-	-	-	-
Ming-Kai Tsai	41,006,187	2.61%	46,009,145	2.93%	-	-	Chui-Hsing Lee	Spouse
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund	35,561,000	2.26%	-	-	-	-	-	-
Jyh-Jer Cho	30,325,222	1.93%	10,784,414	0.69%	-	-	-	-
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	22,440,192	1.43%	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	21,598,000	1.37%	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder	21,107,000	1.34%	-	-	-	-	-	-

8. Long-Term Investment Ownership

As of December 31, 2015. 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
Hsu-Ta Investment Corp.	2,205,451,090	100%	-	-	2,205,451,090	100%
MediaTek Investment Singapore Pte. Ltd.	2,193,635,278	100%	-	-	2,193,635,278	100%
MediaTek Singapore Pte. Ltd.	111,993,960	100%	-	-	111,993,960	100%
T-Rich Technology (Cayman) Corp.	1,248,583	100%	-	-	1,248,583	100%
MStar Semiconductor Inc.	145,248,480	100%	-	-	145,248,480	100%
Hsu-Chuang Investment Corp.	25,000,000	100%	-	-	25,000,000	100%

IV. Capital and Shares

1. Capital and Shares

1.1. Capitalization

As of April 30, 2016, Unit: share/NT$

Month/ Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital (shares)	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
Apr 2015	10	2,000,000,000	20,000,000,000	1,571,492,244	15,714,922,440	Employee option exercised: 46,700	-	Apr 2, 2015 Yuan-Shang-Tze No.1040008927
May 2015	10	2,000,000,000	20,000,000,000	1,571,576,347	15,715,763,470	Employee option exercised: 84,103	-	May 18, 2015 Yuan-Shang-Tze No.1040013818
Aug 2015	10	2,000,000,000	20,000,000,000	1,571,581,880	15,715,818,800	Employee option exercised: 5,533	-	Aug 17, 2015 Yuan-Shang-Tze No.1040023747
Nov 2015	10	2,000,000,000	20,000,000,000	1,571,583,686	15,715,836,860	Employee option exercised: 1,806	-	Nov 16, 2015 Yuan-Shang-Tze No.1040033206

As of April 30, 2016, Unit: share

Type of Stock	Authorized Capital			Remark
	Outstanding	Un-Issued	Total	
Common Stock	1,571,583,686	428,416,314	2,000,000,000	Listed on TSE

Shelf Registration: None.

1.2. Composition of Shareholders

As of April 26, 2016; Unit: share / %

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Persons	Individuals	Total
Number of Shareholders	3	80	512	1,328	92,207	94,130
Shareholding (shares)	3,124,885	68,929,996	123,254,694	915,410,310	460,863,801	1,571,583,686
Holding Percentage (%)	0.20%	4.39%	7.84%	58.25%	29.32%	100.00%

1.3. Distribution of Shareholding

1.3.1 Distribution of Common Stock

As of April 26, 2016

Common Share Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1 ~ 999	30,976	4,270,324	0.27%
1,000 ~ 5,000	52,328	95,805,007	6.10%
5,001 ~ 10,000	5,424	39,822,184	2.53%
10,001 ~ 15,000	1,650	20,498,465	1.30%
15,001 ~ 20,000	909	16,299,334	1.04%
20,001 ~ 30,000	836	20,656,326	1.31%
30,001 ~ 40,000	400	14,069,201	0.90%
40,001 ~ 50,000	248	11,300,519	0.72%
50,001 ~ 100,000	510	36,183,614	2.30%
100,001 ~ 200,000	269	38,061,639	2.42%
200,001 ~ 400,000	194	54,922,574	3.49%
400,001 ~ 600,000	92	45,270,740	2.88%
600,001 ~ 800,000	55	37,806,637	2.41%
800,001 ~ 1,000,000	39	35,294,857	2.25%
Over 1,000,001	200	1,101,322,265	70.08%
Total	94,130	1,571,583,686	100.00%

1.3.2 Distribution of Preferred Stock:

Not Applicable.

1.4. Major Shareholders

As of April 26, 2016

Top 10 Shareholders	Total Shares Owned	Ownership (%)
Government of Singapore	58,746,954	3.74%
Chui-Hsing Lee	46,009,145	2.93%
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	41,959,000	2.67%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	41,674,535	2.65%
Ming-Kai Tsai	41,006,187	2.61%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund	35,561,000	2.26%
Jyh-Jer Cho	30,325,222	1.93%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	22,440,192	1.43%
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	21,598,000	1.37%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder	21,107,000	1.34%

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

Unit: NT$ / Share

Item			2014 (Distributed in 2015)	2015 (Distributed in 2016)	Jan. 1 ~ Mar. 31, 2016
Market Price Per Share (Note1)	Highest		545.0	505.0	265.0
	Lowest		384.0	227.0	193.5
	Average		467.4	354.7	225.1
Book Value Per Share	Before Distribution		158.07	153.75	**
	After Distribution		135.96	*	*
Earnings Per Share	Weighted Average Shares		1,544,565,142	1,563,777,089	1,563,789,601
	EPS	Not-Adjusted	30.04	16.60	**
		Adjusted	30.04	*	**
Dividends Per Share	Cash Dividends		22.00	*	**
	Stock Dividend	Earning Distribution	-	*	**
		Capital Distribution	-	*	**
	Accumulated Undistributed Dividend		-	-	**
Return on Investment	Price/Earnings Ratio (Note2)		15.56	21.37	**
	Price/Dividend Ratio (Note3)		21.25	*	**
	Cash Dividend Yield (Note4)		4.71%	*	**

* : 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 / Annual Average Market Price

1.6. Dividend Policy and Status

1.6.1. Dividend Policy under the Articles 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 2015 Profits (Approved by the Board and subject to Shareholders' approval)

The Board adopted a proposal for 2015 profit distribution as follows:
Cash Dividends to Common Shareholders from retained earnings: NT$17,287,421 thousand, which is equal to NT$11 of Cash Dividend to Common Shareholder Per Share. The proposal is subject to shareholders' approval at the Annual Shareholders' Meeting. The Chairman will then determine a cash dividend record date.

1.7. Effect of 2015 Share Dividends to Operating Performance and EPS

Not applicable.

1.8. Employees' Compensation and Remuneration to Directors and Supervisors

1.8.1. Employees' Compensation and Remuneration to Directors and Supervisors as Stated in the Articles of Incorporation

According to the addition of Article 235-1 of the Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the profit for the year to be distributed as "employees' compensation". A resolution was passed at a Board meeting of the Company held on February 1, 2016 to amend the Articles of Incorporation of the Company. According to the amend Articles of Incorporation of the Company, no lower than 1% of profit of the current year is distributable as employees' compensation and no higher than 0.5% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any).The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting in 2016.

1.8.2. Proposed 2015 Employees' Compensation and Remuneration to Directors and Supervisors

The Company accrued employees' compensation and remuneration to directors based on a percentage of profit of 2015 and the amend Articles of Incorporation of the Company for the year ended December 31, 2015. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to income of next year. A resolution was approved at a Board meeting held on March 17, 2016 to distribute NT$351,232 thousand and NT$47,416 thousand in cash as employees' compensation and remuneration to directors and supervisors, respectively. There was no significant discrepancy between the aforementioned approved amounts and the amounts changed against earnings in 2015.

1.8.3. Earnings Retained in Previous Period (2014) Allocated as Employee Compensation and Directors and Supervisors Remuneration

Unit: share / NT$ thousands

	AGM resolution	Estimate	Difference	Shares	Share price (NT$)	Reason of difference
Employee Compensation	579,974	579,974	-	-	-	-
Remuneration to Directors & Supervisors	85,308	84,192	1,116	-	-	(Note)

Note: The difference was mainly because different calculation basis and the difference shall be accounted as "changes in accounting estimations" and booked in the next fiscal year's financial report, subject to shareholders' approval of the distribution plan 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, 2016 / Unit: share and NT$ thousands

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	280,882	300,817	80,853	147,841
Value of Shares Exercised	103,376	104,859	34,726	59,846
Shares Unexercised	274,180	467,088	554,698	684,523
Adjusted Exercise Price Per Share (NT$)	358.0	344.5	429.5	404.8
Percentage of Shares Unexercised to Outstanding Common Shares	0.02%	0.03%	0.04%	0.04%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

Employee Stock Options Granted	5th Grant	6th Grant	15th Grant	16th Grant
Approval Date by the Securities & Futures Bureau	May 10, 2010	Aug. 9, 2011	Aug. 9, 2012	Aug. 9, 2013
Issue (Grant) Date	Nov. 4, 2010	Aug. 24, 2011	Aug. 14, 2012	Aug. 22, 2013
Number of Options Granted	65,839	2,109,871	1,346,795	1,436,343
Percentage of Shares Exercisable to Outstanding Common Shares	0.00%	0.16%	0.10%	0.11%
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	923	349,482	63,576	0
Value of Shares Exercised (NT$)	375	96,946	18,234	0
Shares Unexercised	14,634	1,179,852	934,150	1,163,530
Adjusted Exercise Price Per Share (NT$)	377.0	277.4	286.8	368
Percentage of Shares Unexercised to Outstanding Common Shares	0.00%	0.08%	0.06%	0.07%
Impact to Shareholders' Equity	Dilution to original shareholders' holding is limited			

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

As of April 30, 2016 / Unit: share and NT$ thousands

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 Douglas Remington Henry Vickers James K Farley John Finbarr Moynihan Jonathan Strange Mark Alan Estabrook Michael Ashburn Patrick Riehl Stacy Ho	888,128	0.06%	73,277	341.0	24,991	0.00%	814,851	348.4	283,887	0.05%

6. Status of New Employees Restricted Stock Issuance

None.

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

None.

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, produce, manufacture and market the following products:

  a. Multimedia Integrated Circuits (IC);

  b. Computer peripheral ICs;

  c. High-end digital consumer ICs;

  d. Other application specific ICs;

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

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

C. Import and export of the above-mentioned products

1.1.2. Revenue Mix (2015)

Product Category	Multimedia Chipsets	Others*
Revenue Mix	99.41%	0.59%

*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) SoCs;

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

H. Multimode wireless charging chips;

I. Wearable device SoCs;

J. Smart home connectivity chips;

K. Bio-sensing analog front-end chips;

L. Optical storage chipsets;

M. DVD player SoCs;

N. Blu-ray DVD player chipsets;

O. Highly-integrated digital TV controller chips;

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

Q. xDSL chipsets;

R. Automotive chipsets;

S. Power management and controller chips for various electronics; and

T. USB PD Type-C controller chips;

1.1.4. New Products Planned for Development

A. Next generation highly-integrated mobile communication chipsets;

B. Next generation tablet chipsets;

C. Next generation highly-integrated multi-functional wireless communication SoCs;

D. Next generation wearable device chips;

E. Next generation low-power smart home connectivity chips;

F. Next generation multi-mode bio-sensing analog front-end chips;

G. Next generation highly integrated Ultra HD smart TV chips;

H. Next generation highly integrated Ultra HD Blu-ray SoC;

I. Next generation highly integrated X version of Passive Optical Network (xPON) chipsets;

J. Next generation highly integrated gigabyte digital subscriber line (G.fast) chipsets;

K. Next generation highly integrated 10G Passive Optical Network (PON) chipsets;

L. Next generation power management and controller chipsets for various electronics; and

M. Next generation USB PD Type-C controller chips;

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, as the rapidly-evolving industry environment requires high capital expenditures, horizontal model is able to focus resources on specific field more efficiently to meet industry trends and proves to be an outperformer vis-à-vis the integrated model.

The major business of an IC design company is to design and sell semiconductor devices, or to design products based on customers' requirements. IC design is the upstream of the industry value chain, while other players in the backend of supply chain include photo mask providers, wafer foundries, packaging and testing companies, etc. In general, IC companies outsource almost 100% of photo mask, 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.

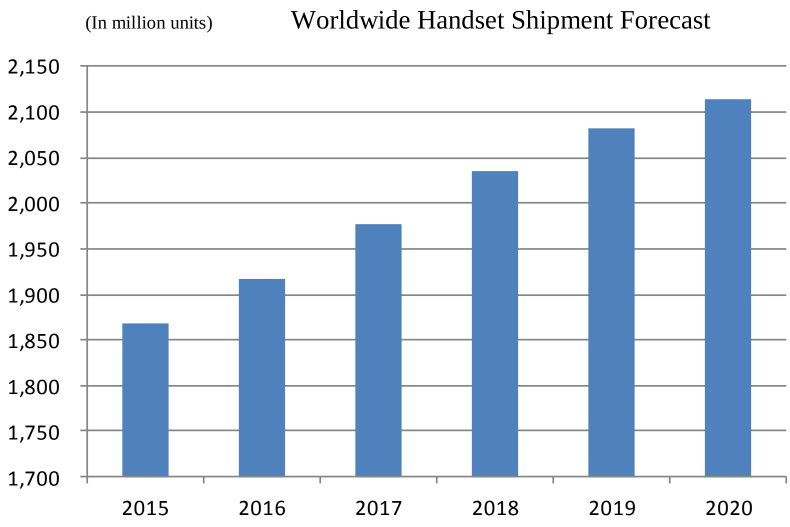
In the semiconductor supply chain, the IC design industry is a knowledge-intensive industry with a relatively high return on investment. Coupled with Taiwan's complete semiconductor industry ecosystem and the ample talents, IC design is a thriving industry in Taiwan.

1.2.2. Industry Outlook, Trends and Competition

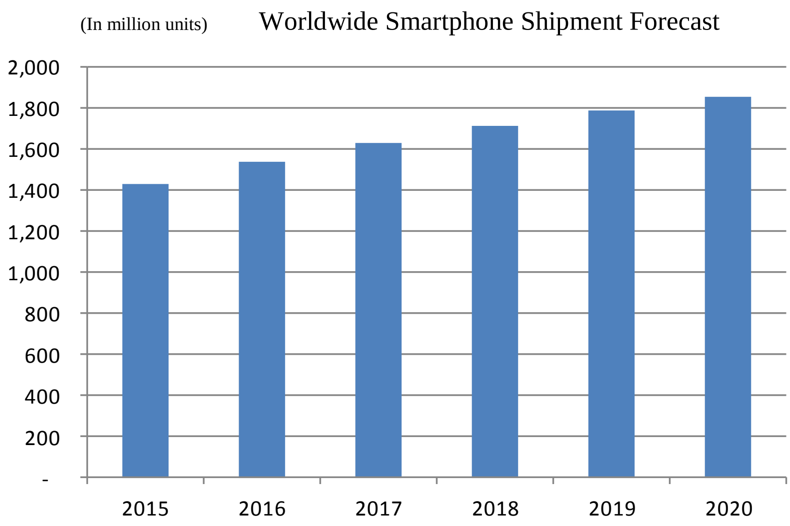
A. Wireless Communications Products

The wireless communication industry is booming and relevant applications are growing with handsets carrying the largest volume. According to Strategy Analytics, worldwide handset shipment has reached 1.9 billion units in 2015 and the number is expected to grow steadily to 2.1 billion units in 2020, thanks to the growth of smartphone shipments. Strategy Analytics estimated that global smartphone shipments was about 1.4 billion units in 2015 and the number is expected to grow to 1.9 billion units in 2020. In addition to mobile phones, tablets as well as emerging Internet of Things and wearable devices are also important applications for wireless communications, concurrently driving the growth of the wireless communication industry.

Handheld devices, whether they are mobile phones, tablets or wearable devices, have quite a high proportion of built-in wireless communication functions, such as Bluetooth, WLAN, GPS, with the technologies continuing to upgrade.



Source: Strategy Analytics, October 2015



Source: Strategy Analytics, December 2015

Global communication technologies continue to evolve and upgrade. After Europe, US, Japan, Korea and Mainland China actively roll out and promote 4G networks, 4G networks are continuously upgraded to offer users with even faster data speeds, which brings up the demand for replacement. 4G networks in emerging markets are also more mature, and with the falling prices of end devices, local users are more willing to upgrade their feature phones to smartphones, which further enhances the penetration rate of smartphones.

Compared with the previous mobile devices, the current devices can run more applications and functions. Aside from voice communication and camera functionality, applications such as video streaming, social networking, online gaming, virtual reality, dual camera shooting, and others rise one after another. In order to meet consumers' need, the specifications and features of smartphones and tablets continue to be upgraded. For example, CPUs are getting stronger from single core to Deca-core to provide consumers with better user experience. Processor architecture is also optimized to Tri-Cluster to provide more efficient allocations of tasks for optimum performance and extended battery life. The functions of multimedia become richer like larger screen sizes, higher screen and camera resolutions, instant focus, and slow forward, becoming another bright spot. In addition to basic functions like Wi-Fi, GPS, and Bluetooth, wireless communications add more functionality such as NFC, wireless charging and Wi-Fi upgrades to 11ac, enabling handset manufacturers to launch a wide range of smartphones and tablets to stimulate end market demand.

Other than smartphones and tablets, with rise of the concept of Internet of Things (IoT), new applications with Wi-Fi, GPS and Bluetooth are also boosting the market demand for wireless communications, including smart watches, smart shoes, smart home appliances, smart wristbands, etc. In China market, with the complete supply chain, the concept of smart connected home appliances becomes a development priority for manufactures. Meanwhile, the international home appliance makers are also following the trend, which boosts the demand for Wi-Fi and Bluetooth. In addition, mobile health market is one of the fast-growing areas. Health-related wearables are expected to hugely enhance global healthcare industry and people’s health condition. The newly-launched bio-sensing analog front-end chips can collect biomedical statistics such as electrocardiography (ECG) and photoplethysmography (PPG) with low power consumption and it can be equipped in various health-management devices including fitness trackers, smart watches, sport bands, etc. Looking forward, the emergence of low power wide area (LPWA) technology will inspire broader IoT applications and it is also one of MediaTek’s key focuses.

The rapidly growing wireless communication market comes with intense competition, primarily from semiconductor companies in the US, Europe, Mainland 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 establishes partnerships with worldwide operators and distribution channels to aggressively expand global market as well as develop 4G/5G mobile communication technologies to make its product portfolio more comprehensive. For legacy feature phones, MediaTek continues its efforts in integrating more features into products to achieve a higher level of customization and differentiation for customers. On the tablet front, MediaTek further optimizes multimedia functionalities and enhances performance to expand market size. As for Bluetooth, WLAN, GPS, NFC, wireless charging, and other peripheral chips, MediaTek will strengthen product competitiveness by supporting the latest standards and continue to expand to other consumer electronic platforms such as smart watches, smart shoes, smart wristbands, smart home appliances, game consoles, TVs, set-top boxes, etc.

B. Digital TV Products

Global digital TV shipment growth is slowing down. However, with Ultra High Definition (UHD) becoming a mature technology, the penetration rate of UHD TV is increasing and it also boosts the demand for large-size TVs. After the announcement of coding and decoding specifications for UHD TVs, content providers, TV operators, and video streaming services providers are aggressively preparing for UHD videos and expect further UHD TV sales growth. As smart devices continue to grow. sharing audio and video contents through multi-screen applications becomes the fashion, while applications taking advantage of intelligent devices to control the TV are also popular.

MediaTek leads the industry in launching multi-core smart TV SoCs and also cooperates with Google on Android TVs, which have been adopted by various international brands. Thus, MediaTek can maintain its market-leading position.

C. Digital Consumer Products

Content-rich online video and audio streaming services gradually replace traditional DVD players. Along with the popularity of OTT Boxes and smart TV, consumers are changing their ways of enjoying movies. With the support of Internet access and online streaming, MediaTek's Blu-ray chipsets are able to ensure sales stability, despite the decreasing market demand for DVD players.

D. Optical Storage Products

The PC industry changes quickly. Optical disc shipment and market outlook are impacted by the newly-emerging form factors such as ultra-thin notebook and tablets that do not carry optical discs. Despite the optical disc market for IT has saturated, the end demand for optical disc remains stable due to its convenience for consumers.

DVD-Rewritable, the existing main optical storage product, is a mature product. Although there are still some competitors in this sector, MediaTek maintains a high market share by enhancing its core competitiveness and customer services.

E. Broadband Networking Products

The global broadband industry continues to grow, thanks to the increasing number of broadband users. According to Point-Topic research, at the end of third quarter 2015 there are approximately 740 million global broadband users with a CAGR of 6.2%. Among them, more than 200 million users are in Mainland China and the mainstream technology is FTTH (Fiber To The Home).

Despite the trend of FTTH, the high bandwidth services remain inaccessible for users in some regions due to technical difficulties, high labor costs and potential damage to house decorations. As a result, FTTdp technology was brought to the light. The solution was able to provide a bandwidth at 200~500Mbps with copper conductor and VDSL & G.fast technology, enabling it to compete in high speed Internet services with cable TV companies' DOCSIS 3 standard.

F. Analog Products

Nowadays, with digital electronic system becoming the market mainstream, market demand on analog ICs does not decrease but increase as all digital electronic systems require data and signals' input/output and transition. Analog ICs are in charge of information transmitting between users and machines. As a result, the applications of analog ICs are very broad, including computers and their peripheral applications, communications, automotives, consumer electronics and new applications such as smart home, IoT, etc. Almost all electronic systems are equipped with analog ICs.

1.3. Technology and R&D

1.3.1. R&D Spending

MediaTek's R&D spending in 2015 was NT$49,528,765 thousand, and from January 1st 2016 to the printing date of this annual report, the R&D spending was NT$17,212,858 thousand.

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

A. Highly integrated GSM/GPRS/WCDMA/TD-SCDMA SoCs for multimedia phones;

B. Highly integrated LTE chipsets;

C. Highly integrated tablet chipsets;

D. Highly integrated wearable device chipsets;

E. Highly integrated dual-mode bio-sensing analog front end chipsets;

F. Highly integrated smart home connectivity chips;

G. Highly integrated WLAN SoCs;

H. High performance/Cost NFC chips;

I. High performance/Cost multifunction wireless communication SoC;

J. Multi-mode wireless charging chips;

K. Highly integrated Ultra HD smart TV chipsets;

L. Highly integrated UHG chipsets;

M. Highly integrated X version of Passive Optical Network (xPON) chipsets;

N. Highly integrated VDSL2 chipsets;

O. Power management and controller chipsets for various electronics; and

P. USB PD Type-C controller 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 trend and customers demand.

B. Combine with newly-acquired companies' product offerings and existing platform advantages to provide customers with total solutions. Fully understand and service customers and facilitate customers to time-to-market to seize market opportunities.

C. Enhance existing long-term partnerships with customers/operators 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 R&D 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. Continue to enhance product competitiveness through new product developments, product design optimization, cost control and so on.

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	2015	
	Sales (NT$ thousands)	Percentage
Export sales	202,247,054	94.84%
Domestic sales	11,008,186	5.16%
Total	213,255,240	100%

2.1.2. Market Share

According to a report IHS iSuppli published in Dec 2015, the worldwide semiconductor market revenue was US$351.5 billion in 2015；MediaTek's market share was 1.9% and ranked No.14 worldwide.

2.1.3. Major Markets

A. Wireless Communications Products

Thanks to the increasing popularity of 3G network as well as the rising demand of 4G products, the wireless communication industry is expected to continue to grow with smartphones as the mainstream product. In addition, customers are focusing more on product functionalities, driving the need for enhanced efficiency of CPU and GPUs, high-speed transmission of wireless communications and integration with high-performance processors. Other consumer electronics such as game consoles, TVs, set-top boxes, smart watches, smart shoes, smart wristbands, smart home appliances, etc. are also requiring more in-built wireless communications. The trend will continue to boost the demand for Bluetooth, WLAN, GPS, and wireless charging.

B. Digital TV Products

The demand for mid to high-end digital TV ICs is expected to increase, driven by the growth momentum of UHD TVs. With the most highly-integrated digital TV SoCs and the cooperation with Google, MediaTek can provide international tier-one smart TV manufacturers with the ideal smart TV SoC solutions.

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 products, DVD-Rewritable products to the latest Blu-ray Disc products. On top of that, MediaTek's comprehensive services also help customers time-to-market and time-to-profit. Thus, MediaTek has been able to maintain a leading position despite intense competition. In recent years, economics of scale has been a key success factor in the optical storage industry. MediaTek is committed to maintaining a close relationship with customers by offering better services to maintain its market leadership.

E. Broadband Networking

Mainland China promoted FTTH technology as its major network infrastructure, which resulted in fast adoption of FTTH and decreasing ADSL sales. Optical fiber is now taking a large share in expense of copper-made wire products. To catch up with the trend, MediaTek xPON solutions passed drop test and started to deliver in dozens of provinces with increasing sale.

In the VDSL2 market, after MediaTek made a breakthrough in overseas telecommunication operators, the latest generation of integrated VDSL2 terminal solutions has succeeded in winning procurement projects in 2014. Shipment further increases due to increasing demand from overseas operators for network testing.

F. Analog Products

According to a research report from Databeans, global analog IC market size was US$46.5 billion, accounting for 14% of global semiconductor market. The research institute also predicted that global analog IC market size will reach to US$50.5 billion in 2016 and the growth is expected to be 8.6% and 6.5% in 2016 and 2017, respectively. The estimate shows that analog IC market has been growing steadily. MediaTek will continue to leverage the supports from Taiwan foundry vendors and its advantages from accumulated experiences in analog IC design to expand business in the industry.

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 its staff are senior IC design and system engineers. The exceptional quality of human resources and team spirit developed through long-term cooperation are the key factors that have enabled 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, MediaTek has been able to launch competitive SoC products every year.

2.1.5 Favorable Developments, Unfavorable Factors and Countermeasures

<u>Favorable Developments</u>

A. Smartphones and Tablet Become Mainstream with a New Wave of Replacement Demand Stimulated by 4G Communication Technologies Upgrade

The penetration rate of mobile devices such as smartphones and tablets are rising, driving the growth of relevant semiconductor industries. MediaTek has continuously developed in mobile phones and tablets areas to equip its customers with complete and stable integrated solutions. The market continuously requires richer and innovative multimedia features, which boosts the demand for Bluetooth, FM, WLAN, GPS, wireless charging, and peripheral ICs. MediaTek is able to leverage and integrate wireless communication technologies with the solid multimedia foundations and other MediaTek's products to shorten its customers' design cycle by providing highly-integrated total solutions.

Additionally, MediaTek has aggressively invested in 4G technologies and successfully launched world-mode 4G chipsets which can support FDD-LTE, TDD-LTE, WCDMA, TD-SCDMA, CDMA2000/EVDO, and GSM. As Mainland China aggressively expands and promotes 4G networks and emerging markets 4G demand takes off, it is expected that the high and smooth speed of 4G will bring mobile users more optimized user experience and also boost the growth of related wireless communication chipsets.

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

After the announcement of coding and decoding specifications for UHD TVs, service providers are aggressively expanding distribution channels to demonstrate the enhanced picture quality, making UHD TVs become the focus of home entertainment. With integrating the functionality of smart TV, users can enjoy Internet browsing, video on demand, video phone, installing apps and games on TVs, and voice searching, as well as take advantage of smart devices to control the TV to achieve a better user experience.

C. xPon and VDSL to Become Growth Drivers for the Broadband Market

xPON and VDSL2 have been replacing ADSL. These two technologies together accounted for more than 70% of market share in 2015 and are expected to rise to 85% in 2016. Moreover, the overall wired broadband market will continue to grow steadily.

D. Analog Products Demand to Continue to Grow

High-frequency wireless applications become broader and the demand for linear regulator with low noise, ultralow dropout and low power consumption is expected to grow sharply. In addition, the demand for power management and battery management are also rising along with the environmental awareness. These trends are expected to boost MediaTek's applications sales and developments.

E. Comprehensive IC Manufacturing Infrastructure in Taiwan

Taiwan has a well-developed IT industry and world leading IC manufacturing capability. Taiwan's outstanding semiconductor manufacturing system provides fast and efficient supply to allow us to fully meet its customers' needs.

Unfavorable Factors and Countermeasures

The IT industry moves at a fast pace and new technology may emerge at any time. Coupled with the relatively short product life cycle, the pricing pressures are always there. In the extremely competitive technology industry, MediaTek always gets prepared and has been intensively developing new products, enhancing competitiveness, and providing better products from high-quality employees. In addition to continuing to market the existing products, MediaTek also works proactively on next generation products. MediaTek aims to increase its competitiveness by bringing high-quality products to the market ahead of its 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, broadband networking and analog products for applications such as mobiles, digital TVs, PCs, various consumer electronics and wearables. Key product applications are listed below:

A. Wireless Communication Products

MediaTek's wireless communication chipsets are mainly used in entry-level, mainstream and mid/high end FDD-LTE/ TDD-LTE/ WCDMA/ TD-SCDMA/ CDMA2000/ EVDO/ EDGE smartphones and tablets as well as GSM/ GPRS/ EDGE/ WCDMA/ HSUPA/ TD-SCDMA feature phones. Peripheral chips such as Bluetooth, WLAN, GPS, NFC and wireless charging are mainly used in mobile phones, but can also be used in other applications such as wearables, game consoles, notebook and portable navigation devices, etc.

B. Digital TV Products

Digital TV decoder chips and demodulator chips are used to receive and decode digital TV signals from either satellite, terrestrial or cable for video as well as video on demand and video phone via Ethernet and Wi-Fi. MediaTek provides users with the best in audio and video enjoyment by strengthening the processing engine of image quality.

C. Digital Consumer Products

DVD player SoCs are mainly used in DVD players of digital home appliances. BD-Player SoCs are mainly used in higher resolution and richer functionality next-generation Blu-ray DVD players.

D. Optical Storage Products

DVD-ROM chipsets have two major applications, including game console storage devices and multimedia PC storage devices. DVD-Rewritable chipsets are used in high-end PC storage devices and recordable DVD players. BD chipsets are used in game console storage devices, high-end PC storage devices and embedded Blu-ray optical disc drives in high-end TVs.

E. Broadband Networking Products

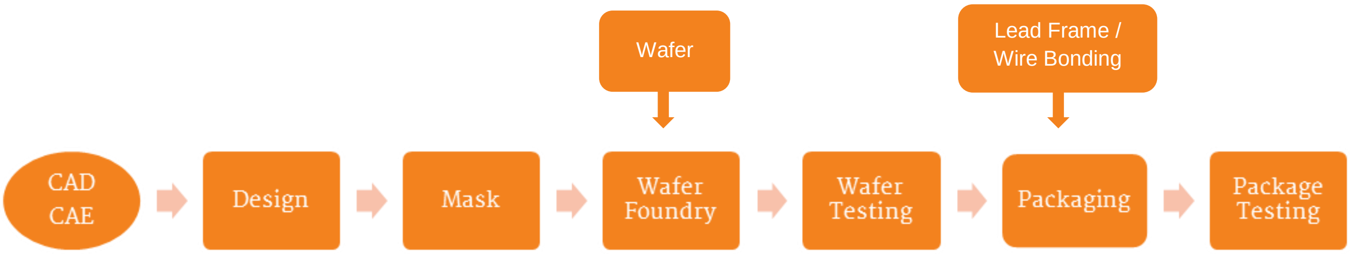
xDSL chipsets are mainly used in digital modems which can be further categorized into the follows by functionality: DSL Modem (purely for bridging purpose), Wired DSL Router (DSL Modem integrating routing function), Wireless DSL Gateway (DSL home gateway integrating WLAN function) and IAD Gateway (DSL home gateway integrating VoIP function). Besides, xPON chipsets are used in fiber-optic modems to provide aforementioned Modem/Wireless/IAD functions.

G. Analog Products

Power management chipsets are the core components to provide stable electric current and voltage to electronics. The required functions of power management differ from devices to devices, including voltage detecting systems, current protection, power supply for distinct voltages or AC/DC transition, integrated power management for multi-set of power supply circuits and driver chipsets for system and electronic components.

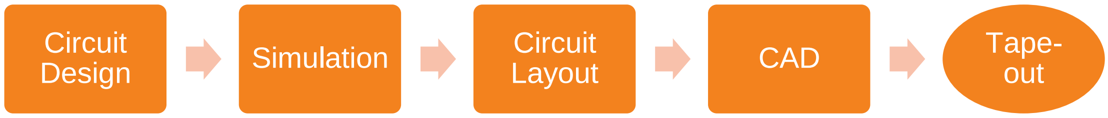
2.2.2. Key Product Manufacturing Process

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 with computer-aided design (CAD) tools. Their job is to do 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 photomask 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

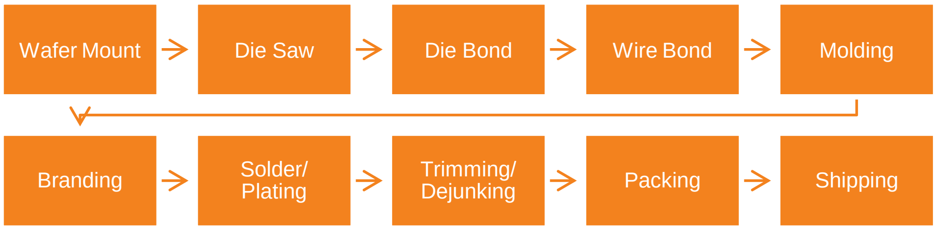
Wafer fabrication is outsourced to foundries. The wafer manufacturing process begins by entering a module, going through etching, photo, thin film and diffusion with masks. The finished wafers must be tested before shipping to the next stage.

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 packaging process as indicated below:



2.3. Supply of Essential Raw Materials

Wafers are MediaTek's major raw materials and they are mainly procured from MediaTek's foundry partners, including Taiwan Semiconductor Manufacturing Limited Company (TSMC), United Microelectronics Corporation (UMC), and GlobalFoundries. These suppliers have been able to maintain good quality and process capability, satisfying MediaTek's requirements. MediaTek negotiates pricing with suppliers according to the market supply and demand conditions. It also reviews the production and service quality periodically with its suppliers. MediaTek not only continues to strengthen its cooperation with existing manufacturing partners, but also actively surveys and contacts 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:

2014				2015				2016.Q1			
Supplier	Amount Purchased (NT$ thousands)	% of Total Purchase	Relation	Supplier	Amount Purchased (NT$ thousands)	% of Total Purchase	Relation	Supplier	Amount Purchased (NT$ thousands)	% of Total Purchase	Relation
Supplier A	51,968,072	63.62%	Not Related Parties	**Supplier A**	56,334,636	66.19%	Not Related Parties	**Supplier A**	19,208,524	68.24%	Not Related Parties
Supplier B	9,920,407	12.15%	Not Related Parties	-	-	-	-	**Supplier B**	3,099,295	11.01%	Not Related Parties
Others	19,793,892	24.23%		**Others**	28,775,700	33.81%		**Others**	5,839,886	20.75%	
Total	81,682,372	100.00%		**Total**	85,110,335	100.00%		**Total**	28,147,705	100.00%	

The key supplier changes primarily due to product mix change

2.4.2. Key Customers

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

2014				2015				2016.Q1			
Customer	Sales (NT$ thousands)	% of Total Revenue	Relation	Customer	Sales (NT$ thousands)	% of Total Revenue	Relation	Customer	Sales (NT$ thousands)	% of Total Revenue	Relation
-	-	-	-	-	-	-	-	-	-	-	-
Others	213,062,916	100.00%		**Others**	213,255,240	100.00%		**Others**	55,905,486	100.00%	
Total	213,062,916	100.00%		**Total**	213,255,240	100.00%		**Total**	55,905,486	100.00%	

Note: There are not any customers for more than 10% of the total sales in 2014, 2015 and 2016 Q1.

2.5. Production Volume and Value in the Past Two Years

	2014			2015		
	Production Capacity	Production Volume (thousand pieces)	Production Value (NT$ thousands)	Production Capacity	Production Volume (thousand pieces)	Production Value (NT$ thousands)
Multimedia and Handset Chipsets	N/A	3,668,889	111,755,113	N/A	3,863,067	121,778,389

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

	2014				2015			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume (thousand pieces)	**Value** (NT$ thousands)	Volume (thousand pieces)	Value (NT$ thousands)	Volume (thousand pieces)	Value (NT$ thousands)	Volume (thousand pieces)	Value (NT$ thousands)
Multimedia and handset Chipsets	123,699	8,820,747	3,197,614	202,614,951	447,822	10,984,402	3,085,103	200,991,838
Others	N/A	18,533	N/A	1,608,685	N/A	23,784	N/A	1,255,216
Total	123,699	8,839,280	3,197,614	204,223,636	447,822	11,008,186	3,085,103	202,247,054

3. Employees

		2014	2015	2016 (As of April 30)
Number of Employees	Management	814	986	979
	R&D	10,701	13,208	12,977
	Sales & Marketing	432	641	613
	Manufacturing	167	369	366
	Total	12,114	15,204	14,935
Average Age		33	34	34
Average Years of Service		4.0	4.5	4.9
Education	Doctoral	5.39%	5.26%	5.22%
	Master	65.85%	65.42%	65.82%
	University & College	28.22%	28.82%	28.45%
	High School	0.54%	0.50%	0.51%
	Total	100.00%	100.00%	100.00%

4. Material Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Licensing & Settlement	ESS Technology International, Inc. and ESS Technology, Inc.	Permanently effective from Jun. 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.
IP Agreement	Qualcomm	Nov. 30, 2009	Patent agreement regarding CDMA and WCDMA core patents owned individually by both parties.	None
Settlement	British Telecommunication, BT	Jun. 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 Jul. 2010	MediaTek licensed NTT DOCOMO's LTE technology.	None.
Patent settlement and licensing	Rambus Inc	From Mar. 5, 2012	Rambus agreed to license relevant patents for MediaTek's various products and also file for dismissal of all lawsuits outstanding.	None
Real Estate	SCEGC No.7 Construction Engineering Group Company Ltd.. Nantong Installation Corporation, Excel Technology (Shanghai) Co.,Ltd., Shanghai Zhen Nan Engineering Supervision Co., Ltd.	From Aug. 3, 2012	MediaTek (Chengdu) engaged to build new office building on leased land	None
M&A	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.
Settlement Agreement	FocalTech(Shenzhen) System, Ltd.	From Jul. 31, 2014	Parties withdrawal claims	None
Real Estate	Neo Solar Power Corp.	From Aug. 18, 2014	MediaTek purchased office building	None
Patent Settlement and Licensing	Freescale Semiconductor, Ltd.	From Sep. 22, 2014	Accomplished a specified patent cross-licensing agreement and agreed to file for dismissal of all patent lawsuits by both sides.	None
Real Estate	China Resources Land Limited (Shenzhen)	From Nov. 17, 2014	MediaTek (Shenzhen) Inc. purchased office building	None
Real Estate	Shenzhen Investment Holdings Co., Ltd.	From Dec. 8, 2014	MediaTek (Shenzhen) Inc. purchased office building	None
Real Estate	Poly Real Estate Group Company Limited (Shanghai)	From Dec. 9, 2014	Mstar Chen Si Electronics Technology (Shanghai) Co., Ltd purchased office building	None
Real Estate	Jiangsu Wannianda Construction Group Ltd., United Integrated Services, Shanghai Zhen Nan Engineering Supervision Co., Ltd.	From Jan. 30, 2015	MediaTek (Heifei) Inc. engaged to build new office building on rented land	None
Superficies Right	Bureau of High Speed Rail, MOTC	From Feb. 12, 2015 to Feb. 11, 2060	MediaTek acquired superficies right to develop buildings and manage the project of HSR Hsinchu Station's specified areas.	None
M&A	Alpha Imaging Technology Corp.	From Jul. 8, 2015	MSilicon Technology Inc. consolidated Alpha Imaging Technology Corp. with NT$37 per share. MSilicon is the surviving company.	None
M&A	Integrated Silicon Solution, Inc.	From Aug. 13, 2015	MediaTek Capital Corp. acquired Changis Technology Corp. via cash.	None

Agreement Type	Counterparty	Term	Summary	Restrictions
M&A	Ili Technology Corp.	From Aug. 26, 2015	Mrise Technology Inc. consolidated Ili Technology Corp. with NT$51 per share. Mrise is the surviving company.	None
M&A	Richtek Technology Corp.	From Sep. 7, 2015 to Dec. 6, 2015	Letter of Intent (Hsu-Si Investment Corp., launched a tender offer to acquire 35%~51% of Richtek Technology Corp.'s common shares. After that, Hsu-Si Investment Corp. will further acquire 100% of Richtek Technology Corp's issued shares or equity through acquisition, share swap or any other ways.	
Patent Settlement and Licensing	Commonwealth Scientific and Industrial Research Organization (CSIRO)	From Oct. 16, 2015	CSIRO agreed to license relevant patents for MediaTek and also file for dismissal of all lawsuits outstanding.	None
M&A	Richtek Technology Corp.	From Jan. 19, 2016	Hsu-Si Investment Corp. acquired the remaining Richtek Technology Corp's issued shares by NT$195 per share.	None
Real Estate	Epistar Corp.	From Feb. 1, 2016	MediaTek purchased office building.	None
Real Estate	Integrated Circuit Solution Inc.	From Feb. 17, 2016	Changis Technology Corp. purchased office building.	None

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, Mid-Autumn Festival, Christmas; and departmental activities such as department's Family Days, department outings and joint birthday celebrations, group outings and club events, etc. Those activities are designed to fit needs of different employee groups so that we can have more participation from employees and their families and also strengthen the interaction and connection between employees. Since MediaTek began promoting various employee clubs, there are 43 clubs running in total, including a newly established tea arts club in 2016. 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. Work Environment Safety and Employee Healthcare

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 promote 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 ten 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. On the other hand, there are also professional doctors providing online health consulting service and clinical services, which could offer employees reliable medical information. Also, MediaTek provided each department exclusive medical session resource, so that executives could give appropriate medical information from employees' practical demand.

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 starts to offer additional service hours at noon and on holidays in 2014 due to the growing number of employees and sports demand. We also hire 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" and HR Business Partners' deep observation/solicitude on departments identify 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 2015 for example, there were seven classes organized, including family study group, art class, dance class, kids' English class and adult yoga class, with more than 400 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 offers allowances for each department and encourages each department to organize team-building activities/birthday celebrations or Family Day with inviting their family members. Also, MediaTek offers employee's personal travel allowances. 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 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. Orientation: Orientation hosted by Human Resources Department help new staff learn company policies, corporate culture, working environment in order to fit in the workplace.
c. General Training: Fundamental training sessions for employees in all departments and job functions to meet regulatory and company policy requirements.
d. Technical Engineering Training: Provide various professional technical training programs for engineers based on assignments they work on and different stages the Company is at.
e. Professional Knowledge Training: Training designed for specific profession development according to different profession such as environmental safety, finance and accounting, human resources, information technology, intellectual property, marketing & sales and quality assurance management.
f. Personal Effectiveness Training: Help employees utilize personal skills and knowledge, equip employees with capabilities in multiple functions and enhance working effectiveness.
g. Language Training: Provide different levels of English learning classes, based on employees' TOEIC scores, for them to utilize in working environment and to enhance the Company's global competitiveness.
h. External Training: Enhance employee quality and skills to help business development and complement the insufficiency of internal trainings.

In the latest fiscal year, the results of education and training are as follows:

Categories	2015				Jan. 1 to Apr. 30, 2016			
	Number of classes	Numbers of attendees	Hours	Total cost (NT$)	Number of classes	Numbers of attendees	Hours	Total cost (NT$)
Management ability	78	2,017	11,228	50,570 thousand	3	64	220	13,685 thousand
General Education of new employees	123	2,502	15,275		2	89	356	
Professional ability	162	4,324	9,224		26	337	1,132	
Personal effectiveness	103	3,610	22,024		9	229	720	
Language training	62	657	18,141		22	327	9,810	
External training	489	644	10,723		87	132	2,675	
Total	1,017	13,754	86,615		149	1,178	14,913	

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. Establish the MediaTek Fellowship

MediaTek eyes on school's technology knowledge promotion and science education development. In order to promote academic research in technology and encourage and help graduate students who wish to go on to a Ph.D. program domestically, the MediaTek Fellowship was established in 2002. The fellowship is intended to reward outstanding graduate students in the field of electric engineering and information technology to pursue Ph.D. program domestically, which can enhance our country's competitive edge of fundamental research in electronic technology.

Since 2002, 55 students have received the fellowship, each receiving NT$35,000~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.

2.1.2. Partnership with Academia and Research Publications

Innovation is the key factor to drive a company's sustainable growth. MediaTek's attention on innovative development can be proved by the following statistics: research and development expenses increased by 14% YoY to reach NT$49.5 billion in 2015, accounting for 23% of 2015 revenue. The spending on partnership with academia reached the record high with the budget of more than NT$120 million. In the same year, MediaTek was listed in Thomson Reuter's Top 100 Global Innovators again and R.O.C. Ministry of Economic Affairs Industrial Development Bureau's Top 20 Taiwan Innovators. MediaTek's culture of innovation and technological competitiveness are highly recognized by both international and domestic institutions.

Currently, MediaTek's partnership with academia is via innovation research centers in National Taiwan University (NTU), National Tsing Hua University (NTHU) and National Chiao Tung University (NCTU). The research projects cover from smart handheld devices, high performance low power consumption, packaging & assembly technologies and so on. In addition, MediaTek also responded the government's policy to budget nearly NT$200 million to joint force with NTU on "Key Technologies for Next Generation Mobile Devices-Heterogeneous Computing and Wireless Communications". There are approximately 30 professors and one hundred Master and PhD students participating and the focus is on development of core technologies of Heterogeneous Computing and 5G. By leveraging the resource from the academia, MediaTek aims to develop high capacity, high speed and low power consumption technologies and prepare key intellectual property plan to achieve a global leading position in 5G technology field among global competitors.

Other than partnership with academia, MediaTek also sponsors various groups' early-stage research of prospective science education. Through long-term sponsorship and promotion, there are some positive achievements in recent years. For example, the algorithm of physiological sensor and biomedical signal processing developed by MediaTek-NTU-NTU Hospital R&D center has been promoted to the areas of healthcare and home care for the aged. As for the promotion in IoT industry, MediaTek has been actively co-holding the IoT development competition with R.O.C. Ministry of Economic Affairs with more than NT$1 million of annual patronage for three years. In 2015, there were 172 teams with a total of up to 500 developers to create 151 excellent IoT-related products and to realize 28 creative prototypes. During the competition, MediaTek helped approximately100 top universities' professors to familiarize LinkIt development board, which will further enhance IoT practices in schools.

MediaTek has always been committed to talent incubation with MediaTek Foundation's MediaTek Fellowship to grant scholarships to qualified Ph.D. students with a four-year scholarship. Meanwhile, MediaTek is also participating in NTU and NCTU's scholarship program and special oversea talents sponsorship program.

MediaTek would like to help the industry develop more advanced technologies via allocating corporate resources to help the country to hire more talents, encouraging students to pursue their Ph.D. Degrees and nurturing more doctors.

Externally, MediaTek leverages the corporate power to support the academia and the industry to conduct research. Internally, MediaTek continues to work on more advanced technologies. MediaTek started to present papers in ISSCC (International Solid-State Circuit Conference) from 2004. In 2016, MediaTek had 6 papers being selected and it was a record that MediaTek is the only Taiwan company to have papers being selected for thirteen years consecutively.

2.1.3. General Education on Sciences Promotion

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 General Science Promotion. MediaTek also sponsors Senior-high Electrical Scientific Education project held by NTHUEE. Based on university professors' expertise and combined with live observation and real examples, the project allows teachers and students in senior high school to interact during speeches, learn science and further cultivate interests in general education on science promotion. Devoting to building the foundation of General Science Education, help enhance talents' confidence through National Science Fair and nurturing future talents, MediaTek held activities to enhance elementary students' interests and applications in General Science beginning from 2013. From 2014, MediaTek further increases resources in training teachers and promoting reading of science education in order to build a more solid fundamental for science education.

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 – 2015 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 2015, MediaTek held two campaigns of blood donations and received 817 bags of blood (204,250 cc), 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. MediaTek has launched volunteering leave since 2015, encouraging employees' participation of contributing to the society and caring the groups in need. Moreover, going forward, MediaTek has long-term plans to organize employee volunteers to participate in general education on science, guided reading in remote countries and charitable events to contribute to the society.

2.2.4. Environmental Activities

MediaTek cares about environmental issues and has been actively involved in various environmental activities such as that promote personal cutlery for all employees, and reduced use of disposable cutlery. In addition to internal activities, we also participate in many external activities. For example, the Company cooperated with non-government conservation organizations and held a tour of knowing native plants to encourage employees with their family to participate in activities of World Earth Day. The volunteer club also held clean mountain activities 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. Electric Power

Changed electricity tiered pricing. Reviewed the Company's electricity demand and changed the electricity tiered pricing from 2-tiered pricing to 3-tiered pricing which led to an annual saving of approximately NT$6.13 million.

B. Air Conditioning

(a) Reduced waste in air conditioning by enhancing design of the energy room and establishing hot and cold aisles of cabinets. Saved energy usage by 7.9%, which translates to about NT$3.88 million a year in savings.
(b) Compared to traditional air conditioning systems, MediaTek's Variable Air Volume(VAV) AC system saves 25.7% more energy, which translates to about NT$1.83 million a year.
(c) Enhanced energy savings on exhaust systems, modifying into two operating periods, off-peak and half-spike, which led to an annual saving of approximately NT$160,000.
(d) Adjusted ice water system, changing the constant flow to variable flow, which led to an annual saving of around NT$2.28 million.

C. Lighting

(a) Lighting control in public areas and parking structures use lighting that is CNS compliant and approved by the Energy Bureau. These measures led to an annual saving of approximately NT$1.77 million.
(b) Controlled parking area lighting on the weekends led to an annual saving of approximately NT$2.67 million.

D. Equipment

(a) Controlled temperature and humidity for testing and storage areas. Implemented measures to reduce hose pressure, control temperature and humidity led to an annual saving of approximately NT$1.89 million.
(b) Enhanced ice supply machine, using the temperature difference, running hours, and the times of turn-on and turn-off, etc., led to an annual saving of approximately NT$2.14 million.
(c) Improved lighting equipment, replacing FL lighting with LED, which led to an annual saving of approximately NT$240,000.
(d) Improved facilities and machines, replacing Cadence Server air-cooled air conditioning with water-cooled air conditioning, which led to an annual saving of approximately NT$120,000 per each air conditioner.

The Company reduced 4,012 tons carbon dioxide emissions in 2015 (a savings of 7,770,000 kWh) and 3,833 tons in 2014 (a savings of 7,340,000 kWh). The calculating standard of the aforementioned carbon dioxide emissions is based on the latest release of Bureau of Energy, Ministry of Economic Affairs. The emission in 2015 was calculated by 2014 electricity emission factor (1 kWh of electricity emission is equal to 0.521 kilogram carbon dioxide) and the emission in 2014 was calculated by 2013 electricity emission factor (1 kWh of electricity emission is equal to 0.522 kilogram carbon dioxide).

3.2.2. Efforts in water saving

(1) Water-saving Faucets: Replaced traditional faucets with water-saving faucets. Usage of water is reduced by 30.78%, or about 448 tons per year.

(2) Rainwater Recycling: Implemented a rainwater collection storage tank with a two ton capacity. About 461 tons of water is collected and recycled each year.

(3) Water Reduction: Condensed water from the company's air conditioners is reused for plant watering. Approximately 3,000 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 disaster prevention maneuvers for all employees.

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

F. Promote safety-related concepts and items on an ad-hoc basis.

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

1. Financial Status

1.1. Consolidated Report

Unit: NT$ thousands

Item	2014	2015	Change	% of Change
Current Assets	248,554,935	214,873,175	(33,681,760)	(14)
Funds and Investments	15,000,614	22,813,731	7,813,117	52
Property, Plant and Equipment	23,294,555	34,390,077	11,095,522	48
Intangible Assets	60,757,826	75,430,673	14,672,847	24
Other Assets	3,510,741	3,742,000	231,259	7
Total Assets	351,118,671	351,249,656	130,985	0
Current Liabilities	101,619,838	101,266,471	(353,367)	(0)
Non-current Liabilities	1,893,086	2,896,300	1,003,214	53
Total Liabilities	103,512,924	104,162,771	649,847	1
Capital Stock	15,714,922	15,715,837	915	0
Capital Reserve	88,047,914	88,354,178	306,264	0
Retained Earnings	136,855,169	128,508,763	(8,346,406)	(6)
Other Equity	6,606,113	7,904,918	1,298,805	20
Treasury Stock	(55,970)	(55,970)	-	-
Minority Interest	437,599	6,659,159	6,221,560	1,422
Total Equity	247,605,747	247,086,885	(518,862)	(0)

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

(1) Increase in funds and investments: Mainly due to increase in available-for-sale financial assets, financial assets at fair value through profit or loss and financial assets measured at cost.

(2) Increase in property, plant and equipment: Mainly due to acquisition of land and buildings and acquisition of assets from acquisition of Richtek Technology Corp.

(3) Increase in intangible assets: Mainly due to acquisitions of Richtek Technology Corp., Alpha Imaging Technology Corp., and Chingis Technology Corp. resulting in asset acquisition.

(4) Increase in non-current liabilities: Mainly due to increase in deferred tax liabilities.

(5) Increase in other equity: Mainly due to increase in exchange differences resulting from translating the financial statement of foreign operations from foreign exchange movement.

(6) Increase in non-controlling interests: Mainly due to increase in non-controlling interests resulting from Richtek Technology Corp. acquisition.

1.2. Parent Company

Unit: NT$ thousands

Item	2014	2015	Change	% of Change
Current Assets	149,267,002	94,412,808	(54,854,194)	(37)
Funds and Investments	129,656,160	155,319,309	25,663,149	20
Property, Plant and Equipment	9,177,068	10,565,034	1,387,966	15
Intangible Assets	28,740,924	29,881,027	1,140,103	4
Other Assets	2,429,791	1,292,315	(1,137,476)	(47)
Total Assets	319,270,945	291,470,493	(27,800,452)	(9)
Current Liabilities	70,428,396	49,045,380	(21,383,016)	(30)
Non-current Liabilities	1,674,401	1,997,387	322,986	19
Total Liabilities	72,102,797	51,042,767	(21,060,030)	(29)
Share Capital	15,714,922	15,715,837	915	0
Capital Reserve	88,047,914	88,354,178	306,264	0
Retained Earnings	136,855,169	128,508,763	(8,346,406)	(6)
Other Equity	6,606,113	7,904,918	1,298,805	20
Treasury Stock	(55,970)	(55,970)	-	-
Total Equity	247,168,148	240,427,726	(6,740,422)	(3)

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Decrease in current assets: Mainly due to decrease in cash and cash equivalents.
(2) Increase in funds and investments: Mainly due to increase in investments accounted for using the equity method.
(3) Decrease in other assets: Mainly due to decrease in deferred tax assets.
(4) Decrease in current liabilities: Mainly due to decrease in short-term borrowings, other payables and tax liabilities.
(5) Decrease in total liabilities: Mainly due to decrease in current liabilities.
(6) Increase in other equity: Mainly due to increase in exchange differences resulting from translating the financial statement of foreign operations from foreign exchange movement.

2. Operating Results

2.1. Consolidated Report

Unit: NT$ thousands

Item	2014	2015	Change	% of Change
Net Sales	213,062,916	213,255,240	192,324	0
Operating Costs	109,194,295	121,075,654	11,881,359	11
Gross Profit	103,868,621	92,179,586	(11,689,035)	(11)
Operating Expenses	56,627,311	66,271,616	9,644,305	17
Operating Income	47,241,310	25,907,970	(21,333,340)	(45)
Non-Operating Income and Expenses	5,108,645	3,460,523	(1,648,122)	(32)
Net Income before Income Tax	52,349,955	29,368,493	(22,981,462)	(44)
Income Tax Expense	5,950,882	3,599,761	(2,351,121)	(40)
Net Income	46,399,073	25,768,732	(20,630,341)	(44)
Other Comprehensive Income, net of tax	7,268,758	1,594,830	(5,673,928)	(78)
Total Comprehensive Income	53,667,831	27,363,562	(26,304,269)	(49)
Net Income Attributable to Owners of the Parent	46,397,892	25,958,429	(20,439,463)	(44)
Total Comprehensive Income Attributable to Owners of the Parent	53,627,479	27,527,096	(26,100,383)	(49)

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

(1) Decrease in operating income: Mainly due to the decrease in gross profits from intense pricing competition in smartphone market and the increase in operating expenses for talents and technologies investment.

(2) Decrease in non-operating income and expenses: Mainly due to increase in foreign exchange losses and decrease in share of profit of associates accounted for using the equity method.

(3) Decrease in net income before income tax, net income and net income attributable to owners of the parents: Mainly due to decrease in operating income.

(4) Decrease in income tax expense: Mainly due to decrease in tax expenses resulting from lower profit.

(5) Decrease in other comprehensive income: Mainly due to decrease in exchange differences resulting from translating the financial statement of foreign operations from foreign exchange movement and lower fair value of available-for-sale financial assets.

(6) Decrease in total comprehensive income and net income attributable to owners of the parent: Mainly due to decrease in net income and other comprehensive income.

2.2. Parent Company

Unit: NT$ thousands

Item	2014	2015	Change	% of Change
Net Sales	136,265,018	99,245,700	(37,019,318)	(27)
Operating Costs	67,990,658	49,529,050	(18,461,608)	(27)
Gross Profit	68,274,360	49,716,650	(18,557,710)	(27)
Realized Gross Profit on Sales	59,028	0	(59,028)	(100)
Net Gross Profit	68,333,388	49,716,650	(18,616,738)	(27)
Operating Expenses	34,466,211	38,269,324	3,803,113	11
Operating Income	33,867,177	11,447,326	(22,419,851)	(66)
Non-Operating Income and Expenses	16,233,126	16,603,855	370,729	2
Net Income before Income Tax	50,100,303	28,051,181	(22,049,122)	(44)
Income Tax Expense	3,702,411	2,092,752	(1,609,659)	(43)
Net Income	46,397,892	25,958,429	(20,439,463)	(44)
Other Comprehensive Income, net of tax	7,229,587	1,568,667	(5,660,920)	(78)
Total Comprehensive Income	53,627,479	27,527,096	(26,100,383)	(49)

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Decrease in net sales: Mainly due to product mix change.
(2) Decrease in operating costs: Mainly due to decrease in operating costs associated with lower sales.
(3) Decrease in realized gross profit on sales: Mainly because there was no intercompany sales.
(4) Decrease in gross profit and operating income: Mainly due to decrease in net sales.
(5) Decrease in net income before income tax and net income: Mainly due to decrease in net sales.
(6) Decrease in income tax expense: Mainly due to decrease in income tax expense resulting from lower profit.
(7) Decrease in other comprehensive income: Mainly due to decrease in exchange differences resulting from translating the financial statement of foreign operations and lower fair value of available-for-sale financial assets.
(8) Decrease in total comprehensive income: Mainly due to decrease in net income and other comprehensive income.

3. Cash Flow Analysis

3.1. Consolidated Report

Unit: NT$ thousands

Cash Balance Dec. 31, 2014	Net Cash Provided by Operating Activities in 2015	Net Cash Outflows from Investing and Financing Activities in 2015	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2015	Remedy for Cash Shortfall (Investment & Financing Plan)
$192,797,506	$23,375,878	$(64,790,710)	$1,897,013	$153,279,687	--

3.1.1. Analysis of the Change in Cash Flow in 2015

Operating activities: Net cash inflow of NT$23,375,878 thousand, mainly from operating profits.
Investing activities: Net cash outflow of NT$32,781,055 thousand, mainly due to net cash outflows for the acquisitions of Alpha Imaging Technology Corp., Chingis Technology Corp. and Richtek Technology Corp., the purchase of intangible assets, property, plant and equipment and the acquisition of financial assets, which is partially offset by the net cash inflows from the disposal of financial assets.
Financing activities: Net cash outflow of NT$32,009,655 thousand, mainly due to the distribution of earnings which is partially 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. Parent Company

Unit: NT$ thousands

Cash Balance Dec. 31, 2014	Net Cash Provided by Operating Activities in 2015	Net Cash Outflows from Investing and Financing Activities in 2015	Cash Balance Dec. 31, 2015	Remedy for Cash Shortfall (Investment & Financing Plan)
$127,448,149	$9,460,911	$(61,987,885)	$74,921,175	--

3.2.1. Analysis of the Change in Cash Flow in 2015

Operating activities: Net cash inflow of NT$9,460,911 thousand, mainly from operating profits.
Investing activities: Net cash outflow of NT$20,962,348 thousand, mainly due to net cash outflows for the investments in subsidiaries, the purchase of intangible assets, property, plant and equipment and the acquisition of financial assets.
Financing activities: Net cash outflow of NT$41,025,537 thousand, mainly due to the distribution of earnings and repayment of short-term borrowings.

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$ thousands

Plan	Actual or Planned Source of Capital	Estimated Capital Requirement (as of 2015 and 2014)	Status of Actual or Projected Use of Capital	
			2015	2014
Fixed Assets - Land, Office Building and R&D Equipment	Cash flow generated from operation	$19,090,967	$9,368,345	$9,722,622
Intangible Assets - Software, IPs and Patents	Cash flow generated from operation	$2,821,006	$2,025,250	$795,756

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 2015 was NT$658,079 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 and CNY. The information of the sensitivity analysis is as follows: When NTD appreciates/depreciates against USD by 0.1%, the profit for the years ended

December 31, 2015 and 2014 decreases/increases by NT$6,581 thousand and NT$8,055 thousand, while equity decrease/increase by NT$6,313 thousand and NT$74,905 thousand, respectively. When NTD appreciates/depreciates against CNY by 0.1%, the profit for the years ended December 31, 2015 and 2014 decreases/increases by NT$88 thousand and NT$123 thousand, while equity decrease/increase by NT$3,641 thousand and NT$1,217 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, receivables at variable interest rates and borrowings at variable and fixed 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, 2015 and 2014 to increase/decrease by NT$6,464 thousand and NT$1,198 thousand, respectively.

Risks associated with inflation:

There was no major impact from inflation on the Company's 2015 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. For the last fiscal year and year to date, the Company's lending, endorsements and guarantees for other parties are in accordance with relevant provisions. 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 the last fiscal year and year to date, all the transactions are in accordance with relevant provisions.
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 highly-integrated mobile communication chipsets	End of 2016
Next generation tablet chips	End of 2016
Next generation highly-integrated wireless communication chips	End of 2016
Next generation wearable device chips	End of 2016
Next generation low-power smart home connectivity chips	End of 2016
Next generation multi-mode bio-sensing analog front-end chips	End of 2016
Next generation highly-integrated smart Ultra HD TV chips	End of 2016
Next generation highly-integrated Ultra HD streaming Blu-ray chips	End of 2016
Next generation highly-integrated X version of Passive Optical Network (xPON) chipsets	End of 2016
Next generation gigabyte digital subscriber line (G. fast) chipsets	End of 2017
Next generation highly-integrated 10G Passive Optical Network (PON) chipsets	End of 2016
Various electronics' next generation power management and controller chipsets	End of 2016
Next generation USB PD Type-C controller chips	End of 2016

The Company's R&D projects all follow industry trends and are implemented in a highly integrated and economical way. R&D expenses in 2015 and 2014 were NT$49,528,765 thousand and NT$43,337,348 thousand, accounting for 23% and 20% of revenue respectively. The Company will continue to invest in R&D to develop products for next generation communication standard. The budget for R&D projects abovementioned accounts for approximately 80% of 2016 total R&D budget which is estimated to be 22% of 2016 revenue.

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

The Taiwan Financial Supervisory Commission (FSC) requires listed companies, starting from January 1, 2015, to prepare their consolidated financial statements in accordance with the 2013 version of following FSC endorsed standards and interpretations: "International Financial Reporting Standards," "International Accounting Standards," and ," "IFRS Interpretations" or Interpretations' announcement (collectively, "2013 Taiwan-IFRSs version"). The Company has already prepared its 2015 annual and interim consolidated financial statements in accordance with 2013 Taiwan-IFRSs version and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

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 has always maintained a humanistic philosophy toward management and provides a working environment that is both challenging and nurturing for its employees, who are able to grow and realize their full potential. MediaTek upholds the partnership with our suppliers and customers and implements corporate social responsibility. At the same time, MediaTek's has maintained its core values, such as integrity, conviction inspire by deep thinking, customer focus, constant renewal, innovation and teamwork. 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 acquired Alpha Imaging Technology Corp., Changis Technology Corp. and Richtek Technology Corp. during 2014 to April, 2015. Please refer to "6. Financial Statements of Independent Auditors' Report – MediaTek & Subsidiaries" under "IX. Financial Information" for more details.

In addition, the merge of Mrise Technology Inc. ("Mrise Tech.") and ILI Technology Corp. ("ILI Tech.") was approved by the extraordinary shareholders' meeting of ILI Tech. and the Board of Directors of Mrise Tech. (on behalf of its shareholders' meeting) on October 26, 2015. The terms of the offer would be NT$51 in cash for each common share of ILI Tech. Mrise Tech. would be the surviving company, and renamed ILI Technology Corp. after the merger. In April 2016, the merger had been approved by the Ministry of Commerce of the People's Republic of China. In addition, on April 14, 2016, both companies' Board of Directors had approved the merger date to be June 1, 2016.

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

6.8. Risks Associated with Facility Expansion

To meet company's future growth and increasing demand in talents, the Company has planned to expand office buildings in Hsinchu Science Park, Neihu Technology Park, Mainland China, and relevant oversea areas. Expansion plans are under prudent assessments to ensure they fully meet operation needs such as space for working, labs and the rest. Results of the benefit assessment are within the Company's expectation.

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) 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. 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 November 6, 2014, the United States Court of Appeals for the Federal Circuit vacated the lower court's judgment and remanded the case to the district court. The court dismissed the claims against Ralink pursuant to Azure and Ralink's joint motion on February 10, 2015. On June 10, 2013, the Court entered a judgment dismissing the latter case pursuant to the parties' joint stipulation.

Additionally, on January 13, 2015, Azure filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. alleging infringement of United States

Patent Nos. 7,756,129, 8,582,570, 8,582,571, 8,588,196, 8,588,231, 8,589,599, 8,675,590, 8,683,092 and 8,732,347 by MTK's wireless communications, tablet and mobile phone chips, and seeking damages. The case has been settled and dismissed with prejudice on August 21, 2015.

(2) 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. This case has been settled and dismissed with prejudice on November 19, 2015.

(3) Palmchip 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. This case has been settled and dismissed with prejudice on June 16,
2015.
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. This case has been settled and the court dismissed the case with prejudice on June 22, 2015.

(4) Optical Devices, LLC ("Optical Devices") filed a complaint with the U.S. International Trade Commission (the "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. The Commission issued an Initial Determination on July 17, 2014 finding that Optical Devices failed to meet the domestic industry requirement and terminating the investigation. On September 3, 2014, the Commission vacated the Initial Determination and remanded the case for further proceedings. On October 21, 2014, the Commission issued an Initial Determination to terminate the investigation on the ground that Optical Devices' lack of standing. On December 4, 2014, the Commission partially vacated the Initial Determination and remanded a part of the case including the investigation against MTK for further proceedings. On April 27, 2015, the Commission issued an Initial Determination terminate the investigation on the ground of Optical Devices' lack of standing. The Commission issued notice to affirm the Initial Determination with modified reasoning and terminated the investigation on June 9, 2015.
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.

(5)Vantage Point Technology, Inc. ("Vantage") 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 States Patent Nos. 5,463,750 and 6,374,329. The court dismissed the claims with prejudice against MediaTek USA pursuant to Vantage Point and MediaTek USA's joint motion on April 20, 2015.

(6) Bandspeed Inc. filed a complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc. and other defendants on May 9, 2014, alleging infringement of United States Patent Nos. 7,027,418, 7,570,614, 7,477,624, 7,903,608 and 8,542,643. On October 17, 2014, the court granted the parties joint stipulation to dismiss the claims against MTK, all other claims against other parties including those against subsidiary MediaTek USA Inc. remain pending. On February 13, 2015, the court granted Bandspeed's motion for leave to file a First Amended Complaint to add United States Patent No. 8,873,500 to the case. The court dismissed the claims with prejudice against MediaTek USA pursuant to the parties joint motion on August 18, 2015.

(7) Adaptive Data LLC ("Adaptive Data") filed a complaint in the United States District Court for the District of Delaware against subsidiary MediaTek USA Inc. on December 31, 2014, alleging infringement of United States Patent Nos. 6,108,347 and 6,243,391 by the Bluetooth chips of subsidiary MediaTek USA Inc. and seeking damages. This case has been settled and Adaptive Data voluntarily dismissed the case on February 19, 2015.

(8) Luciano F. Paone filed a complaint in the United States District Court for the South District of New York against subsidiary MediaTek USA Inc. on February 9, 2015, alleging infringement of United States Patent No. 6,259,789. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case. The court dismissed the claims with prejudice against MediaTek USA pursuant to the parties joint motion on March 2, 2016.

(9) Innovatio IP Ventures, LLC ("Innovatio") filed a complaint in the United States District Court for the Northern District of Illinois against subsidiary MediaTek USA Inc. on March 16, 2015, alleging infringement of United States Patent Nos. 6,697,415, 5,844,893, 5,740,366, 7,916,747, 6,665,536, 7,013,138, 7,107,052, 5,546,397, 7,710,907, 7,710,935, 6,714,559, 7,457,646 and 6,374,311. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(10) Mariner IC Inc. ("Mariner") filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. on April 25, 2016, alleging infringement of United States Patent Nos. 5,560,666 and 5,846,874. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(11) Semcon IP Inc. ("Semcon") filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. on April 25, 2016, alleging infringement of United States Patent Nos. 7,100,061, 7,596,708, 8,566,627 and 8,806,247. The operations of MTK and subsidiary MediaTek USA Inc. 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

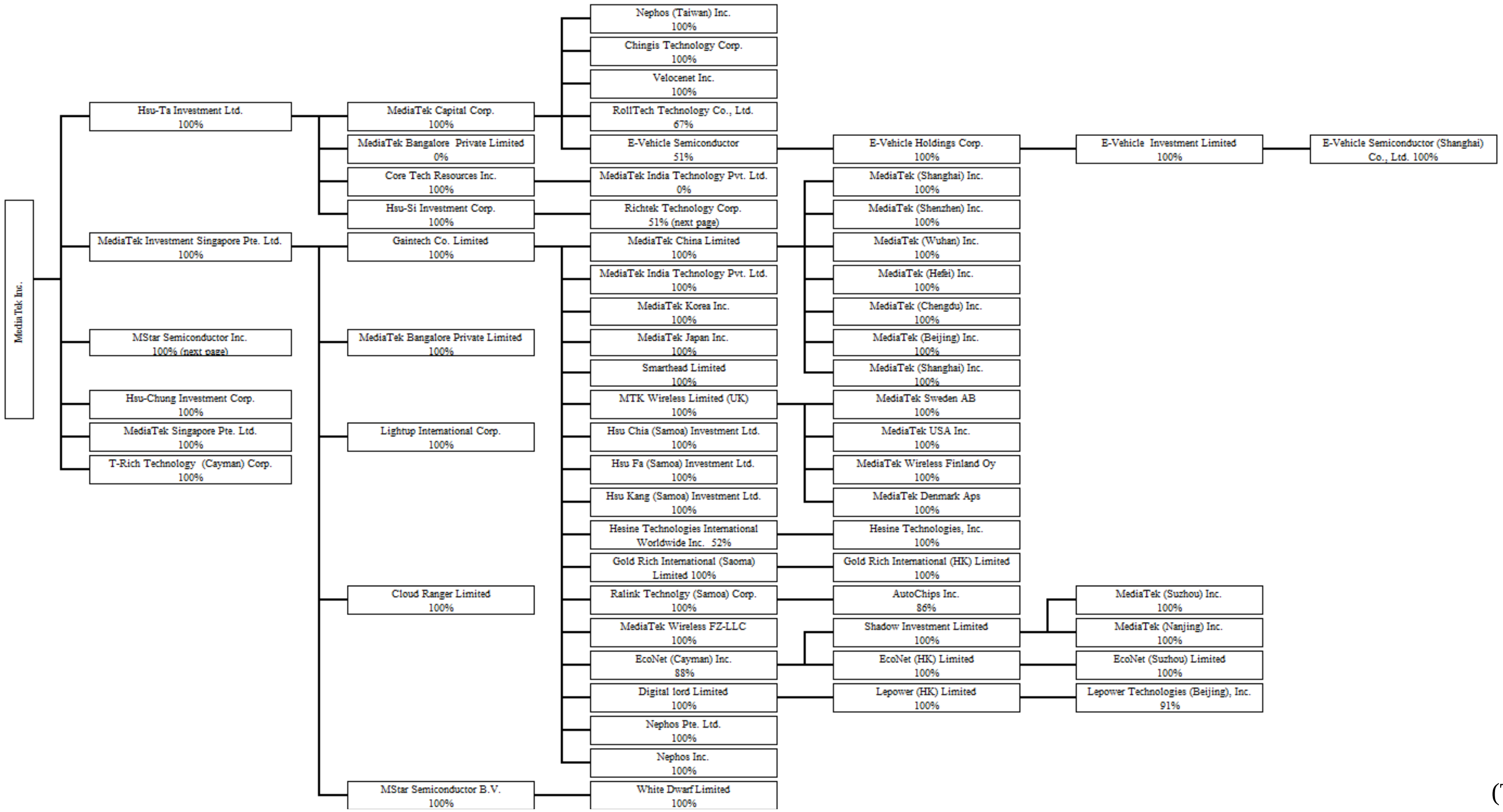
Certificate / Headcount	CPA	US CPA	CA Singapore	CIA	CFA	CMA
Finance	14	1	1	5	1	1
Internal audit	-	-	-	1	-	-

VIII. Special Disclosure

1. Summary of Affiliated Companies

1.1. MediaTek Affiliated Companies Chart

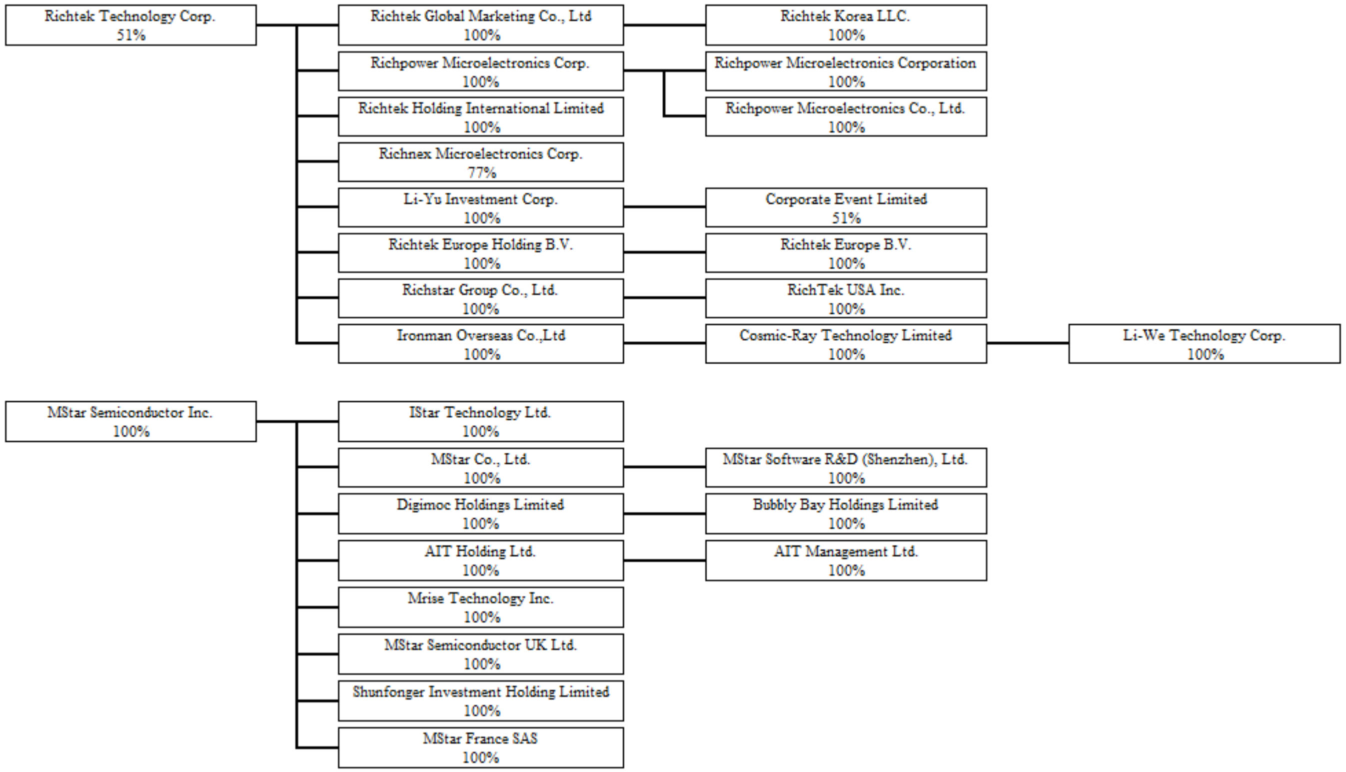
Dec. 31, 2015



(To be continued)

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.

(Continued)



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, 2015. Unit: NT$ thousands / Foreign Currency thousands

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Hsu-Ta Investment Ltd.	Sep 2002	Taiwan	NTD 22,054,511	General investing
MediaTek Singapore Pte. Ltd.	Jun 2004	Singapore	SGD 111,994	Research, manufacturing and sales
MediaTek Investment Singapore Pte. Ltd.	Jan 2008	Singapore	USD 2,193,635	General investing
T-Rich Technology (Cayman) Corp.	Oct 2009	Cayman Islands	USD 624	General investing
MStar Semiconductor Inc.	Jun 2002	Taiwan	NTD 1,452,532	Research, manufacturing and sales
Hsu-Chuang Investment Corp.	Jan 2015	Taiwan	NTD 250,000	General investing
Core Tech Resources Inc.	Sep 2002	B.V.I.	USD 57,200	General investing
MediaTek Capital Co., Ltd.	Sep 2000	Taiwan	NTD 3,759,872	General investing
Hsu-Si Investment Corp.	Sep 2015	Taiwan	NTD14,800,000	General investing
RollTech Technology Co., Ltd.	Mar 2007	Taiwan	NTD 52,620	Software development
E-vehicle Semiconductor Technology Co., Ltd.	May 2011	Taiwan	NTD 218,400	Research, manufacturing and sales
Chingis Technology Corp.	Oct 1998	Taiwan	NTD 1,169,370	Research
Velocenet Inc.	Nov 2015	Taiwan	NTD 4,000	Research
Nephos (Taiwan) Inc.	Dec 2015	Taiwan	NTD 4,000	Research
Richtek Technology Corp.	Sep 1998	Taiwan	NTD 1,485,173	Research, manufacturing and sales
Richstar Group Co., Ltd.	Feb 2004	B.V.I.	USD 10,765	General investing
Ironman Overseas Co., Ltd.	Jul 2000	B.V.I.	USD 8,930	General investing
Richtek Europe Holding B.V.	Sep 2007	Holland	EUR 2,000	General investing
Richtek Holding International Limited	Nov 2007	B.V.I.	USD 2,800	General investing
Richpower Microelectronics Corp.	Aug 2007	Cayman Islands	USD 2,898	Manufacturing and sales
Li-Yu Investment Corp.	Feb 2004	Taiwan	NTD 312,751	General investing
Richnex Microelectronics Corp.	Dec 2007	Taiwan	NTD 255,000	Research, manufacturing and sales
Richtek Global Marketing Co., Ltd.	Dec 2010	B.V.I.	USD 1,000	General investing
RichTek USA, Inc.	Mar 2004	USA	USD 1,000	Sales and marketing service
Cosmic-Ray Technology Limited	Aug 2003	Samoa	USD 5,530	General investing
Richtek Europe B.V.	Sep 2007	Holland	EUR 1,500	Marketing service
Li-We Technology Corp.	Apr 2004	Mainland China	USD 2,500	Marketing service
Richpower Microelectronics Corp.	Dec 2008	Taiwan	NTD 100,000	Management service
Richpower Microelectronics Co., Ltd.	Apr 2004	Mainland China	USD 3,200	Marketing service
Corporate Event Limited	Sep 2009	B.V.I.	USD 102	Marketing service
Richtek Korea LLC.	Aug 2013	Korea	KRW 1,116,500	Sales and marketing service
MediaTek China Limited	Sep 2007	Hong Kong	HKD 2,445,564	General investing
MTK Wireless Limited (UK)	Aug 2007	UK	GBP 65,508	Research
MediaTek Japan Inc.	Jun 1997	Japan	JPY 100,000	Research
MediaTek India Technology Pvt. Ltd.	May 2004	India	INR 55,000	Research
MediaTek Korea Inc.	Feb 2007	Korea	KRW 2,000,000	Research
Hesine Technologies	Oct 2010	B.V.I.	USD 274	General investing

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
International Worldwide Inc.				
Gold Rich International (Samoa) Limited	Mar 2011	Samoa	USD 4,290	General investing
Smarthead Limited	Jan 2011	Seychelles	USD 700	General investing
Ralink Technology (Samoa) Corp.	Mar 2008	Samoa	USD 7,150	General investing
EcoNet (Cayman) Inc.	Mar 2013	Cayman Islands	USD 16,413	General investing
Mediatek Wireless FZ-LLC	Nov 2013	Dubai	AED 50	Technology services
Digital lord Limited	Aug 2015	Samoa	USD 3,100	General investing
Hsu Chia (Samoa) Investment Ltd.	Aug 2015	Samoa	CNY 1,000,000	General investing
Hsu Fa (Samoa) Investment Ltd.	Aug 2015	Samoa	CNY 1,000,000	General investing
Hsu Kang (Samoa) Investment Ltd.	Aug 2015	Samoa	CNY 1,000,000	General investing
Nephos Pte. Ltd.	Nov 2015	Singapore	SGD 0	Research
Nephos Inc.	Nov 2015	USA	USD 0	Research
MediaTek (Heifei) Inc.	Aug 2003	Mainland China	USD 17,000	Research
MediaTek (Beijing) Inc.	Oct 2006	Mainland China	USD 100,000	Research
MediaTek (Shenzhen) Inc.	Oct 2003	Mainland China	USD 90,000	Research and technology services
MediaTek (Chengdu) Inc.	Sep 2010	Mainland China	USD 49,800	Research
MediaTek (Wuhan) Inc.	Dec 2010	Mainland China	USD 4,800	Research
MediaTek (Shanghai) Inc.	Jan 2011	Mainland China	USD 3,000	General investing
MediaTek (Shanghai) Inc.	Dec 2009	Mainland China	CNY 297,000	Research and technology services
MediaTek Sweden AB	Dec 2004	Sweden	SEK 1,008	Research
MediaTek USA Inc.	May 1997	USA	USD 0.1	Research
MediaTek Denmark Aps	Oct 2007	Denmark	DKK 20,000	Research
MediaTek Wireless Finland Oy	Oct 2014	Finland	EUR 3	Research
Hesine Techologies, Inc.	Sep 2008	Mainland China	CNY 10,000	Technology services
Gold Rich International (HK) Limited	Mar 2011	Hong Kong	USD 4,190	General investing
Lepower (HK) Limited	Mar 2011	Hong Kong	USD 3,050	General investing
Lepower Technologies (Beijing,) Inc.	Dec 2011	Mainland China	USD 3,300	Research, manufacturing and sales
E-Vehicle Holdings Corp.	Aug 2011	Samoa	USD 2,300	General investing
E-Vehicle Investment Limited	Sep 2012	Hong Kong	USD 1,900	General investing
E-Vehicle Semiconductor (Shanghai) Co., Ltd.	May 2012	Mainland China	USD 1,900	Research, manufacturing and sales
Shadow Investment Limited	Apr 2002	Samoa	USD 15,000	General investing
EcoNet (HK) Limited	Mar 2013	Hong Kong	USD 67,535	Research and sales
EcoNet (Suzhou) Limited	Apr 2014	Mainland China	USD 10,000	Research, manufacturing and sales
MediaTek (Suzhou) Inc.	Dec 2003	Mainland China	USD 1,500	Research
MediaTek (Nanjing) Inc.	Jun 2008	Mainland China	USD 1,000	Research
AutoChips Inc.	Nov 2013	Mainland China	CNY 38,774	Research, manufacturing and sales
MSar Semiconductor B.V.	Feb 2008	Holland	EUR 1,197	General investing
Lightup International Corp.	Feb 2009	Taiwan	NTD 298,000	General investing
MediaTek Bangalore Private Limited	May 2014	India	INR 20,000	Research
Gaintech Co. Limited	Jul 2000	Cayman Islands	USD 326,291	General investing

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Cloud Ranger Limited	Feb 2015	Samoa	USD 3,639	General investing
White Dwarf Limited	July 2007	B.V.I.	USD 5	General investing
MStar France SAS	Oct 2006	France	EUR 4,589	Software Development
Shunfonger Investment Holding Limited	Apr 2010	B.V.I.	USD 735	General investing
IStar Technology Ltd.	Aug 2013	Cayman Islands	USD 50	General investing and sales
MStar Co., Ltd.	May 2003	Brunei	USD 5,850	General investing
Digimoc Holdings Limited	Sep 2007	B.V.I.	USD 50	General investing
MStar Semiconductor UK Ltd.	Jun 2007	UK	GBP 915	Software and customer development
Mrise Technology Inc.	Jul 2015	Taiwan	NTD 1,000	Research, manufacturing and sales
AIT Holding Ltd.	Jan 2008	Samoa	USD 1,979	General investing
AIT Management Ltd.	Jan 2008	Samoa	USD 1,877	General investing
MStar Software R&D (Shenzhen), Ltd.	Aug 2003	Mainland China	USD 30,000	Software and customer development
Bubbly Bay Holdings Limited	Jan 2006	B.V.I.	USD 50	General investing

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-sale service for optical storage products, digital consumer products, wireless communication, digital TV, networking, analog, 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, 2015; Unit: share / %

Company Name	Title	Name or Representative	Shares	% of Holding
Hsu-Ta Investment Ltd.	Chairman/Director	MediaTek Inc. Rep.: Ching-Jiang Hsieh	2,205,451,090	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Jane Chen		
	Supervisor	MediaTek Inc. Rep.: Amy Chung		
MediaTek Singapore Pte. Ltd.	Director	MediaTek Inc, Rep.: CC Ku	111,993,960	100%
	Director	MediaTek Inc. Rep.: David Ku		
MediaTek Investment Singapore Pte. Ltd.	Director	MediaTek Inc. Rep.: David Ku	2,193,635,278	100%
	Director	MediaTek Inc. Rep.: CC Ku		
T-Rich Technology (Cayman) Corp.	Director	MediaTek Inc. Rep.: Jane Chen	1,248,583	100%
MStar Semiconductor Inc.	Chairman/ Director	Gon-Wei Liang	-	-
	Director	Han-Fei Lin	-	-
	Director	Chin-Men Kao	-	-
	Director	Wen-Nan Tsan	-	-
	Director	Chern-Lin Chen	-	-
	Supervisor	Hsing-Ning Yu	-	-
Hsu-Chuang Investment Corp.	Chairman/ Director	MediaTek Inc. Rep.: Ching-Jiang Hsieh	25,000,000	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Jane Chen		
	Supervisor	MediaTek Inc. Rep.: Kirin Liu		
CoreTech Resources Inc.	Director	Hsu-Ta Investment Ltd. Rep.: David Ku	57,200,000	100%
MediaTek Capital Co., Ltd.	Chairman/Director	Hsu-Ta Investment Ltd. Rep.: Ching-Jiang Hsieh	375,987,209	100%
	Director	Hsu-Ta Investment Ltd. Rep.: David Ku		
	Director	Hsu-Ta Investment Ltd. Rep.: Jane Chen		
	Supervisor	Hsu-Ta Investment Ltd. Rep.: Amy Chung		
Hsu-Si Investment Corp.	Chairman/Director	Hsu-Ta Investment Ltd. Rep.: Ching-Jiang Hsieh	1,480,000,000	100%
	Director	Hsu-Ta Investment Ltd. Rep.: David Ku		
	Director	Hsu-Ta Investment Ltd. Rep.: Jane Chen		
	Supervisor	Hsu-Ta Investment Ltd. Rep.: Amy Chung		
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	Amy Chung	-	-

Company Name	Title	Name or Representative	Shares	% of Holding
E-vehicle Semiconductor Technology Co. Ltd.	Chairman/ Director	MediaTek Capital Co. Rep: JC Hsu	11,200,000	51%
	Director	MediaTek Capital Co. Rep: Jane Chen		
	Director	Chao-Ting Ho	2,236,000	10%
	Supervisor	Amy Chung	-	-
Chingis Technology Corp.	Chairman/ Director	MediaTek Capital Co., Ltd. Rep.: Chang-Chaio Han	116,936,991	100%
	Director	MediaTek Capital Co., Ltd. Rep.: David Ku		
	Director	MediaTek Capital Co., Ltd. Rep.: Jane Chen		
	Supervisor	MediaTek Capital Co., Ltd. Rep.: Amy Chung		
Velocenet Inc.	Chairman/ Director	MediaTek Capital Co., Ltd. Rep.: Jerry Yu	400,000	100%
	Director	MediaTek Capital Co., Ltd. Rep.: Ruey-Chen Hsieh		
	Director	MediaTek Capital Co., Ltd. Rep.: David Ku		
	Supervisor	MediaTek Capital Co., Ltd. Rep.: Amy Chung		
Nephos (Taiwan) Inc.	Chairman/ Director	MediaTek Capital Co., Ltd. Rep.: Jerry Yu	400,000	100%
	Director	MediaTek Capital Co., Ltd. Rep.: Ruey-Chen Hsieh		
	Director	MediaTek Capital Co., Ltd. Rep.: David Ku		
	Supervisor	MediaTek Capital Co., Ltd. Rep.: Amy Chung		
Richtek Technology Corp.	Chairman/ Director	Kenneth Tai	300,103	0%
	Director	Luke Hsieh	4,384,395	3%
	Director	James Liu	752,208	1%
	Director	Ben Tai	1,941,761	1%
	Director	Steve Lai	1,113,323	1%
	Independent Director	Jung-Sheng Wu	-	-
	Independent Director	Chia-Ying Ma	-	-
	Independent Director	Chung-Laung Liu	-	-
	Supervisor	Li Chung Investment Corp. Rep.: Yao-Chin Chang	1,024,523	1%
	Supervisor	Shy-Horng Wang	197,281	0%
	Supervisor	Yang-Pin Shen	-	-
Richstar Group Co., Ltd.	Director	Richtek Technology Corp. Rep.: Chris Yuan	10,765,000	100%
Ironman Overseas Co., Ltd.	Director	Richtek Technology Corp. Rep.: Chris Yuan	8,930,000	100%
Richtek Europe Holding B.V.	Director	Richtek Technology Corp. Rep.: Chris Yuan	2,000,000	100%
Richtek Holding International Limited	Director	Richtek Technology Corp. Rep.: Chris Yuan	28,000	100%
Richpower Microelectronics Corp.	Director	Richtek Technology Corp. Rep.: Winson Wei	12,600,000	100%
	Director	Richtek Technology Corp. Rep.: Steve Lai		
Li-Yu Investment Corp.	Chairman/ Director	Richtek Technology Corp. Rep.: Steve Lai	31,275,100	100%
	Director	Richtek Technology Corp. Rep.: Luke Hsieh		
	Director	Richtek Technology Corp.		

Company Name	Title	Name or Representative	Shares	% of Holding
		Rep.: Scott Wang		
	Supervisor	Richtek Technology Corp. Rep.: Chris Yuan		
Richnex Microelectronics Corp.	Chairman/ Director	Shen Tu	1,401,500	6%
	Director	Richtek Technology Corp. Rep.: Luke Hsieh	19,598,677	77%
	Director	Richtek Technology Corp. Rep.: Steve Lai		
	Supervisor	York Chang	-	-
Richtek Global Marketing Co., Ltd.	Director	Richtek Technology Corp. Rep.: Chris Yuan	2,000	100%
RichTek USA, Inc.	Director	Richstar Group Co., Ltd. Rep.: James Liu	1,000,000	100%
	Director	Richstar Group Co., Ltd. Rep.: Don Yuh		
	Supervisor	Richstar Group Co., Ltd. Rep.: Nick Liu		
Cosmic-Ray Technology Limited	Director	Ironman Overseas Co., Ltd. Rep.: Chris Yuan	5,530,000	100%
Richtek Europe B.V.	Director	Richtek Europe Holding B.V. Rep.: Chris Yuan	1,500,000	100%
	Director	Richtek Europe Holding B.V. Rep.: Terry Chen		
Li-We Technology Corp.	Director	Cosmic-Ray Technology Limited Rep.: Chris Yuan	Not Applicable	100%
Richpower Microelectronics Corp.	Chairman/ Director	Richpower Microelectronics Corp. Rep.: Steve Lai	10,000,000	100%
	Director	Richpower Microelectronics Corp. Rep.: Winson Wei		
	Director	Richpower Microelectronics Corp. Rep.: Chris Yuan		
	Supervisor	Richpower Microelectronics Corp. Rep.: York Chang		
Richpower Microelectronics Co., Ltd.	Director	Richpower Microelectronics Corp. Rep.: Steve Lai	Not Applicable	100%
	Supervisor	Richpower Microelectronics Corp. Rep.: York Chang		
Corporate Event Limited	Director	Hsing-Fen, Chung	50,000	49%
Richtek Korea LLC.	Director	Richtek Global Marketing Co., Ltd. Rep.: Justin Park	10,000	100%
MediaTek China Limited	Director	Gaintech Co. Limited Rep.: David Ku	2,445,564,020	100%
MTK Wireless Limited (UK)	Director	Gaintech Co. Limited Rep.: David Ku	65,508,146	100%
MediaTek Japan Inc.	Chairman/Director	Gaintech Co. Limited Rep.: David Ku	7,100	100%
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.: Anku Jain		
MediaTek Korea Inc.	Director	Gaintech Co. Limited Rep.: Jerry Yu	200,000	100%
	Director	Gaintech Co. Limited Rep.: John Lee		
	Director	Gaintech Co. Limited Rep.: David Ku		

Company Name	Title	Name or Representative	Shares	% of Holding
	Supervisor	Gaintech Co. Limited Rep.: Kirin Liu		
Hesine Technologies International Worldwide Inc.	Director	Gaintech Co. Limited Rep.: David Ku	566,667	52%
	Director	NQ Mobile Inc. Rep.: Wen-Yong Shi	530,159	48%
Gold Rich International (Samoa) Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	4,290,000	100%
	Director	Gaintech Co. Limited Rep.: Ching-Chang Yeh		
Smarthead Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	700,000	100%
Ralink Technology (Samoa) Corp.	Director	Gaintech Co. Limited Rep.: David Ku	7,150,000	100%
EcoNet (Cayman) Inc.	Director	Gaintech Co. Limited Rep.: David Ku	14,382,660	88%
	Director	Gaintech Co. Limited Rep.: Aaron Chang		
	Director	Gaintech Co. Limited Rep.: Bomin Wang		
	Director	PVG GCN Ventures, L.P Rep.: Pang-Yen Yang	312,361	2%
MediaTek Wireless FZ-LLC	Director	Gaintech Co. Limited Rep.: CC Ku	50	100%
	Director	Gaintech Co. Limited Rep.: Jane Chen		
	Director	Gaintech Co. Limited Rep.: David Ku		
Digital Lord Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	3,100,000	100%
Hsu Chia (Samoa) Investment Ltd.	Director	Gaintech Co. Limited Rep.: Jane Chen	1,000,000,000	100%
Hsu Fa (Samoa) Investment Ltd.	Director	Gaintech Co. Limited Rep.: Jane Chen	1,000,000,000	100%
Hsu Kang (Samoa) Investment Ltd.	Director	Gaintech Co. Limited Rep.: Jane Chen	1,000,000,000	100%
Nephos Pte. Ltd.	Director	Gaintech Co. Limited Rep.: CC Ku	1	100%
	Director	Gaintech Co. Limited Rep.: Jerry Yu	1	100%
Nephos Inc.	Director	Gaintech Co. Limited Rep.: Jerry Yu	10,000	100%
MediaTek (Heifei) Inc.	Executive director / Legal representative	MediaTek China Limited Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek China Limited Rep.: Jane Chen		
MediaTek (Beijing) Inc.	Executive director / Legal representative	MediaTek China Limited Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek China Limited Rep.: Jane Chen		
MediaTek (ShenZhen) Inc.	Executive director / Legal representative	MediaTek China Limited Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek China Limited Rep.: Jane Chen		
MediaTek (Chengdu) Inc.	Executive director / Legal representative	MediaTek China Limited Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek China Limited Rep.: Jane Chen		
MediaTek (Wuhan) Inc.	Executive director / Legal representative	MediaTek China Limited Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek China Limited Rep.: Kirin Liu		
MediaTek (Shanghai) Inc.	Executive director / Legal representative	MediaTek China Limited Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek China Limited Rep.: Kirin Liu		

Company Name	Title	Name or Representative	Shares	% of Holding
MediaTek (Shanghai) Inc.	Executive director / Legal representative	MediaTek China Limited Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek China Limited Rep.: Jane Chen		
MediaTek Sweden AB	Director	MTK Wireless Limited (UK) Rep.: David Ku	1,008,371	100%
	Director	MTK Wireless Limited (UK) Rep.: Johan Erik Lodenius		
MediaTek USA Inc.	Director	MTK Wireless Limited (UK) Rep.: David Ku	111,815	100%
	Director	MTK Wireless Limited (UK) Rep.: Kevin Jou		
MediaTek Denmark Aps	Director	MTK Wireless Limited (UK) Rep.: David Ku	20,000,000	100%
MediaTek Wireless Finland Oy	Director	MTK Wireless Limited (UK) Rep.: Jane Chen	1,000	100%
	Director	MTK Wireless Limited (UK) Rep.: Jeanette Padgett		
	Director	MTK Wireless Limited (UK) Rep.: Gemma Noonan		
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	Digital lord Limited Rep.: Jane Chen	3,050,000	100%
Lepower Technologies (Beijing) Inc.	Chairman/Director	Lepower (HK) Limited Rep: Aaron Chang	Not applicable	91%
	Director	Zhongguancun Development Group Rep: Jun-Yao Shen	Not applicable	9%
	Director	Lepower (HK) Limited Rep: Phillips Lu	Not applicable	91%
	Supervisor	Lepower (HK) Limited Rep: Jane Chen		
E-Vehicle Holdings Corp.	Director	E-Vehicle Semiconductor Technology Co. Ltd. Rep: Jane Chen	2,300,000	100%
E-Vehicle Investment Limited	Director	E-Vehicle Holdings Corp. Rep: Jane Chen	1,900,000	100%
E-Vehicle Semiconductor (Shianghai) Co., Ltd.	Chairman/Director	E-Vehicle Investment Limited Rep: Chao-Ting Ho	Not applicable	100%
	Supervisor	E-Vehicle Investment Limited Rep: Amy Chung		
Shadow Investment Limited	Director	EcoNet (Cayman) Limited Rep.: Hsu-Feng Ho	15,000,000	100%
EcoNet(HK) Limited	Director	EcoNet (Cayman) Inc. Rep: Hsu-Feng Ho	67,534,520	100%
EcoNet (Suzhou) Limited	Director/ Legal representative	EcoNet (HK) Limited Rep.: Hsu-Feng Ho	Not applicable	100%
	Director	EcoNet (HK) Limited Rep.: Jhe-Wei Lin		
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		

Company Name	Title	Name or Representative	Shares	% of Holding
		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	86%
	Director	Ralink Technology (Samoa) Corp. Rep.: David Ku		
	Director	Ralink Technology (Samoa) Corp. Rep.: Wen Hsin Wang		
	Supervisor	Ralink Technology (Samoa) Corp. Rep.: Kirin Liu		
	Supervisor	Hefei Hi-Tech Venture Capital Co.,Ltd Rep.: Ming Liu		10%
MSar Semiconductor B.V.	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: Jeanette Padgett	11,972	100%
	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: Tessa Susanne Manon van Dijk		
Lightup International Corp.	Chairman	MediaTek Investment Singapore Pte. Ltd. Rep.: Ching-Jiang Hsieh	29,800,000	100%
	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: David Ku		
	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: Jane Chen		
	Supervisor	MediaTek Investment Singapore Pte. Ltd. Rep.: Kirin Liu		
MediaTek Bangalore Private Limited	Director	MediaTek Investment Singapore Pte. Ltd Rep.: Grant Kuo	1,999,999	100%
	Director	MediaTek Investment Singapore Pte. Ltd Rep.: David Ku		
	Director	MediaTek Investment Singapore Pte. Ltd Rep.: Anku Jain		
Gaintech Co. Limited	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: David Ku	326,291,153	100%
Cloud Ranger Limited	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: Jane Chen	3,639,000	100%
White Dwarf Limited	Director	MStar Semiconductor B.V. Rep: David Ku	5,000	100%
MStar France SAS	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	458,900	100%
Shunfonger Investment Holding Limited	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	735,300	100%
IStar Technology Ltd.	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	50,000	100%

Company Name	Title	Name or Representative	Shares	% of Holding
MStar Co., Ltd.	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	5,850,000	100%
Digimoc Holdings Limited	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	50,000	100%
MStar Semiconductor UK Ltd.	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	915,000	100%
Mrise Technology Inc.	Chairman/Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	100,000	100%
	Director	MStar Semiconductor Inc. Rep.: Sarina Lin		
	Director	MStar Semiconductor Inc. Rep.: Sean Lin		
	Supervisor	MStar Semiconductor Inc. Rep.: Mingyin Tsai		
AIT Holding Ltd.	Director	MStar Semiconductor Inc. Rep.: JJ Yen	1,979,283	100%
AIT Management Ltd.	Director	MStar Semiconductor Inc. Rep.: JJ Yen	1,877,283	100%
MStar Software R&D (Shenzhan), Ltd.	Chairman	MStar Co., Ltd. Rep.: Chin-Men Kao	Not Applicable	100%
	Director	MStar Co., Ltd. Rep.: Miao-Tzu Tu		
	Director	MStar Co., Ltd. Rep.: Li-Chiu Mao		
Bubbly Bay Holdings Limited	Director	Digimoc Holdings Limited Rep.: Gon-Wei Liang	50,000	100%

1.6. Operation Highlights of MediaTek Affiliated Companies

Dec. 31, 2015, Unit: NT$ thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT$)
Hsu-Ta Investment Ltd.	22,054,511	25,456,713	13,393	25,443,320	983,305	970,971	957,583	0.43
MediaTek Singapore Pte. Ltd.	2,578,573	21,728,231	6,063,928	15,664,303	67,807,063	6,561,421	6,510,455	58.13
MediaTek Investment Singapore Pte. Ltd.	72,534,744	66,145,265	153	66,145,112	2,862,648	2,862,648	2,862,648	1.31
T-Rich Technology (Cayman) Corp.	20,643	44,022	-	44,022	4	(168)	(168)	(0.13)
MStar Semiconductor Inc.	1,452,532	29,865,053	15,566,539	14,298,514	39,706,204	9,296,255	6,459,898	44.47
Hsu-Chuang Investment Corp.	250,000	246,489	-	246,489	1,312	(3,511)	(3,511)	(0.14)
Core Tech Resources Inc.	1,891,375	3,410,071	51	3,410,020	558,602	496,692	496,692	8.68
MediaTek Capital Co., Ltd.	3,759,872	7,080,467	78,016	7,002,451	531,112	478,553	471,217	1.25
Hsu-Si Investment Corp.	14,800,000	14,556,319	-	14,556,319	(252,803)	(260,438)	(260,438)	(0.18)
RollTech Technology Co., Ltd.	52,620	35,093	4,691	30,402	60,195	(1,188)	(9,644)	(1.83)
E-vehicle Semiconductor Technology Co., Ltd.	218,400	106,456	4,676	101,780	6,724	(18,806)	(33,095)	(1.52)
Chingis Technology Corp.	1,169,370	1,158,600	196,822	961,778	629,270	(137,990)	(57,600)	(0.49)
Velocenet Inc.	4,000	4,000	-	4,000	-	-	-	-
Nephos (Taiwan) Inc.	4,000	4,000	-	4,000	-	-	-	-
Richtek Technology Corp.	1,485,173	9,997,002	2,318,922	7,678,080	12,044,213	1,778,532	1,473,879	9.92
Richstar Group Co., Ltd.	355,955	149,296	27,448	121,848	-	(5,496)	3,431	0.32
Ironman Overseas Co., Ltd.	295,279	120,272	-	120,272	-	(973)	(1,509)	(0.17)
Richtek Europe Holding B.V.	71,833	38,983	77	38,906	-	(123)	2,758	1.38
Richtek Holding International Limited	92,585	22,503	6,086	16,417	-	(22,935)	(22,778)	(813.50)
Richpower Microelectronics Corp.	95,825	411,151	114,818	296,333	507,137	(43,188)	(41,994)	(3.33)
Li-Yu Investment Corp.	312,751	420,220	49	420,171	45,309	5,347	5,485	0.18
Richnex Microelectronics Corp.	255,000	30,680	41,492	(10,812)	32,059	(22,693)	(25,112)	(0.98)
Richtek Global Marketing Co., Ltd.	33,066	28,432	10,629	17,803	106,534	(239)	(3,240)	(1,620.00)
RichTek USA, Inc.	33,066	142,245	20,054	122,191	130,355	9,012	9,080	9.08
Cosmic-Ray Technology Limited	182,855	83,606	-	83,606	-	-	(750)	(0.14)
RichTek Europe B.V.	53,874	22,915	2,201	20,714	15,479	2,772	2,863	1.91
Li-We Technology Corp.	82,665	72,791	25,488	47,303	-	(89,032)	(604)	Not applicable
Richpower Microelectronics Corp.	100,000	59,476	898	58,578	-	(3,061)	2,822	0.28
Richpower Microelectronics Co., Ltd.	105,811	35,008	22,365	12,643	-	(68,595)	(2,872)	Not applicable
Corporate Event Limited	3,373	3,381	-	3,381	-	(148,399)	0	0.00
Richtek Korea LLC.	33,066	33,125	27,309	5,816	110,018	(4,096)	(2,838)	(283.80)
MediaTek China Limited	10,418,435	20,147,205	6,874,972	13,272,233	659,126	599,003	599,003	0.24
MTK Wireless Limited (UK)	3,094,502	3,877,064	183,220	3,693,844	936,832	61,278	86,344	1.32
MediaTek Japan Inc.	27,505	83,500	29,898	53,602	140,568	9,196	(4,825)	(679.58)
MediaTek India Technology Pvt. Ltd.	27,464	445,875	129,951	315,924	556,861	83,073	57,126	10.39
Hesine Technologies International Worldwide Inc.	9,067	263,836	33,423	230,413	3,178	(3,676)	(3,676)	(3.35)

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT$)
MediaTek Korea Inc.	56,400	267,979	130,673	137,306	316,926	20,733	13,521	67.61
Gold Rich International (Samoa) Limited	141,853	1,618,591	-	1,618,591	440,665	440,643	440,643	102.71
Smarthead Limited	23,146	69,641	-	69,641	24,066	24,042	24,042	34.35
Ralink Technology (Samoa) Corp.	236,422	1,821,782	-	1,821,782	904,571	904,187	904,187	126.46
EcoNet (Cayman) Inc.	542,712	2,454,512	28,761	2,425,751	72,354	72,166	72,166	4.40
Mediatek Wireless FZ-LLC	450	4,545	2,217	2,328	24,580	1,608	1,612	32,234.38
Digital lord Limited	102,505	37,867	-	37,867	(2,692)	(2,735)	(2,735)	(0.88)
Hsu Chia (Samoa) Investment Ltd.	5,092,090	5,140,090	-	5,140,090	50,930	45,989	45,989	0.05
Hsu Fa (Samoa) Investment Ltd.	5,092,090	5,144,267	-	5,144,267	51,000	50,043	50,043	0.05
Hsu Kang (Samoa) Investment Ltd.	5,092,090	5,140,695	-	5,140,695	53,125	46,588	46,588	0.05
Nephos Pte. Ltd.	-	-	-	-	-	-	-	-
Nephos Inc.	-	-	-	-	-	-	-	-
MediaTek (Heifei) Inc.	562,122	1,458,058	401,574	1,056,484	1,316,407	97,512	115,309	Not applicable
MediaTek (Beijing) Inc.	3,306,600	5,055,163	391,092	4,664,071	1,944,686	146,338	193,882	Not applicable
MediaTek (Shenzhen) Inc.	2,975,940	7,240,591	3,909,078	3,331,513	2,121,739	135,476	53,277	Not applicable
MediaTek (Chengdu) Inc.	1,646,687	2,276,438	385,039	1,891,399	973,613	72,638	92,340	Not applicable
MediaTek (Wuhan) Inc.	158,717	334,101	42,173	291,928	314,106	23,267	32,209	Not applicable
MediaTek (Shanghai) Inc.	99,198	75,481	13,337	62,144	-	(10,098)	(9,932)	Not applicable
MediaTek (Shanghai) Inc.	1,512,351	4,677,571	3,232,478	1,445,093	1,238,013	93,038	55,829	Not applicable
MediaTek Sweden AB	3,950	196,790	114,084	82,706	337,527	22,081	21,474	21.30
MediaTek USA Inc.	4	3,774,317	1,415,742	2,358,575	5,361,673	350,764	164,949	1,475.20
MediaTek Denmark Aps	96,254	116,691	37,855	78,836	20,055	(65,848)	(73,492)	(3.67)
MediaTek Wireless Finland Oy	90	193,207	116,542	76,665	576,274	37,700	36,855	36,855.00
Hesine Techologies, Inc.	50,921	26,374	236,001	(209,627)	1,428	(59,114)	(59,114)	Not applicable
Gold Rich International (HK) Limited	138,547	1,615,625	-	1,615,625	440,781	440,665	440,665	105.17
Lepower (HK) Limited	100,851	36,257	-	36,257	(10,016)	(10,347)	(10,347)	(3.39)
Lepower Technologies (Beijing,) Inc.	109,117	38,917	201	38,716	5,465	(10,969)	(11,018)	Not applicable
E-Vehicle Holdings Corp.	76,052	15,295	-	15,295	-	(14,494)	(14,494)	(6.30)
E-Vehicle Investment Limited	62,825	15,295	-	15,295	-	(1,729)	(1,729)	(0.91)
E-Vehicle Semiconductor (Shanghai) Co., Ltd.	62,825	19,380	4,307	15,073	16,998	(2,100)	(1,729)	Not applicable
Shadow Investment Limited	495,990	83,092	-	83,092	618	582	582	0.04
EcoNet (HK) Limited	2,233,096	2,345,209	3,078	2,342,131	83,869	71,279	71,279	1.06
EcoNet (Suzhou) Limited	330,660	914,324	534,788	379,536	1,808,376	94,730	97,033	Not applicable
MediaTek (Suzhou) Inc.	49,598	35,689	25	35,664	-	(280)	1,076	Not applicable
MediaTek (Nanjing) Inc.	33,066	35,244	18	35,226	-	(276)	(503)	Not applicable
AutoChips Inc.	197,442	2,762,948	657,318	2,105,630	1,907,388	672,398	1,017,217	Not applicable

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT$)
MSar Semiconductor B.V.	55,580	20,504	1,364	19,140	(1,542)	(3,985)	(3,985)	(332.86)
Lightup International Corp.	298,000	49,269	-	49,269	-	(128)	(41,748)	(1.40)
MediaTek Bangalore Private Limited	9,987	310,594	214,112	96,482	604,898	101,269	76,907	38.45
Gaintech Co. Limited	10,789,143	77,986,997	13,276,576	64,710,421	3,384,646	2,966,067	2,966,067	9.09
Cloud Ranger Limited	120,327	120,304	-	120,304	9	(23)	(23)	(0.01)
White Dwarf Limited	165	5,638	-	5,638	(117)	(184)	(184)	(36.89)
MStar France SAS	164,820	844,543	46,861	797,682	216,443	8,386	11,926	25.99
Shunfonger Investment Holding Limited	24,313	177	-	177	-	-	-	-
IStar Technology Ltd.	1,653	172,789	-	172,789	-	(604)	(586)	(11.72)
MStar Co., Ltd.	193,436	507,864	573,704	(65,840)	70,576	(419,112)	(419,112)	(71.64)
Digimoc Holdings Limited	1,653	564	252,682	(252,118)	3	(1,470,154)	(1,470,154)	(29,403.09)
MStar Semiconductor UK Ltd.	44,584	141,745	2,948	138,797	50,894	(6,309)	(6,321)	(6.91)
Mrise Technology Inc.	1,000	937	-	937	-	(63)	(63)	(0.63)
AIT Holding Ltd.	65,447	588	-	588	-	(3,779)	-	-
AIT Management Ltd.	62,074	692	-	692	-	(3,751)	-	-
MStar Software R&D (Shenzhen), Ltd.	991,980	593,180	341,009	252,171	799,755	40,750	43,008	Not applicable
Bubbly Bay Holdings Limited	1,653	3,132	-	3,132	-	(25)	(25)	(0.50)

Note: The amount of capital, asset, liabilities and net worth in this table were calculated using the exchange rate at end of 2015. The net sales, income from operation, net income and EPS numbers were calculated using the average exchange rate in 2015.

2. Private Placement Securities

None.

3. Holding or Disposition of MediaTek Stocks by Subsidiaries

Unit: NT$ thousands / 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.	3,759,872	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 Sheets

1.1. 2012-2015 Consolidated Condensed Balance Sheets – MediaTek & Subsidiaries – Based on IFRS

Unit: NT$ thousands

Item		2012	2013	2014	2015
Current assets		117,744,362	161,740,929	248,554,935	214,873,175
Funds and investments		64,965,683	68,039,686	15,000,614	22,813,731
Property, plant and equipment		10,732,494	11,312,107	23,294,555	34,390,077
Intangible assets		15,727,448	15,509,193	60,757,826	75,430,673
Other assets		1,236,531	2,034,947	3,510,741	3,742,000
Total assets		210,406,518	258,636,862	351,118,671	351,249,656
Current liabilities	Before distribution	32,979,368	61,384,592	101,619,838	101,266,471
	After distribution	33,654,058	84,949,915	136,194,535	(Note)
Non-current liabilities		1,969,426	1,898,871	1,893,086	2,896,300
Total liabilities	Before distribution	34,948,794	63,283,463	103,512,924	104,162,771
	After distribution	35,623,484	86,848,786	138,087,621	(Note)
Equity attributable to owners of the parent					
Share capital		13,493,804	13,497,140	15,714,922	15,715,837
Capital surplus		79,672,498	68,474,910	88,047,914	88,354,178
Retained earnings	Before distribution	87,496,557	114,294,875	136,855,169	128,508,763
	After distribution	86,821,867	90,729,552	102,280,472	(Note)
Other equity		(5,183,374)	(895,749)	6,606,113	7,904,918
Treasury shares		(55,970)	(55,970)	(55,970)	(55,970)
Total equity attributable to owners of the parent	Before distribution	175,423,515	195,315,206	247,168,148	240,427,726
	After distribution	174,748,825	171,749,883	212,593,451	(Note)
Non-controlling interests		34,209	38,193	437,599	6,659,159
Total equity	Before distribution	175,457,724	195,353,399	247,605,747	247,086,885
	After distribution	174,783,034	171,788,076	213,031,050	(Note)

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

1.2. 2011 Consolidated Condensed Balance Sheets – MediaTek & Subsidiaries – Based on ROC GAAP

Unit: NT$ thousands

Item		2011
Current assets		112,042,128
Funds and investments		9,416,963
Fixed assets		9,810,051
Intangible assets		16,150,659
Other assets		321,307
Total assets		147,741,108
Current liabilities	Before distribution	30,428,120
	After distribution	40,756,244
Long-term liabilities		147,662
Other liabilities		836,999
Total liabilities	Before distribution	31,412,781
	After distribution	41,740,905
Capital		11,475,191
Capital reserve		24,605,882
Retained earnings	Before distribution	82,463,225
	After distribution	72,135,101
Cumulative translation adjustments		(2,253,504)
Net loss not recognized as pension cost		-
Unrealized gain (loss) from financial instruments		43,192
Treasury stock		(55,970)
Minority Interests		50,311
Total shareholders' equity	Before distribution	116,328,327
	After distribution	106,000,203

1.3. 2012-2015 Condensed Balance Sheets – Parent Company – Based on IFRS

Unit: NT$ thousands

Item		2012	2013	2014	2015
Current assets		48,948,759	70,707,646	149,267,002	94,412,808
Funds and investments		135,159,040	144,972,800	129,656,160	155,319,309
Property, plant and equipment		6,282,152	6,331,668	9,177,068	10,565,034
Intangible assets		7,039,987	7,242,842	28,740,924	29,881,027
Other assets		579,683	1,216,985	2,429,791	1,292,315
Total assets		198,009,621	230,471,941	319,270,945	291,470,493
Current liabilities	Before distribution	20,823,735	33,630,662	70,428,396	49,045,380
	After distribution	21,498,425	57,195,985	105,003,093	(Note)
Non-current liabilities		1,762,371	1,526,073	1,674,401	1,997,387
Total liabilities	Before distribution	22,586,106	35,156,735	72,102,797	51,042,767
	After distribution	23,260,796	58,722,058	106,677,494	(Note)
Share capital		13,493,804	13,497,140	15,714,922	15,715,837
Capital surplus		79,672,498	68,474,910	88,047,914	88,354,178
Retained earnings	Before distribution	87,496,557	114,294,875	136,855,169	128,508,763
	After distribution	86,821,867	90,729,552	102,280,472	(Note)
Other equity		(5,183,374)	(895,749)	6,606,113	7,904,918
Treasury shares		(55,970)	(55,970)	(55,970)	(55,970)
Total equity	Before distribution	175,423,515	195,315,206	247,168,148	240,427,726
	After distribution	174,748,825	171,749,883	212,593,451	(Note)

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

1.4. 2011 Condensed Balance Sheets – Parent Company –Based on ROC GAAP

Unit: NT$ thousands

Item		2011
Current assets		42,508,698
Funds and investments		81,168,558
Fixed assets		6,503,119
Intangible assets		7,714,627
Other assets		141,602
Total assets		138,036,604
Current liabilities	Before distribution	20,740,542
	After distribution	31,068,666
Long-term liabilities		-
Other liabilities		1,018,046
Total liabilities	Before distribution	21,758,588
	After distribution	32,086,712
Capital		11,475,191
Capital reserve		24,605,882
Retained earnings	Before distribution	82,463,225
	After distribution	72,135,101
Cumulative translation adjustments		(2,253,504)
Net loss not recognized as pension cost		-
Unrealized gain (loss) from financial instruments		43,192
Treasury stock		(55,970)
Total shareholders' equity	Before distribution	116,278,016
	After distribution	105,949,892

2. Condensed Statements of Comprehensive Income / Statements of Income

2.1. 2012-2015 Consolidated Condensed Statements of Comprehensive Income – MediaTek & Subsidiaries – Based on IFRS

Unit: NT$ thousands

Item	2012	2013	2014	2015
Net sales	99,263,160	136,055,954	213,062,916	213,255,240
Gross profit	41,059,021	59,805,584	103,868,621	92,179,586
Operating income	12,402,775	25,243,720	47,241,310	25,907,970
Non-operating income and expenses	4,082,306	4,303,102	5,108,645	3,460,523
Net income before income tax	16,485,081	29,546,822	52,349,955	29,368,493
Net income	15,544,530	27,484,650	46,399,073	25,768,732
Other comprehensive Income, net of tax	(3,035,326)	4,253,825	7,268,758	1,594,830
Total comprehensive income	12,509,204	31,738,475	53,667,831	27,363,562
Net income (loss) for the periods attributable to:				
Owners of the parent	15,583,745	27,515,052	46,397,892	25,958,429
Non-controlling interests	(39,215)	(30,402)	1,181	(189,697)
Total comprehensive income for the periods attributable to:				
Owners of the parent	12,525,306	31,760,633	53,627,479	27,527,096
Non-controlling interests	(16,102)	(22,158)	40,352	(163,534)
Earnings per share (NT$)	12.81	20.51	30.04	16.60
Earnings per share – adjusted (NT$)	12.81	20.51	30.04	(Note)

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

2.2. 2011 Consolidated Condensed Statements of Income – MediaTek & Subsidiaries – Based on ROC GAAP

Unit: NT$ thousands

Item	2011
Net sales	86,857,494
Gross profits	39,344,157
Operating income	12,344,728
Non-operating income and gains	1,970,525
Non-operating expenses and losses	(112,002)
Income from continuing operations before income tax	14,203,251
Consolidated net income	13,615,803
Income attributable to owners of the parent	13,623,070
Earnings per share (NT$)	12.35
Earnings per share – adjusted (NT$)	12.35

2.3. 2012-2015 Condensed Statements of Comprehensive Income – Parent Company – Based on IFRS

Unit: NT$ thousands

Item	2012	2013	2014	2015
Net sales	63,474,029	96,230,064	136,265,018	99,245,700
Gross profit	22,700,240	41,335,679	68,274,360	49,716,650
Operating income	5,757,882	18,812,492	33,867,177	11,447,326
Non-operating income and expenses	10,565,227	10,395,013	16,233,126	16,603,855
Net income before income tax	16,323,109	29,207,505	50,100,303	28,051,181
Net income	15,583,745	27,515,052	46,397,892	25,958,429
Other Comprehensive Income, net of tax	(3,058,439)	4,245,581	7,229,587	1,568,667
Total comprehensive income	12,525,306	31,760,633	53,627,479	27,527,096
Earnings per share (NT$)	12.81	20.51	30.04	16.60
Earnings per share – adjusted (NT$)	12.81	20.51	30.04	(Note)

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

2.4. 2011 Condensed Statements of Income − Parent Company - Based on ROC GAAP

Unit: NT$ thousands

Item	2011
Net sales	53,842,366
Gross profits	22,069,130
Operating income	4,839,781
Non-operating income and gains	9,257,428
Non-operating expenses and losses	(138,661)
Income from continuing operations before income tax	13,958,548
Net income	13,623,070
Earnings per share (NT$)	12.35
Earnings per share – adjusted (NT$)	12.35

3. Auditors' Opinions from 2011 to 2015

Year	Accounting Firm	Name of Auditors (CPA)	Audio Opinion
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
2014	Ernst & Young	Shou-Pin Kuo, Jin-Lai Wang	Unqualified Opinions
2015	Ernst & Young	Jia-Ling Tu, Jin-Lai Wang	Unqualified Opinions

4. Five-Year Financial Analysis

4.1. 2012-2015 Consolidated Financial Analysis – MediaTek & Subsidiaries – Based on IFRS

Item			2012	2013	2014	2015
Capital structure analysis	Debt ratio (%)		16.61	24.47	29.48	29.65
	Long-term fund to property, plant and equipment ratio (%)		1,635.89	1,727.71	1,063.17	718.48
Liquidity Analysis	Current ratio (%)		357.02	263.49	244.59	212.19
	Quick ratio (%)		311.52	245.97	220.40	186.19
	Times interest earned (Times)		151.61	202.25	110.34	54.87
Operating performance analysis	Average collection turnover (Times)		11.88	11.58	12.88	10.37
	Days sales outstanding		31	32	28	35
	Average inventory turnover (Times)		4.05	5.36	5.07	3.87
	Average payment turnover (Times)		6.44	7.63	8.55	7.87
	Average inventory turnover days		90	68	72	94
	Property, plant and equipment turnover (Times)		9.64	12.34	12.31	7.39
	Total assets turnover (Times)		0.55	0.58	0.70	0.61
Profitability analysis	Return on total assets (%)		8.73	11.77	15.35	7.47
	Return on equity attributable to owners of the parent (%)		10.66	14.82	20.95	10.42
	Pre-tax income to paid-in capital (%)		122.17	218.91	333.12	186.87
	Net margin (%)		15.66	20.20	21.78	12.08
	Earnings per share (NT$)	Before adjustments	12.81	20.51	30.04	16.60
		After adjustments	12.81	20.51	30.04	N/A
Cash flow	Cash flow ratio (%)		34.58	64.47	43.62	23.08
	Cash flow adequacy ratio (%) (Note)		125.00	141.34	105.66	94.44
	Cash flow reinvestment ratio (%)		0.65	14.68	10.75	(6.21)
Leverage	Operating leverage		5.72	4.13	3.60	6.25
	Financial leverage		1.01	1.01	1.01	1.02

Changes that exceed 20% in the past two years and explanation for those changes:

(1) Long-term fund to property, plant and equipment ratio decreased by 32%: Mainly due to increase in property, plant and equipment.

(2) Times interest earned decreased by 50%: Mainly due to decrease in earnings before interest and taxes.

(3) Average collection turnover increased by 24%: Mainly due to increase in average trade receivables.

(4) Average inventory turnover decreased by 24% and average inventory turnover days increased by 31%: Mainly due to increase in average inventory

(5) Property, plant and equipment turnover decreased by 40%: Mainly due to increase in average property, plant and equipment.

(6) Return on total assets decreased by 51%, return on equity decreased by 50%, pre-tax income to paid-in capital decreased by 44%, net margin decreased by 45% and basic earnings per share decreased by 45%: Mainly due to decrease in net income before income tax and net income.

(7) Cash flow ratio decreased by 47% and cash flow reinvestment ratio decreased by 157%: Mainly due to decrease in cash provided by operating activities and increase in cash dividend.

(8) Operating leverage increased by 74%: Mainly due to decrease in operating income.

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

4.2. 2011 Consolidated Financial Analysis – MediaTek & Subsidiaries – Based on ROC GAAP

Item			2011
Capital structure analysis	Debt ratio (%)		21.26
	Long-term fund to fixed assets (%)		1,187.31
Liquidity Analysis	Current ratio (%)		368.22
	Quick ratio (%)		335.08
	Times interest earned (Times)		1,515.53
Operating performance analysis	Average collection turnover (Times)		11.28
	Days sales outstanding		32
	Average inventory turnover (Times)		3.57
	Average payment turnover (Times)		5.45
	Average inventory turnover days		102
	Fixed assets turnover (Times)		9.86
	Total assets turnover (Times)		0.61
Profitability analysis	Return on total assets (%)		9.53
	Return on equity (%)		11.94
	Income to paid-in capital (%)	Operating income	107.58
		Pre-tax income	123.77
	Net margin (%)		15.68
	Earnings per share (NT$)	Before adjustments	12.35
		After adjustments	12.35
Cash flow	Cash flow ratio (%)		54.91
	Cash flow adequacy ratio (%)		125.42
	Cash flow reinvestment ratio (%)		(4.99)
Leverage	Operating leverage		5.27
	Financial leverage		1.00

4.3. 2012-2015 Financial Analysis – Parent Company – Based on IFRS

Item			2012	2013	2014	2015
Capital structure analysis	Debt ratio (%)		11.41	15.25	22.58	17.51
	Long-term fund to property, plant,, and equipment ratio (%)		2,792.41	3,084.74	2,693.91	2,275.69
Liquidity Analysis	Current ratio (%)		235.06	210.25	211.94	192.50
	Quick ratio (%)		182.63	190.46	198.88	174.50
	Times interest earned (Times)		9,414.56	1,393.09	294.80	96.42
Operating performance analysis	Average collection turnover (Times)		15.98	13.20	14.15	11.95
	Days sales outstanding		23	28	26	31
	Average inventory turnover (Times)		3.89	5.31	5.94	3.72
	Average payment turnover (Times)		6.05	7.89	9.43	7.46
	Average inventory turnover days		94	69	61.47	98.07
	Property, plant, and equipment turnover (Times)		9.93	15.26	17.57	10.05
	Total assets turnover (Times)		0.38	0.45	0.50	0.33
Profitability analysis	Return on total assets (%)		9.28	12.85	16.93	8.58
	Return on equity attributable to shareholders of the parent (%)		10.69	14.84	20.97	10.65
	Pre-tax income to paid-in capital (%)		120.97	216.40	318.81	178.49
	Net margin (%)		24.55	28.59	34.05	26.16
	Basic earnings per share (NT$)	Before adjustments	12.81	20.51	30.04	16.60
		After adjustments	12.81	20.51	30.04	N/A
Cash flow	Cash flow ratio (%)		21.33	92.35	101.08	19.29
	Cash flow adequacy ratio (%)		91.43	96.33	116.95	106.96
	Cash flow reinvestment ratio (%)		(3.39)	9.81	21.41	(11.59)
Leverage	Operating leverage		7.65	3.72	3.00	5.70
	Financial leverage		1.00	1.00	1.01	1.03

Changes that exceed 20% in the past two years and explanation for those changes:
(1) Debt ratio decreased by 22%: Mainly due to decrease in short-term borrowings, other payables and tax payables.
(2) Times interest earned decreased by 67%: Mainly due to decrease in earnings before interest and taxes.
(3) Average inventory turnover decreased by 37% and average inventory turnover days increased by 60%: Mainly due to increase in average inventory.
(4) Average payment turnover decreased by 21%: Mainly due to decrease in operating costs associated with lower net sales.
(5) Property, plant, and equipment turnover decreased by 43%: Mainly due to increase in property, plant and equipment.
(6) Total assets turnover decreased by 34%: Mainly due to decrease in net sales.
(7) Return on total assets decreased by 49%, return on equity decreased by 49%, pre-tax income to paid-in capital decreased by 44%, net margin decreased by 23% and basic earnings per share decreased by 45%: Mainly due to decrease in net income before income tax and net income.
(8) Cash flow ratio decreased by 81% and cash flow reinvestment ratio decreased by 154%: Mainly due to decrease in net cash provided by operating activities and increase in cash dividend.
(9) Operating leverage increased by 90%: Mainly due to decrease in operating income.

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

4.4. 2011 Financial Analysis – Parent Company – Based on ROC GAAP

Item			2011
Capital structure analysis	Debt ratio (%)		15.76
	Long-term fund to fixed assets (%)		1,788.03
Liquidity Analysis	Current ratio (%)		204.95
	Quick ratio (%)		173.21
	Times interest earned (Times)		3,086.44
Operating performance analysis	Average collection turnover (Times)		14.17
	Days sales outstanding		26
	Average inventory turnover (Times)		3.42
	Average payment turnover (Times)		4.84
	Average inventory turnover days		107
	Fixed assets turnover (Times)		8.13
	Total assets turnover (Times)		0.39
Profitability analysis	Return on total assets (%)		9.99
	Return on equity (%)		11.95
	Income to paid-in capital (%)	Operating income	42.18
		Pre-tax income	121.64
	Net margin (%)		25.30
	Earnings per share (NT$)	Before adjustments	12.35
		After adjustments	12.35
Cash flow	Cash flow ratio (%)		38.50
	Cash flow adequacy ratio (%)		104.22
	Cash flow reinvestment ratio (%)		(12.41)
Leverage	Operating leverage		7.52
	Financial leverage		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). Net margin = Net income / Net sales

(4). 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). Net margin = Net income / Net sales

(4). 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. Audit Committee's Review Report

MediaTek Inc.
Audit Committee's Report

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Ernst & Young was retained to audit MediaTek's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of MediaTek Inc. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To MediaTek Inc. 2016 Annual General Shareholders' Meeting

MediaTek Inc.

Chairman of Audit Committee: Chung-Yu Wu

April 29, 2016

6. Financial Statements and Independent Auditors' Report – MediaTek & Subsidiaries (Page F1 – Page F108)

7. Financial Statements and Independent Auditors' Report – Parent Company (Page F109 – Page F185)

8. The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties

None.

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 ENDED
December 31, 2015 AND 2014

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2015 and for the year then ended prepared under the International Financial Reporting Standards, No.10 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 17, 2016

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
Fax: 886 3 688 6000
www.ey.com/taiwan

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, 2015 and 2014 and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. 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, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014, 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 its parent company only financial statements as of December 31, 2015 and 2014 and for the years then ended. We have expressed an unqualified opinion on those parent company only financial statements.

Ernst & Young

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 17, 2016
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, 2015 and 2014
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2015	%	December 31, 2014	%
Current assets					
Cash and cash equivalents	4, 6(1)	$ 153,279,687	44	$ 192,797,506	55
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	3,836,003	1	3,547,217	1
Available-for-sale financial assets-current	4, 5, 6(3)	7,763,131	2	7,575,242	2
Held-to-maturity financial assets-current	4, 6(5)	1,257,437	-	288,378	-
Debt instrument investments for which no active market exists-current	4, 6(6), 8	761,282	-	1,086,146	-
Trade receivables, net	4, 5, 6(7)	16,195,318	4	12,552,399	4
Other receivables	6(7), 7	2,996,512	1	5,296,078	2
Current tax assets	4, 5	319,202	-	47,323	-
Inventories, net	4, 5, 6(8)	24,130,344	7	22,341,336	6
Prepayments		2,192,349	1	2,247,248	1
Other current assets		2,141,910	1	776,062	-
Total current assets		214,873,175	61	248,554,935	71
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	5,967,301	2	4,040,793	1
Available-for-sale financial assets-noncurrent	4, 5, 6(3)	8,698,862	3	4,894,091	1
Held-to-maturity financial assets-noncurrent	4, 6(5)	266,498	-	127,787	-
Financial assets measured at cost-noncurrent	4, 6(4)	4,901,012	1	3,782,384	1
Debt instrument investments for which no active market exists-noncurrent	4, 6(6), 8	261,068	-	946	-
Investments accounted for using the equity method	4, 6(9)	2,718,990	1	2,154,613	1
Property, plant and equipment	4, 6(10), 6(26)	34,390,077	10	23,294,555	7
Investment property	4, 6(11)	275,590	-	-	-
Intangible assets	4, 6(12), 6(13), 6(26), 7	75,430,673	21	60,757,826	17
Deferred tax assets	4, 5, 6(24)	2,997,362	1	3,196,429	1
Refundable deposits		239,755	-	194,392	-
Long-term prepaid rent		150,864	-	119,920	-
Other non-current assets-others		78,429	-	-	-
Total non-current assets		136,376,481	39	102,563,736	29
Total assets		$ 351,249,656	100	$ 351,118,671	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, 2015 and 2014
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2015	%	December 31, 2014	%
Current liabilities					
Short-term borrowings	6(14)	$ 49,123,477	14	$ 46,160,593	13
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	32,194	-	50,393	-
Trade payables		15,511,132	4	13,927,964	4
Trade payables to related parties	7	645,120	-	677,196	-
Other payables	6(15)	31,558,621	9	32,766,959	10
Current tax liabilities	4, 5, 6(24)	2,269,892	1	7,322,589	2
Other current liabilities		2,069,823	1	676,082	-
Current portion of long-term liabilities		56,212	-	38,062	-
Total current liabilities		101,266,471	29	101,619,838	29
Non-current liabilities					
Long-term payables		-	-	53,920	-
Net defined benefit liabilities-noncurrent	4, 6(16)	755,371	-	940,996	1
Deposits received	7	169,738	-	121,643	-
Deferred tax liabilities	4, 5, 6(24)	1,814,256	1	629,651	-
Non-current liabilities-others		156,935	-	146,876	-
Total non-current liabilities		2,896,300	1	1,893,086	1
Total liabilities		104,162,771	30	103,512,924	30
Equity attributable to owners of the parent					
Share capital	6(17)				
Common stock		15,715,837	5	15,714,455	4
Capital collected in advance		-	-	467	-
Capital surplus	4, 6(17), 6(18), 6(27)	88,354,178	25	88,047,914	25
Retained earnings	6(17)				
Legal reserve		32,032,476	9	27,392,687	8
Special reserve		-	-	895,749	-
Undistributed earnings		96,476,287	27	108,566,733	31
Other equity	6(17)	7,904,918	2	6,606,113	2
Treasury shares	4, 6(17)	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		240,427,726	68	247,168,148	70
Non-controlling interests	4, 6(17), 6(28)	6,659,159	2	437,599	-
Total equity		247,086,885	70	247,605,747	70
Total liabilities and equity		$ 351,249,656	100	$ 351,118,671	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 STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014

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

Description	Notes	2015	%	2014	%
Net sales	4, 5, 6(19), 7	$ 213,255,240	100	$ 213,062,916	100
Operating costs	4, 5, 6(8), 6(20), 7	(121,075,654)	(57)	(109,194,295)	(51)
Gross profit		92,179,586	43	103,868,621	49
Operating expenses	6(20), 7				
Selling expenses		(9,326,054)	(4)	(7,372,827)	(4)
Administrative expenses		(7,416,797)	(4)	(5,917,136)	(3)
Research and development expenses		(49,528,765)	(23)	(43,337,348)	(20)
Total operating expenses		(66,271,616)	(31)	(56,627,311)	(27)
Operating income		25,907,970	12	47,241,310	22
Non-operating income and expenses					
Other income	4, 6(21), 7	3,463,849	2	3,483,335	2
Other gains and losses	4, 6(22)	(116,187)	-	1,120,151	1
Finance costs	6(23)	(545,218)	-	(478,782)	-
Share of profit of associates accounted for using the equity method	4, 6(9)	658,079	-	983,941	-
Total non-operating income and expenses		3,460,523	2	5,108,645	3
Net income before income tax		29,368,493	14	52,349,955	25
Income tax expense	4, 5, 6(24)	(3,599,761)	(2)	(5,950,882)	(3)
Net income		25,768,732	12	46,399,073	22
Other comprehensive income	4, 6(9), 6(16), 6(17), 6(24)				
Not to be reclassified to profit or loss in subsequent periods					
Remeasurements of the defined benefit plan		315,416	-	(328,043)	-
Income tax relating to those items not to be reclassified to profit or loss		(53,621)	-	55,768	-
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		2,396,294	1	6,684,653	3
Unrealized gains (losses) from available-for-sale financial assets		(869,752)	-	878,929	-
Share of other comprehensive income of associates accounted for using the equity method		(100,603)	-	(22,549)	-
Income tax relating to those items to be reclassified to profit or loss		(92,904)	-	-	-
Other comprehensive income, net of tax		1,594,830	1	7,268,758	3
Total comprehensive income		$ 27,363,562	13	$ 53,667,831	25
Net income (loss) for the periods attributable to :					
Owners of the parent	6(25)	$ 25,958,429		$ 46,397,892	
Non-controlling interests	6(17), 6(28)	(189,697)		1,181	
		$ 25,768,732		$ 46,399,073	
Total comprehensive income for the periods attributable to :					
Owners of the parent		$ 27,527,096		$ 53,627,479	
Non-controlling interests	6(17)	(163,534)		40,352	
		$ 27,363,562		$ 53,667,831	
Basic Earnings Per Share (in New Taiwan Dollars)	6(25)	$ 16.60		$ 30.04	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(25)	$ 16.57		$ 29.96	

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, 2015 and 2014

(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 (losses) from available-for-sale financial assets				
Balance as of January 1, 2014	$ 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
Appropriation and distribution of 2013 earnings:												
Legal reserve	-	-	-	2,751,505	-	(2,751,505)	-	-	-	-	-	-
Special reserve	-	-	-	-	(4,176,676)	4,176,676	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(23,565,323)	-	-	-	(23,565,323)	-	(23,565,323)
Total	-	-	-	2,751,505	(4,176,676)	(22,140,152)	-	-	-	(23,565,323)	-	(23,565,323)
Profit for the year ended December 31, 2014	-	-	-	-	-	46,397,892	-	-	-	46,397,892	1,181	46,399,073
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	(272,275)	6,622,933	878,929	-	7,229,587	39,171	7,268,758
Total comprehensive income	-	-	-	-	-	46,125,617	6,622,933	878,929	-	53,627,479	40,352	53,667,831
Share-based payment transactions	8,549	(2,006)	63,935	-	-	-	-	-	-	70,478	-	70,478
Shares issued to acquire a new entity	2,211,239	-	18,957,141	-	-	-	-	-	-	21,168,380	-	21,168,380
Adjustments due to dividends that subsidiaries received from parent company	-	-	116,911	-	-	-	-	-	-	116,911	-	116,911
Changes in ownership interests in subsidiaries	-	-	203,151	-	-	-	-	-	-	203,151	359,054	562,205
Changes in other capital surplus	-	-	231,866	-	-	-	-	-	-	231,866	-	231,866
Balance as of December 31, 2014	15,714,455	467	88,047,914	27,392,687	895,749	108,566,733	4,218,292	2,387,821	(55,970)	247,168,148	437,599	247,605,747
Appropriation and distribution of 2014 earnings:												
Legal reserve	-	-	-	4,639,789	-	(4,639,789)	-	-	-	-	-	-
Special reserve	-	-	-	-	(895,749)	895,749	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(34,574,697)	-	-	-	(34,574,697)	-	(34,574,697)
Total	-	-	-	4,639,789	(895,749)	(38,318,737)	-	-	-	(34,574,697)	-	(34,574,697)
Profit for the year ended December 31, 2015	-	-	-	-	-	25,958,429	-	-	-	25,958,429	(189,697)	25,768,732
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-	269,862	2,285,303	(986,498)	-	1,568,667	26,163	1,594,830
Total comprehensive income	-	-	-	-	-	26,228,291	2,285,303	(986,498)	-	27,527,096	(163,534)	27,363,562
Share-based payment transactions	1,382	(467)	37,279	-	-	-	-	-	-	38,194	-	38,194
Adjustments due to dividends that subsidiaries received from parent company	-	-	171,469	-	-	-	-	-	-	171,469	-	171,469
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	(7,322)	-	-	-	-	-	-	(7,322)	-	(7,322)
Changes in ownership interests in subsidiaries	-	-	61,562	-	-	-	-	-	-	61,562	151,275	212,837
Changes in other capital surplus	-	-	43,276	-	-	-	-	-	-	43,276	-	43,276
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,233,819	6,233,819
Balance as of December 31, 2015	$ 15,715,837	$ -	$ 88,354,178	$ 32,032,476	$ -	$ 96,476,287	$ 6,503,595	$ 1,401,323	$ (55,970)	$ 240,427,726	$ 6,659,159	$ 247,086,885

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 December 31, 2015 and 2014

(Amounts in thousands of New Taiwan Dollars)

Description	2015	2014
Cash flows from operating activities :		
Profit before tax from continuing operations	$ 29,368,493	$ 52,349,955
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	2,076,791	1,312,641
Amortization	3,056,971	1,453,158
Bad debt provision	184,018	26,806
Losses on financial assets and liabilities at fair value through profit or loss	136,005	40,242
Interest expenses	545,218	478,782
Interest income	(2,817,091)	(3,125,381)
Dividend income	(478,971)	(238,877)
Share-based payment expenses	37,279	63,935
Share of profit of associates accounted for using the equity method	(658,079)	(983,941)
Losses on disposal of property, plant and equipment	13,405	2,775
Gains on disposal of investments	(1,394,606)	(928,953)
Impairment of financial assets	851,478	263,372
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(2,072,298)	(3,783,596)
Trade receivables	(866,371)	(483,221)
Other receivables	2,075,440	(839,604)
Inventories	792,360	(8,836,098)
Prepayments	162,455	(711,574)
Other current assets	(489,315)	(309,172)
Other non-current assets-others	(16,411)	-
Trade payables	226,012	1,883,426
Trade payables to related parties	(37,181)	(1,456,969)
Other payables	(4,247,755)	11,673,202
Other current liabilities	1,288,894	(730,994)
Long-term payables	(35,770)	(24,823)
Net defined benefit liabilities	11,161	62,085
Non-current liabilities-others	9,070	38,755
Cash generated from operating activities:		
Interest received	3,134,028	2,752,253
Dividend received	787,318	355,312
Interest paid	(533,631)	(485,217)
Income tax paid	(7,733,039)	(5,488,505)
Net cash provided by operating activities	23,375,878	44,329,774
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(10,825,598)	(4,344,406)
Proceeds from disposal of available-for-sale financial assets	6,943,493	827,975
Acquisition of debt instrument investments for which no active market exists	(2,079,078)	(1,923,564)
Proceeds from disposal of debt instrument investments for which no active market exists	2,250,587	959,768
Acquisition of held-to-maturity financial assets	(1,773,290)	-
Proceeds from redemption of held-to-maturity financial assets	673,561	824,381
Acquisition of financial assets measured at cost	(1,518,260)	(1,857,157)
Proceeds from disposal of financial assets measured at cost	33,708	935,500
Proceeds from capital return of financial assets measured at cost	36,340	41,835
Acquisition of investments accounted for using the equity method	(480,926)	(204,887)
Proceeds from disposal of investments accounted for using the equity method	280,103	-
Proceeds from capital return of investments accounted for using the equity method	21,824	-
Net cash (outflow) inflow from acquisition of subsidiaries	(14,922,171)	33,097,485
Acquisition of property, plant and equipment	(9,368,345)	(9,828,126)
Proceeds from disposal of property, plant and equipment	21,279	105,504
Increase in refundable deposits	(18,088)	(35,360)
Acquisition of intangible assets	(2,025,250)	(795,756)
Increase in long-term prepaid rent	(30,944)	(1,425)
Net cash (used in) provided by investing activities	(32,781,055)	17,801,767
Cash flows from financing activities :		
Increase in short-term borrowings	2,395,130	17,109,093
Decrease in long-term borrowings	-	(651,000)
Increase in deposits received	15,382	50,406
Proceeds from exercise of employee stock options	30,132	223,003
Cash dividends	(34,403,228)	(23,448,412)
Acquisition of subsidiaries	(266,458)	-
Change in non-controlling interests	219,387	560,126
Net cash used in financing activities	(32,009,655)	(6,156,784)
Effect of changes in exchange rate on cash and cash equivalents	1,897,013	3,825,023
Net (decrease) increase in cash and cash equivalents	(39,517,819)	59,799,780
Cash and cash equivalents at the beginning of the year	192,797,506	132,997,726
Cash and cash equivalents at the end of the year	$ 153,279,687	$ 192,797,506

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 17, 2016.

3. Newly Issued or Revised Standards and Interpretations

(1) The effects of adopting the International Financial Reporting Standards issued, revised or amended, which have been recognized by Financial Supervisory Commission (“FSC”):

MTK and its subsidiaries (“the Company”) adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations developed by the International Financial Reporting Interpretation Committee (IFRIC) and Interpretations of IASs (SIC) (collectively, “TIFRS”) which have been endorsed by FSC and effective for annual periods beginning on or after January 1, 2015. Except for the following descriptions of the nature and impact of the new standards and amendments, all other new standards and amendments have no material impact on the Company.

A. IAS 19 “Employee Benefits”

Major changes to the accounting of the Company’s defined benefit plan are summarized as follows:

a. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under the revised IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.

b. In the previous version of IAS 19, past service cost is recognized as an expense immediately to the extent that the benefits are already vested, or on a straight-line basis over the average period until the benefits become vested. Under the revised IAS 19, all past service costs are recognized at the earlier of when the amendment/curtailment occurs or when related restructuring costs are recognized. Therefore, unvested past service cost is no longer deferred over future vesting periods.

c. The revised IAS 19 required more disclosure, please refer to Note 6 for more details.

B. IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 sets out the requirements for the disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The Company adds relevant disclosures for the consolidated entities and unconsolidated entities.

C. IFRS 13 “Fair Value Measurements”

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. The Company re-assessed its policies for measuring fair values. Application of IFRS 13 has not material impact on the fair value measurements of the Company.

Additional disclosures where required under IFRS 13, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12. According to the transitional provisions of IFRS 13, IFRS 13 is applied prospectively as of January 1, 2015; the disclosure requirements of IFRS 13 need not be applied in comparative information before January 1, 2015.

D. IAS 1 “Presentation of Financial Statements”- Presentation of Items of Other Comprehensive Income

The amendment requires the Company changes 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. The amendment has no material impact on the Company’s recognitions and measurements, but for presentation of Statements of Other Comprehensive Income.

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

(2) Standards or interpretations issued by International Accounting Standards Board ("IASB") but not yet endorsed by FSC at the date of authorization of issuance of the Company's financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 36	"Impairment of Assets" (Amendment)	January 1, 2014
IFRIC 21	"Levies"	January 1, 2014
IAS 39	"Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IAS 19	"Employee Benefits" (Amendment) - 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
IFRS 11	"Joint Arrangements"- Joint operation (Amendment)	January 1, 2016
IAS 16 and IAS 38	"Property, Plant and Equipment" and "Intangible Assets" (Amendment) - Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IFRS 15	"Revenue from Contracts with Customers"	January 1, 2018
IAS 16 and IAS 41	"Agriculture: Bearer Plants" (Amendment)	January 1, 2016
IFRS 9	"Financial Instruments"	January 1, 2018

(To be continued)

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

(Continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 27	"Separate Financial Statements" - Equity Method in Separate Financial Statements (Amendment)	January 1, 2016
IFRS 10 and IAS 28	"Consolidated Financial Statements" and "Investments in Associates and Joint Ventures" (Amendment) - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	Postponed indefinitely
Improvements to International Financial Reporting Standards (2012-2014 cycle) :		
IFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"	January 1, 2016
IFRS 7	"Financial Instruments：Disclosures"	January 1, 2016
IAS 19	"Employee Benefits"	January 1, 2016
IAS 34	"Interim Financial Reporting"	January 1, 2016
IAS 1	"Presentation of Financial Statements"- Disclosure Initiative	January 1, 2016
IFRS 10, IFRS 12 and IAS 28	"Investment Entities"- Applying the Consolidation Exception	January 1, 2016
IFRS 16	"Leases"	January 1, 2019
IAS 12	"Income Taxes"- Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
IAS 7	"Statement of Cash Flows" (Amendment)	January 1, 2017

A. 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.

B. 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”.

C. IFRS 15“Revenue from Contracts with Customers”

The core principle of the new Standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1：Identify the contracts with a customer;

Step 2：Identify the performance obligations in the contract;

Step 3：Determine the transaction price;

Step 4：Allocate the transaction price to the performance obligations in the contracts;

Step 5：Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

D. IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, impairment and hedge accounting. The standard will replace IAS 39 “Financial Instruments: Recognition and Measurement” and all previous versions of IFRS 9 “Financial Instruments” (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

E. Disclosure Initiative- Amendment to IAS 1 "Presentation of Financial Statements":
The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material (2) clarifying that specific line items in the statement(s) of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

F. IFRS 16 "Leases"
The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

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~F, 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

Preparation principle of consolidated financial statement

Control is achieved when MTK is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, MTK controls an investee if and only if MTK has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

When MTK has less than a majority of the voting or similar rights of an investee, MTK considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangements;
c. MTK's voting rights and potential voting rights.

MTK re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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 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.

The consolidated entities are listed as follows:

			Percentage of Ownership		
Investor	Subsidiary	Business nature	December 31, 2015	December 31, 2014	Note
MTK	MediaTek Investment Corp.	General investing	-	-	1
MTK	Hsu-Ta Investment Corp.	General investing	100%	100%	-
MTK	MediaTek Singapore Pte. Ltd.	Research, manufacturing and sales	100%	100%	-
MTK	MediaTek Investment Singapore Pte. Ltd.	General investing	100%	100%	1&2
MTK	Ralink Technology Corp.	Research, manufacturing and sales	-	-	3
MTK	T-Rich Technology (Cayman) Corp.	General investing	100%	100%	3

(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, 2015	Percentage of Ownership December 31, 2014	Note
MTK	MStar Semiconductor Inc.	Research, manufacturing and sales	100%	100%	2&4
MTK	Hsu-Chuang Investment Corp.	General investing	100%	-	5
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	General investing	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Capital Corp.	General investing	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Bangalore Private Limited	Research	0%	0%	6
Hsu-Ta Investment Corp.	Hsu-Si Investment Corp.	General investing	100%	-	7
MediaTek Investment Corp.	Gaintech Co. Limited	General investing	-	-	1
Ralink Technology Corp.	T-Rich Technology (Cayman) Corp.	General investing	-	-	3
Ralink Technology Corp.	MediaTek USA Inc.	Research	-	-	3
MediaTek Singapore Pte. Ltd.	MediaTek Wireless LLC (Dubai)	Technology services	-	-	8
MediaTek Capital Corp.	RollTech Technology Co., Ltd.	Software development	67%	67%	-
MediaTek Capital Corp.	E-Vehicle Semiconductor Technology Co., Ltd.	Research, manufacturing and sales	51%	72%	-
MediaTek Capital Corp.	Alpha Imaging Technology Corp.	Research, manufacturing and sales	-	-	9
MediaTek Capital Corp.	Chingis Technology Corp.	Research	100%	-	10
MediaTek Capital Corp.	Velocenet Inc.	Research	100%	-	11
MediaTek Capital Corp.	Nephos (Taiwan) Inc.	Research	100%	-	11
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Research	0%	0%	-

(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, 2015	Percentage of Ownership December 31, 2014	Note
Hsu-Si Investment Corp.	Richtek Technology Corp.	Research, manufacturing and sales	51%	-	7
Richtek Technology Corp	Richstar Group Co., Ltd.	General investing	100%	-	7
Richtek Technology Corp	Ironman Overseas Co., Ltd.	General investing	100%	-	7
Richtek Technology Corp	Richtek Europe Holding B.V.	General investing	100%	-	7
Richtek Technology Corp	Richtek Holding International Limited	General investing	100%	-	7
Richtek Technology Corp	Richpower Microelectronics Corp.	Manufacturing and sales	100%	-	7
Richtek Technology Corp	Li-Yu Investment Corp.	General investing	100%	-	7
Richtek Technology Corp	Richnex Microelectronics Corp.	Research, manufacturing and sales	77%	-	7
Richtek Technology Corp	Richtek Global Marketing Co., Ltd.	General investing	100%	-	7
Richstar Group Co., Ltd.	RichTek USA Inc.	Sales and marketing service	100%	-	7
Ironman Overseas Co., Ltd.	Cosmic-Ray Technology Limited	General investing	100%	-	7
Richtek Europe Holding B.V.	RichTek Europe B.V.	Marketing service	100%	-	7
Cosmic-Ray Technology Limited	Li-We Technology Corp.	Marketing service	100%	-	7
Richpower Microelectronics Corp.	Richpower Microelectronics Corporation	Management service	100%	-	7
Richpower Microelectronics Corp.	Richpower Microelectronics Co., Ltd.	Marketing service	100%	-	7
Li-Yu Investment Corp.	Corporate Event Limited	Marketing service	51%	-	7

(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, 2015	December 31, 2014	Note
Richtek Global Marketing Co., Ltd	Richtek Korea LLC.	Sales and marketing service	100%	-	7
Gaintech Co. Limited	MediaTek China Limited	General investing	100%	100%	-
Gaintech Co. Limited	MTK Wireless Limited (UK)	Research	100%	100%	-
Gaintech Co. Limited	MediaTek Denmark Aps	Research	-	-	12
Gaintech Co. Limited	MediaTek Japan Inc.	Research	100%	100%	-
Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	Research	100%	100%	-
Gaintech Co. Limited	MediaTek Korea Inc.	Research	100%	100%	-
Gaintech Co. Limited	MediaTek USA Inc.	Research	-	-	12
Gaintech Co. Limited	Hesine Technologies International Worldwide Inc.	General investing	52%	65%	-
Gaintech Co. Limited	Gold Rich International (Samoa) Limited	General investing	100%	100%	-
Gaintech Co. Limited	Smarthead Limited	General investing	100%	100%	-
Gaintech Co. Limited	Lepower Limited	General investing	-	100%	13&18
Gaintech Co. Limited	Ralink Technology (Samoa) Corp.	General investing	100%	100%	-
Gaintech Co. Limited	MediaTek Sweden AB	Research	-	-	12
Gaintech Co. Limited	EcoNet (Cayman) Inc.	General investing	88%	88%	-
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technology services	100%	100%	-
Gaintech Co. Limited	Digital Lord Limited	General investing	100%	-	14
Gaintech Co. Limited	Hsu Chia (Samoa) Investment Ltd.	General investing	100%	-	14
Gaintech Co. Limited	Hsu Fa (Samoa) Investment Ltd.	General investing	100%	-	14
Gaintech Co. Limited	Hsu Kang (Samoa) Investment Ltd.	General investing	100%	-	14
Gaintech Co. Limited	Nephos Pte. Ltd.	Research	100%	-	22
Gaintech Co. Limited	Nephos Inc.	Research	100%	-	22
MediaTek China Limited	MediaTek (Hefei) Inc.	Research	100%	100%	-

(To be continued)

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

(Continued)

			Percentage of Ownership		
Investor	Subsidiary	Business nature	December 31, 2015	December 31, 2014	Note
MediaTek China Limited	MediaTek (Beijing) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Shenzhen) Inc.	Research and Technology services	100%	100%	-
MediaTek China Limited	MediaTek (Chengdu) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Wuhan) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	General investing	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	Research and Technology services	100%	100%	15
MTK Wireless Limited (UK)	MediaTek Sweden AB	Research	100%	100%	12
MTK Wireless Limited (UK)	MediaTek USA Inc.	Research	100%	100%	3&12 &17
MTK Wireless Limited (UK)	MediaTek Denmark Aps	Research	100%	100%	12
MTK Wireless Limited (UK)	MediaTek Wireless Finland Oy	Research	100%	100%	16
MediaTek USA Inc.	Ralink Technology Corporation (USA)	Research	-	-	17
Hesine Technologies International Worldwide Inc.	Hesine Technologies, Inc.	Technology services	100%	100%	-
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	-
Lepower Limited	Lepower (HK) Limited	General investing	-	100%	18
Digital Lord Limited	Lepower (HK) Limited	General investing	100%	-	18
Lepower (HK) Limited	Lepower Technologies (Beijing), Inc.	Research, manufacturing and sales	91%	91%	-
E-Vehicle Semiconductor Technology Co., Ltd.	E-Vehicle Holdings Corp.	General investing	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 December 31, 2015	Percentage of Ownership December 31, 2014	Note
E-Vehicle Holdings Corp.	E-Vehicle Investment Limited	General investing	100%	100%	-
E-Vehicle Investment Limited	E-Vehicle Semiconductor (Shanghai) Co., Ltd.	Research, manufacturing and sales	100%	100%	-
EcoNet (Cayman) Inc.	Shadow Investment Limited	General investing	100%	100%	-
EcoNet (Cayman) Inc.	EcoNet (HK) Limited	Research and sales	100%	100%	-
EcoNet (HK) Limited	EcoNet (Suzhou) Limited	Research, manufacturing and sales	100%	100%	19
Shadow Investment Limited	MediaTek (Suzhou) Inc.	Research	100%	100%	-
Shadow Investment Limited	MediaTek (Nanjing) Inc.	Research	100%	100%	-
Ralink Technology (Samoa) Corp.	AutoChips Inc.	Research, manufacturing and sales	86%	89%	-
MediaTek Investment Singapore Pte. Ltd.	MStar Semiconductor B.V.	General investing	100%	100%	2
MediaTek Investment Singapore Pte. Ltd.	Lightup International Corp.	General investing	100%	100%	2
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	100%	100%	6
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	100%	1
MediaTek Investment Singapore Pte. Ltd.	Cloud Ranger Limited	General investing	100%	-	20
MStar Semiconductor B.V.	MStar Semiconductor, Inc.	Research, manufacturing and sales	-	-	2&4
MStar Semiconductor B.V.	White Dwarf Limited	General investing	100%	100%	2
White Dwarf Limited	MStar India Private Limited	Research	-	-	2
MStar Semiconductor, Inc.	MStar France SAS	Software development	100%	100%	2

(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, 2015	Percentage of Ownership December 31, 2014	Note
MStar Semiconductor, Inc.	Shunfonger Investment Holding Limited	General investing	100%	100%	2
MStar Semiconductor, Inc.	IStar Technology Ltd.	General investing and sales	100%	100%	2
MStar Semiconductor, Inc.	MStar Co., Ltd.	General investing	100%	100%	2
MStar Semiconductor, Inc.	Digimoc Holdings Limited	General investing	100%	100%	2
MStar Semiconductor, Inc.	MStar Semiconductor UK Ltd.	Software and customer development	100%	100%	2
MStar Semiconductor, Inc.	Mrise Technology Inc.	Research, manufacturing and sales	100%	-	21
MStar Semiconductor, Inc.	MSilicon Technology Inc.	Research, manufacturing and sales	-	-	9
MStar Semiconductor, Inc.	AIT Holding Ltd.	General investing	100%	-	9
MSilicon Technology Inc.	Alpha Imaging Technology Corp.	Research, manufacturing and sales	-	-	9
Alpha Imaging Technology Corp.	AIT Holding Ltd.	General investing	-	-	9
AIT Holding Ltd.	AIT Management Ltd.	General investing	100%	-	9
Shunfonger Investment Holding Limited	Cheng Du All Fresh Food Co.	Wholesale and retail	-	-	2
IStar Technology Ltd.	IStar (HK) Technology Ltd.	General investing and sales	-	100%	2
MStar Co. Ltd.	MStar Software R&D (Shenzhen), Ltd.	Software and customer development	100%	100%	2
Digimoc Holdings Limited	Bubbly Bay Holdings Limited	General investing	100%	100%	2
MStar Software R&D (Shenzhen), Ltd.	MediaTek (Shanghai) Inc.	Research and technology services	-	-	2&15

1. For the purpose of reorganization, MediaTek Investment Corp. was dissolved due to the merger with MStar Semiconductor Pte. Ltd. in April 2014. MStar Semiconductor Pte. Ltd. was renamed MediaTek Investment Singapore Pte. Ltd. The 100% ownership of Gaintech Co. Limited, which was previously owned by MediaTek Investment Corp., was therefore assumed by MediaTek Investment Singapore Pte. Ltd.
2. MTK acquired de facto control over MStar Semiconductor, Inc. (Cayman) (“MStar”) after obtaining relevant domestic and foreign regulators approvals in January 2014. MStar and its subsidiaries were included in the consolidation entities thereafter. In February 2014, MTK acquired the remaining 52% ownership of MStar by issuing new shares and paying cash. After that, MStar was delisted and dissolved. Moreover, three of its subsidiaries Cheng Du All Fresh Food Co., Ltd., MStar India Private Limited and IStar (HK) Technology Ltd. have been dissolved in March 2014, August 2014, and July 2015, respectively.
3. For the purpose of reorganization, Ralink Technology Corp. was dissolved due to the merger with MTK in April 2014. MTK assumed 100% shares of T-Rich Technology (Cayman) Corp. and 11% shares of MediaTek USA Inc. which were previously owned by Ralink Technology Corp. Afterward, MTK transferred all shares of MediaTek USA Inc. to MTK Wireless Limited (UK) in April 2014.
4. For the purpose of reorganization, the 100% ownership of MStar Semiconductor, Inc., which was previously owned by MStar Semiconductor B.V., was transferred to MTK in November 2014.
5. MTK established Hsu-Chuang Investment Corp. in January 2015.
6. MediaTek Investment Singapore Pte. Ltd. and Hsu-Ta Investment Corp. jointly established MediaTek Bangalore Private Limited in May 2014.
7. Hsu-Ta Investment Corp. established Hsu-Si Investment Corp. (“Hsu-Si Investment”) in September 2015 and accomplished the take-over bid process to acquire 51% shares of Richtek Technology Corp (“Richtek”). Hsu-Si Investment obtained control over Richtek. Subsidiaries of Ricktek were included in the consolidated entities thereafter.
8. For the purpose of reorganization, MediaTek Wireless LLC (Dubai) has been liquidated and returned its capital in September 2014.
9. MStar Semiconductor, Inc. established MSilicon Technology Inc. (“MSilicon”) in April 2015 and accomplished the take-over bid process to acquire 82% shares of Alpha Imaging Technology Corp (“Alpha Tech.”). Subsidiaries of Alpha Tech. were included in the consolidated entities thereafter. MSilicon acquired the remaining 18% ownership of Alpha Tech by paying cash in October 2015. After that, Alpha Tech. was dissolved. Moreover, for the purpose of reorganization, MSilicon was dissolved due to the merger with MStar Semiconductor, Inc. in December 2015. The 100% ownership of AIT Holding Ltd., which was previously owned by MSilicon, was therefore assumed by MStar Semiconductor, Inc.
10. MediaTek Capital Corp. accomplished the acquisition of 100% shares of Chingis Technology Corp. in September 2015.
11. MediaTek Capital Corp established Velocenet Inc.and Nephos (Taiwan) Inc. in November 2015.

12. For the purpose of reorganization, MTK Wireless Limited (UK) acquired 100% shares of MediaTek Sweden AB, 100% shares of MediaTek Denmark Aps and 89% shares of MediaTek USA Inc. from Gaintech Co. Limited in March 2014. Moreover, MTK Wireless Limited (UK) acquired 11% shares of MediaTek USA Inc. from MTK in April 2014.
13. Lepower Limited has been liquidated in November 2015.
14. Gaintech Co. Limited established Digital Lord Limited, Hsu Chia (Samoa) Investment Ltd., Hsu Fa (Samoa) Investment Ltd. and Hsu Kang (Samoa) Investment Ltd. in August 2015.
15. For the purpose of reorganization, the 100% ownership of MStar Chen Si Electronics Technology (Shanghai) Co., Ltd., which was previously owned by MStar Software R&D (Shenzhen), Ltd., was transferred to MediaTek China Limited in November 2014. MStar Chen Si Electronics Technology (Shanghai) Co., Ltd. was renamed MediaTek (Shanghai) Inc. in November 2015.
16. MTK Wireless Limited (UK) established MediaTek Wireless Finland Oy in October 2014.
17. For the purpose of reorganization, Ralink Technology Corporation (USA) was dissolved due to the merger with MediaTek USA Inc. in July 2014.
18. For the purpose of reorganization, the 100% ownership of Lepower (HK) Limited which was previously owned by Lepower Limited, was transferred to Digital Lord Limited in August 2015.
19. EcoNet (HK) Limited established EcoNet (Suzhou) Limited in April 2014.
20. MediaTek Investment Singapore Pte. established Cloud Ranger Limited in February 2015.
21. MStar Semiconductor, Inc. established Mrise Technology Inc. in July 2015.
22. Gaintech Co. Limited established Nephos Pte. Ltd. and Nephos Inc. in November 2015.

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.

The functional currency of the subsidiary, MStar Semiconductor, Inc., originally was US$. Due to significant change of economic environment, MStar Semiconductor, Inc. changed its functional currency from US$ to NT$ and accounted prospectively as of January 1, 2015 according to IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

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 time deposits or 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 debt instrument investment 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 instruments 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.

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability; or
B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 shares, 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	3~8 years
Computer and telecommunication equipment	3~5 years
Testing equipment	3~5 years
Miscellaneous equipment	2~10 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.

Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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

Buildings	50 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

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, customer relationship, IPs and others which are acquired from third parties or business combinations. A summary of the amortization policies applied to the Company's intangible assets is as follows:

Trademarks	Patents	Software	Customer relationship	IPs and others
2~7 years	2~7 years	2~5 years	7~10 years	2~7 years

Abovementioned intangible assets are 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. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. The date of the plan amendment or curtailment; and
B. The date that the Company recognizes related restructuring or termination costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees 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 fully 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 substitutes 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 cost of restricted shares issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period. When the subsidiaries issue restricted shares, the equity variances made from treating as above accounting policy are attributable to non-controlling interests in the consolidated financial statements.

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.

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 period, therefore it may cause material adjustments.

(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, 2015	December 31, 2014
Cash on hand and petty cash	$ 8,449	$ 2,525
Checking and savings accounts	32,471,167	29,446,795
Time deposits	120,800,071	163,348,186
Total	$ 153,279,687	$ 192,797,506

Time deposits include deposits whose maturities are within 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.

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

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

	December 31, 2015	December 31, 2014
Current		
Held for trading financial assets		
Stocks	$ 4,569	$ 9,057
Forward exchange contracts	232	1,933
Subtotal	4,801	10,990
Financial assets designated upon initial recognition at fair value through profit or loss		
Credit-linked deposits	1,928,967	295,272
Exchange rate-linked deposits	1,057,352	2,385,563
Bonds	590,278	-
Index-linked deposits	254,605	255,626
Interest rate-linked deposits	-	599,766
Subtotal	3,831,202	3,536,227
Total	$ 3,836,003	$ 3,547,217
Held for trading financial liabilities		
Forward exchange contracts	$ 32,194	$ 50,393
Noncurrent		
Financial assets designated upon initial recognition at fair value through profit or loss		
Credit-linked deposits	$ 2,994,699	$ 1,396,856
Bonds	1,121,994	63,199
Index-linked deposits	939,650	903,224
Exchange rate-linked deposits	613,364	1,677,514
Interest rate-linked deposits	297,594	-
Total	$ 5,967,301	$ 4,040,793

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, 2015	December 31, 2014
Current		
Bonds	$ 3,326,824	$ 271,022
Funds	2,708,760	1,967,791
Stocks	1,692,605	5,308,419
Depositary receipts	34,942	28,010
Subtotal	7,763,131	7,575,242
Noncurrent		
Bonds	4,133,564	1,546,954
Funds	4,101,097	3,347,137
Stocks	464,201	-
Subtotal	8,698,862	4,894,091
Total	$ 16,461,993	$ 12,469,333

The Company assessed and concluded its available-for-sale financial assets were partially impaired, and recorded an impairment loss of NT$295,528 thousand, and NT$41,640 thousand for the years ended December 31, 2015 and 2014.

Available-for-sale financial assets were not pledged.

(4) Financial assets measured at cost

	December 31, 2015	December 31, 2014
Available-for-sale financial assets-noncurrent		
Capital	$ 3,768,448	$ 2,509,126
Non-publicly traded stocks	1,132,564	1,273,258
Total	$ 4,901,012	$ 3,782,384

Financial assets measured at cost were not pledged.

(5) Held-to-maturity financial assets

	December 31, 2015	December 31, 2014
Current		
Bonds	$ 1,257,437	$ 288,378
Noncurrent		
Bonds	266,498	127,787
Total	$ 1,523,935	$ 416,165

Held-to-maturity financial assets were not pledged.

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

(6) Debt instrument investments for which no active market exists

	December 31, 2015	December 31, 2014
Current		
Bonds	$ 682,340	$ 1,074,391
Time deposits	78,942	11,755
Subtotal	761,282	1,086,146
Noncurrent		
Preferred stock	3,312	-
Time deposits	257,756	946
Subtotal	261,068	946
Total	$ 1,022,350	$ 1,087,092

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

(7) Trade receivables

	December 31, 2015	December 31, 2014
Trade receivables	$ 22,768,327	$ 18,369,294
Less: allowance for doubtful debts	(363,564)	(162,112)
Less: allowance for sales returns and discounts	(6,209,445)	(5,654,783)
Total	$ 16,195,318	$ 12,552,399

Trade receivables were not pledged.

Trade receivables are generally on 30-75 day terms. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2015	$ -	$ 162,112	$ 162,112
Charge for current period	-	184,018	184,018
Effect of acquisition of subsidiaries	-	9,095	9,095
Exchange differences	-	8,339	8,339
As of December 31, 2015	$ -	$ 363,564	$ 363,564

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

	Individually impaired	Collectively impaired	Total
As of January 1, 2014	$ -	$ 84,875	$ 84,875
Charge for the current period	-	26,806	26,806
Effect of acquisition of subsidiaries	-	50,000	50,000
Exchange differences	-	431	431
As of December 31, 2014	$ -	$ 162,112	$ 162,112

Aging analysis of trade receivables were 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, 2015	$ 14,774,185	$ 1,408,388	$ 12,745	$ 16,195,318
December 31, 2014	$ 11,820,401	$ 731,998	$ -	$ 12,552,399

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. Receivables from banks due to factoring agreement were NT$1,114,983 thousand, and NT$2,062,053 thousand as of December 31, 2015 and 2014, respectively.

Trade receivables derecognized were as follows:

A. As of December 31, 2015:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 22,851	$ -	$ 22,851	$ 134,512
BNP Paribas	-	9,855	-	9,855	85,000
HSBC	-	-	-	-	1,000
TC Bank	-	1,014	-	1,014	15,750
ING Bank	-	-	-	-	100,000
Total		$ 33,720	$ -	$ 33,720	$ 336,262

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

B. As of December 31, 2014:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 46,440	$ -	$ 46,440	$ 117,490
BNP Paribas	-	18,049	-	18,049	105,000
HSBC	-	340	-	340	800
TC Bank	-	183	-	183	16,500
Total		$ 65,012	$ -	$ 65,012	$ 239,790

(8) Inventories

	December 31, 2015	December 31, 2014
Raw materials	$ 1,542,303	$ 1,325,493
Work in progress	10,937,902	11,459,156
Finished goods	11,650,139	9,556,687
Net amount	$ 24,130,344	$ 22,341,336

For the years ended December 31, 2015 and 2014, the cost of inventories recognized in expenses amounted to NT$121,075,654 thousand and NT$109,194,295 thousand, including the reversal gain of the write-down of inventories of NT$451,977 thousand for the year ended December 31, 2015 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed and the write down of inventories of NT$3,772,317 thousand for the year ended December 31, 2014.

No inventories were pledged.

(9) Investments accounted for using the equity method

A. The following table lists the investments accounted for using the equity method of the Company:

	December 31, 2015		December 31, 2014	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Shenzhen Huiding Technology Co., Ltd.	$ 1,372,733	24	$ 1,055,423	24
Airoha Technology Corp.	538,751	24	513,685	28
Alpha Imaging Technology Corp.	-	-	175,767	15
Others	807,506	-	409,738	-
Total	$ 2,718,990		$ 2,154,613	

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

MSilicon Technology Inc. ("MSilicon") acquired 45,585,967 shares (approximately 82% of Alpha Imaging Technology Corp. ("Alpha Tech.") issued shares) of Alpha Tech. through a tender offer. The price of the tender offer was NT$37 per share and the total amount paid in cash amounted to NT$1,686,681 thousand. MSilicon obtained control over Alpha Tech. in May 2015 and Alpha Tech. was included in the consolidation entities thereafter. Please refer to Note 6. (26) for more details.

The Company's investments in the associates were not individually material. The following table summarizes financial information of the Company's ownership in the associates:

	For the years ended December 31	
	2015	2014
Profit from continuing operations	$ 656,237	$ 703,791
Other comprehensive income (post-tax)	(12,768)	(12,613)
Total comprehensive income	$ 643,469	$ 691,178

The associates had no contingent liabilities or capital commitments and investment in the associates were not pledged as of December 31, 2015 and 2014.

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, 2015	$ 3,393,510	$10,941,518	$ 77,459	$ 2,919,794	$ 4,513,002	$ 1,279,050	$ 7,793,385	$ 30,917,718
Additions-acquired separately	112,870	869,728	14,890	1,574,746	1,353,897	502,122	5,083,875	9,512,128
Additions-acquired through business combinations	1,553,396	854,558	721,272	1,689	21,690	538,358	2,327	3,693,290
Disposals	-	(165)	(19,845)	(200,480)	(248,820)	(242,817)	-	(712,127)
Transfers	7,011	3,135,450	-	50,398	355,458	8,394	(3,563,742)	(7,031)
Exchange differences	56,550	4,946	(5,691)	5,156	(5,871)	(70,290)	35,912	20,712
As of December 31, 2015	$ 5,123,337	$15,806,035	$ 788,085	$ 4,351,303	$ 5,989,356	$ 2,014,817	$ 9,351,757	$ 43,424,690
As of January 1, 2014	$ 1,273,869	$ 9,078,987	$ 122,675	$ 2,287,104	$ 3,251,188	$ 1,192,400	$ 1,011,252	$ 18,217,475
Additions-acquired separately	180,440	104,751	12,436	737,772	1,331,236	232,290	7,294,968	9,893,893
Additions-acquired through business combinations	1,857,153	1,096,303	95,698	-	67,590	114,219	15,457	3,246,420
Disposals	-	(13,472)	(163,745)	(209,477)	(166,608)	(319,485)	-	(872,787)
Transfers	-	530,508	-	31,969	(10,704)	(5,720)	(546,543)	(490)
Exchange differences	82,048	144,441	10,395	72,426	40,300	65,346	18,251	433,207
As of December 31, 2014	$ 3,393,510	$10,941,518	$ 77,459	$ 2,919,794	$ 4,513,002	$ 1,279,050	$ 7,793,385	$ 30,917,718

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, 2015	$ -	$ 2,110,031	$ 14,033	$ 1,930,859	$ 2,722,355	$ 845,885	$ -	$ 7,623,163
Depreciation	-	377,087	67,882	583,421	699,815	348,286	-	2,076,491
Disposals	-	(90)	(4,919)	(193,729)	(241,895)	(236,810)	-	(677,443)
Transfers	-	(86)	242	-	(242)	164	-	78
Exchange differences	-	4,975	2,776	6,305	(1,524)	(208)	-	12,324
As of December 31, 2015	$ -	$ 2,491,917	$ 80,014	$ 2,326,856	$ 3,178,509	$ 957,317	$ -	$ 9,034,613
As of January 1, 2014	$ -	$ 1,809,281	$ 108,709	$ 1,701,616	$ 2,396,821	$ 888,941	$ -	$ 6,905,368
Depreciation	-	294,534	21,538	364,765	432,860	198,944	-	1,312,641
Disposals	-	(11,967)	(122,729)	(195,113)	(139,376)	(295,323)	-	(764,508)
Transfers	-	-	-	-	-	205	-	205
Exchange differences	-	18,183	6,515	59,591	32,050	53,118	-	169,457
As of December 31, 2014	$ -	$ 2,110,031	$ 14,033	$ 1,930,859	$ 2,722,355	$ 845,885	$ -	$ 7,623,163
Net carrying amount as of:								
December 31, 2015	$ 5,123,337	$13,314,118	$ 708,071	$ 2,024,447	$ 2,810,847	$ 1,057,500	$ 9,351,757	$ 34,390,077
December 31, 2014	$ 3,393,510	$ 8,831,487	$ 63,426	$ 988,935	$ 1,790,647	$ 433,165	$ 7,793,385	$ 23,294,555

Property, plant and equipment were not pledged.

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

(11) Investment property

	Land	Buildings	Total
Cost:			
As of January 1, 2015	$ -	$ -	$ -
Additions-acquired through business combinations	219,071	58,172	277,243
Transfers	(186)	(1,315)	(1,501)
As of December 31, 2015	$ 218,885	$ 56,857	$ 275,742
Amortization and impairment:			
As of January 1, 2015	$ -	$ -	$ -
Amortization	-	300	300
Transfers	-	(148)	(148)
As of December 31, 2015	$ -	$ 152	$ 152
Net carrying amount as of:			
December 31, 2015	$ 218,885	$ 56,705	$ 275,590

There were no investment properties for the year ended December 31, 2014.

	For the year ended December 31, 2015
Rental income from investment properties	$ 2,116
Less:	
Direct operating expenses from investment properties generating rental income	(300)
Total	$ 1,816

Investment properties were not pledged.

The following fair value has been determined at balance sheet date based on the weighted average calculation of comparative approach and income approach valuations performed by an independent valuer. The significant assumptions and the fair value are as follows:

	December 31, 2015
Fair value	$ 279,040
Income capitalization rate	1.37%-2.64%

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(12) Intangible assets

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Cost:						
As of January 1, 2015	$ 422,914	$ 1,273,257	$ 2,621,937	$ 6,603,476	$ 54,136,415	$ 65,057,999
Additions-acquired separately	-	476,060	-	3,130,464	-	3,606,524
Additions-acquired through business combinations	351,605	29,848	2,484,328	2,011,415	9,242,681	14,119,877
Disposals	-	-	-	(3,063,096)	-	(3,063,096)
Transfers	-	64,729	-	(56,267)	-	8,462
Exchange differences	(2,032)	(63,075)	-	(65,730)	23,804	(107,033)
As of December 31, 2015	$ 772,487	$ 1,780,819	$ 5,106,265	$ 8,560,262	$ 63,402,900	$ 79,622,733
As of January 1, 2014	$ 32,402	$ 669,683	$ -	$ 4,271,124	$ 13,965,296	$ 18,938,505
Additions-acquired separately	-	496,990	-	298,766	-	795,756
Additions-acquired through business combinations	373,989	101,587	2,511,002	2,500,694	39,085,832	44,573,104
Disposals	-	(41,062)	-	(760,318)	-	(801,380)
Transfers	-	(1,113)	-	1,808	-	695
Exchange differences	16,523	47,172	110,935	291,402	1,085,287	1,551,319
As of December 31, 2014	$ 422,914	$ 1,273,257	$ 2,621,937	$ 6,603,476	$ 54,136,415	$ 65,057,999

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Amortization and impairment:						
As of January 1, 2015	$ 90,032	$ 856,677	$ 329,940	$ 3,023,524	$ -	$ 4,300,173
Amortization	76,964	277,241	457,687	2,245,079	-	3,056,971
Disposals	-	-	-	(3,063,096)	-	(3,063,096)
Transfers	-	56,172	-	(56,172)	-	-
Exchange differences	-	(52,062)	13,410	(63,336)	-	(101,988)
As of December 31, 2015	$ 166,996	$ 1,138,028	$ 801,037	$ 2,085,999	$ -	$ 4,192,060
As of January 1, 2014	$ 32,402	$ 554,909	$ -	$ 2,842,001	$ -	$ 3,429,312
Amortization	57,630	291,677	329,940	773,911	-	1,453,158
Disposals	-	(41,062)	-	(760,318)	-	(801,380)
Transfers	-	(1,155)	-	1,155	-	-
Exchange differences	-	52,308	-	166,775	-	219,083
As of December 31, 2014	$ 90,032	$ 856,677	$ 329,940	$ 3,023,524	$ -	$ 4,300,173
Net carrying amount as of:						
December 31, 2015	$ 605,491	$ 642,791	$ 4,305,228	$ 6,474,263	$ 63,402,900	$ 75,430,673
December 31, 2014	$ 332,882	$ 416,580	$ 2,291,997	$ 3,579,952	$ 54,136,415	$ 60,757,826

(13) 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$63,402,900 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)

(14) Short-term borrowings

	December 31, 2015	December 31, 2014
Unsecured bank loans	$ 49,123,477	$ 46,160,593
Interest rates	0.68~2.22%	0.60~1.83%
Unused lines of credits	$ 53,626,952	$ 42,748,541

(15) Other payables

	December 31, 2015	December 31, 2014
Accrued salaries and bonuses	$ 17,157,719	$ 20,490,929
Accrued royalties	1,252,298	1,638,850
Others	13,148,604	10,637,180
Total	$ 31,558,621	$ 32,766,959

(16) Post-employment benefits plans

Defined contribution plan

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, 2015 and 2014 were NT$1,391,878 thousand and NT$1,004,244 thousand, respectively.

Defined benefits plan

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 Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT$10,508 thousand to its defined benefit plan during the 12 months beginning after December 31, 2015.

The weighted average durations of the defined benefit obligation were 14 to 21 years and 14 to 24 years as of December 31, 2015 and 2014, respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31	
	2015	2014
Current service cost	$ 5,012	$ 2,871
Net interest on the net defined benefit liabilities	20,023	12,134
Total	$ 25,035	$ 15,005

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Defined benefit obligation	$ 992,500	$ 1,062,300	$ 675,485
Plan assets at fair value	(237,129)	(121,304)	(69,452)
Net defined benefit liabilities	$ 755,371	$ 940,996	$ 606,033

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

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2015	$ 1,062,300	$ (121,304)	$ 940,996
Current service cost	5,011	-	5,011
Interest expenses (income)	25,347	(5,323)	20,024
Subtotal	30,358	(5,323)	25,035
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(2,412)	-	(2,412)
Actuarial gains and losses arising from changes in financial assumptions	(242,240)	-	(242,240)
Experience adjustments	(69,843)	-	(69,843)
Remeasurements of the defined benefit assets	-	(921)	(921)
Subtotal	(314,495)	(921)	(315,416)
Payment of benefit obligation	(10,758)	-	(10,758)
Contribution by employer	-	(8,129)	(8,129)
Acquired through business combinations	225,095	(101,452)	123,643
As of December 31, 2015	$ 992,500	$ (237,129)	$ 755,371

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2014	$ 675,485	$ (69,452)	$ 606,033
Current service cost	2,871	-	2,871
Interest expense (income)	14,325	(2,191)	12,134
Subtotal	17,196	(2,191)	15,005
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	45,830	-	45,830
Actuarial gains and losses arising from changes in financial assumptions	236,195	-	236,195
Experience adjustments	46,681	-	46,681
Remeasurements of the defined benefit assets	-	(663)	(663)
Subtotal	328,706	(663)	328,043
Contribution by employer	-	(4,000)	(4,000)
Acquired through business combinations	40,913	(44,998)	(4,085)
As of December 31, 2014	$ 1,062,300	$ (121,304)	$ 940,996

(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, 2015	December 31, 2014
Discount rate	1.50%~2.00%	2.00~2.25%
Expected rate of salary increases	2.75%~5.00%	3.00~4.50%

Sensitivity analysis for significant assumption are shown below:

	For the years ended December 31			
	2015		2014	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	$ -	$ (92,287)	$ -	$ (111,030)
Discount rate decreases by 0.5%	103,316	-	125,568	-
Rate of future salary increases by 0.5%	101,627	-	122,098	-
Rate of future salary decreases by 0.5%	-	(91,710)	-	(109,285)

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(17)Equity

A. Share capital

MTK's authorized capital as of December 31, 2015 and 2014 was NT$20,000,000 thousand, divided into 2,000,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options at each period), each at a par value of NT$10. MTK's issued capital was NT$15,715,837 thousand, and NT$15,714,455 thousand, divided into 1,571,583,686 shares, and 1,571,445,544 shares as of December 31, 2015 and 2014, 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)

In February 2014, MTK acquired the remaining 52% ownership of MStar by issuing 221,123,877 shares, each at a par value of NT$10. MTK has successfully obtained relevant regulators approvals.

MTK issued 138,142 new shares and 654,373 new shares during the years ended December 31, 2015 and 2014, respectively, at par value of NT$10 for employee stock options exercised. Among the new issued shares, 46,700 shares (NT$467 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of December 31, 2014.

B. Capital surplus

	December 31, 2015	December 31, 2014
Additional paid-in capital	$ 85,867,533	$ 85,824,767
Treasury share transactions	1,369,971	1,198,502
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	142,643	149,965
Changes in ownership interests in subsidiaries	276,842	215,280
Donated assets	1,261	1,261
From share of changes in net assets of associates	81,858	68,650
Employee stock options	503,056	465,777
Others	111,014	123,712
Total	$ 88,354,178	$ 88,047,914

According to the Company Act, 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, 2015 and 2014, 7,794,085 shares of MTK's common shares amounting to NT$55,970 thousand were held by the subsidiary, MediaTek Capital Corp. 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, 2015 and 2014, 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 Act 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.

However, according to the addition of Article 235-1 of the Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the profit for the year to be distributed as "employees' compensation", after deducting and setting aside an amount equal to the cumulative losses (if any). The aforementioned employees' compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Furthermore, the Articles of Incorporation may stipulate that the employees' compensation could be distributed to employees of affiliated enterprises meeting certain criteria. The Company expects to amend the Articles of Incorporation in its shareholders' general meeting in 2016.

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

According to the Company Act, 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 to 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 to special reserve based on the difference between the amount already set aside and the total debit balance 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 amounted to nil.

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

The appropriations of earnings and dividend per share were resolved by the shareholders' general meeting on June 12, 2015 and 2014.

	Appropriation of earnings		Dividend per share (NT$)	
	2014	2013	2014	2013
Legal reserve	$ 4,639,789	$ 2,751,505	-	-
Special reserve reversal	(895,749)	(4,176,676)	-	-
Cash dividends-common stock	34,574,697	23,565,323	$ 22.00	$ 15.00
Total	$ 38,318,737	$ 22,140,152		

Please refer to Note 6. (20) for relevant information on estimation basis and recognized amounts of employees' compensations (bonuses) and remunerations to directors and supervisors.

E. Other equity

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from available-for-sale financial assets	Total
As of January 1, 2015	$ 4,218,292	$ 2,387,821	$ 6,606,113
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	2,385,906	-	2,385,906
Unrealized losses from available-for-sale financial assets	-	(1,416,464)	(1,416,464)
Unrealized gains reclassified to profit or loss from available-for-sale financial assets	-	519,617	519,617
Share of other comprehensive income of associates accounted for using equity method	(100,603)	-	(100,603)
Tax effect	-	(89,651)	(89,651)
As of December 31, 2015	$ 6,503,595	$ 1,401,323	$ 7,904,918

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

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from available-for-sale financial assets	Total
As of January 1, 2014	$ (2,404,641)	$ 1,508,892	$ (895,749)
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	6,645,482	-	6,645,482
Unrealized gains from available-for-sale financial assets	-	841,778	841,778
Unrealized gains reclassified to profit or loss from available-for-sale financial assets	-	37,151	37,151
Share of other comprehensive income of associates accounted for using equity method	(22,549)	-	(22,549)
Tax effect	-	-	-
As of December 31, 2014	$ 4,218,292	$ 2,387,821	$ 6,606,113

F. Non-controlling interests

	For the years ended December 31	
	2015	2014
Beginning balance	$ 437,599	$ 38,193
(Loss) gain attributable to non-controlling interests	(189,697)	1,181
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Remeasurements of defined benefit plans	(8,067)	-
Exchange differences resulting from translating the financial statements of foreign operations	10,388	39,171
Unrealized gains from available-for-sale financial assets	23,842	-
Changes in ownership interests in subsidiaries	151,275	359,054
Employee stock options issued by subsidiary	13,885	-
Acquire through business combinations	6,219,934	-
Ending balance	$ 6,659,159	$ 437,599

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

(18) 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.

Share-based payment plans in MTK

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 as of December 31, 2015 is as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT$) (Note)
2008.03.31	1,134,119	279,948	279,948	$ 358.0
2008.08.28	1,640,285	479,365	479,365	344.5
2009.08.18	1,382,630	567,357	567,357	429.5
2010.08.27	1,605,757	707,227	707,227	404.8
2010.11.04	65,839	14,634	14,634	377.0
2011.08.24	2,109,871	1,215,240	1,215,240	277.4
2012.08.14	1,346,795	983,897	581,048	286.8
2013.08.22	1,436,343	1,210,063	375,401	368.0

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (e.g. 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			
	2015		2014	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT$)	Options (Unit)	Weighted-average Exercise Price per Share (NT$)
Outstanding at beginning of year	5,754,998	$ 341.4	6,641,191	$ 341.3
Granted	-	-	-	-
Exercised	(91,442)	329.5	(654,373)	340.8
Forfeited (Expired)	(205,825)	337.0	(231,820)	335.6
Outstanding at end of year	5,457,731	341.8	5,754,998	341.4
Exercisable at end of year	4,220,220		3,054,547	
Weighted-average fair value of options granted during the year (in NT$)	$ -		$ -	

The weighted average share price at the date of exercise of those options were NT$481.7 and NT$472.3 for the years ended December 31, 2015 and 2014.

(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, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)
2007.12.19	$ 344.5~358.0	-	$ 349.5	0.1	$ 349.6
2009.07.27	429.5	0.13	429.5	1.13	429.5
2010.05.10	377.0~404.8	1.17	404.2	2.17	404.3
2011.08.09	277.4	2.17	277.4	3.17	277.4
2012.08.09	286.8	3.13	286.8	4.13	286.8
2013.08.09	368.0	4.17	368.0	5.17	368.0

Share-based payment plans of Subsidiaries

In November 2014, board of directors of EcoNet (Cayman) Inc. resolved to issue employee stock options with a total number of 1,235,388 units, each unit eligible to subscribe for one common share of EcoNet (Cayman) Inc. The options may be granted to qualified employees of EcoNet (Cayman) Inc. and its subsidiaries. 788,244 units and 152,682 units of stock options were granted on December 31, 2014 and January 31, 2015, respectively. The total numbers of outstanding stock options were 752,024 units and 148,487 units as of December 31, 2015.

Employee Restricted Shares

In November 2014, board of directors of EcoNet (Cayman) Inc. resolved to issue employee restricted shares. The maximum restricted shares to be issued are 109,858 shares. EcoNet (Cayman) Inc. is allowed to register one or more issues based on actual need. The employee restricted shares may be granted to qualified employees of EcoNet (Cayman) Inc. and its subsidiaries. The outstanding employee restricted shares were 106,850 shares as of December 31, 2015.

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

Subsidiaries Cash-settled Share-based Payment Transactions

The Company acquired 51% shares of Richtek on October 7, 2015 and Richtek was included in the consolidated entities thereafter. On March 24, 2014, the board of directors of Richtek resolved to issue a cash-settled share-based payment plan (share appreciation rights plan). The options may be granted to certain qualified employees of Richtek and its domestic and foreign subsidiaries. The options are valid for three years and are exercisable at an accumulated percentage subsequent to the grant date. Richtek will pay the intrinsic value in cash once the employees exercise the options.

Relevant information on share appreciation rights plan is disclosed as followed:

Grant date	May 2, 2014
Total number granted (in thousand)	1,200
Contractual term	3 years
Exercise price at grant date	$ 174

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

	Unit (in thousand)	Weighted-average exercise price per Share (NT$)
October 7, 2015 (Obtained control date)	1,021	$ 160
Granted	-	-
Exercised	(84)	160
Forfeited (Expired)	(21)	-
Outstanding at end of period	916	160
Exercisable at end of period (NT$/per share)	287	

The abovementioned exercised price would be adjusted in accordance with the plan when the issuance of cash dividend and the appropriations of earnings happened.

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

Richtek used Hull-White model and Ritchken Implied Trinomial Trees Model to estimate the fair value of options granted. Assumptions used in estimation are disclosed as follows:

	December 31, 2015
The share price of measure date (NT$/ per share)	$ 190
Exercised price (NT$/ per share)	160
Expected volatility (%)	27.22%
Expected life	1.34 years
Expected dividend yield (%)	-
Risk free interest rate (%)	0.37%

The expected volatility is calculated based on the past one year's daily return on Richtek's share price.

For the year ended December 31, 2015, the reversal gain due to the forfeit of share appreciation rights plan amounted to NT$2,285 thousand. As of December 31, 2015, the amount recognized in liabilities amounted to NT$29,164 thousand. The vested intrinsic value of share appreciation rights was NT$8,615 thousand.

Share-based compensation expenses recognized (reversed) for employee services received for the years ended December 31, 2015 and 2014, is shown in the following table:

	For the years ended December 31	
	2015	2014
Total equity-settled transactions	$ 37,279	$ 63,935
Share appreciation rights plan	$ (2,285)	$ -

There have been no cancellations or modifications to any of the plans during the years ended December 31, 2015 and 2014.

(19) Sales

	For the years ended December 31	
	2015	2014
Sale of goods	$ 242,408,508	$ 245,883,275
Other operating revenues	1,279,000	1,627,218
Less: Sales returns and discounts	(30,432,268)	(34,447,577)
Net sales	$ 213,255,240	$ 213,062,916

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

(20) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2015 and 2014:

	For the years ended December 31					
	2015			2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	$ 18,748	$ 1,398,165	$ 1,416,913	$ 13,179	$ 1,006,070	$ 1,019,249
Others	$ 389,756	$ 37,473,704	$ 37,863,460	$ 664,375	$ 31,559,569	$ 32,223,944
Depreciation	$ 40,149	$ 2,036,642	$ 2,076,791	$ 6,641	$ 1,306,000	$ 1,312,641
Amortization	$ 190	$ 3,056,781	$ 3,056,971	$ 60	$ 1,453,098	$ 1,453,158

A resolution was passed at a Board of Directors meeting of the Company held on February 1, 2016 to amend the Articles of Incorporation of the Company. According to the amend Articles of Incorporation of the Company, no lower than 1% of profit of the current year is distributable as employees' compensation and no higher than 0.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting in 2016. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company accrued employees' compensation and remuneration to directors and supervisors based on a percentage of profit of current year and the amend Articles of Incorporation of the Company for the year ended December 31, 2015. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income. A resolution was approved at a Board of Directors meeting held on March 17, 2016 to distribute NT$351,232 thousand and NT$47,416 thousand in cash as employees' compensation and remuneration to directors and supervisors, respectively. The differences were NT$0 and NT$1,115 thousand between the aforementioned approved amounts and the amounts charged against earnings in 2015, respectively.

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

The employees' bonuses were estimated based on a specific rate of net income for the years ended December 31, 2014 (excluding the impact of employees' bonuses) while the remunerations to directors and supervisors were estimated based on MTK's Articles of Incorporation. The estimated employees' bonuses and remunerations to directors and supervisors were expensed in current period. If the Board modifies the estimates significantly in the subsequent periods, MTK shall recognize the change as an adjustment 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. During the years ended December 31, 2014, the amounts of employees' bonuses and remunerations to directors and supervisors were NT$579,974 thousand and NT$84,192 thousand, respectively.

The difference between the resolution of the shareholders' meeting and the estimated expense of the directors' and supervisors' remuneration and the employees' bonuses for 2014 are as follows:

Appropriations	The amount resolved by the shareholders' meeting	Expense estimated	Difference	Difference reasons and the accounting treatment
Employees' bonuses-cash	$ 579,974	$ 579,974	$ -	-
Directors' and supervisors' remunerations	$ 85,308	$ 84,192	$ 1,116	(Note)

Note: The difference, which was resulted from different calculation basis between the original accrual and the amount actually paid, was adjusted in the profit or loss in 2015.

The information about the appropriations of earnings resolved by the board of directors' meeting and shareholders' meeting is available at the Market Observation Post System website.

(21) Other income

	For the years ended December 31	
	2015	2014
Interest income	$ 2,817,091	$ 3,125,381
Dividend income	478,971	238,877
Rental income	15,610	25,648
Others	152,177	93,429
Total	$ 3,463,849	$ 3,483,335

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

(22) Other gains and losses

	For the years ended December 31	
	2015	2014
Losses on disposal of property, plant and equipment	$ (13,405)	$ (2,775)
Gains (losses) on disposal of investments		
Available-for-sale financial assets	1,009,310	4,489
Held-to-maturity financial assets	(1,062)	6,470
Financial assets measured at cost	14,657	700,759
Debt instrument investments for which no active market exists	-	505
Investments accounted for using the equity method	371,701	216,730
Foreign exchange (losses) gains	(600,518)	601,683
Impairment losses		
Available-for-sale financial assets	(489,693)	(41,640)
Financial assets measured at cost	(361,785)	(221,732)
(Losses) gains on financial assets at fair value through profit or loss	(6,158)	3,939
Losses on financial liabilities at fair value through profit or loss	(32,194)	(50,393)
Others	(7,040)	(97,884)
Total	$ (116,187)	$ 1,120,151

(23) Finance costs

	For the years ended December 31	
	2015	2014
Interest expenses on short-term borrowings	$ 545,218	$ 478,782

(24) Income tax

The major components of income tax expense are as follows:

	For the years ended December 31	
	2015	2014
Current income tax	$ 2,277,016	$ 7,554,706
Deferred tax expenses (incomes)	1,237,147	(1,782,259)
Others	85,598	178,435
Income tax expense recognized in profit or loss	$ 3,599,761	$ 5,950,882

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

Income tax recognized in other comprehensive income

	For the years ended December 31,	
	2015	2014
Deferred tax expenses (incomes):		
Remeasurements of the defined benefit plan	$ 53,621	$ (55,768)
Unrealized gains on available-for-sale financial assets	92,904	-
Income tax relating to components of other comprehensive income	$ 146,525	$ (55,768)

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	
	2015	2014
Accounting profit before tax from continuing operations	$ 29,368,493	$ 52,349,955
Tax at the domestic rates applicable to profits in the country concerned	$ 7,684,846	$ 11,025,467
Tax effect of revenues exempt from taxation	(1,740,691)	(3,467,060)
Tax effect of expenses not deductible for tax purposes	814,522	776,789
Investment tax credits	(234,206)	(537,490)
Tax effect of deferred tax assets/liabilities	(3,642,374)	(2,388,355)
10% surtax on undistributed retained earnings	810,220	537,490
Others	(92,556)	4,041
Total income tax expense recognized in profit or loss	$ 3,599,761	$ 5,950,882

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

For the year ended December 31, 2015

	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	$ 746,577	$ 193,729	$ -	$ -	$ -	$ 940,306
Allowance for sales returns and discounts	1,248,125	(638,460)	-	-	-	609,665
Amortization of difference for tax purpose	157,399	(122,949)	-	-	-	34,450
Amortization of goodwill difference for tax purpose	(619,240)	(786,951)	-	-	-	(1,406,191)
Unused tax losses	112,343	(22,942)	-	-	-	89,401
Unused tax credits	196,457	3,657	-	-	-	200,114
Others	725,117	136,769	(146,525)	-	-	715,361
Deferred tax expense		$(1,237,147)	$ (146,525)	$ -	$ -	
Net deferred tax assets	$2,566,778					$ 1,183,106
Reflected in balance sheet as follows:						
Deferred tax assets	$3,196,429					$ 2,997,362
Deferred tax liabilities	$ (629,651)					$ (1,814,256)

For the year ended December 31, 2014

	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	$ 362,166	$ 384,411	$ -	$ -	$ -	$ 746,577
Allowance for sales returns and discounts	783,242	464,883	-	-	-	1,248,125
Amortization of difference for tax purpose	182,348	(24,949)	-	-	-	157,399
Amortization of goodwill difference for tax purpose	(1,041,748)	422,508	-	-	-	(619,240)
Unused tax losses	172,826	(60,483)	-	-	-	112,343
Unused tax credits	143,363	53,094	-	-	-	196,457
Others	126,554	542,795	55,768	-	-	725,117
Deferred tax income		$1,782,259	$ 55,768	$ -	$ -	
Net deferred tax assets	$ 728,751					$ 2,566,778
Reflected in balance sheet as follows:						
Deferred tax assets	$ 1,778,859					$ 3,196,429
Deferred tax liabilities	$ (1,050,108)					$ (629,651)

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

Integrated income tax information

	December 31, 2015	December 31, 2014
Balance of the imputation credit account	$ 9,546,658	$ 7,667,187

The estimated and actual creditable ratio for 2015 and 2014 were 10.46% and 11.55%, respectively.

MTK's earnings generated prior to December 31, 1997 have been fully appropriated.

The assessment of income tax returns

As of December 31, 2015, the assessment of the income tax returns of MTK and its material subsidiaries are as follows:

	The assessment of income tax returns	Notes
MTK	Assessed and approved up to 2012	(Note 3)
Subsidiary-Ralink Technology Corp.	Assessed and approved up to 2012	(Note 1&2)
Subsidiary-MStar Semiconductor Inc.	Assessed and approved up to 2012	
Subsidiary-Richtek Technology Corp.	Assessed and approved up to 2013	

Note1: Ralink Technology Corp. was dissolved due to the merger with MTK in April 2014.

Note2: In June 2015, subsidiary Ralink Technology Corp. reached a settlement for the administrative appeals of the tax returns of 2012, 2011 and 2010 with National Taxation Bureau of the Northern Area, Ministry of Finance.

Note3: MTK has applied for administrative appeals of the tax returns of 2012, 2011, 2010, 2009 and 2008. MTK disagreed with the decision made in the tax assessment notices. The Company has paid in full the additional taxes assessed by the tax authorities.

(25)Earnings per share

Basic earnings per share is 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 is 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.

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

	For the years ended December 31	
	2015	2014
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$ 25,958,429	$ 46,397,892
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,563,777,089	1,544,565,142
Basic earnings per share (NT$)	$ 16.60	$ 30.04

	For the years ended December 31	
	2015	2014
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$ 25,958,429	$ 46,397,892
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,563,777,089	1,544,565,142
Effect of dilution:		
Employee bonuses-stock (share)	2,079,669	2,695,764
Employee stock options (share)	445,369	1,637,031
Weighted average number of ordinary shares outstanding after dilution (share)	1,566,302,127	1,548,897,937
Diluted earnings per share (NT$)	$ 16.57	$ 29.96

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(26)Business combinations

The merger with MStar

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.

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. In addition, the supplementary document of the working plan was also approved by MOFCOM in January 2014. MTK obtained de facto control over MStar on the day (the acquisition day) that MTK's and MStar's board of directors approved to follow the working plan and its supplementary document which had been approved by MOFCOM. The original 48% interest of MStar acquired before the acquisition of de facto control was remeasured at fair value and the difference was recognized as a gain.

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

Furthermore, MTK issued 221,123,877 new shares and paid NT$278,494 thousand in cash to acquire the remaining 52% MStar's shares. The registration of MTK's new share issuance was completed. MStar was delisted from Taiwan Stock Exchange and dissolved on February 1, 2014. The issuance of new shares to acquire the remaining 52% shares was recorded as an equity transaction.

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.

The Company has measured the non-controlling interest in MStar at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of MStar as of the date of acquisition were:

	Fair value recognized on the acquisition date (US$'000)
Cash and cash equivalents	$ 1,098,762
Current assets	279,016
Funds and investments	9,172
Property, plant and equipment	106,875
Intangible assets-trademark, computer software, patent, core techniques and customer relationship	180,645
Other non-current assets	1,261
	1,675,731
Current liabilities	(303,105)
Long-term borrowings	(21,431)
Other liabilities	(794)
	(325,330)
Fair value of identifiable net assets	$ 1,350,401

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

Goodwill of MStar is as follows:	Amount (US$'000)	
The fair value of the equity interest in MStar originally held by MTK	$	1,930,979
Add: non-controlling interest		706,156
Less: identifiable net assets at fair value		(1,350,401)
Goodwill	$	1,286,734

Cash flows on acquisition:	Amount (US$'000)	
Net cash acquired from the subsidiary	$	1,098,762
Transaction costs attributable to cash paid		(9,168)
Net cash flow-in on acquisition	$	1,089,594

The goodwill of US$1,286,734 thousand comprises the value of expected synergies arising from acquisition.

From the acquisition date to December 31, 2014, MStar has contributed NT$35,524,045 thousand of net sales and NT$5,473,066 thousand of net income to the Company.

If the combination had taken place on January 1, 2014, revenues and net income of the Company for the years ended December 31, 2014 would have been NT$216,006,494 thousand and NT$46,633,940 thousand, respectively.

The Acquisition for Alpha Imaging Technology Corp. ("Alpha Tech.")

Subsidiary MStar Taiwan established MSilicon in April 2015. On April 9, 2015, the board of directors of MStar Taiwan approved a tender offer by MSilicon for shares of Alpha Tech. The terms of the offer was for NT$37 in cash for each common share of Alpha Tech outstanding stock. MSilicon completed the tender offer and paid NT$1,686,681 thousand in cash to acquire 82% of the shares of Alpha Tech. on May 8, 2015. On August 26, 2015, the board of directors of MSilicon approved a merger with Alpha Tech. with the effective merger date set for October 2, 2015. MSilicon, the surviving company, was renamed Alpha Imaging Technology Corp. after the merger. Thereafter, the board of directors of MStar Taiwan approved a merger with Alpha Tech. (originally MSilicon). The effective merger date was December 31, 2015. Alpha Tech. was dissolved thereafter and MStar Taiwan was the surviving company. The original 15% interest of Alpha Tech. acquired before the acquisition of de facto control was remeasured at fair value and the difference was recognized as a gain.

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

Alpha Tech. is a fabless IC design company specialized in image processing. The Company's image processing chips are mainly applied to TV camera, Web camera and car DV. The purpose of this tender offer is to meet the Company's long-term development strategies. The merge would enhance the Company's competitive advantage by expansion of production lines and integration of existing products and resources. In the long term, the Company expects there would be positive effect on consolidated net worth per share and earnings per share.

The Company has measured the non-controlling interest in Alpha Tech. at fair value. The fair value was determined based on market approach. The significant inputs were the share price of Alpha Tech. as of the acquisition date.

The fair values of the identifiable assets and liabilities of Alpha Tech. as of the acquisition date were:

	Fair value recognized on the acquisition date	
Cash and cash equivalents	$	349,630
Current assets		348,948
Funds and investments		32,701
Property, plant and equipment		57,816
Intangible assets- computer software, patent and customer relationship		370,821
Other non-current assets		37,858
		1,197,774
Current liabilities		(99,704)
Other liabilities		(2,670)
		(102,374)
Fair value of identifiable net assets	$	1,095,400

Goodwill of Alpha Tech. is as follows:	Amount	
Cash consideration (Note)	$	1,454,635
Fair value of equity interest in Alpha Tech. originally held by the Company		314,460
Add: non-controlling interest at fair value		266,458
Less: identifiable net assets at fair value		(1,095,400)
Goodwill	$	940,153

Note: MSilicon Technology Inc. acquired 71% of Alpha Tech.'s common shares from third parties by paying NT$1,454,635 thousand. In addition, MSilicon paid NT$82,414 thousand and NT$149,632 thousand to MediaTek Capital Corp. and MediaTek Investment Singapore Pte. Ltd. to obtain 4% and 7% of Alpha Tech.'s common shares, respectively.

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

Cash flows on acquisition:	Amount
Net cash acquired from the subsidiary	$ 349,630
Transaction costs attributable to cash paid	(1,454,635)
Net cash flow-out on acquisition	$ (1,105,005)

The goodwill of NT$940,153 thousand comprises the value of expected synergies arising from acquisition.

From the acquisition date to December 31, 2015, Alpha Tech. has contributed NT$389,009 thousand of net sales and NT$39,781 thousand of net loss to the Company.

If the combination had taken place on January 1, 2015, revenues and net income of the Company for the year ended December 31, 2015 would have been NT$213,498,270 thousand and NT$25,742,170 thousand, respectively.

The merger with Chingis Technology Corp.

In August 2015, the board of directors of MediaTek Capital Corp. ("MediaTek Capital"), approved to acquire shares of Chingis Technology Corp. ("Chingis Tech."). MediaTek Capital paid NT$887,932 thousand in cash to acquire 100% shares of Chingis Tech on September 10, 2015.

Chingis Tech. is a company specialized in Specialty Memory IC products design and development. Their products are mainly applied to digital consumer, computer peripheral, wireless communication, networking, and industrial control. The purpose of this acquisition is to meet the Company's long-term development strategies. The merge would enhance the Company's competitive advantage by strengthening research and development capabilities. In the long term, the Company expects there would be positive effect on consolidated net worth per share and earnings per share.

The fair values of the identifiable assets and liabilities of Chingis Tech. on the acquisition date were:

	Fair value recognized on the acquisition date
Cash and cash equivalents	$ 97,290
Current assets	415,172
Property, plant and equipment	38,735
Intangible assets- core techniques	563,000
Other non-current assets	14,560
	1,128,757

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

	Fair value recognized on the acquisition date	
Current liabilities	$	(140,131)
Other liabilities		(106,985)
		(247,116)
Fair value of identifiable net assets	$	881,641

Goodwill of Chingis Tech. is as follows:	Amount	
Cash consideration	$	887,932
Less: identifiable net assets at fair value		(881,641)
Goodwill	$	6,291

Cash flows on acquisition:	Amount	
Net cash acquired from the subsidiary	$	97,290
Transaction costs attributable to cash paid		(887,932)
Net cash flow-out on acquisition	$	(790,642)

The goodwill of NT$6,291 thousand comprises the value of expected synergies arising from acquisition.

From the acquisition date to December 31, 2015, Chingis Tech. has contributed NT$165,637 thousand of net sales and NT$26,576 thousand of net loss to the Company.

If the combination had taken place on January 1, 2015, revenues and net income of the Company for the year ended December 31, 2015 would have been NT$213,718,873 thousand and NT$25,737,708 thousand, respectively.

The merger with Richtek Technology Corp.

Subsidiary Hsu-Ta Investment Corp. established Hsu-Si Investment Corp. ("Hsu-Si") in September 2015. On September 7, 2015, the board of directors of Hsu-Si approved a tender offer for shares of Richtek Technology Corp ("Richtek"). The terms of the offer was NT$195 in cash for each common share of Richtek. Hsu-Si completed the tender offer and paid NT$14,770,046 thousand in cash to acquire 51% of the shares of Richtek on October 7, 2015. On January 19, 2016, both companies' board of director had approved to pay NT$195 in cash per share for the rest of Richtek's outstanding common shares to acquire 100% of its shares. The share-swap effective date is set on April 29, 2016. Richtek will become a wholly owned subsidiary of Hsu-Si after the completion of share-swap.

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

The share-swap agreement was approved by the extraordinary shareholders' meeting of Richtek and the board of directors of Hsu-Si, which will exercise the functional duties and powers of its shareholders on March 3, 2016. Richtek will submit an application to delist its securities from the Taiwan Stock Exchange Corporation pursuant to the relevant regulation. Richtek will also file to Securities and Futures Bureau, Financial Supervisory Commission R.O.C to cease its status as a publicly listed company.

Richtek is an international analog IC design company and its products are mainly applied to notebook, consumer end products, network communication devices, panel displays, etc. The Company is a global leader in IC design, with focus on wireless communications, digital media, etc., and a market leader in cutting-edge systems on a chip for wireless communications, HDTV, ODD, DVD and Blu-ray. Products of the Company and Richtek are applied in similar end applications and are highly complementary to each other. Once Richtek becomes part of MediaTek Group, the deal would provide customers with greater convenience in sourcing, and create scale for the Group in enhancing overall competitiveness and performance.

The Company has measured the non-controlling interest of Richtek at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Richtek as of the acquisition date were:

		Fair value recognized on the acquisition date
Cash and cash equivalents	$	1,743,522
Current assets		5,636,680
Funds and investments		116,005
Property, plant and equipment		3,596,739
Intangible assets- patent, IP and customer relationship		3,943,375
Other non-current assets		464,122
		15,500,443
Current liabilities		(2,758,580)
Other non-current liabilities		(48,120)
		(2,806,700)
Fair value of identifiable net assets	$	12,693,743

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

Goodwill of Richtek is as follows:	Amount
Cash consideration	$ 14,770,046
Add: non-controlling interest	6,219,934
Less: identifiable net assets at fair value	(12,693,743)
Goodwill	$ 8,296,237

Cash flows on acquisition:	Amount
Net cash acquired from the subsidiary	$ 1,743,522
Transaction costs attributable to cash paid	(14,770,046)
Net cash flow-out on acquisition	$ (13,026,524)

The identifiable net assets recognized in the consolidated financial statements as of December 31, 2015 were based on a provisional assessment of fair value as the Company had sought an independent valuation for the net assets owned by Richtek. The results of this valuation had not been received at the issuance date of the financial statements. There could be adjustments on the assessment upon finalizing the valuation report.

The goodwill of NT$8,296,237 thousand comprises the value of expected synergies arising from acquisition.

From the acquisition date to December 31, 2015, Richtek has contributed NT$2,990,834 thousand of net sales and NT$296,285 thousand of net profit to the Company.

If the combination had taken place on January 1, 2015, revenues and net income of the Company for the years ended December 31, 2015 would have been NT$222,866,562 thousand and NT$26,940,353 thousand, respectively.

(27) Changes in ownership interests in subsidiaries

Changes in ownership of subsidiaries

E-Vehicle Semiconductor Technology Co., Ltd., Hesine Technologies International Worldwide Inc. and AutoChips Inc. issued new shares in 2015 and the Company did not subscribe the new shares in proportionate to its original ownership interest. Consequently, the ownership interest in these companies changed but control over these companies remained. The difference between the fair value of purchased equity investments and the increase in the non-controlling interest was NT$61,562 thousand and was recorded in equity.

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

Lepower Technologies (Beijing), Inc., AutoChips Inc. and EcoNet (Cayman) Inc. issued new shares in February, August and November 2014, respectively, and the Company did not subscribe new shares in proportionate to its original ownership interest. In addition, the Company acquired additional 15.33% of voting shares of Lepower Limited in February 2014 and its ownership rose up to 99.77%. Consequently, the ownership interest in these companies changed but control over these companies remained. The difference between the fair value of purchased equity investments and the increase in the non-controlling interest for the year ended December 31, 2014 was NT$203,151 thousand and was recorded in equity.

Please refer to Note 6. (26) for more information about the acquisition of the remaining 52% shares of MStar by issuing new shares and paying in cash in February 2014.

(28) Subsidiaries that have material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of Incorporation and operation	December 31, 2015
Richtek Technology Corp.	Taiwan	49%

Accumulated balances of material non-controlling interest:

	December 31, 2015
Richtek Technology Corp.	$ 5,995,265

Loss allocated to material non-controlling interest:

	December 31, 2015
Richtek Technology Corp.	$ (243,180)

The summarized financial information of these subsidiaries are provided below. This information is based on amounts after inter-company eliminations.

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

Summarized information of profit or loss from October 7, 2015 to December 31, 2015:

	Richtek Technology Corp.
Operating revenue	$ 2,990,835
Profit or loss for the period from continuing operations	$ (496,285)
Total comprehensive income for the period	$ (463,425)

Summarized information of assets and liabilities as at December 31, 2015:

	Richtek Technology Corp.
Current assets	$ 6,632,388
Non-current assets	$ 8,198,865
Current liabilities	$ 2,527,995
Non-current liabilities	$ 67,146

Summarized information from October 7, 2015 to December 31, 2015:

	Richtek Technology Corp.
Operating activities	$ 2,191,631
Investing activities	(565,911)
Financing activities	(1,083,062)
Net increase (decrease) in cash and cash equivalents	558,718

7. Related Party Transactions

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31	
	2015	2014
Associates operations	$ 3,190	$ 3,577

For the years ended December 31, 2015 and 2014, respectively, the trade credit term for associates were both 30 to 75 days. Third-party customers may pay their accounts in advance.

(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	
	2015	2014
Other related parties	$ 2,642,515	$ 4,879,016

For the years ended December 31, 2015 and 2014, respectively, the trade credit term for related parties and third-party customers were both 60 to 75 days.

C. Consign research and development expenses and license expenses

	For the years ended December 31	
	2015	2014
Associates	$ 6,570	$ 200,000
Other related parties	42,472	40,155
Total	$ 49,042	$ 240,155

D. Purchases

	For the years ended December 31	
	2015	2014
Associates	$ 10,777	$ 9,834

For the years ended December 31, 2015 and 2014, respectively, the trade credit term for associates was 30 days. The trade credit term for third-party customers was 30 to 60 days.

E. Rental income

	For the years ended December 31	
	2015	2014
Associates	$ 857	$ 714
Other related parties	10,128	8,606
Total	$ 10,985	$ 9,320

NT$876 thousand was received from other related parties and accounted for deposits received due to a lease of office space.

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

F. Acquisition of intangible assets

	For the years ended December 31	
	2015	2014
Other related parties	$ 9,944	$ -

G. Other receivables from related parties

	December 31, 2015	December 31, 2014
Associates	$ 75	$ 150

H. Trade payables to related parties

	December 31, 2015	December 31, 2014
Other related parties	$ 645,120	$ 677,196

I. Key management personnel compensation

	For the years ended December 31	
	2015	2014
Short-term employee benefits (Note)	$ 720,038	$ 709,494
Post-employment benefits	14,189	3,076
Termination benefits	9,544	-
Share-based payment	151	-
Total	$ 743,922	$ 712,570

Note: The compensation to key management personnel was determined by the Compensation Committee of MTK in accordance with individual performance and the market trends.

(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 collateral:

	Carrying amount		
Assets pledged as collateral	December 31, 2015	December 31, 2014	Purpose of pledge
Debt instrument investments for which no active market exists-current	$ 15,714	$ 7,067	Land lease guarantee
Debt instrument investments for which no active market exists-current	9,180	3,142	Customs clearance deposits
Debt instrument investments for which no active market exists-current	1,439	1,546	Credit guarantee
Debt instrument investments for which no active market exists-current	50,000	-	Wafer capacity guarantee
Debt instrument investments for which no active market exists-current	2,609	-	Import guarantee
Debt instrument investments for which no active market exists-noncurrent	3,139	-	Customs clearance deposits
Debt instrument investments for which no active market exists-noncurrent	564	820	Customs clearance deposits
Debt instrument investments for which no active market exists-noncurrent	125	126	Lease execution deposits
Debt instrument investments for which no active market exists-noncurrent	200,000	-	Project performance deposits (note)
Debt instrument investments for which no active market exists-noncurrent	9,705	-	Lease execution deposits
Debt instrument investments for which no active market exists-noncurrent	20,000	-	Court Pledged
Debt instrument investments for which no active market exists-noncurrent	24,223	-	Customs clearance deposits
Total	$ 336,698	$ 12,701	

Note: Please refer to Note 9. (2) A for more details.

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

The Company has entered into commercial lease contracts with an average life of three to fifty years.

(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, 2015	December 31, 2014
Not later than one year	$ 675,534	$ 377,191
Later than one year but not later than five years	1,394,772	572,653
Later than five years	589,696	124,576
Total	$ 2,660,002	$ 1,074,420

Operating lease expenses are as follows:

	For the years ended December 31	
	2015	2014
Minimum lease payments	$ 855,754	$ 584,711

(2) Commitment

A. Subsidiary Hsu-Chuang Investment Corp. ("Hsu-Chuang") signed a contract with Bureau of High Speed Rail, Ministry of Transportation and Communications of R.O.C. ("BOHSR") on February 12, 2015, to obtain a land use right of Shuxing Section in Zhubei City which is of 19,395.05 square metres. The contract period is 50 years from June 11, 2015, the date of completion of registration of land use right. According to the contract terms, Hsu-Chuang has the priority right to apply for an extension before the expiration date. The extension of contract is a one-time only option and the extended period shall not exceed 20 years. At the expiration date of the contract, Hsu-Chuang shall transfer the agreed assets without any consideration to BOHSR or any third party that BOHSR assigns.

Hsu-Chuang shall pay an annual rent in the amount of 5% of reported land value of current period and a royalty of certain periods as agreed by both parties during the contract period. Hsu-Chuang also needs to provide NT$200,000 thousand as a deposit. The discounted value of royalty agreed by both parties was approximately NT$1,120,000 thousand.

B. Subsidiary MediaTek (Heifei) Inc. engaged Jiangsu Wannianda Construction Group Co., Ltd., United Integrated Services Co., Ltd., and Shanghai Zhen Nan Engineering Supervision Co., Ltd. to build a new office building on rented land. The total amount of the contract was CNY$360,000 thousand. As of December 31, 2015, MediaTek (Heifei) Inc. had paid CNY$108,747 thousand.

(3) Legal claim contingency

A. 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. 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 November 6, 2014, the United States Court of Appeals for the Federal Circuit vacated the lower court's judgment and remanded the case to the district court. The court dismissed the claims against Ralink pursuant to Azure and Ralink's joint motion on February 10, 2015. On June 10, 2013, the Court entered a judgment dismissing the latter case pursuant to the parties' joint stipulation.

   Additionally, on January 13, 2015, Azure filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. alleging infringement of United States Patent Nos. 7,756,129, 8,582,570, 8,582,571, 8,588,196, 8,588,231, 8,589,599, 8,675,590, 8,683,092 and 8,732,347 by MTK's wireless communications, tablet and mobile phone chips, and seeking damages. The case has been settled and dismissed with prejudice on August 21, 2015.

B. 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. This case has been settled and dismissed with prejudice on November 19, 2015.

C. Palmchip 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. This case has been settled and dismissed with prejudice on June 16, 2015.

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. This case has been settled and the court dismissed the case with prejudice on June 22, 2015.

D. Optical Devices, LLC ("Optical Devices") filed a complaint with the U.S. International Trade Commission (the "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. The Commission issued an Initial Determination on July 17, 2014 finding that Optical Devices failed to meet the domestic industry requirement and terminating the investigation. On September 3, 2014, the Commission vacated the Initial Determination and remanded the case for further proceedings. On October 20, 2014, the Commission issued an Initial Determination to terminate the investigation on the ground that Optical Devices' lack of standing. On December 4, 2014, the Commission partially vacated the Initial Determination and remanded a part of the case including the investigation against MTK for further proceedings. On April 27, 2015, the Commission issued an Initial Determination terminate the investigation on the ground of Optical Devices' lack of standing. The Commission issued notice to affirm the Initial Determination with modified reasoning and terminated the investigation on June 9, 2015.

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.

E. Vantage Point Technology, Inc. ("Vantage Point") 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 States Patent Nos. 5,463,750 and 6,374,329. The court dismissed the claims with prejudice against MediaTek USA pursuant to Vantage Point and MediaTek USA's joint motion on April 20, 2015.

F. Bandspeed Inc. filed a complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc. and other defendants on May 9, 2014, alleging infringement of United States Patent Nos. 7,027,418, 7,570,614, 7,477,624, 7,903,608 and 8,542,643. On October 17, 2014, the court granted the parties joint stipulation to dismiss the claims against MTK, all other claims against other parties including those against subsidiary MediaTek USA Inc. remain pending. On February 13, 2015, the court granted Bandspeed's motion for leave to file a First Amended Complaint to add United States Patent No. 8,873,500 to the case. The court dismissed the claims with prejudice against MediaTek USA pursuant to the parties joint motion on August 18, 2015.

G. Adaptive Data LLC ("Adaptive Data") filed a complaint in the United States District Court for the District of Delaware against subsidiary MediaTek USA Inc. on December 31, 2014, alleging infringement of United States Patent Nos. 6,108,347 and 6,243,391 by the Bluetooth chips of subsidiary MediaTek USA Inc. and seeking damages. This case has been settled and Adaptive Data voluntarily dismissed the case on February 19, 2015.

H. Luciano F. Paone filed a complaint in the United States District Court for the South District of New York against subsidiary MediaTek USA Inc. on February 9, 2015, alleging infringement of United States Patent No. 6,259,789. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

I. Innovatio IP Ventures, LLC ("Innovatio") filed a complaint in the United States District Court for the Northern District of Illinois against subsidiary MediaTek USA Inc. on March 16, 2015, alleging infringement of United States Patent Nos. 6,697,415, 5,844,893, 5,740,366, 7,916,747, 6,665,536, 7,013,138, 7,107,052, 5,546,397, 7,710,907, 7,710,935, 6,714,559, 7,457,646 and 6,374,311. The operations of MTK 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

None

(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, 2015	December 31, 2014
Financial assets at fair value through profit or loss:		
Held for trading financial assets	$ 4,801	$ 10,990
Financial assets designated upon initial recognition at fair value through profit or loss	9,798,503	7,577,020
Subtotal	9,803,304	7,588,010
Available-for-sale financial assets	16,461,993	12,469,333
Financial assets measured at cost	4,901,012	3,782,384
Held-to-maturity financial assets	1,523,935	416,165
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand and petty cash)	153,271,238	192,794,981
Debt instrument investments for which no active market exists	1,022,350	1,087,092
Trade receivables	16,195,318	12,552,399
Other receivables	2,996,512	5,296,078
Subtotal	173,485,418	211,730,550
Total	$ 206,175,662	$ 235,986,442

Financial liabilities

	December 31, 2015	December 31, 2014
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	$ 32,194	$ 50,393
Financial liabilities at amortized cost:		
Short-term borrowings	49,123,477	46,160,593
Trade payables (including related parties)	16,156,252	14,605,160
Other payables	31,558,621	32,766,959
Long-term payables (including current portion)	56,212	91,982
Subtotal	96,894,562	93,624,694
Total	$ 96,926,756	$ 93,675,087

B. Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, trade receivables, other receivable, short-term borrowings, trade payables (including related parties) and 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	
	December 31, 2015	December 31, 2014
Financial assets		
Held-to-maturity financial assets		
Bonds	$ 1,523,935	$ 416,165

	Fair value as of	
	December 31, 2015	December 31, 2014
Financial assets		
Held-to-maturity financial assets		
Bonds	$ 1,507,295	$ 410,093

c. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company’s assets and liabilities on a recurring basis:

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

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$ 4,569	$ -	$ -	$ 4,569
Bonds	-	-	1,712,272	1,712,272
Derivative financial instruments	-	232	-	232
Linked deposits	-	3,162,565	4,923,666	8,086,231
Available-for-sale financial assets				
Depositary receipts	34,942	-	-	34,942
Stocks	1,996,275	127,830	32,701	2,156,806
Bonds	6,327,276	-	1,133,112	7,460,388
Funds	5,560,767	-	1,249,090	6,809,857
Total	$ 13,923,829	$ 3,290,627	$ 9,050,841	$ 26,265,297
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 32,194	$ -	$ 32,194

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$ 9,057	$ -	$ -	$ 9,057
Bonds	-	-	63,199	63,199
Derivative financial instruments	-	1,933	-	1,933
Linked deposits	-	5,821,693	1,692,128	7,513,821
Available-for-sale financial assets				
Depositary receipts	28,010	-	-	28,010
Stocks	5,308,419	-	-	5,308,419
Bonds	1,601,108	-	216,868	1,817,976
Funds	4,844,578	-	470,350	5,314,928
Total	$ 11,791,172	$ 5,823,626	$ 2,442,545	$ 20,057,343
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 50,393	$ -	$ 50,393

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

For the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

The detail movement of recurring fair value measurements in Level 3:

Reconciliation for recurring fair value measurements in Level 3 of the fair value hierarchy during the period is as follows:

	Financial assets at fair value through profit or loss		Available-for-sale financial assets			
	Bonds	Linked deposits	Bonds	Funds	Stocks	Total
As of January 1, 2015	$ 63,199	$ 1,692,128	$ 216,868	$ 470,350	$ -	$ 2,442,545
Amount recognized in profit or loss	(16,312)	(24,684)	1,246	2,130	-	(37,620)
Amount recognized in OCI	-	-	24,297	(8,301)	-	15,996
Acquisitions	1,731,641	3,931,193	890,701	1,299,740	32,701	7,885,976
Settlements	(66,256)	(674,971)	-	(514,829)	-	(1,256,056)
As of December 31, 2015	$ 1,712,272	$ 4,923,666	$ 1,133,112	$ 1,249,090	$ 32,701	$ 9,050,841

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		
	Bonds	Linked deposits	Bonds	Funds	Total
As of January 1, 2014	$ 59,583	$ 1,084,037	$ 198,395	$ -	$ 1,342,015
Amount recognized in profit or loss	3,616	39,074	-	-	42,690
Amount recognized in OCI	-	-	18,473	-	18,473
Acquisitions	-	1,177,176	-	864,013	2,041,189
Settlements	-	(608,159)	-	(393,663)	(1,001,822)
As of December 30, 2014	$ 63,199	$ 1,692,128	$ 216,868	$ 470,350	$ 2,442,545

Total profits or losses recognized for the years ended December 31, 2015 and 2014 contained gains (losses) related to bonds, funds and linked deposits on hand as of December 31, 2015 and 2014 in the amount of NT$(26,751) thousand and NT$38,684 thousand, respectively.

Information on significant unobservable inputs to valuation of fair value measurements categorized within Level 3 of the fair value hierarchy

The significant unobservable inputs to valuations of recurring fair value measurements categorized within Level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Quantitative information	Interrelationship between inputs and fair value	Sensitivity analysis of the inputs to fair value
Stock	Market Approach	Price-Book ratio of similar entities	15.08~21.17	The higher the Price-Book ratio of similar entities, the higher the fair value estimated number	10% increase (decrease) in the Price-Book ratio of similar entities would result in an increase (decrease) in profit or loss by NT$3,539 thousand.

The Company's linked-deposits, convertible bonds, bonds and funds of the fair value hierarchy are based on unadjusted quoted price of trading partner. Therefore, the quantitative information and sensitivity analysis are not available.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and updating the latest quoted price of trading partner periodically to ensure that the results of the valuation are in line with market conditions, based on stable, independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date to ensure the measurement or assessment are reasonable.

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

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Held-to-maturity financial assets				
Bonds	$ 1,507,295	$ -	$ -	$ 1,507,295
Investment property	$ -	$ -	$ 279,040	$ 279,040

D. Derivative financial instruments

The Company's derivative financial instruments held for trading was 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 were not designated as hedging instruments. The table below lists the information related to outstanding forward exchange contracts:

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of December 31, 2015	TWD to USD	Sell USD146,000	January 2016
As of December 31, 2014	TWD to USD	Sell USD105,000	February 2015
As of December 31, 2014	CNY to USD	Sell USD1,500	March 2015
As of December 31, 2014	TWD to USD	Sell USD75,000	January 2015

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 foreign 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 variables; 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 are 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 and CNY. The information of the sensitivity analysis is as follows:
When NTD appreciates or depreciates against USD by 0.1%, the profit for the years ended December 31, 2015 and 2014 decreases/increases by NT$6,581 thousand and NT$8,055 thousand, while equity decreases/increases by NT$6,313 thousand and NT$74,905 thousand, respectively.

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the years ended December 31, 2015 and 2014 decreases/increases by NT$88 thousand and NT$123 thousand, while equity decreases/increases by NT$3,641 thousand and NT$1,217 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 investments 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 bank 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, 2015 and 2014 to increase/decrease by NT$6,464 thousand and NT$1,198 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.

A change of 1% in the price of the listed equity securities classified under available-for-sale could cause the other comprehensive income for the years ended December 31, 2015 and 2014 to increase/decrease by NT$75,920 thousand and NT$101,810 thousand, respectively.

Please refer to Note 12. (1) B for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3 of the fair value hierarchy.

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, 2015, and 2014, receivables from top ten customers represented 74.52% and 59.92% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

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 and cross currency swap 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, 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, 2015			
Borrowings	$ 49,177,323	$ -	$ 49,177,323
Trade payables (including related parties)	16,156,252	-	16,156,252
Other payables	31,531,189	-	31,531,189
Long-term payables	56,212	-	56,212
Total	$ 96,920,976	$ -	$ 96,920,976

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

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Borrowings	$ 46,198,425	$ -	$ 46,198,425
Trade payables (including related parties)	14,605,160	-	14,605,160
Other payables	32,751,115	-	32,751,115
Long-term payables	38,062	53,920	91,982
Total	$ 93,592,762	$ 53,920	$ 93,646,682

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2015			
Net settlement			
Forward exchange contracts	$ (33,996)	$ -	$ (33,996)

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Gross settlement			
Forward exchange contracts			
Inflow	$ 1,947,181	$ -	$ 1,947,181
Outflow	(1,950,657)	-	(1,950,657)
Net	(3,476)	-	(3,476)
Net settlement			
Forward exchange contracts	(48,000)	-	(48,000)
Total	$ (51,476)	$ -	$ (51,476)

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, 2015		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$ 2,288,875	33.066	$ 75,683,947
CNY	$ 27,334	5.092	$ 139,187
Non-monetary item:			
USD	$ 570,775	33.066	$ 18,873,241
CNY	$ 715,035	5.092	$ 3,641,023
Financial liabilities			
Monetary item:			
USD	$ 2,323,707	33.066	$ 76,763,931
CNY	$ 10,078	5.092	$ 51,319

	December 31, 2014		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$ 4,270,165	31.718	$ 135,441,097
CNY	$ 385,235	5.113	$ 1,969,519
Non-monetary item:			
USD	$ 551,121	31.718	$ 17,480,448
CNY	$ 238,133	5.113	$ 1,217,458
Financial liabilities			
Monetary item:			
USD	$ 2,265,729	31.718	$ 71,864,391

The Company’s entities functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange (loss) gain was NT$(600,518) thousand and NT$601,683 thousand for the years ended December 31, 2015 and 2014, respectively.

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

(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.

(2) Geographical information

a. Sales to other than consolidated entities

	For the years ended December 31	
	2015	2014
Taiwan	$ 11,008,186	$ 8,839,280
Asia	192,618,001	190,829,061
Others	9,629,053	13,394,575
Total	$ 213,255,240	$ 213,062,916

Sales are presented by customers' country.

b. Non-current assets

	December 31, 2015	December 31, 2014
Taiwan	$ 92,826,109	$ 73,073,752
Asia	16,124,567	11,016,882
Others	1,296,528	81,667
Total	$ 110,247,204	$ 84,172,301

(3) Major customers

There were no sales to customers representing over 10% of the Company's consolidated net sales for the years ended December 31, 2015 and 2014.

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 ENDED DECEMBER 31, 2015 AND 2014

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
Fax: 886 3 688 6000
www.ey.com/taiwan

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, 2015 and 2014 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 ended December 31, 2015 and 2014. 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, 2015 and 2014 and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014 in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Ernst & Young

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 17, 2016
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, 2015 and 2014
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2015	%	December 31, 2014	%
Current assets					
Cash and cash equivalents	4, 6(1)	$ 74,921,175	26	$ 127,448,149	40
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	164,854	-	297,143	-
Available-for-sale financial assets-current	4, 5, 6(3)	1,827,325	1	2,260,284	1
Held-to-maturity financial assets-current	4, 6(4)	1,128,925	-	-	-
Debt instrument investments for which no active market exists-current	4, 6(5), 8	24,894	-	308,133	-
Trade receivables, net	4, 5, 6(6)	4,459,513	1	3,775,223	1
Trade receivables from related parties	4, 6(6), 7	108,570	-	179,720	-
Other receivables	6(6), 7	1,676,068	1	5,104,465	2
Inventories, net	4, 5, 6(7)	7,679,002	3	7,904,602	3
Prepayments		1,151,231	-	1,295,742	-
Other current assets		1,271,251	-	693,541	-
Total current assets		94,412,808	32	149,267,002	47
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	1,174,384	-	795,503	-
Available-for-sale financial assets-noncurrent	4, 5, 6(3)	4,285,729	2	2,432,403	1
Debt instrument investments for which no active market exists-noncurrent	4, 6(5), 8	9,705	-	-	-
Investments accounted for using the equity method	4, 6(8)	149,849,491	51	126,428,254	40
Property, plant and equipment	4, 6(9)	10,565,034	4	9,177,068	3
Intangible assets	4, 6(10), 6(11)	29,881,027	10	28,740,924	9
Deferred tax assets	4, 5, 6(22)	1,274,935	1	2,400,152	-
Refundable deposits		17,380	-	29,639	-
Total non-current assets		197,057,685	68	170,003,943	53
Total assets		$ 291,470,493	100	$ 319,270,945	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, 2015 and 2014

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2015	%	December 31, 2014	%
Current liabilities					
Short-term borrowings	6(12)	$ 23,807,520	8	$ 30,290,690	10
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	31,948	-	2,595	-
Trade payables		5,760,468	2	6,751,833	2
Trade payables to related parties	7	342,812	-	419,512	-
Other payables	6(13), 7	17,424,589	6	26,714,011	8
Current tax liabilities	4, 5, 6(22)	605,742	-	5,507,246	2
Other current liabilities		1,016,089	1	704,447	-
Current portion of long-term liabilities		56,212	-	38,062	-
Total current liabilities		49,045,380	17	70,428,396	22
Non-current liabilities					
Long-term payables		-	-	53,920	-
Net defined benefit liabilities-non-current	4, 6(14)	612,336	-	949,930	1
Deposits received	7	52,572	-	50,374	-
Deferred tax liabilities	4, 5, 6(22)	1,332,479	1	620,177	-
Total non-current liabilities		1,997,387	1	1,674,401	1
Total liabilities		51,042,767	18	72,102,797	23
Equity					
Share capital	6(15)				
Common stock		15,715,837	5	15,714,455	5
Capital collected in advance		-	-	467	-
Capital surplus	4, 6(15), 6(16)	88,354,178	30	88,047,914	27
Retained earnings	6(15)				
Legal reserve		32,032,476	11	27,392,687	9
Special reserve		-	-	895,749	-
Undistributed earnings		96,476,287	33	108,566,733	34
Other equity	6(15)	7,904,918	3	6,606,113	2
Treasury shares	4, 6(15)	(55,970)	-	(55,970)	-
Total equity		240,427,726	82	247,168,148	77
Total liabilities and equity		$ 291,470,493	100	$ 319,270,945	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, 2015 and 2014

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

Description	Notes	2015	%	2014	%
Net sales	4, 5, 6(17), 7	$ 99,245,700	100	$ 136,265,018	100
Operating costs	4, 5, 6(7), 6(18), 7	(49,529,050)	(50)	(67,990,658)	(50)
Gross profit		49,716,650	50	68,274,360	50
Realized gross profit on sales		-	-	59,028	-
Gross profit, net		49,716,650	50	68,333,388	50
Operating expenses	6(18), 7				
Selling expenses		(5,538,497)	(6)	(4,761,200)	(3)
Administrative expenses		(3,186,860)	(3)	(3,003,315)	(2)
Research and development expenses		(29,543,967)	(30)	(26,701,696)	(20)
Total operating expenses		(38,269,324)	(39)	(34,466,211)	(25)
Operating income		11,447,326	11	33,867,177	25
Non-operating income and expenses					
Other income	4, 6(19), 7	1,304,871	1	1,201,272	1
Other gains and losses	4, 6(20)	(143,589)	-	909,759	1
Finance costs	6(21)	(293,986)	-	(170,523)	-
Share of profit of associates accounted for using the equity method	4	15,736,559	16	14,292,618	10
Total non-operating income and expenses		16,603,855	17	16,233,126	12
Net income before income tax		28,051,181	28	50,100,303	37
Income tax expense	4, 5, 6(22)	(2,092,752)	(2)	(3,702,411)	(3)
Net income		25,958,429	26	46,397,892	34
Other comprehensive income	4, 6(8), 6(14), 6(15), 6(22)				
Not to be reclassified to profit or loss in subsequent periods					
Remeasurements of the defined benefit plan		348,151	-	(331,755)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method which not to be reclassified to profit or loss		(19,103)	-	3,081	-
Income tax relating to those items not to be reclassified to profit or loss		(59,186)	-	56,399	-
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		2,385,906	3	6,645,482	5
Unrealized gains (losses) from available-for-sale financial assets		104,283	-	(263,561)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method which may be reclassified to profit or loss		(1,191,384)	(1)	1,119,941	-
Income tax relating to those items to be reclassified to profit or loss		-	-	-	-
Other comprehensive income, net of tax		1,568,667	2	7,229,587	5
Total comprehensive income		$ 27,527,096	28	$ 53,627,479	39
Basic Earnings Per Share (in New Taiwan Dollars)	6(23)	$ 16.60		$ 30.04	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(23)	$ 16.57		$ 29.96	

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, 2015 and 2014

(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 (losses) from available-for-sale financial assets		
Balance as of January 1, 2014	$ 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
Appropriation and distribution of 2013 earnings:										
Legal reserve	-	-	-	2,751,505	-	(2,751,505)	-	-	-	-
Special reserve	-	-	-	-	(4,176,676)	4,176,676	-	-	-	-
Cash dividends	-	-	-	-	-	(23,565,323)	-	-	-	(23,565,323)
Total	-	-	-	2,751,505	(4,176,676)	(22,140,152)	-	-	-	(23,565,323)
Profit for the year ended December 31, 2014	-	-	-	-	-	46,397,892	-	-	-	46,397,892
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	(272,275)	6,622,933	878,929	-	7,229,587
Total comprehensive income	-	-	-	-	-	46,125,617	6,622,933	878,929	-	53,627,479
Share-based payment transactions	8,549	(2,006)	63,935	-	-	-	-	-	-	70,478
Shares issued to acquire a new entity	2,211,239	-	18,957,141	-	-	-	-	-	-	21,168,380
Adjustments due to dividends that subsidiaries received from parent company	-	-	116,911	-	-	-	-	-	-	116,911
Changes in ownership interests in subsidiaries	-	-	203,151	-	-	-	-	-	-	203,151
Changes in other capital surplus	-	-	231,866	-	-	-	-	-	-	231,866
Balance as of December 31, 2014	15,714,455	467	88,047,914	27,392,687	895,749	108,566,733	4,218,292	2,387,821	(55,970)	247,168,148
Appropriation and distribution of 2014 earnings:										
Legal reserve	-	-	-	4,639,789	-	(4,639,789)	-	-	-	-
Special reserve	-	-	-	-	(895,749)	895,749	-	-	-	-
Cash dividends	-	-	-	-	-	(34,574,697)	-	-	-	(34,574,697)
Total	-	-	-	4,639,789	(895,749)	(38,318,737)	-	-	-	(34,574,697)
Profit for the year ended December 31, 2015	-	-	-	-	-	25,958,429	-	-	-	25,958,429
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	-	269,862	2,285,303	(986,498)	-	1,568,667
Total comprehensive income	-	-	-	-	-	26,228,291	2,285,303	(986,498)	-	27,527,096
Share-based payment transactions	1,382	(467)	37,279	-	-	-	-	-	-	38,194
Adjustments due to dividends that subsidiaries received from parent company	-	-	171,469	-	-	-	-	-	-	171,469
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	(7,322)	-	-	-	-	-	-	(7,322)
Changes in ownership interests in subsidiaries	-	-	61,562	-	-	-	-	-	-	61,562
Changes in other capital surplus	-	-	43,276	-	-	-	-	-	-	43,276
Balance as of December 31, 2015	$ 15,715,837	$ -	$ 88,354,178	$ 32,032,476	$ -	$ 96,476,287	$ 6,503,595	$ 1,401,323	$ (55,970)	$ 240,427,726

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 December 31, 2015 and 2014

(Amounts in thousands of New Taiwan Dollars)

Description	2015	2014
Cash flows from operating activities:		
Profit before tax from continuing operations	$ 28,051,181	$ 50,100,303
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	910,618	695,186
Amortization	1,422,332	348,171
Bad debt provision	159,276	23,440
Loss (gain) on financial assets and liabilities at fair value through profit or loss	30,337	(20,996)
Interest expenses	293,986	170,523
Interest income	(1,149,150)	(1,024,947)
Dividend income	(22,465)	(62,698)
Share of profit of associates accounted for using the equity method	(15,736,559)	(14,292,618)
Losses on disposal of property, plant and equipment	2,828	210
Gains on disposal of investments	(9,985)	(10,086)
Impairment of financial assets	295,528	-
Realized gross profit on sales	-	(59,028)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(247,576)	(777,265)
Trade receivables	(843,566)	1,480,522
Trade receivables from related parties	71,150	(17,415)
Other receivables	3,452,146	(702,890)
Inventories	225,600	(997,343)
Prepayments	144,511	(390,209)
Other current assets	(577,710)	(288,644)
Trade payables	(991,365)	(827,555)
Trade payables to related parties	(76,700)	(45,787)
Other payables	(10,491,881)	9,517,526
Other current liabilities	311,642	(363,010)
Long-term payables	(35,770)	(19,379)
Net defined benefit liabilities	10,557	12,143
Cash generated from operating activities:		
Interest received	1,125,401	936,802
Dividend received	8,643,402	30,384,445
Interest paid	(290,934)	(170,009)
Income tax paid	(5,215,923)	(2,410,073)
Net cash provided by operating activities	9,460,911	71,189,319
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(1,917,013)	(546,034)
Proceeds from disposal of available-for-sale financial assets	316,448	-
Acquisition of debt instrument investments for which no active market exists	(24,390)	(489,037)
Proceeds from disposal of debt instrument investments for which no active market exists	297,924	294,279
Acquisition of held-to-maturity financial assets	(1,504,987)	-
Proceeds from redemption of held-to-maturity financial assets	375,000	-
Acquisition of investments accounted for using the equity method	(14,853,149)	(278,494)
Proceeds of cash due to merger transaction	-	8,171,812
Acquisition of property, plant and equipment	(2,311,429)	(2,191,476)
Proceeds from disposal of property, plant and equipment	288	-
Decrease in refundable deposits	12,259	39,315
Acquisition of intangible assets	(1,353,299)	(418,613)
Net cash (used in) provided by investing activities	(20,962,348)	4,581,752
Cash flows from financing activities :		
(Decrease) increase in short-term borrowings	(6,483,170)	21,305,690
Increase in deposits received	2,198	2,768
Proceeds from exercise of employee stock options	30,132	223,003
Cash dividends	(34,574,697)	(23,565,323)
Net cash used in financing activities	(41,025,537)	(2,033,862)
Net (decrease) increase in cash and cash equivalents	(52,526,974)	73,737,209
Cash and cash equivalents at the beginning of the year	127,448,149	53,710,940
Cash and cash equivalents at the end of the year	$ 74,921,175	$ 127,448,149

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 17, 2016.

3. Newly Issued or Revised Standards and Interpretations

(1) The effects of adopting the International Financial Reporting Standards issued, revised or amended, which have been recognized by Financial Supervisory Commission (“FSC”):

The Company adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations developed by the International Financial Reporting Interpretation Committee (IFRIC) and Interpretations of IASs (SIC) (collectively, “TIFRS”) which have been endorsed by FSC and effective for annual periods beginning on or after January 1, 2015. Except for the following descriptions of the nature and impact of the new standards and amendments, all other new standards and amendments have no material impact on the Company.

A. IAS 19 “Employee Benefits”

Major changes to the accounting of the Company’s defined benefit plan are summarized as follows:

a. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under the revised IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.

b. In the previous version of IAS 19, past service cost is recognized as an expense immediately to the extent that the benefits are already vested, or on a straight-line basis over the average period until the benefits become vested. Under the revised IAS 19, all past service costs are recognized at the earlier of when the amendment/curtailment occurs or when related restructuring costs are recognized. Therefore, unvested past service cost is no longer deferred over future vesting periods.

c. The revised IAS 19 required more disclosure, please refer to Note 6 for more details.

B. IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 sets out the requirements for the disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The Company adds relevant disclosures for the consolidated entities and unconsolidated entities.

C. IFRS 13 “Fair Value Measurements”

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. The Company re-assessed its policies for measuring fair values. Application of IFRS 13 has no material impact on the fair value measurements of the Company.

Additional disclosures where required under IFRS 13, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12. According to the transitional provisions of IFRS 13, IFRS 13 is applied prospectively as of January 1, 2015; the disclosure requirements of IFRS 13 need not be applied in comparative information before January 1, 2015.

D. IAS 1 “Presentation of Financial Statements”- Presentation of Items of Other Comprehensive Income

The amendment requires the Company changes 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. The amendment has no material impact on the Company’s recognitions and measurements, but for presentation of Statements of Other Comprehensive Income.

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

(2) Standards or interpretations issued by International Accounting Standards Board ("IASB") but not yet endorsed by FSC at the date of authorization of issuance of the Company's financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 36	"Impairment of Assets" (Amendment)	January 1, 2014
IFRIC 21	"Levies"	January 1, 2014
IAS 39	"Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IAS 19	"Employee Benefits" (Amendment) - 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
IFRS 11	"Joint Arrangements"- Joint operation (Amendment)	January 1, 2016
IAS 16 and IAS 38	"Property, Plant and Equipment" and "Intangible Assets" (Amendment) - Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IFRS 15	"Revenue from Contracts with Customers"	January 1, 2018
IAS 16 and IAS 41	"Agriculture: Bearer Plants" (Amendment)	January 1, 2016

(To be continued)

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

(Continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 9	"Financial Instruments"	January 1, 2018
IAS 27	"Separate Financial Statements" - Equity Method in Separate Financial Statements (Amendment)	January 1, 2016
IFRS 10 and IAS 28	"Consolidated Financial Statements" and "Investments in Associates and Joint Ventures" (Amendment) - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	Postponed indefinitely
Improvements to International Financial Reporting Standards (2012-2014 cycle) :		
IFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"	January 1, 2016
IFRS 7	"Financial Instruments：Disclosures"	January 1, 2016
IAS 19	"Employee Benefits"	January 1, 2016
IAS 34	"Interim Financial Reporting"	January 1, 2016
IAS 1	"Presentation of Financial Statements"- Disclosure Initiative	January 1, 2016
IFRS 10, IFRS 12 and IAS 28	"Investment Entities"- Applying the Consolidation Exception	January 1, 2016
IFRS 16	"Leases"	January 1, 2019
IAS 12	"Income Taxes"- Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
IAS 7	"Statement of Cash Flows" (Amendment)	January 1, 2017

A. 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.

B. 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 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".

C. IFRS 15"Revenue from Contracts with Customers"

The core principle of the new Standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1：Identify the contracts with a customer;

Step 2：Identify the performance obligations in the contract;

Step 3：Determine the transaction price;

Step 4：Allocate the transaction price to the performance obligations in the contracts;

Step 5：Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

D. IFRS 9 "Financial Instruments"

The IASB has issued the final version of IFRS 9, which combines classification and measurement, impairment and hedge accounting. The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9 "Financial Instruments" (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

E. Disclosure Initiative- Amendment to IAS 1 "Presentation of Financial Statements":
The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material (2) clarifying that specific line items in the statement(s) of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

F. IFRS 16"Leases"
The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

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~F, 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 the 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 the 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 Company's functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated 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 time deposits or 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 difference 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 classified as financial assets at fair value through profit or loss, designated as available-for-sale, 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 classified as at fair value through profit or loss, designates as available for sale, 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 debt instrument 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 instruments 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.

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability; or
B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 shares, 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 others which are acquired from third parties or business combinations. 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	2~7 years

Abovementioned intangible assets are 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. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. The date of the plan amendment or curtailment; and
B. The date that the Company recognizes related restructuring or termination costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

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 fully 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.

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.

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 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 period, therefore it may cause material adjustments.

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.

(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, 2015	December 31, 2014
Checking and savings accounts	$ 10,046,897	$ 16,685,470
Time deposits	64,874,278	110,762,679
Total	$ 74,921,175	$ 127,448,149

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

	December 31, 2015	December 31, 2014
Current		
Held for trading financial assets		
Forward exchange contracts	$ 232	$ 1,871
Financial assets designated upon initial recognition at fair value through profit or loss		
Credit-linked deposits	164,622	295,272
Total	$ 164,854	$ 297,143

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

	December 31, 2015	December 31, 2014
Held for trading financial liabilities		
Forward exchange contracts	$ 31,948	$ 2,595
Noncurrent		
Financial assets designated upon initial recognition at fair value through profit or loss		
Credit-linked deposits	$ 1,174,384	$ 795,503

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

(3) Available-for-sale financial assets

	December 31, 2015	December 31, 2014
Current		
Funds	$ 1,339,333	$ 1,599,691
Stocks	453,050	632,583
Depositary receipts	34,942	28,010
Subtotal	1,827,325	2,260,284
Noncurrent		
Funds	3,025,114	2,432,403
Bonds	1,260,615	-
Subtotal	4,285,729	2,432,403
Total	$ 6,113,054	$ 4,692,687

The Company assessed and concluded its available-for-sale financial assets were partially impaired, and recorded an impairment loss of NT$295,528 thousand for the year ended December 31, 2015.

Available-for-sale financial assets were not pledged.

(4) Held-to-maturity financial assets

	December 31, 2015	December 31, 2014
Current		
Bonds	$ 1,128,925	$ -

Held-to-maturity financial assets were not pledged.

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

(5) Debt instrument investments for which no active market exists

	December 31, 2015	December 31, 2014
Current		
Bonds	$ -	$ 297,924
Time deposits	24,894	10,209
Subtotal	24,894	308,133
Noncurrent		
Time deposits	9,705	-
Total	$ 34,599	$ 308,133

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

(6) Trade receivables and trade receivables from related parties

	December 31, 2015	December 31, 2014
Trade receivables	$ 7,249,706	$ 9,065,554
Less: allowance for doubtful debts	(246,652)	(87,376)
Less: allowance for sales returns and discounts	(2,543,541)	(5,202,955)
Subtotal	4,459,513	3,775,223
Trade receivables from related parties	108,570	179,720
Less: allowance for doubtful debts	-	-
Subtotal	108,570	179,720
Total	$ 4,568,083	$ 3,954,943

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, 2015	$ -	$ 87,376	$ 87,376
Charge for the current period	-	159,276	159,276
As of December 31, 2015	$ -	$ 246,652	$ 246,652

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

	Individually impaired	Collectively impaired	Total
As of January 1, 2014	$ -	$ 52,002	$ 52,002
Charge for the current period	-	23,440	23,440
Effect of acquisition of subsidiaries	-	11,934	11,934
As of December 31, 2014	$ -	$ 87,376	$ 87,376

Aging analysis of trade receivables and trade receivable from related parties were 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, 2015	$ 3,618,042	$ 950,041	$ -	$ 4,568,083
December 31, 2014	$ 3,331,654	$ 623,289	$ -	$ 3,954,943

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. Receivables from banks due to factoring agreement were NT$279,501 thousand, and NT$1,372,808 thousand as of December 31, 2015 and 2014, respectively.

Trade receivables derecognized were as follows:

A. As of December 31, 2015:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 8,357	$ -	$ 8,357	$124,000
ING Bank		-	-	-	100,000
BNP Paribas	-	-	-	-	75,000
HSBC	-	-	-	-	1,000
TC Bank	-	96	-	96	750
Total		$ 8,453	$ -	$ 8,453	$300,750

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

B. As of December 31, 2014:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 28,590	$ -	$ 28,590	$ 104,510
BNP Paribas	-	14,168	-	14,168	100,000
HSBC	-	340	-	340	800
TC Bank	-	183	-	183	1,500
Total		$ 43,281	$ -	$ 43,281	$ 206,810

(7) Inventories

	December 31, 2015	December 31, 2014
Raw materials	$ 533	$ 499
Work in progress	3,868,102	4,110,592
Finished goods	3,810,367	3,793,511
Net amount	$ 7,679,002	$ 7,904,602

For the years ended December 31, 2015 and 2014, the cost of inventories recognized in expenses amounted to NT$49,529,050 thousand and NT$67,990,658 thousand, including the reversal gain of the write-down of inventories of NT$1,695,510 thousand for the year ended December 31, 2015 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed and the write down of inventories of NT$3,309,365 thousand for the year ended December 31, 2014.

No inventories were pledged.

(8) Investments accounted for using the equity method

Investees	December 31, 2015 Carrying amount	December 31, 2015 Percentage of ownership (%)	December 31, 2014 Carrying amount	December 31, 2014 Percentage of ownership (%)
Subsidiaries:				
MediaTek Investment Singapore Pte. Ltd.	$ 65,987,838	100	$ 62,748,583	100
MStar Semiconductor, Inc.	44,427,162	100	45,920,451	100
Hsu-Ta Investment Corp.	23,494,799	100	7,577,187	100
Hsu-Chuang Investment Corp.	246,489	100	-	-
MediaTek Singapore Pte. Ltd.	15,649,181	100	10,139,643	100
T-Rich Technology (Cayman) Corp.	44,022	100	42,390	100
Total	$ 149,849,491		$ 126,428,254	

In 2012, the Company totally acquired 254,115,685 shares (48% of MStar's outstanding shares) of MStar Semiconductor, Inc. (Cayman) ("MStar") 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. In January 2014, the Company obtained de facto control over MStar. Therefore MStar was included in the consolidation entities. In February 2014, the Company acquired the remaining 52% ownership of MStar by issuing 221,123,877 new shares and paying 278,494 thousand in cash. After that, MStar was delisted and dissolved. The 100% ownership of MediaTek Investment Singapore Pte. Ltd., which was previously owned by MStar, was therefore assumed by the Company. Please refer to Note 6. (26) of the consolidated financial statements for the year ended December 31, 2015 for more details on business combination.

For the purpose of reorganization, the 100% ownership of MStar Semiconductor, Inc. which was previously owned by MStar Semiconductor B.V. which was a subsidiary of MediaTek Investment Singapore Pte. Ltd. was transferred to the Company in November 2014.

For the purpose of reorganization, MediaTek Investment Corp. was dissolved due to the merger with MediaTek Investment Singapore Pte. Ltd. in April 2014.

For the purpose of reorganization, Ralink Technology Corp. was dissolved due to the merger with the Company in April 2014. The Company assumed 100% shares of T-Rich Technology (Cayman) Corp. and 11% shares of MediaTek USA Inc. which were previously owned by Ralink Technology Corp. Afterward, the Company transferred all shares of MediaTek USA Inc. to subsidiary MTK Wireless Limited (UK) in April 2014.

The Company invested NT$250,000 to establish Hsu-Chuang Investment Corp. in January 2015.

The Company increased its investment in Hsu-Ta Investment Corp. in NT$14,600,000 thousand in October 2015.

No subsidiaries were pledged.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

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

(9) 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, 2015	$ 1,439,948	$ 7,144,963	$ 11,591	$ 1,354,613	$ 3,074,639	$ 171,559	$ 732,368	$ 13,929,681
Additions-acquired separately	19,201	57,859	168	829,419	600,450	7,208	795,857	2,310,162
Disposals	-	-	-	(110,024)	(230,032)	(1,982)	-	(342,038)
Transfers	-	439,715	-	22,663	321,143	6,000	(797,983)	(8,462)
As of December 31, 2015	$ 1,459,149	$ 7,642,537	$ 11,759	$ 2,096,671	$ 3,766,200	$ 182,785	$ 730,242	$ 15,889,343
As of January 1, 2014	$ 888,722	$ 5,741,752	$ 57,536	$ 1,003,891	$ 2,266,119	$ 157,696	$ 485,558	$ 10,601,274
Additions-acquired separately	166,080	49,163	3,405	374,105	862,313	7,714	792,319	2,255,099
Additions-acquired by merger	385,146	834,540	-	14,141	30,425	22,215	-	1,286,467
Disposals	-	(11,000)	(49,350)	(69,493)	(72,480)	(10,066)	-	(212,389)
Transfers	-	530,508	-	31,969	(11,738)	(6,000)	(545,509)	(770)
As of December 31, 2014	$ 1,439,948	$ 7,144,963	$ 11,591	$ 1,354,613	$ 3,074,639	$ 171,559	$ 732,368	$ 13,929,681

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, 2015	$ -	$ 1,856,844	$ 7,862	$ 843,838	$ 1,893,479	$ 150,590	$ -	$ 4,752,613
Depreciation	-	224,371	803	300,606	369,571	15,267	-	910,618
Disposals	-	-	-	(109,446)	(227,494)	(1,982)	-	(338,922)
As of December 31, 2015	$ -	$ 2,081,215	$ 8,665	$ 1,034,998	$ 2,035,556	$ 163,875	$ -	$ 5,324,309
As of January 1, 2014	$ -	$ 1,681,377	$ 56,614	$ 711,135	$ 1,673,797	$ 146,683	$ -	$ 4,269,606
Depreciation	-	186,467	598	202,196	292,070	13,855	-	695,186
Disposals	-	(11,000)	(49,350)	(69,493)	(72,388)	(9,948)	-	(212,179)
As of December 31, 2014	$ -	$ 1,856,844	$ 7,862	$ 843,838	$ 1,893,479	$ 150,590	$ -	$ 4,752,613
Net carrying amount as of:								
December 31, 2015	$ 1,459,149	$ 5,561,322	$ 3,094	$ 1,061,673	$ 1,730,644	$ 18,910	$ 730,242	$ 10,565,034
December 31, 2014	$ 1,439,948	$ 5,288,119	$ 3,729	$ 510,775	$ 1,181,160	$ 20,969	$ 732,368	$ 9,177,068

Property, plant and equipment were not pledged.

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

(10) Intangible Asset

	Software	Patents, IPs and others	Goodwill	Total
Cost:				
As of January 1, 2015	$ 373,170	$ 1,626,814	$ 27,712,833	$ 29,712,817
Additions-acquired separately	125,801	2,428,172	-	2,553,973
Transfers	8,462	-	-	8,462
As of December 31, 2015	$ 507,433	$ 4,054,986	$ 27,712,833	$ 32,275,252
As of January 1, 2014	$ 302,069	$ 788,346	$ 6,817,211	$ 7,907,626
Additions-acquired separately	111,335	307,278	-	418,613
Additions-acquired by merger	58	531,190	20,895,622	21,426,870
Disposals	(41,062)	-	-	(41,062)
Transfers	770	-	-	770
As of December 31, 2014	$ 373,170	$ 1,626,814	$ 27,712,833	$ 29,712,817
Amortization and impairment:				
As of January 1, 2015	$ 263,786	$ 708,107	$ -	$ 971,893
Amortization	94,675	1,327,657	-	1,422,332
As of December 31, 2015	$ 358,461	$ 2,035,764	$ -	$ 2,394,225
As of January 1, 2014	$ 206,948	$ 457,836	$ -	$ 664,784
Amortization	97,900	250,271	-	348,171
Disposals	(41,062)	-	-	(41,062)
As of December 31, 2014	$ 263,786	$ 708,107	$ -	$ 971,893
Net carrying amount as of:				
December 31, 2015	$ 148,972	$ 2,019,222	$ 27,712,833	$ 29,881,027
December 31, 2014	$ 109,384	$ 918,707	$ 27,712,833	$ 28,740,924

(11) 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$27,712,833 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)

(12) Short-term borrowings

	December 31, 2015	December 31, 2014
Unsecured bank loans	$ 23,807,520	$ 30,290,690
Interest rates	0.70-0.85%	0.60-0.87%
Unused lines of credits	$ 30,667,236	$ 16,974,428

(13) Other payables

	December 31, 2015	December 31, 2014
Accrued salaries and bonuses	$ 10,994,492	$ 13,614,103
Accrued royalties	1,145,550	1,358,805
Other payable from related parties	406,046	2,971,830
Others	4,878,501	8,769,273
Total	$ 17,424,589	$ 26,714,011

(14) Post-employment benefits

Defined contribution plan

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, 2015 and 2014 were NT$490,079 thousand and NT$390,087 thousand, respectively.

Defined benefit plan

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.

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT$2,716 thousand to its defined benefit plan during the 12 months beginning after December 31, 2015.

The weighted average durations of the defined benefit obligation were 21 years and 24 years as of December 31, 2015 and 2014, respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31	
	2015	2014
Current service cost	$ 2,659	$ 1,956
Net interest on the net defined benefit liabilities	21,373	12,121
Total	$ 24,032	$ 14,077

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Defined benefit obligation	$ 690,183	$ 1,023,110	$ 657,786
Plan assets at fair value	(77,847)	(73,180)	(49,092)
Net defined benefit liabilities	$ 612,336	$ 949,930	$ 608,694

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

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2015	$ 1,023,110	$ (73,180)	$ 949,930
Current service cost	2,659	-	2,659
Interest expense (income)	23,020	(1,647)	21,373
Subtotal	25,679	(1,647)	24,032
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(3,516)	-	(3,516)
Actuarial gains and losses arising from changes in financial assumptions	(259,735)	-	(259,735)
Experience adjustments	(84,597)	-	(84,597)
Remeasurements of the defined benefit assets	-	(303)	(303)
Subtotal	(347,848)	(303)	(348,151)
Payment of benefit obligation	(10,758)	-	(10,758)
Contributions by employer	-	(2,717)	(2,717)
As of December 31, 2015	$ 690,183	$ (77,847)	$ 612,336

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2014	$ 657,786	$ (49,092)	$ 608,694
Current service cost	1,956	-	1,956
Interest expense (income)	13,510	(1,389)	12,121
Subtotal	15,466	(1,389)	14,077
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	45,889	-	45,889
Actuarial gains and losses arising from changes in financial assumptions	236,195	-	236,195
Experience adjustments	50,075	-	50,075
Remeasurements of the defined benefit assets	-	(404)	(404)
Subtotal	332,159	(404)	331,755
Contributions by employer	-	(1,934)	(1,934)
Acquired through business combinations	17,699	(20,361)	(2,662)
As of December 31, 2014	$ 1,023,110	$ (73,180)	$ 949,930

(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, 2015	December 31, 2014
Discount rate	2.00%	2.25%
Expected rate of salary increases	2.75%	4.50%

Sensitivity analysis for significant assumption are shown below:

	For the years ended December 31			
	2015		2014	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase 0.5%	$ -	$ (69,634)	$ -	$ (109,637)
Discount rate decrease 0.5%	78,392	-	124,103	-
Rate of future salary increase 0.5%	77,386	-	120,651	-
Rate of future salary decrease 0.5%	-	(69,474)	-	(107,902)

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

(15) Equity

A. Share capital

The Company's authorized capital as of December 31, 2015 and 2014 was NT$20,000,000 thousand, divided into 2,000,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options at each period), each at a par value of NT$10. The Company's issued capital was NT$15,715,837 thousand and NT$15,714,455 thousand, divided into 1,571,583,686 shares and 1,571,445,544 shares, as of December 31, 2015 and 2014, 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)

In February 2014, the Company acquired the remaining 52% ownership of MStar by issuing 221,123,877 shares, each at a par value of NT$10. The Company has successfully obtained relevant regulators approvals.

The Company issued 138,142 new shares and 654,373 new shares during the years ended December 31, 2015 and 2014, respectively, at par value of NT$10 for employee stock options exercised. Among the new issued shares, 46,700 shares (NT$467 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of December 31, 2014.

B. Capital surplus

	December 31, 2015	December 31, 2014
Additional paid-in capital	$ 85,867,533	$ 85,824,767
Treasury share transactions	1,369,971	1,198,502
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	142,643	149,965
Changes in ownership interests in subsidiaries	276,842	215,280
Donated assets	1,261	1,261
From share of changes in net assets of associates	81,858	68,650
Employee stock options	503,056	465,777
Others	111,014	123,712
Total	$ 88,354,178	$ 88,047,914

According to the Company Act, 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, 2015 and 2014, 7,794,085 shares of the Company's common shares amounting to NT$55,970 thousand were held by the subsidiary, MediaTek Capital Corp. 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, 2015 and 2014, 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.

However, according to the addition of Article 235-1 of the Company Act announced on May 20, 2015, the Company shall provide a fixed amount or percentage of the profit for the year to be distributed as "employees' compensation", after deducting and setting aside an amount equal to the cumulative losses (if any). The aforementioned employees' compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Furthermore, the Articles of Incorporation may stipulate that the employees' compensation could be distributed to employees of affiliated enterprises meeting certain criteria. The Company expects to amend the Articles of Incorporation in its shareholders' general meeting in 2016.

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

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

According to the Company Act, 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 the 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.

The appropriations of earnings and dividend per share were resolved by the shareholders' general meeting on June 12, 2015 and 2014.

	Appropriation of earnings		Dividend per share (NT$)	
	2014	2013	2014	2013
Legal reserve	$ 4,639,789	$ 2,751,505	-	-
Special reserve reversal	(895,749)	(4,176,676)	-	-
Cash dividends-common stock	34,574,697	23,565,323	$ 22.00	$ 15.00
Total	$ 38,318,737	$ 22,140,152		

Please refer to Note 6. (18) for relevant information on estimation basis and recognized amounts of employees' compensations (bonuses) and remunerations to directors and supervisors.

(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 (losses) from available-for-sale financial assets	Total
As of January 1, 2015	$ 4,218,292	$ 2,387,821	$ 6,606,113
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	2,385,906	-	2,385,906
Unrealized losses from available-for-sale financial assets	-	(180,198)	(180,198)
Unrealized gains reclassified to profit or loss from available-for-sale financial assets	-	284,481	284,481
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(100,603)	(1,090,781)	(1,191,384)
Tax effect	-	-	-
As of December 31, 2015	$ 6,503,595	$ 1,401,323	$ 7,904,918

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from available-for-sale financial assets	Total
As of January 1, 2014	$ (2,404,641)	$ 1,508,892	$ (895,749)
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of foreign operations	6,645,482	-	6,645,482
Unrealized losses from available-for-sale financial assets	-	(263,561)	(263,561)
Unrealized gains reclassified to profit or loss from available-for-sale financial assets	(22,549)	1,142,490	1,119,941
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	-	-	-
Tax effect	-	-	-
As of December 31, 2014	$ 4,218,292	$ 2,387,821	$ 6,606,113

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

(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, 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 as of December 31, 2015 is as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT$) (Note)
2008.03.31	1,134,119	279,948	279,948	$ 358.0
2008.08.28	1,640,285	479,365	479,365	344.5
2009.08.18	1,382,630	567,357	567,357	429.5
2010.08.27	1,605,757	707,227	707,227	404.8
2010.11.04	65,839	14,634	14,634	377.0
2011.08.24	2,109,871	1,215,240	1,215,240	277.4
2012.08.14	1,346,795	983,897	581,048	286.8
2013.08.22	1,436,343	1,210,063	375,401	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			
	2015		2014	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT$)	Options (Unit)	Weighted-average Exercise Price per Share (NT$)
Outstanding at beginning of year	5,754,998	$ 341.4	6,641,191	$ 341.3
Granted	-	-	-	-
Exercised	(91,442)	329.5	(654,373)	340.8
Forfeited (Expired)	(205,825)	337.0	(231,820)	335.6
Outstanding at end of year	5,457,731	341.8	5,754,998	341.4
Exercisable at end of year	4,220,220		3,054,547	
Weighted-average fair value of options granted during the year (in NT$)	$ -		$ -	

The weighted average share price at the date of exercise of those options were NT$481.7 and NT$472.3 for the years ended December 31, 2015 and 2014.

The information on the outstanding share-based payment plan as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)
2007.12.19	$ 344.5~358.0	-	$ 349.5	0.1	$ 349.6
2009.07.27	429.5	0.13	429.5	1.13	429.5
2010.05.10	377.0~404.8	1.17	404.2	2.17	404.3
2011.08.09	277.4	2.17	277.4	3.17	277.4
2012.08.09	286.8	3.13	286.8	4.13	286.8
2013.08.09	368.0	4.17	368.0	5.17	368.0

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

Share-based compensation expenses recognized for employee services received for the years ended December 31, 2015 and 2014, is shown in the following table:

	For the years ended December 31	
	2015	2014
Total equity-settled transactions	$ 37,279	$ 63,935

There have been no cancellations or modifications to any of the plans during the years ended December 31, 2015 and 2014.

(17) Sales

	For the years ended December 31	
	2015	2014
Sale of goods	$ 108,650,905	$ 163,108,288
Other operating revenues	2,099,433	2,051,016
Less: Sales returns and discounts	(11,504,638)	(28,894,286)
Net sales	$ 99,245,700	$ 136,265,018

(18) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2015 and 2014:

	For the years ended December 31					
	2015			2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	$ 13,729	$ 500,382	$ 514,111	$ 11,318	$ 392,846	$ 404,164
Others	$ 296,840	$ 17,148,914	$ 17,445,754	$ 267,948	$ 19,174,164	$ 19,442,112
Depreciation	$ 3,689	$ 906,929	$ 910,618	$ 3,147	$ 692,039	$ 695,186
Amortization	$ -	$ 1,422,332	$ 1,422,332	$ -	$ 348,171	$ 348,171

A resolution was passed at a Board of Directors meeting of the Company held on February 1, 2016 to amend the Articles of Incorporation of the Company. According to the amend Articles of Incorporation of the Company, no lower than 1% of profit of the current year is distributable as employees' compensation and no higher than 0.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting in 2016. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company accrued employees' compensation and remuneration to directors and supervisors based on a percentage of profit of current year and the amend Articles of Incorporation of the Company for the year ended December 31, 2015. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income. A resolution was approved at a Board of Directors meeting held on March 17, 2016 to distribute NT$351,232 thousand and NT$47,416 thousand in cash as employees' compensation and remuneration to directors and supervisors, respectively. The differences were NT$0 and NT$1,115 thousand between the aforementioned approved amounts and the amounts charged against earnings in 2015, respectively.

The employees' bonuses were estimated based on a specific rate of net income for the years ended December 31, 2014 (excluding the impact of employees' bonuses) while the remunerations to directors and supervisors were estimated based on the Company's Articles of Incorporation. The estimated employees' bonuses and remunerations to directors and supervisors were expensed in current period. If the Board modifies the estimates significantly in the subsequent periods, the Company shall recognize the change as an adjustment 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. During the years ended December 31, 2014, the amounts of employees' bonuses and remunerations to directors and supervisors were NT$579,974 thousand and NT$84,192 thousand, respectively.

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

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 2014 are as follows:

Appropriations	The amount resolved by the board of directors meeting	Expense estimated	Difference	Difference reasons and the accounting treatment
Employees' bonuses-cash	$ 579,974	$ 579,974	$ -	-
Directors' and supervisors' remunerations	$ 85,308	$ 84,192	$ 1,116	(Note)

Note: The difference, which was resulted from different calculation basis between the original accrual and the amount actually paid, was adjusted in the profit or loss in 2015.

The information about the appropriations of earnings resolved by the board of directors' meeting and shareholders' meeting is available at the Market Observation Post System website.

(19) Other income

	For the years ended December 31	
	2015	2014
Interest income	$ 1,149,150	$ 1,024,947
Dividend income	22,465	62,698
Rental income	17,192	18,529
Others	116,064	95,098
Total	$ 1,304,871	$ 1,201,272

(20) Other gains and losses

	For the years ended December 31	
	2015	2014
Losses on disposal of property, plant and equipment	$ (2,828)	$ (210)
Gains (losses) on disposal of investments		
Available-for-sale financial assets	11,047	-
Held-to-maturity financial assets	(1,062)	-
Debt instrument investments for which no active market exists	-	1,354
Investment accounted for using the equity method	-	8,732
Foreign exchange gains	77,763	881,374
Impairment losses		
Available-for-sale financial assets	(295,528)	-
Gains on financial assets at fair value through profit or loss	99,264	21,104
Losses on financial liabilities at fair value through profit or loss	(31,948)	(2,595)
Others	(297)	-
Total	$ (143,589)	$ 909,759

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

(21) Finance costs

	For the years ended December 31	
	2015	2014
Interest expenses on short-term borrowings	$ 293,986	$ 170,523

(22) Income tax

The major components of income tax expense are as follows:

	For the years ended December 31	
	2015	2014
Current income tax	$ 296,281	$ 5,049,951
Deferred tax expense (income)	1,778,333	(1,445,013)
Others	18,138	97,473
Income tax expense recognized in profit or loss	$ 2,092,752	$ 3,702,411

Income tax recognized in other comprehensive income

	For the years ended December 31,	
	2015	2014
Deferred tax expenses (incomes):		
Remeasurements of the defined benefit plan	$ 59,186	$ (56,399)

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	
	2015	2014
Accounting profit before tax from continuing operations	$ 28,051,181	$ 50,100,303
Tax at the domestic rates applicable to profits in the country concerned	$ 4,768,701	$ 8,517,052
Tax effect of revenues exempt from taxation	(5,692)	(2,099,422)
Tax effect of expenses not deductible for tax purposes	-	232,761
Investment tax credits	(234,206)	(537,490)
Tax effect of deferred tax assets/liabilities	(3,297,498)	(2,912,202)
10% surtax on undistributed retained earnings	780,688	537,490
Others	80,759	(35,778)
Total income tax expense recognized in profit or loss	$ 2,092,752	$ 3,702,411

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

For the year ended December 31, 2015

	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	$ 741,114	$ (138,828)	$ -	$ -	$ -	$ 602,286
Allowance for sales returns and discounts	1,238,989	(710,312)	-	-	-	528,677
Amortization of difference for tax purpose	217,199	(202,807)	-	-	-	14,392
Amortization of goodwill difference for tax purpose	(619,240)	(710,451)	-	-	-	(1,329,691)
Others	201,913	(15,935)	(59,186)	-	-	126,792
Deferred tax expense		$(1,778,333)	$ (59,186)	$ -	$ -	
Net deferred tax assets	$ 1,779,975					$ (57,544)
Reflected in balance sheet as follows:						
Deferred tax assets	$ 2,400,152					$ 1,274,935
Deferred tax liabilities	$ (620,177)					$ (1,332,479)

For the year ended December 31, 2014

	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	$ 351,814	$ 389,300	$ -	$ -	$ -	$ 741,114
Allowance for sales returns and discounts	694,318	544,671	-	-	-	1,238,989
Amortization of difference for tax purpose	112,901	104,298	-	-	-	217,199
Amortization of goodwill difference for tax purpose	(870,081)	250,841	-	-	-	(619,240)
Others	(10,389)	155,903	56,399	-	-	201,913
Deferred tax income		$ 1,445,013	$ 56,399	$ -	$ -	
Net deferred tax assets	$ 278,563					$ 1,779,975
Reflected in balance sheet as follows:						
Deferred tax assets	$ 1,148,644					$ 2,400,152
Deferred tax liabilities	$ (870,081)					$ (620,177)

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

Integrated income tax information

	December 31, 2015	December 31, 2014
Balance of the imputation credit account	$ 9,546,658	$ 7,667,187

The estimated and actual creditable ratios for 2015 and 2014 were 10.46% and 11.55%, respectively.

The Company's earnings generated prior to December 31, 1997 have been fully appropriated.

The tax authorities have assessed income tax returns of the Company through 2012. The Company has applied for administrative appeals of the tax returns of 2012, 2011, 2010, 2009 and 2008. The Company disagreed with the decision made in the tax assessment notices. The Company has paid in full the additional taxes assessed by the tax authorities.

(23) Earnings per share

Basic earnings per share is 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 is 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.

	For the years ended December 31	
	2015	2014
A. Basic earnings per share		
Profit (in thousand NT$)	$ 25,958,429	$ 46,397,892
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,563,777,089	1,544,565,142
Basic earnings per share (NT$)	$ 16.60	$ 30.04

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

	For the years ended December 31	
	2015	2014
B. Diluted earnings per share		
Profit (in thousand NT$)	$ 25,958,429	$ 46,397,892
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,563,777,089	1,544,565,142
Effect of dilution:		
Employee bonuses-stock (share)	2,079,669	2,695,764
Employee stock options (share)	445,369	1,637,031
Weighted average number of ordinary shares outstanding after dilution (share)	1,566,302,127	1,548,897,937
Diluted earnings per share (NT$)	$ 16.57	$ 29.96

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related Party Transactions

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31	
	2015	2014
Subsidiaries	$ 1,082,952	$ 613,123
Associates	3,190	3,577
Total	$ 1,086,142	$ 616,700

For the years ended December 31, 2015 and 2014, the trade credit terms for related parties and third-party customers were both 45 to 60 days. Third-party customers may pay their accounts in advance. Above sales include royalty revenues, which were charged based on the royalty agreement.

B. IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2015	2014
Other related parties	$ 1,227,583	$ 1,739,287

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

For the years ended December 31, 2015 and 2014, respectively, the trade credit term for related parties and third-party customers were both 60 to 75 days.

C. Consign research and development expense and license expense

	For the years ended December 31	
	2015	2014
Subsidiaries	$ 5,393,119	$ 1,885,556
Associates	6,570	200,000
Other related parties	31,628	30,133
Total	$ 5,431,317	$ 2,115,689

D. NT$10,361 thousand was paid for office rented from subsidiaries for the year ended December 31, 2015.

E. Rental income

	For the years ended December 31	
	2015	2014
Subsidiaries	$ 4,324	$ 6,432
Associates	857	714
Other related parties	10,128	8,606
Total	$ 15,309	$ 15,752

As of December 31, 2015 and 2014, NT$876 thousand was received from other related parties, which was accounted for as deposits received due to a lease of office space.

F. Other income due to technology service

	For the years ended December 31	
	2015	2014
Subsidiaries	$ 58,873	$ 56,777

G. Endorsement amount for office lease, bank financing and IP purchasing

	As of December 31, 2015		As of December 31, 2014	
	Endorsement limit	Actual amount	Endorsement limit	Actual amount
Subsidiaries	$ 33,048,463	$ 18,598,489	$ 33,057,300	$ 11,428,203

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

H. Acquisition of intangible assets

	For the years ended December 31	
	2015	2014
Other related parties	$ 9,944	$ -

I. Trade receivables from related parties

	December 31, 2015	December 31, 2014
Subsidiaries	$ 108,570	$ 179,720

J. Other receivables from related parties

	December 31, 2015	December 31, 2014
Subsidiaries	$ 137,043	$ 1,146,847
Associates	75	150
Total	$ 137,118	$ 1,146,997

Other receivables from related parties were composed mainly of rent receivables and dividends receivables.

K. Trade payables to related parties

	December 31, 2015	December 31, 2014
Other related parties	$ 342,812	$ 419,512

L. Other payables to related parties

	December 31, 2015	December 31, 2014
Subsidiaries	$ 406,046	$ 2,971,830

The Company borrowed funds from related parties in the year ended December 31, 2014. Additional disclosures consisted of the following:

	Date Incurred	Maximum Balance	Ending Balance	Interest Rate
Subsidiaries	2014/9	$ 1,840,504	$ 1,840,504	1.25%

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

M. Key management personnel compensation

	For the years ended December 31	
	2015	2014
Short-term employee benefits (Note)	$ 537,415	$ 597,844
Post-employment benefits	11,910	972
Total	$ 549,325	$ 598,816

Note: The compensation to key management personnel was determined by the Compensation Committee of the Company in accordance with individual performance and the market trends.

8. Assets Pledged as Collateral

The following table lists assets of the Company pledged as security:

	Carrying amount		
Assets pledged for security	December 31, 2015	December 31, 2014	Purpose of pledge
Debt instrument investments for which no active market exists-current	$ 15,714	$ 7,067	Land lease guarantee
Debt instrument investments for which no active market exists-current	9,180	3,142	Customs clearance deposits
Debt instrument investments for which no active market exists-noncurrent	9,705	-	Lease execution deposits
Total	$ 34,599	$ 10,209	

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

The Company has entered into commercial lease contracts with an average life of three to ten years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	$ 38,871	$ 30,774
Later than one year and not later than five years	155,484	123,096
Later than five years	199,061	124,576
Total	$ 393,416	$ 278,446

Operating lease expenses are as follows:

	For the years ended December 31	
	2015	2014
Minimum lease payments	$ 120,006	$ 68,155

(2) Legal claim contingency

A. 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. 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 November 6, 2014, the United States Court of Appeals for the Federal Circuit vacated the lower court's judgment and remanded the case to the district court. The court dismissed the claims against Ralink pursuant to Azure and Ralink's joint motion on February 10, 2015. On June 10, 2013, the Court entered a judgment dismissing the latter case pursuant to the parties' joint stipulation.

Additionally, on January 13, 2015, Azure filed a complaint in the United States District Court for the Eastern District of Texas against the Company and subsidiary MediaTek USA Inc. alleging infringement of United States Patent Nos. 7,756,129, 8,582,570, 8,582,571, 8,588,196, 8,588,231, 8,589,599, 8,675,590, 8,683,092 and 8,732,347 by the Company's wireless communications, tablet and mobile phone chips, and seeking damages. The case has been settled and dismissed with prejudice on August 21, 2015.

B. 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. This case has been settled and dismissed with prejudice on November 19, 2015.

C. Palmchip 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. This case has been settled and dismissed with prejudice on June 16, 2015.

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. This case has been settled and the court dismissed the case with prejudice on June 22, 2015.

D. Optical Devices, LLC ("Optical Devices") filed a complaint with the U.S. International Trade Commission (the "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. The Commission issued an Initial Determination on July 17, 2014 finding that Optical Devices failed to meet the domestic industry requirement and terminating the investigation. On September 3, 2014, the Commission vacated the Initial Determination and remanded the case for further proceedings. On October 20, 2014, the Commission issued an Initial Determination to terminate the investigation on the ground that Optical Devices' lack of standing. On December 4, 2014, the Commission partially vacated the Initial Determination and remanded a part of the case including the investigation against the Company for further proceedings. On April 27, 2015, the Commission issued an Initial Determination terminate the investigation on the ground of Optical Devices' lack of standing. The Commission issued notice to affirm the Initial Determination with modified reasoning and terminated the investigation on June 9, 2015.

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.

E. Vantage Point Technology, Inc. ("Vantage Point") 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 States Patent Nos. 5,463,750 and 6,374,329. The court dismissed the claims with prejudice against MediaTek USA pursuant to Vantage Point and MediaTek USA's joint motion on April 20, 2015.

F. Bandspeed Inc. filed a complaint in the United States District Court for the Western District of Texas against the Company, subsidiary MediaTek USA Inc. and other defendants on May 9, 2014, alleging infringement of United States Patent Nos. 7,027,418, 7,570,614, 7,477,624, 7,903,608 and 8,542,643. On October 17, 2014, the court granted the parties joint stipulation to dismiss the claims against the Company, all other claims against other parties including those against subsidiary MediaTek USA Inc. remain pending. On February 13, 2015, the court granted Bandspeed's motion for leave to file a First Amended Complaint to add United States Patent No. 8,873,500 to the case. The court dismissed the claims with prejudice against MediaTek USA pursuant to the parties' joint motion on August 18, 2015.

G. Adaptive Data LLC ("Adaptive Data") filed a complaint in the United States District Court for the District of Delaware against subsidiary MediaTek USA Inc. on December 31, 2014, alleging infringement of United States Patent Nos. 6,108,347 and 6,243,391 by the Bluetooth chips of subsidiary MediaTek USA Inc. and seeking damages. This case has been settled and Adaptive Data voluntarily dismissed the case on February 19, 2015.

H. Luciano F. Paone filed a complaint in the United States District Court for the South District of New York against subsidiary MediaTek USA Inc. on February 9, 2015, alleging infringement of United States Patent No. 6,259,789. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

I. Innovatio IP Ventures, LLC ("Innovatio") filed a complaint in the United States District Court for the Northern District of Illinois against subsidiary MediaTek USA Inc. on March 16, 2015, alleging infringement of United States Patent Nos. 6,697,415, 5,844,893, 5,740,366, 7,916,747, 6,665,536, 7,013,138, 7,107,052, 5,546,397, 7,710,907, 7,710,935, 6,714,559, 7,457,646 and 6,374,311. 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

None

(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, 2015	December 31, 2014
Financial assets at fair value through profit or loss:		
Held for trading financial assets	$ 232	$ 1,871
Financial assets designated upon initial recognition at fair value through profit or loss	1,339,006	1,090,775
Subtotal	1,339,238	1,092,646
Available-for-sale financial assets	6,113,054	4,692,687
Held-to-maturity financial assets	1,128,925	-
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand and petty cash)	74,921,175	127,448,149
Debt instrument investments for which no active market exists	34,599	308,133
Trade receivables (including related parties)	4,568,083	3,954,943
Other receivables	1,676,068	5,104,465
Subtotal	81,199,925	136,815,690
Total	$ 89,781,142	$ 142,601,023

Financial liabilities

	December 31, 2015	December 31, 2014
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	$ 31,948	$ 2,595
Financial liabilities at amortized cost:		
Short-term borrowings	23,807,520	30,290,690
Trade payables (including related parties)	6,103,280	7,171,345
Other payables	17,424,589	26,714,011
Long-term payables (including current portion)	56,212	91,982
Subtotal	47,391,601	64,268,028
Total	$ 47,423,549	$ 64,270,623

B. Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities：

(a) The carrying amount of cash and cash equivalents, trade receivables(including related parties), other receivable, short-term borrowings, trade payables (including related parties) and 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	
	December 31, 2015	December 31, 2014
Financial assets		
Held-to-maturity financial assets		
Bonds	$ 1,128,925	$ -

	Fair value as of	
	December 31, 2015	December 31, 2014
Financial assets		
Held-to-maturity financial assets		
Bonds	$ 1,129,657	$ -

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

c. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities
The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Derivative financial instruments	$ -	$ 232	$ -	$ 232
Linked deposits	-	-	1,339,006	1,339,006
Available-for-sale financial assets				
Depositary receipts	34,942	-	-	34,942
Stocks	453,050	-	-	453,050
Funds	4,364,447	-	-	4,364,447
Bonds	1,260,615	-	-	1,260,615
Total	$ 6,113,054	$ 232	$ 1,339,006	$ 7,452,292

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

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 31,948	$ -	$ 31,948

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Derivative financial instruments	$ -	$ 1,871	$ -	$ 1,871
Linked deposits	-	-	1,090,775	1,090,775
Available-for-sale financial assets				
Depositary receipts	28,010	-	-	28,010
Stocks	632,583	-	-	632,583
Funds	4,032,094	-	-	4,032,094
Total	$ 4,692,687	$ 1,871	$ 1,090,775	$5,785,333
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 2,595	$ -	$ 2,595

For the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

The detail movement of recurring fair value measurements in Level 3:

Reconciliation for recurring fair value measurements in Level 3 of the fair value hierarchy during the period is as follows:

	Financial assets at fair value through profit or loss
	Linked deposits
As of January 1, 2015	$ 1,090,775
Amount recognized in profit or loss	1,626
Acquisitions	921,576
Settlements	(674,971)
As of December 31, 2015	$ 1,339,006

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

	Financial assets at fair value through profit or loss
	Linked deposits
As of January 1, 2014	$ 275,387
Amount recognized in profit or loss	388
Acquisitions	880,000
Settlements	(65,000)
As of December 31, 2014	$ 1,090,775

Total profits recognized for the years ended December 31, 2015 and 2014 contained profits related to linked deposits on hand as of December 31, 2015 and 2014 in the amount of NT$655 thousand and NT$411 thousand, respectively.

Information on significant unobservable inputs to valuation of fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's linked-deposits of the fair value hierarchy are based on unadjusted quoted price of trading partner. Therefore, the quantitative information and sensitivity analysis are not available.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and updating the latest quoted price of trading partner periodically to ensure that the results of the valuation are in line with market conditions, based on stable, independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date to ensure the measurement or assessment are reasonable.

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

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Held-to-maturity financial assets				
Bonds	$ 1,129,657	$ -	$ -	$ 1,129,657

As of 31 December 31, 2014

Not Applicable

D. 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 ('000)	Maturity
As of December 31, 2015	TWD to USD	Sell USD145,000	January 2016
As of December 31, 2014	TWD to USD	Sell USD105,000	February 2015

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 foreign 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 variables, 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 0.1%, the profit for the years ended December 31, 2015 and 2014 decreases/increases by NT$3,526 thousand and NT$2,822 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 investments with variable interest rates, bank borrowings with fixed interest rates. Moreover, the market value of the Company's investment in credit-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 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, 2015 and 2014 to increase/decrease by NT$5 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 (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.

A change of 1% in the price of the listed equity securities classified under available-for-sale could only impact the Company's equity and cause the other comprehensive income for the years ended December 31, 2015 and 2014 to increase/decrease by NT$48,524 thousand and NT$46,927 thousand, respectively.

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.

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

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, 2015 and 2014, receivables from top ten customers represented 99.35% and 84.49% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was 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 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, 2015			
Borrowings	$ 23,831,030	$ -	$ 23,831,030
Trade payables (including related parties)	6,103,280	-	6,103,280
Other payables	17,411,237	-	17,411,237
Long-term payables	56,212	-	56,212
Total	$ 47,401,759	$ -	$ 47,401,759

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

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Borrowings	$ 30,314,097	$ -	$ 30,314,097
Trade payables (including related parties)	7,171,345	-	7,171,345
Other payables	26,703,711	-	26,703,711
Long-term payables	38,062	53,920	91,982
Total	$ 64,227,215	$ 53,920	$ 64,281,135

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2015			
Net settlement			
Forward exchange contracts	$ (33,750)	-	$ (33,750)

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Gross settlement			
Forward exchange contracts			
Inflow	$ 1,899,065	$ -	$ 1,899,065
Outflow	(1,903,080)	-	(1,903,080)
Net	(4,015)	$ -	(4,015)
Total	$ (4,015)	$ -	$ (4,015)

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, 2015		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$ 1,184,206	33.066	$ 39,156,956
CNY	$ 7,029	5.092	$ 35,791
Financial liabilities			
Monetary item:			
USD	$ 933,532	33.066	$ 30,868,185
CNY	$ 536	5.092	$ 2,730

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

	December 31, 2014		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$ 1,493,866	31.718	$ 47,382,443
CNY	$ 385,235	5.113	$ 1,969,519
Financial liabilities			
Monetary item:			
USD	$ 1,314,906	31.718	$ 41,706,176
CNY	$ 361,150	5.113	$ 1,846,383

The Company's currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain was NT$77,763 thousand and NT$881,374 thousand for the years ended December 31, 2015 and 2014, respectively.

(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.

MEDIATEK

everyday genius

www.mediatek.com