



# Annual Report 2019

**MEDIATEK**

Stock code : 2454 Date : April 30, 2020

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Annual Report website of MediaTek Inc. : <https://www.mediatek.com/investor-relations/financial-information/annual-reports>

## Contact Information

### Spokesman:

Name: David Ku  
Title: Chief Financial Officer  
Tel: +886 (0)3-567-0766  
Fax: +886 (0)3-578-7610  
Email: [ir@mediatek.com](mailto:ir@mediatek.com)

### Acting spokesperson:

Name: Jessie Wang  
Title: Deputy Director, Investor & Analyst Relations Division  
Tel: +886 (0)3-567-0766  
Fax: +886 (0)3-578-7610  
Email: [ir@mediatek.com](mailto:ir@mediatek.com)

### MediaTek Inc. Headquarters:

Address: No. 1, Dusing 1<sup>st</sup> Rd., Hsinchu Science Park, Hsinchu, 30078, Taiwan  
Tel: +886 (0)3-567-0766

### MediaTek Inc. Taipei Office:

Address: No. 15, Lane 91, Section 1, Neihu Road, Neihu District, Taipei, 11442, Taiwan  
Tel: +886 (0)2-2659-8088

### Transfer Agent:

Company: China Trust 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: Shau-Pin Kuo and Wen-Fun Fuh  
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>



# 2019 MediaTek Annual Report

## Table of Contents

<b>I. Letter to Shareholders .....</b>	<b>4</b>
<b>II. Company Profile .....</b>	<b>6</b>
1. MediaTek Company Profile .....	6
2. Milestones .....	6
<b>III. Corporate Governance .....</b>	<b>12</b>
1. Organization.....	12
2. Directors.....	14
3. Management Team .....	19
4. Corporate Governance Report.....	22
5. Information Regarding the Company’s Independent Auditors .....	40
6. Net Changes in Shareholding.....	42
7. Top 10 Shareholders Who are Related Parties to Each Other .....	43
8. Long-Term Investment Ownership .....	43
<b>IV. Capital and Shares.....</b>	<b>44</b>
1. Capital and Shares.....	44
2. Status of Corporate Bonds .....	47
3. Status of Preferred Stocks .....	48
4. Status of GDR/ADR.....	48
5. Status of Employee Stock Option Plan .....	49
6. Status of New Employees Restricted Stock Issuance.....	51
7. Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	55
8. Financing Plans and Implementation .....	55
<b>V. Business Activities .....</b>	<b>56</b>
1. Business Scope.....	56
2. Market, Production, and Sales Outlook .....	61
3. Employees.....	66
4. Material Contracts.....	67
<b>VI. Corporate Social Responsibility .....</b>	<b>68</b>

1. Corporate Promise.....	68
2. Social Participation .....	71
3. Environmental Efforts.....	76
<b>VII. Financial Status, Operating Results and Status of Risk Management.....</b>	<b>76</b>
1. Financial Status .....	79
2. Operating Results.....	81
3. Cash Flow Analysis.....	83
4. Major Capital Expenditure.....	84
5. Investment Policies .....	84
6. Risk Management .....	84
7. Other Material Events .....	89
<b>VIII. Special Disclosure.....</b>	<b>90</b>
1. Summary of Affiliated Companies.....	90
2. Private Placement Securities .....	106
3. Holding or Disposition of the Company Stocks by Subsidiaries .....	106
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 .....	106
5. Other Necessary Supplement .....	106
<b>IX. Financial Information.....</b>	<b>107</b>
1. Condensed Balance Sheets.....	107
2. Condensed Statements of Comprehensive Income .....	109
3. Five-Year Auditors' Opinions.....	110
4. Five-Year Financial Analysis .....	110
5. Audit Committee’s Review Report .....	114
6. Financial Statements and Independent Auditors’ Report –the Company & Subsidiaries (Page F1 – Page F145).....	115
7. Financial Statements and Independent Auditors’ Report – Parent Company (Page F146 – Page F285).....	115
8. The Impact on the Company’s Financial Status in Cases where the Company or its Affiliates have Financial Difficulties .....	115



# I. Letter to Shareholders

Dear Shareholders:

In 2019, MediaTek continued to strengthen global competitiveness. Ranked the 15th largest semiconductor company and the 4th largest IC design company globally, MediaTek achieved a balanced and diversified product and business portfolio with much improved financials. 2019 consolidated revenue reached NT\$246.2 billion and consolidated gross margin increased to 41.9%, from 38.5% in 2018. Operating income grew nearly 40% year over year in dollar terms and consolidated operating margin increased 2.4 percentage points.

Looking back on 2019, MediaTek played important roles in products such as smartphone, AIoT, TV, PMIC and ASIC across multiple regions globally which laid a solid foundation for future development. New technology investments in AI, 5G, WiFi 6, enterprise ASIC and automotive electronics have also made good progress. These are clear indicators of our strong competitiveness and will translate into mid-to long-term growth momentum.

Moving into 5G era, MediaTek closely collaborates with global major operators and demonstrates leading technology capability by launching 5G flagship smartphone SoC - Dimensity 1000 series which integrates high performance ARM A77 CPU and supports 2 Carrier Aggregation providing 4.7Gbps downlink speed – the fastest over Sub-6GHz network in the industry. We will continue to introduce highly competitive 5G products to support smartphones in all price tiers. MediaTek 5G SoC has commenced mass production since late 2019 and is expected to ramp gradually in 2020 with penetration into the US, Europe, Mainland China and South Korea markets. Beyond smartphone, MediaTek successfully expanded applications with its 5G discrete modem. The partnership with Intel to develop 5G laptops is the first step to explore the broader market in the future.

Besides, MediaTek maintains a strong leadership in TV SoC market. We integrate advanced functions, such as 8K, AI and voice-related features, to provide the most comprehensive and industry-leading products to drive the market trend and enable the central device for home entertainment – TV to perform more versatile functionalities. In terms of new technology and related applications, MediaTek has fully grasp the trend of cloud and AI. In response to the rising demand for high-speed transmission derived from cloud computing, MediaTek offers ASICs to first-tier international customers for applications such as enterprise server and datacenter. The first project commenced mass production in 2019. MediaTek incorporated AI function to smartphone, IoT, TV and other platforms to optimize user experience in photo shooting, picture quality and multimedia. It facilitated the collaboration with Amazon to develop a wider range of IoT products with AI and voice control. MediaTek also launched automotive electronics, such as eCockpit and telematics solutions in succession with global automotive ecosystem. We believe the trend of technology migration and more versatile networking products will persist and will benefit MediaTek as we expand the global market. Through the rich and strong IP portfolio owned by MediaTek, we are confident to continue promoting the mid-to-long-term growth of AIoT, PMIC, ASIC and automotive electronics in the global market.

MediaTek is committed in bringing technology to everyone and continues to invest in R&D. Our annual R&D expense reached NT\$63 billion in 2019, ranking the top among listed companies in Taiwan. The company's long-term hard work in technology has also received global recognition

repeatedly. In 2008, a total of 11 papers were published by the ISSCC (International Solid-State Circuits Symposium) and the number of papers ranked among the top three in the world. MediaTek also won “Outstanding Asia-Pacific Semiconductor Company” award from Global Semiconductor Alliance for the seventh time. Moreover, MediaTek was selected by the Ministry of Economic Affairs for its branding development program and won “Top 10 Best Taiwanese Global Brands” award for five consecutive years as the only semiconductor company to be included, demonstrating our efforts in technology and R&D to further enhance our brand image.

In terms of corporate social responsibility implementation, MediaTek has invested more than NT\$1.8 billion in the past 19 years in talent cultivation and social care, including “Genius for Home” – a program to promote digital innovation competition for local society and talent cultivation programs for students. The exceptional performance of MediaTek was awarded “The Most Prestigious Sustainability Award – Top Ten Domestic Corporates”, “Growth through Innovation Award”, “People Development Award”, and “Social Inclusion Award”. MediaTek makes low power consumption chipsets with our own green innovation. The annual carbon reduction from the end products using MediaTek’s chipsets is equivalent to the carbon adsorption of 295 Da-an Forest Parks, contributing to global energy conservation and environmental protection. In addition, we built the largest enterprise kindergarten within Hisn-Chu Science Park to create a better workplace for employees. We also held the first responsible supply chain seminar to join hands with upstream and downstream manufacturers to create a green supply chain. These all demonstrate MediaTek’s commitment to sustainable development.

In summary, we firmly believe that with MediaTek’s technology and platform combined, our high competitiveness in the global market will persist. Albeit some short-term market uncertainties in 2020, with sound financial structure and deep collaboration with global customers on various product lines, our confidence for the mid to long-term operating goals remains. MediaTek will continue to focus on value creation and execution, to achieve technological leadership in important areas, to provide the best user experience with our innovative technology, and to become a respected company that demonstrates strategic influence on the global stage and continues to improve shareholder value. Lastly but not the least, we would like to extend our sincere appreciation to all of our shareholders for your long-term trust and continuous support.

Chairman: Ming-Kai Tsai  
CEO: Lih-Shyng Tsai

## 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, Hong Kong, India, United States, Japan, Korea, England, Finland, Sweden, France, Holland and Dubai.

With continuous investments in advanced process and technologies, the Company is aiming for first mover opportunities in AI (artificial intelligence) and 5G to provide chipset solutions across platforms, including smart home, connectivity, IoT and wearable, automotive, ASIC and handset devices as well as enable global customers to innovate and provide higher value products and services. MediaTek has a leading position globally and possesses competitive edge.

By building technologies that help connect individuals to the world around them, the Company 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
2020	<ul style="list-style-type: none"> <li>Published 11 papers in ISSCC and hit a new record of papers selected by ISSCC for 17 consecutive years among Taiwan companies – “Fertilizing AIoT from Roots to Leaves (Invited paper)”, “2.5 A 7nm FinFET 2.5GHz/2.0GHz Dual-Gear Octa-Core CPU Subsystem with Power/Performance Enhancements for a Fully Integrated 5G Smartphone SoC”, “6.2 A 460mW 112Gb/s DSP-Based Transceiver with 38dB Loss Compensation for Next-Generation Data Centers in 7nm FinFET Technology”, “7.1 A 3.4-to-13.3 TOPS/W 3.6TOPS Dual-Core Deep-Learning Accelerator for Versatile AI Applications in 7nm 5G Smartphone SoC”, “9.1 A Current-Sensing Front-End Realized by a Continuous-Time Incremental ADC with 12b SAR Quantizer and Reset-Then-Open Resistive DAC Achieving 140dB DR and 8ppm INL at 4kS/s”, “10.3 A 12nm CMOS RF Transceiver Supporting 4G/5G UL MIMO”, “10.4 A 4x4 Dual-Band Dual-Concurrent WiFi 802.11ax Transceiver with Integrated LNA, PA and T/R Switch Achieving +20dBm 1024-QAM MCS11 Pout and -43dB EVM Floor in 55nm CMOS”, “10.6A 4G/5G Cellular Transmitter in 12nm FinFET with Harmonic Rejection”, “21.3 A 5.69mm2 0.98nJ/Pixel Image-Processing SoC with 24b High-Dynamic-Range and Multiple Sensor Format Support for Automotive Applications”, “26.1 A 4.5mm2 Multimodal Biosensing SoC for PPG, ECG, BIOZ and GSR Acquisition in Consumer Wearable Devices”, and “18.5 ZVS flyback converter ICs optimizing USB power deliver for fast charging mobile devices to achieve 93.5% efficiency”</li> </ul>
2019	<ul style="list-style-type: none"> <li>Selected as “Taiwan Top 10 Global Brands”, hosted by Ministry of Economic Affairs and Interbrand for the fifth consecutive year</li> <li>Won “Outstanding Asia-Pacific Semiconductor Company” at GSA Awards</li> <li>Won TCSA “The Most Prestigious Sustainability Award - Top 10 Domestic Corporates”; also received “Top 50 Corporate Sustainability Report Gold Award”, “Growth through Innovation Award” and “Social Inclusion Award” for the Manufacturing industry</li> <li>MediaTek 5G SoC honored as “Best Mobile Chipset” at Computex given by GadgetMatch</li> <li>Published 8 papers in ISSCC and hit a new record of papers selected by ISSCC for 16 consecutive years among Taiwan companies – “6.4 A 180mW 56Gb/s DSP-Based Transceiver for High-Density IOs in Data Center Switches in 7nm FinFET Technology”, “18.1 A -105dBc THD+N (-114dBc HD2) at 2.8VPP Swing and 120dB DR Audio Decoder with Sample-and-Hold Noise Filtering and Poly Resistor Linearization Schemes”, “A 40MHz-BW 320MS/s Passive Noise-Shaping SAR ADC with Passive Signal-Residue Summation in 14nm FinFET”, “20.4 An 8×-OSR 25MHz-BW 79.4dB/74dB DR/SNDR CT DS Modulator Using 7b, Linearized Segmented DACs with Digital Noise-Coupling-Compensation, Filter in 7nm FinFET CMOS”, “20.6 An 80MHz-BW 31.9fJ/conv-step Filtering DS ADC with a Built-In DAC-Segmentation/ELD-Compensation 6b 960MS/s SAR-Quantizer in 28nm LP for 802.11ax Applications”, “An LTE-A Multimode Multiband RF Transceiver with 4RX/2TX Inter-Band Carrier Aggregation, 2-Carrier 4x4 MIMO with 256QAM and HPUE Capability in 28nm CMOS”, “An 8b Injection-Locked Phase Rotator with Dynamic Multiphase Injection for 28/56/112Gb/s Serdes Application”, and “Data Converter Design Considerations for Mobile Transceivers: Benchmark and Trends from 4G LTE to 5G NR”</li> <li>MediaTek Helio P90 won the “Best Mobile Chipset” award at the 5th EM Best of Industry Awards 2019</li> <li>MediaTek Helio G90T won “The Best Gaming Chip” by The Mobility India</li> <li>MediaTek Helio P90 honored as Winner of “Compass Intelligence Tech Awards” given by Compass Intelligence</li> <li>MediaTek Helio P60 honored as Gold Winner of “Golden Mousetrap Award” given by Design News</li> </ul>



Year	Milestones
	<ul style="list-style-type: none"> <li>■ MediaTek Helio P60 won IoT Breakthrough "IoT Semiconductor Company of the Year" Award</li> <li>■ MediaTek Helio P60 chosen as the Finalist of "Electronic Products Product of the Year Award" given by Digital ICs</li> <li>■ MediaTek NB-IoT chipset MT2625 chosen as the Finalist of "Best IoT Connectivity Solution Award" given by IoT World</li> </ul>
2018	<ul style="list-style-type: none"> <li>■ Received "Outstanding Asia-Pacific Semiconductor Company" Award from Global Semiconductor Alliance (GSA)</li> <li>■ Selected as "Taiwan Top 10 Global Brands", hosted by Ministry of Economic Affairs and Interbrand for the fourth consecutive year</li> <li>■ Won TCSA "Top 50 Corporate Sustainability Award"; also received "Top 50 Corporate Sustainability Platinum Award", "People Development Award", "Growth through Innovation Award," "Social Inclusion Award" and "Supply Chain Management Award" for the Manufacturing industry</li> <li>■ Ming-Kai Tsai, MediaTek Chairman, chosen as one of Harvard Business Review's "Top 50 the Best CEOs in Taiwan"</li> <li>■ MediaTek Helio P60, awarded by Android Authority, as the best of MWC 2018</li> <li>■ Published 4 papers in ISSCC and hit a new record of papers selected by ISSCC for 15 consecutive years among Taiwan companies – "An 87.1% Efficiency RF-PA Envelope Tracking Modulator for 80MHz LTE- Advanced Transmitter and 31dBm PA Output Power for HPUE in 0.153µm CMOS", "A 0.0004% (-10dB) THD+N 112dB SNR and 3.15W Fully Differential Class-D Audio Amplifier with Gm Noise Cancellation and Negative Output Common Mode Injection Techniques", "A 50MHz-BW Continuous-Time III: ADC with Dynamic Error Correction Achieving 79.8dB SNDR and 95.2dB SFDR (Co-author with Oregon State University)", and "94% Power-Recycle and Near-Zero Driving-Dead-Zone N-type LowDropout Regulator with 20mV Undershoot at Short-Period LoadTransient of Flash Memory in Smart Phone"</li> <li>■ Received the awards of "2018 all Asia Executive team" on top-ranked company for CEO, CFO, IR Professional, IR Program, Analyst Days and Website" from "Institutional Investor Magazine"</li> </ul>
2017	<ul style="list-style-type: none"> <li>■ Selected as "Taiwan Top 10 Global Brands", hosted by Ministry of Economic Affairs and Interbrand for the third consecutive year</li> <li>■ Received Taiwan Corporate Sustainability Awards' highest honor for the very first time, namely, "The Most Prestigious Sustainability Awards-Top Ten Domestic Corporate", as well as its "Top 50 Corporate Sustainability Report Award", "Growth through Innovation Award", "Social Inclusion Award" and "Supply Chain Management Award"</li> <li>■ Rated by Forbes as one of "Top Multinational Performers" and "Growth Champions" as well as "Asia's Fab 50 Companies"</li> <li>■ Awarded "Top 100 Applicants" by European Patent Office (EPO) for the third consecutive year.</li> <li>■ Received award of "Foreign Direct Investment Company of the Year 2017" from City of Oulu, Finland</li> <li>■ Listed in PwC's "The 2017 Global Innovation 1000 Study" as one of the world's top corporate R&amp;D investors</li> <li>■ Selected as FTSE4Good Index component</li> <li>■ MediaTek HEVC codec won 2017 Primetime Emmy Engineering Award</li> <li>■ MediaTek Helio X30 honored as "Innovation Product Award and R&amp;D Accomplishment Award (Integrated Circuit)" by Hsinchu Science Park Bureau</li> <li>■ Published 10 papers in ISSCC and hit a new record of number of papers selected by ISSCC among MediaTek's history, Taiwanese companies and global semiconductor companies – "A high-efficiency multi-band Class-F power amplifier in 0.1531µm bulk CMOS for WCDMA/LTE applications", "A 0.46mW 5MHzBW79.7dB SNDR Noise-Shaping SAR ADC with Dynamic FIR-IIR Filter", "A 10nm FinFET 2.8GHz, Tri-gear Deca-core CPU complex with optimized Power-delivery network for Mobile SoC Performance", "An 802.11ac 5stage2(80+80) Dual-Band Reconfigurable Transceiver Supporting up to FourVHTBO Spatial Streams with 116f5 JitterRMS Frequency Synthesizer &amp; Integrated LNA/JPA Delivering 256QAM 19dBm per Stream Achieving 1.733Gbps PHY Rate", "An Intelligent Low Power Transceiver Design for LTE-A Carrier Aggregation", "A +8dBm BLEIBT Transceiver with Automatically Calibrated Integrated RF Band-Pass Filter and -58dBc TX HD2", "A 125MHz BW, 74.BdB DR, 71.9dB SNDR, -BOdBc THD, VCO-Based CT A.r. ACe with Phase-Domain ELD Compensation using 128- State Segmented Rotator in 16nm CMOS S-", "A Fully Integrated Multi-Mode TxM for GSMEDGE/ITD-SCDMA/ITDLTE Applications Using A Class-F CMOS Power Amplifier", "A Digitally Assisted CMOS WiFi802.11ac/11ax Front-End Module Achieving 12% PA Efficiency at 20dBm Output Power with 160MHz 256QAM OFDM Signal", and "A high-linearity CMOS receiver achieving +44dBm IIP3 and +13dBm B1dB for SAW-less LTE radio"</li> <li>■ Acquired Airoha Technology Corp.</li> </ul>
2016	<ul style="list-style-type: none"> <li>■ Awarded "Top 100 Global Innovators 2016" by Clarivate Analytics (formerly Thomson Reuters) for the third consecutive year</li> <li>■ Received "Outstanding Asia-Pacific Semiconductor Company Award" from Global Semiconductor Alliance (GSA) for the fifth consecutive year</li> <li>■ Selected as "Taiwan Top 10 Global Brands 2016", hosted by Ministry of Economic Affairs and Interbrand for the second consecutive year</li> <li>■ Mr. Ming-Kai Tsai, MediaTek Chairman and CEO, was honored by Harvard Business Review as one of "100 Best-Performing CEOs in the World"</li> <li>■ Won "Taiwan Corporate Sustainability Awards 2016 – Electronics Industry" Gold Medal from Taiwan Institute for Sustainable Energy (TAISE) and "Supply Chain Management Awards" as well as "Growth through Innovation Awards" for the first time</li> <li>■ Selected as "Most Admired Company Top 10", hosted by Commonwealth Magazine and Mr. Ming-Kai Tsai, MediaTek Chairman and CEO, was honored as one of the "Most Admired Entrepreneurs"</li> <li>■ Published 6 papers in ISSCC and hit a new record of papers selected by ISSCC for 13 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-</li> </ul>

Year	Milestones
	<p>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”</p> <ul style="list-style-type: none"> <li>■ Acquired ILI Technology Corp.</li> <li>■ MediaTek MT7615, MU-MIMO 4x4 802.11ac Wave 2 enterprise-class SoC for Wi-Fi connectivity, honored as “Innovation Product Award and R&amp;D Accomplishment Award (Integrated Circuit)” given by Hsinchu Science Park Bureau</li> </ul>
2015	<ul style="list-style-type: none"> <li>■ Once again selected by “Thomson Reuters’ Top 100 Global Innovators 2015” (the only Greater China company won the prize for second consecutive year)</li> <li>■ Awarded “Outstanding Asia Pacific Semiconductor Company Award” by the GSA for the fourth consecutive year</li> <li>■ Mr. Ming-Kai Tsai, MediaTek Chairman and CEO, winner of “Dr. Morris Chang Exemplary Leadership Award” awarded by GSA</li> <li>■ Selected as “Taiwan Top 10 Global Brands 2015”, hosted by Ministry of Economic Affairs and Interbrand for the first time</li> <li>■ MediaTek MT6795 (MediaTek Helio X10), Highly-integrated 64-bit True Octa-Core SoC, honored as “Innovation Product Award and R&amp;D Accomplishment Award (Integrated Circuit)” given by Hsinchu Science Park Bureau</li> <li>■ MediaTek Helio Chinese naming campaign received Bronze prize in “MAwards - Best Use of Social Media Promotion &amp; Innovation Awards”</li> <li>■ MediaTek Helio Chinese naming campaign won Bronze prize in “GOLDEN AWARDS - Best Use of Social Media Promotion &amp; Innovation Awards”</li> <li>■ Won “Taiwan Corporate Sustainability Awards 2015 – Electronics Industry” Silver Medal by TAISE</li> <li>■ Ranked sixth in “Top 20 Most Innovative Taiwanese Companies 2015” by Ministry of Economic Affairs, China Productivity Center and Boston Consulting Group (BCG)</li> <li>■ Published 5 papers in ISSCC, and hit a new record of papers selected by ISSCC for 12 consecutive years among Taiwan 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”</li> <li>■ Acquired Alpha Imaging Technology Corp.</li> <li>■ Acquired Chingis Technology Corp.</li> <li>■ Acquired Richtek Technology Corp.</li> </ul>
2014	<ul style="list-style-type: none"> <li>■ Named “Outstanding Asia Pacific Semiconductor Company Award” by the GSA for the third consecutive year</li> <li>■ MediaTek MT6592, High Performance and Low Power True Octa-Core Heterogeneous Computing SoC, honored as “Innovation Product Award and R&amp;D Accomplishment Award (Integrated Circuit)” given by Hsinchu Science Park Bureau</li> <li>■ Selected by Thomson Reuters in “The World’s 100 Most Innovative Companies in 2014”</li> <li>■ 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 second consecutive years, and is the only leader from Taiwan on this list</li> <li>■ Awarded “2014 Most Admired Company in Taiwan Top 3” by CommonWealth Magazine</li> <li>■ Awarded seventh place in the “2014 Top 20 Taiwan Innovative Corporations” by the Ministry of Economic Affairs, China Productivity Center and BCG</li> <li>■ 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 PCCC-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 0.29mm<sup>2</sup> Frequency Synthesizer in 40nm CMOS with 0.19ps RMS Jitter and &lt;-100dBc Reference Spur for 802.11ac”, and “Cloud 2.0 Clients and Connectivity 40nm CMOS with 0.19ps RMges”</li> <li>■ Acquired MStar Semiconductor, Inc. (Cayman)</li> </ul>
2013	<ul style="list-style-type: none"> <li>■ Once again won “Outstanding Asia-Pacific Semiconductor Company Award” selected by GSA</li> <li>■ Selected by Forbes Magazine in “The World’s 100 Most Innovative Companies”, and the only company in Taiwan in this list</li> <li>■ Mr. Ming-Kai Tsai, Chairman &amp; CEO of MediaTek Inc., was named in “The Best-Performing CEOs in the World” by Harvard Business Review</li> <li>■ Selected as a test bed for the Wi-Fi Alliance’s Wi-Fi CERTIFIED™ ac certification program</li> <li>■ Awarded “2013 Most Admired Company in Taiwan Top 3” by CommonWealth Magazine</li> <li>■ 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 0.27mm<sup>2</sup>, 13.5dBm, 2.4GHz All-digital Polar Transmitter with 34%-</li> </ul>

Year	Milestones
	<p>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 0.25mm<sup>2</sup> Radio in 40nm CMOS”</p>
2012	<ul style="list-style-type: none"> <li>■ MediaTek Android smartphone platform included in the Wi-Fi CERTIFIED Passpoint™ test bed as the first and only mobile benchmark platform</li> <li>■ 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</li> <li>■ MT6620, highly Integrated WiFi/BT/FM/GPS 4-in-1 SoC, honored as “2012 Innovative Product Award” by Science-based Industrial Park Administration (SIPA)</li> <li>■ The winner of “Outstanding Asia-Pacific Semiconductor Company Award” selected by GSA</li> <li>■ Awarded “2012 Top 10 Taiwan Innovative Corporations” by Ministry of Economic Affairs, China Productivity Center and BCG</li> <li>■ Won “2012 Thomson Reuters Taiwan Innovation Awards - Top 5 Corporate Innovators in Taiwan”</li> <li>■ Awarded “2012 Most Admired Company in Taiwan Top 3” by CommonWealth Magazine</li> <li>■ Awarded “2012 INFO TECH TOP 100 in Asia” by Business Next magazine</li> <li>■ Awarded 6th National Telecom Award 2012 – “Best Innovation in Mobile Video Technology” by CMAI Association of India</li> <li>■ Mr. Ming-Kai Tsai, Chairman &amp; CEO of MediaTek Inc., awarded as “Academician of Industrial Technology Research Institute (ITRI), R.O.C.”</li> <li>■ Mr. Ming-Kai Tsai, Chairman &amp; CEO of MediaTek Inc., awarded as “The Best-Performing CEOs in the World” by Harvard Business Review</li> <li>■ MediaTek papers selected for presentation at 2012 Symposium on VLSI Circuits- the only fabless semiconductor company to have more than two papers selected for presentation at the 2012 Symposium</li> <li>■ 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/mm<sup>2</sup> in 65 nm CMOS”</li> </ul>
2011	<ul style="list-style-type: none"> <li>■ MT5395, highly-integrated 3D/Internet TV SoC, honored as “2011 The Most Innovative Product” by SIPA</li> <li>■ Awarded “2011 The Best Telecommunication Technology” by CMAI Association of India</li> <li>■ Awarded “The Boldness in Business” by UK Financial Times</li> <li>■ Awarded Top 10 Most Admired Companies in Taiwan” by CommonWealth Magazine for ninth continuous years</li> <li>■ Published five research papers in the ISSCC – “An Injection-Locked Ring PLL with Self-Aligned Injection Window”, “A 70Mb/s - 100.5dBm Sensitivity 65nm IP MIMO Chipset for WiMAX Portable Router (Industrial Demo)”, “A Saw-Less GSM/GPRS/EDGE Receiver Embedded in a 65nm CMOS SOC (Industrial Demo)”, “A Receiver for WCDMA/EDGE Mobile Phones with Inductorless Front-End in 65nm CMOS”, and “A GPS/Galileo SOC with Adaptive in-Band Blocker Cancellation in 65nm CMOS”</li> <li>■ Acquired Ralink Technology Corp.</li> </ul>
2010	<ul style="list-style-type: none"> <li>■ MediaTek’s “WiMAX 802.16e device chipset project” awarded “Outstanding Contribution Award” by Ministry of Economic Affairs</li> <li>■ Awarded “Top 50 Corporate Citizens” by CommonWealth Magazine for four continuous years</li> <li>■ Awarded “Top 10 Most Admired Companies in Taiwan” by CommonWealth Magazine for 8 continuous years</li> <li>■ Ranked Top 10 of “2010 Asia’s 200 most-admired companies” by The Wall Street Journal</li> <li>■ Awarded #12 of “Global Top 100 High-Tech Companies” by Bloomberg Business Week</li> <li>■ Awarded “2010 Corporate Social Responsibility Top 65” by Global Views Monthly</li> <li>■ Awarded “Best Annual Report in Taiwan” and “Best One-on-One Meetings in Taiwan” by IR Magazine</li> <li>■ Published research papers in the ISSCC – “23.6 A 1V 17.9dBm 60GHz Power Amplifier”</li> </ul>
2009	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s High Sensitivity GPS SoC by SIPA</li> <li>■ Awarded “Asia Pacific Leadership Council Award” by GSA</li> <li>■ Awarded “Best Investor Relations by a CEO Award” and “Best Investor Relations for a Corporate Transaction” by IR Magazine</li> <li>■ Awarded “Best Corporate Governance in Taiwan and in Asia” by Asiamoney Magazine</li> <li>■ Awarded the third annual “Top 50 Corporate Citizens” by CommonWealth Magazine</li> <li>■ Published four research papers in the ISSCC, the most among Taiwan technology companies – “A Multi-Format Blu-ray Player SOC in 90nm CMOS”, “A 1.2V 2MHz BW 0.084mm<sup>2</sup> 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 Loop Updating Frequencies and an Adaptive Equalizer”, and “A 110nm RFCMOS GPS SOC with 34mW -165dBm Tracking Sensitivity”</li> </ul>



Year	Milestones
2008	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s Full-HD ATSC DTV SoC, by SIPA</li> <li>■ Launched Blu-ray DVD player chipset, GSM/GPRS/EDGE handset baseband chip, and next-generation ATSC and DVB-T digital TV single-chip</li> <li>■ Awarded “Best Financially Managed Company” by Fabless Semiconductor Association (FSA) for the third consecutive year</li> <li>■ Awarded “Corporate Social Responsibility Award” by Global View Magazine</li> <li>■ Awarded the second annual “Top 50 Corporate Citizens” by CommonWealth Magazine</li> <li>■ Published seven research papers in the ISSCC, hit a new record of papers selected by ISSCC for 5 consecutive years among Taiwan companies, and was the only selected Taiwan company – “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”</li> </ul>
2007	<ul style="list-style-type: none"> <li>■ Awarded “Distinguished Innovation Accomplishment” at the 15th ITA Award by the Ministry of Economic Affairs</li> <li>■ Launched high-performance GPS signal receiver single-chip, first generation Bluetooth chip, and next-generation 120Hz video processing chip</li> <li>■ Awarded “Best Financially Managed Company” by FSA for the second consecutive years</li> <li>■ Awarded “The Asian Top 50” by Forbes Asia</li> <li>■ Awarded “Corporate Social Responsibility Award” by Global View Magazine</li> <li>■ Awarded the 12th annual “Most Admired Company in Taiwan” by CommonWealth Magazine</li> <li>■ Awarded “Top 50 Corporate Citizens” by CommonWealth Magazine</li> <li>■ Published research paper in the ISSCC – “RTL-based Clock recovery architecture with all-digital duty-cycle correction”</li> <li>■ Published research paper in the IEEE IRPS (International Reliability Physics Symposium) “A New Device Reliability Evaluation Method for Overdrive Voltage Circuit Application”</li> </ul>
2006	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s Blu-ray DVD player chipset, by SIPA</li> <li>■ Launched GSM/GPRS/EDGE high-resolution camcorder chipset for mobile phones</li> <li>■ Awarded “The Asian Top 50” by Forbes Asia</li> <li>■ Published research paper in the ISSCC – “Fully Integrated CMOS SoC for 56/18/16 CD/DVD-dual/RAM Applications”</li> <li>■ Awarded “Best Financially Managed Company” by FSA</li> </ul>
2005	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s multimedia GSM/GPRS mobile phone chipset, by SIPA</li> <li>■ Launched ATSC and DVB-T high-resolution LCD TV chipset</li> <li>■ Awarded “The Asian Top 50” by Forbes Asia</li> <li>■ Awarded the 10th annual “Most Admired Company in Taiwan” by CommonWealth Magazine</li> <li>■ 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”</li> </ul>
2004	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s DVD-Recorder Backend single-chip, by SIPA</li> <li>■ Launched GSM/GPRS baseband handset chips</li> <li>■ Ranked no.3 in the high-tech industry in Taiwan as part of Euromoney’s “Best Corporate Governance” survey in 2004</li> <li>■ Awarded the ninth annual “Most Admired Company in Taiwan” by CommonWealth Magazine</li> <li>■ Published one paper at the International Solid-State Circuits Conference “A CMOS SoC for 56/32/56/16 COMBO driver applications”</li> </ul>
2003	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s 8x DVD-read/write (DVD-R/W) optical storage chipset, by SIPA</li> <li>■ Awarded “National Quality Award” by the Executive Yuan of Taiwan R.O.C.</li> <li>■ Launched DVD-Dual chipset</li> <li>■ Awarded Top High-Tech Company in Taiwan by “Business Next Magazine”</li> </ul>
2002	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the company’s high-speed COMBI optical storage chipset by SIPA</li> <li>■ Launched 48x CD-R/W chipset</li> <li>■ Launched CD/DVD COMBI chipset</li> </ul>
2001	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s high-integration DVD-Player chipset by SIPA</li> <li>■ Awarded the ninth annual MOEA Award for Industrial Technology Advancement</li> <li>■ Listed on the Taiwan Stock Exchange (TSE) under the ticker of “2454”</li> </ul>
2000	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s high-speed CD-R/RW chipset by SIPA</li> <li>■ Launched 12x DVD-ROM chipset</li> </ul>

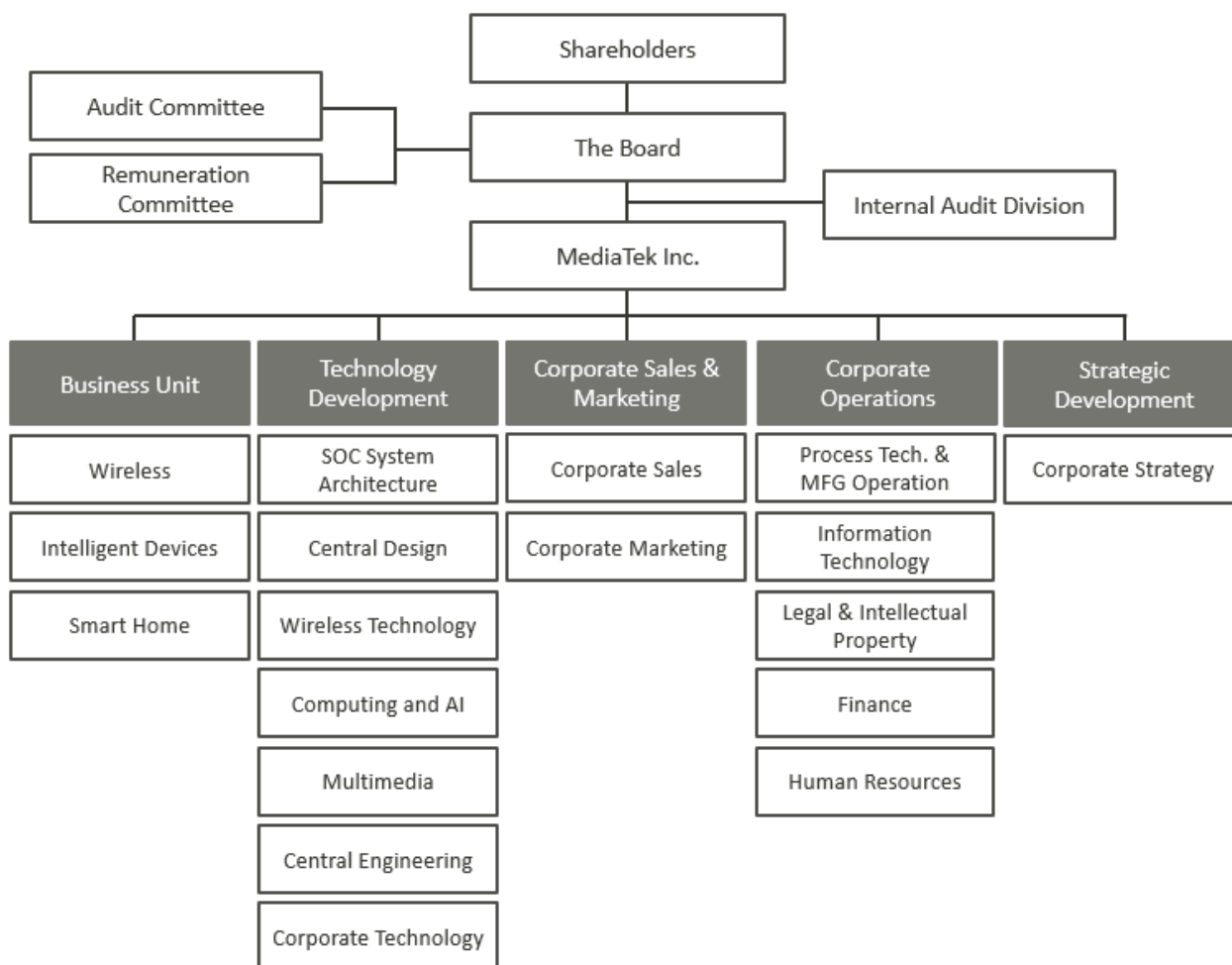
Year	Milestones
1999	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s 12x DVD-ROM chipset by SIPA</li> <li>■ Launched 12-x DVD-ROM chipset</li> </ul>
1998	<ul style="list-style-type: none"> <li>■ Awarded “Innovative Product Award” for the Company’s CD-ROM digital data/servo processor by SIPA</li> <li>■ Launched the highest performance 48x CD-ROM chipset in the world</li> </ul>
1997	<ul style="list-style-type: none"> <li>■ Founded on May 28<sup>th</sup></li> </ul>

### III. Corporate Governance

#### 1. Organization

##### 1.1. Organization Chart

As of April 30, 2020





## 1.2. Major Corporate Functions

Department	Functions
<b>Wireless</b>	Research, design and promote mobile communication chips
<b>Intelligent Devices</b>	Research, design and promote intelligent entertainment, intelligent connectivity, intelligent display, ASIC and intelligent automotive chips
<b>Smart Home</b>	Research, design and promote TV business and monitor/TCON products
<b>SOC System Architecture</b>	Construct and plan competitive and technology-leading chips
<b>Central Design</b>	Integrate and implement technologies into chips, including wireless communication, computing and artificial intelligence, multimedia, analog, circuit and RF
<b>Wireless Technology</b>	Develop and design wireless communication core technologies, system, software, wireless communication technologies and communication system
<b>Computing and AI</b>	Research and develop high-efficiency computing platforms and artificial intelligence technologies
<b>Multimedia</b>	Research and develop video and image multimedia technologies
<b>Central Engineering</b>	Research and develop analog technologies in wireless communication field, including RF, audio/video, transmission interface, server and power as well as board design, high-performance circuit and advanced processor technologies
<b>Corporate Technology</b>	Research and develop advanced technologies and manage industry-academia collaboration
<b>Corporate Sales</b>	Sell products, develop customers, maintain customer relationship and manage sales operation
<b>Corporate Marketing</b>	Manage corporate image and promote market position
<b>Process Tech. &amp; MFG Operation</b>	Pilot run products in development, develop related technologies, manage quality and reliability, manage customer satisfaction, plan production and procurements, research and develop advanced process, pilot run high-end products and develop component technologies
<b>Information Technology</b>	Manage information system architecture, e-commerce strategy, information system development and operation and information security
<b>Legal &amp; Intellectual Property</b>	Manage corporate legal affairs, contracts, patents, and other intellectual property
<b>Finance</b>	Manage finance and accounting, tax, treasury and asset, strategic investments and investor relations
<b>Human Resources</b>	Manage human resource, organization development, general affairs, plant administration, and labor safety
<b>Corporate Strategy</b>	Analyze, plan and execute corporate strategies
<b>Internal Audit Division</b>	Manage internal audit, operational procedure and information security

## 2. Directors

### 2.1. Information Regarding Board Members

As of April 13, 2020/ Unit: Shares

Title/Name	Nationality or Registry	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
<b>Chairman Ming-Kai Tsai</b>	R.O.C	Male	June 15, 2018	3	May 21, 1997	41,062,592	2.60%	41,241,668	2.59%	43,140,145	2.71%	-	-	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Chairman, Andes Technology Corp.
<b>Vice Chairman Ching-Jiang Hsieh</b>	R.O.C	Male	June 15, 2018	3	June 13, 2005	4,052,648	0.26%	4,164,756	0.26%	856,051	0.05%	-	-	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- Chairman / Director, MediaTek affiliates.
<b>Director and CEO Lih-Shyng Tsai</b>	R.O.C	Male	June 15, 2018	3	June 15, 2017	31,500	0.00%	296,370	0.02%	-	-	-	-	- Ph.D., Material Science, Cornell University, USA - Chairman & CEO, Chunghwa Telecom Co., Ltd. - President & CEO, TSMC	- CEO, MediaTek Inc. - Director, Lam Research Corporation - Chairman, MediaTek affiliates.
<b>Director Cheng-Yaw Sun</b>	R.O.C	Male	June 15, 2018	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.
<b>Director Kenneth Kin</b>	R.O.C	Male	June 15, 2018	3	June 13, 2012	-	-	-	-	-	-	-	-	- Ph.D., Nuclear Engineering and Applied Physics, Columbia University, USA - Senior VP, Worldwide Sales & Services, TSMC - Microelectronics VP of worldwide sales, IBM - Asian Pacific Operation VP, Computer Group, Motorola	- Independent Director, eMemory Technology Inc. - Independent Director, Vanguard International Semiconductor Corp. - Independent Director, Global Unichip Corp. - Director, Medtech Investment Co. LTD. - Professor, Department of Economics, National Tsing Hua University.
<b>Director Gon-Wei Liang</b>	R.O.C	Male	June 15, 2018	3	June 15, 2018	54,134	0.00%	54,134	0.00%	24,236	0.00%	-	-	- Master, Chemical Engineering, Stanford University, USA - Chairman, MStar Semiconductor, Inc. - Senior Director, Marketing, TSMC - Vice President, WSMC	- Chairman / Director, MediaTek affiliates.

Title/Name	Nationality or Registry	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
														- Director, Winbond Electronics Corp.	
<b>Independent Director Chung-Yu Wu</b>	R.O.C	Male	June 15, 2018	3	June 13, 2012	236,000	0.01%	236,000	0.01%	707,118	0.04%	-	-	- Ph.D., Electronics Engineering, National Chiao Tung University - President, National Chiao Tung University	- Independent Director, Global Unichip Corp. - Independent Director, Leadtrend Technology Corp. - Independent Director, Amazing Microelectronic Corp. - Professor, Electronics Engineering, National Chiao Tung University - Founder, Biomedical Electronics Translation Research Center,
<b>Independent Director Peng-Heng Chang</b>	R.O.C / U.S.A	Male	June 15, 2018	3	June 13, 2012	-	-	-	-	-	-	-	-	- Ph.D., Materials Engineering, Purdue University - VP, Human Resources, TSMC - Chairman, Motech Industries, Inc.	- Chairman, Chi-Kuang Solar Energy Corp. - Director, Big Sun Technology Inc. - Chairman, Ruei-Yang Solar Corp. - Chairman, Ruei-Rih Solar Corp. - Chairman, Lumos Corporation
<b>Independent Director Ming-Je Tang</b>	R.O.C	Male	June 15, 2018	3	June 15, 2017	-	-	-	-	-	-	-	-	- Ph.D., Business Management, MIT, USA - Associate Professor with tenure, University of Illinois at Urbana-Champaign - Professor and Chair of Industrial and Business Management Department, Chang Gung University - Visiting Associate Professor, Hong Kong University of Science and Technology - President, National Taiwan University	- Independent Director, Fubon Financial Holding Co., Ltd., and Fubon Insurance Co., Ltd. - Director, VSense Co., Ltd. - Director, Wesync Startup Service and Consulting Corporation Limited - Director, Smart-Core Holdings Limited - Professor, National Taiwan University

## 2.2. Professional Qualifications and Independence Analysis of Directors

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	11	12	
	<b>Ming-Kai Tsai</b>			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	
<b>Ching-Jiang Hsieh</b>			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
<b>Lih-Shyng Tsai</b>			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
<b>Cheng-Yaw Sun</b>			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
<b>Kenneth Kin</b>	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
<b>Gon-Wei Liang</b>			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
<b>Chung-Yu Wu</b>	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
<b>Peng-Heng Chang</b>			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
<b>Ming-Tze Tang</b>	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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 the Company's 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 in accordance of Taiwan government or local government laws.)
- (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 officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
- (5). Directors who do not directly hold more than 5% of the total issued shares of the company, the top five shareholders, or a legal person shareholder who appoints a representative as a company director or supervisor according to Article 27, paragraph 1 or 2, Supervisor or employee (but if the company and its parent company, subsidiary or subsidiary of the same parent company are independent directors established by this law or local state laws, they are not limited to this).
- (6). More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if they are the company or its parent company, subsidiary or a child of the same parent company) (The independent directors established by the company in accordance with this law or local national laws shall not be limited to this).
- (7). Directors, supervisors or employees (but in the case of the company and its parent company) of other companies or organizations that are not the same person or spouse with the company's chairman, general manager or equivalent, Independent directors set up by a subsidiary company or a subsidiary of the same parent company in accordance with this law or local national laws shall not be limited to this).
- (8). Directors, supervisors, managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds issued shares in the company) If the total number is more than 20% but not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations concurrently serve each other, this limit shall not apply).
- (9). Professionals, sole proprietorships, partnerships, companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that do not exceed NT \$ 500,000 in cumulative compensation in the past two years Business owners, partners, directors, supervisors, managers and their spouses. However, members of the Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.
- (10). Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11). Not been a person of any conditions defined in Article 30 of the Company Law.
- (12). Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

## 2.3. Remunerations Paid to Directors

### 2.3.1. Remunerations Paid to Directors (Note1)

Unit: NTS thousands

Title Name	Remunerations Paid to Directors								(A+B+C+D) as % of Net Income		Compensation Earned as Employee of the Company or of the Company's Affiliates								(A+B+C+D+E+F+G) as % of Net Income (Note3)		Other compensations from non-subsidiary affiliates
	Salary (A)		Pension (B)		Remunerations (C)		Allowances (D)				Salary, Bonus, etc. (E)		Pension (F) (Note2)		Employee Compensation (G)						
	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
															Cash	Stock	Cash	Stock			
Chairman Ming-Kai Tsai	0	0	0	0	3,568	3,568	0	0	0.21	0.21	255,930	259,744	216	216	0	0	0	0	1.32	1.34	124
Vice Chairman Ching-Jiang Hsieh	0	0	0	0	3,568	3,568	0	0													
Director and CEO Lih-Shyng Tsai	0	0	0	0	3,568	3,568	0	0													
Director Cheng-Yaw Sun	3,000	3,000	0	0	3,568	3,568	75	75													
Director Kenneth Kin	3,000	3,000	0	0	3,568	3,568	90	90													
Director Gon-Wei Liang	0	0	0	0	3,568	3,568	0	0													
Independent Director Chung-Yu Wu	4,000	4,000	0	0	3,568	3,568	90	90													
Independent Director Peng-Heng Chang	4,000	4,000	0	0	3,568	3,568	90	90													
Independent Director Ming-Tze Tang	3,500	3,500	0	0	3,568	3,568	90	90													
Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2018: None.																					

Note1: The remuneration paid to directors is in compliance with MediaTek's Articles of Incorporation §14, §24 and "Rules for Distribution of Compensation to Director". The compensations are determined in accordance with the MediaTek's Articles of Incorporation with reference to industry. As stated in the Articles of Incorporation §24, the Company shall allocate at a maximum of 0.5% of the profit as remuneration to Directors as compensations to directors for the year. The rules states the compensation should be based on the Company's overall operating performance with consideration of the contribution of each directors to the Company, including the level of involvement and actual time after appointment. The compensations are reviewed regularly in Remuneration Committee and the Board meetings. Related performance and the plausibility of compensations are both approved by Remuneration Committee and the Board meetings and the remuneration system is reviewed in a timely manner depending on the actual operating conditions and relevant laws and regulations to reach a balance between the company's sustainable operation and risk control.

Note2: Pensions funded/paid according to applicable law.

Note3: Remunerations of the Company, and the Company and its consolidated entities paid to Directors and a not full-time employees in 2018, including their employee compensation, totaled NT\$167,906 thousand and NT\$188,383 thousand, which was 0.81% and 0.91% of 2018 net profit.



### 2.3.2. Remunerations Paid to Directors

	Compensation Paid to Directors (A+B+C+D)		Total Compensation Paid to Directors (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Less than NT\$1 million				-
NT\$1 million ~ \$2 million				
NT\$2 million ~ \$3.5 million				
NT\$3.5 million ~ \$5 million	Ming-Kai Tsai, Ching-Jiang Hsieh, Lih-Shyng Tsai, Gon-Wei Liang		Gon-Wei Liang	-
NT\$5 million ~ \$10 million	Cheng-Yaw Sun, Kenneth Kin, Chung-Yu Wu, Peng-Heng Chang, Ming-Tze Tang		Cheng-Yaw Sun, Kenneth Kin, Chung-Yu Wu, Peng-Heng Chang, Ming-Tze Tang	Cheng-Yaw Sun, Kenneth Kin, Chung-Yu Wu, Peng-Heng Chang, Ming-Tze Tang, Gon-Wei Liang
NT\$10 million ~ \$15 million	-	-	-	-
NT\$15 million ~ \$30 million	-	-	-	-
NT\$30 million ~ \$50 million	-	-	-	-
NT\$50 million ~ \$100 million	-	-	Ching-Jiang Hsieh, Lih-Shyng Tsai	
Above NT\$100 million	-	-	Ming-Kai Tsai	
<b>Total</b>	9		9	9

## 3. Management Team

### 3.1. Profiles of Key Managers

As of April 13, 2020 / Unit: Shares

Title/Name	Nationality	Gender	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Past Positions	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
<b>Chairman Ming-Kai Tsai</b>	R.O.C.	Male	May 21, 1997	41,241,668	2.59%	43,140,145	2.71%	-	-	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Chairman, Andes Technology Corp.			None
<b>Vice Chairman Ching-Jiang Hsieh</b>	R.O.C.	Male	Sep. 15, 2005	4,164,756	0.26%	856,051	0.05%	-	-	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- Chairman / Director, MediaTek's affiliates			None
<b>CEO Lih-Shyng Tsai</b>	R.O.C.	Male	Jun. 1, 2017	296,370	0.02%	-	-	-	-	- Ph.D., Materials Science and Engineering, Cornell University - Chairman & CEO, Chunghwa Telecom Co. Ltd. - President & CEO, TSMC	- Director, Lam Research Corporation - Chairman, MediaTek's affiliates			None
<b>President Joe Chen</b>	R.O.C.	Male	Jul. 1, 2012	344,911	0.02%	30,414	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, SiS Corp.	None			None
<b>Executive Vice President &amp; CFO &amp; Spokesman David Ku</b>	R.O.C.	Male	Jan. 1, 2011	169,617	0.01%	-	-	-	-	- MBA, University of Illinois at Urbana Champaign - Vice President of JPMorgan Investment bank	- Chairman / Director, MediaTek's affiliates and invested companies			None
<b>Executive Vice President Cheng-Te Chuang</b>	R.O.C.	Male	Apr. 7, 2009	827,674	0.05%	234,077	0.01%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, UMC	- Director, MediaTek's affiliates			None
<b>Executive Vice President &amp; CTO Kevin Jou</b>	R.O.C.	Male	May 30, 2011	-	-	-	-	-	-	- Ph.D., Electrical Engineering, University of Southern California - Vice President, Qualcomm Inc.	- Director, MediaTek's affiliates			None
<b>Senior Vice President Kou-Hung Loh</b>	R.O.C.	Male	Jul. 1, 2006	-	-	-	-	-	-	- Ph.D., Electrical Engineering, Texas A&M University - CEO and founder of Silicon Bridge	- Director, MediaTek's affiliates			None
<b>Senior Vice President Jerry Yu</b>	R.O.C.	Male	Feb. 16, 2015	103,728	0.01%	-	-	-	-	- Master, Electrical Engineering, National Taiwan University - Technical Director, Afrey Inc.	- Director, MediaTek's affiliates			None
<b>Senior Vice President Jasper Yang</b>	R.O.C.	Male	Jun. 1, 2016	77,336	0.00%	-	-	-	-	- Bachelor, Electrical Engineering, National Tsing Hua University - Shanghai Chief Representative, UMC	None			None

Title/Name	Nation ality	Gender	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Past Positions	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
<b>Vice President Rolly Chang</b>	R.O.C.	Male	Aug. 1, 2015	84,455	0.01%	-	-	-	-	- Master, Communications Engineering, National Chiao Tung University - Technical Specialist, NCSIST	None	None		
<b>Vice President JC Hsu</b>	R.O.C.	Male	Aug. 1, 2015	102,890	0.01%	-	-	-	-	- Ph.D., Power Mechanical Engineering, National Tsing Hua University	- Director, MediaTek's invested companies	None		
<b>Vice President &amp; CHRO Sherry Lin</b>	R.O.C.	Female	Jun. 1, 2016	84,068	0.01%	-	-	-	-	- Master, Industrial Relations and HRM, Rutgers University - HR Director, TSMC	None	None		
<b>Vice President &amp; General Counsel David Su</b>	R.O.C.	Male	Nov. 1, 2016	71,708	0.00%	-	-	-	-	- SJD, University of Wisconsin Law School - Senior Program Director, TSMC	None	None		
<b>Vice President SR Tsai</b>	R.O.C.	Male	Dec. 1, 2017	363,904	0.02%	13,910	0.00%	-	-	- Master, Mechanical Engineering, National Taiwan University - Section Chief, KTC	None	None		
<b>Vice President HW Kao</b>	R.O.C.	Male	Dec. 1, 2017	70,041	0.00%	-	-	-	-	- Master, Electronics Engineering, National Chiao Tung University - Section Manager, ITRI	None	None		
<b>Vice President Mike Chang</b>	R.O.C.	Male	Jan. 1, 2019	42,374	0.00%	-	-	-	-	- Ph.D., Electrical Engineering, National Tsing Hua University - Executive Vice President of MStar Semiconductor, Inc.	None	None		

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

Unit: NT\$ thousands

Name / Title	Salary (A)		Pension (B) (Note2)		Bonus (C)		Employee Compensation (D)				(A+B+C+D) as % of Net Income (Note3)		Remuneration from non- subsidiary affiliates
	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company (Note3)		Consolidated Entities		The Company	Consolidated Entities	
							Cash	Stock	Cash	Stock			
<b>Chairman – Ming-Kai Tsai</b>													
<b>Vice Chairman – Ching-Jiang Hsieh</b>													
<b>CEO – Lih-Shyng Tsai</b>													
<b>President – Joe Chen</b>													
<b>Executive Vice President &amp; CFO &amp; Spokesman – David Ku</b>													
<b>Executive Vice President – Cheng-Te Chuang</b>													
<b>Executive Vice President &amp; CTO – Kevin Jou</b>													
<b>Senior Vice President – Kou-Hung Loh</b>													
<b>Senior Vice President – Jerry Yu</b>													
<b>Senior Vice President – Jasper Yang</b>													
<b>Vice President – Rolly Chang</b>													
<b>Vice President – JC Hsu</b>													
<b>Vice President &amp; CHRO– Sherry Lin</b>													
<b>Vice President &amp; General Counsel – David Su</b>													
<b>Vice President – SR Tsai</b>													
<b>Vice President – HW Kao</b>													
<b>Vice President – Mike Chang</b>													
	53,712	59,755	1,620	2,095	879,920	935,722	-	-	-	-	4.06	4.33	124

Note1: Article 24 of the company's Articles of Association stipulates that if the company makes a profit in the year, it shall allocate no less than 1% of the profit to employees' compensation. The connections of remuneration policy of the company, standards and portfolios, the procedures for setting remuneration and the performance of the business are as follows: in addition to referring to the company's overall operating performance and according to the positions of the executives, contribution to the company's operations, individual performance, and consideration of the company's future risks and reference to the industry's payment, the remuneration of the company's executives is evaluated by the remuneration committee for its plausibility, and submitted to the board of directors waiting for resolution. It is reviewed anytime under the actual operating situation and related laws to seek for the balance of company's sustainability and risk control.

Note2: Pensions funded/paid according to applicable law.

Note3: Remunerations and bonus of the Company and the entities mentioned in the financial statement are paid to key managers in 2018 were NT\$503,873 thousand and NT\$535,090 thousand respectively which were 2.43% and 2.58% of 2018 net income, respectively.

### 3.3. Key Managers Remunerations Scale

Remuneration scale for individual key managers	Compensation Paid to Key Managers	
	The Company	Consolidated Entities
Less than NT\$1 million	-	-
NT\$1 million ~ \$2 million		
NT\$2 million ~ \$3.5 million		
NT\$3.5 million ~ \$5 million	-	-
NT\$5 million ~ \$10 million	-	-
NT\$10 million ~ \$15 million	-	-
NT\$15 million ~ \$30 million	-	-
NT\$30 million ~ \$50 million	Jasper Yang, Rolly Chang, JC Hsu, Sherry Lin, David Su, SR Tsai, HW Kao, Mike Chang	
NT\$50 million ~ \$100 million	Ching-Jiang Hsieh, Lih-Shyng Tsai, Joe Chen, David Ku, Cheng-Te Chuang, Kevin Jou, Kuo-Hung Loh, Jerry Yu	
Above NT\$100 million	Ming-Kai Tsai	
Total	17	

### 3.4. Employee Compensation Paid to Key Managers:

None.

## 4. Corporate Governance Report

### 4.1. Operation of the Board

#### 4.1.1 Board of Directors' Meeting Status

The Company's shareholders elected the 8th Board of Directors in Annual General Meeting on June 15, 2018, effective immediately. (From June 15, 2018 to June 14, 2021) The 8th Board of Directors held 6 sessions in 2019. The attendance of the Directors is shown in the following table:

Title/Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman: Ming-Kai Tsai	6	0	100%	None
Vice Chairman: Ching-Jiang Hsieh	6	0	100%	None
CEO and Director: Lih-Shyng Tsai	6	0	100%	None
Director: Cheng-Yaw Sun	6	0	100%	None
Director: Kenneth Kin	6	0	100%	None
Director: Gon-Wei Liang	5	1	83%	None
Independent Director: Chung-Yu Wu	6	0	100%	None
Independent Director: Peng-Heng Chang	6	0	100%	None
Independent Director: Ming-Tze Tang	6	0	100%	None

#### 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 recorded or noted in writing in the board meeting minutes:

a. Items listed in Article 14-3

Date	Meeting	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
Jan 30, 2019	The 5th meeting of the 8th Board	Matter of the group reorganization of Ili Technology Corporation Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards	All independent directors had no dissenting opinion or qualified opinion



Date	Meeting	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
Mar 22, 2019	The 6th meeting of the 8th Board	Matter of Director Rumination and compensation Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards Amend Procedures Governing the Acquisition or Disposition of Assets Matter of acquiring asset Matter of subsidiary organization adjustment	All independent directors had no dissenting opinion or qualified opinion
Apr 30, 2019	The 7th meeting of the 8th Board	Amend Operating Procedures of Endorsement/Guarantee Amend Procedures for Making Outward Loans to Others	
Jul 2, 2019	The 8th meeting of the 8th Board	Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards	
Jul 31, 2019	The 9th meeting of the 8th Board	Matter of organization adjustment	
Oct 30, 2019	The 10th meeting of the 8th Board	2019 CPA compensation Matter of 2018 third quarter new common stock issuance for employee stock option	

b. Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None.

B. Execution status for Article 206 of the Company Act regarding matters bearing on the personal interests of directors: the Company's directors all recused themselves when there were conflicts of interests.

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 the "Ethical Corporate Management Best Practice Principles", "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Board of Directors Self-Assessment of Performance", and "Rules for Board meetings" (including standard operating procedures for processing director demands). The directors shall perform evaluation in accordance with "Board of Directors Self-Assessment of Performance" by conducting self-assessment annually.
- c. Information transparency improvement: the Company's Board previously approved "Procedures for Internal Material Information".

#### 4.1.3 Evaluation of the Implementation of the Board of Directors:

Evaluation Cycle	Evaluation Period	Evaluation Range	Evaluation Method	Evaluation Content
The company's board of directors performs an internal annual performance evaluation of the board of directors and functional committees	Jan 1, 2019 to Dec 31, 2019	Performance evaluation of the board of directors and functional committees	Use internal questionnaires, including the overall operation of the board of directors and functional committees, the participation of directors, the company's understanding and responsibilities, and continuous training, etc.	The company's items for measuring the performance evaluation of the board of directors and functional committees include at least the following aspects: 1. Degree of participation in company operations 2. Improve the quality of decision-making of the board of directors and functional committees 3. Composition and structure of the board of directors and functional committees 4. Internal control The measurement items for the performance evaluation of directors include the following: 1. Understanding of the company and responsibilities 2. Degree of participation in company operations 3. Professional and continuous education of directors 4. Internal control

## 4.2. Operation of Audit Committee

The audit committee of the Company consists of three independent directors to supervise the adequate presentation of the company's financial statements, the selection and discharge of the CPA, the independence and performance, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and the control mechanism for existing or potential risk.

### 4.2.1 Responsibilities of Audit Committee

The matters discussed in the Audit Committee mainly include:

- A. Establish or amend internal control systems
- B. Assessment of the effectiveness of the internal control system
- C. Operating procedures for obtaining or disposing of assets, engaging in derivative transactions, outward loans to others, endorsement and guarantee to others
- D. Matters relating to the director's own interests
- E. Significant assets or derivatives transactions
- F. Significant outward loans to others, endorsement and guarantee to others
- G. Transaction of public offering, issuance or private placement of equity-type securities
- H. Appointment, discharge or remuneration of CPA
- I. Appointment and discharge of finance, accounting or internal audit supervisor
- J. The annual financial report signed or sealed by the chairman, manager and accountant, and the second quarter financial report subject to the audit check by the accountant.

Review annual financial report:

The Board of Directors prepared the Company's 2019 annual business report, financial statements and proposal for profit distribution. The financial statements have been audited and certified by Ernst & Young Taiwan. The aforementioned business report, financial statements and proposal for profit distribution have been audited by the Audit Committee and no disagreement has been found.

Assessment of the effectiveness of the internal control system:

The Audit Committee evaluates the effectiveness of the Company's internal control system policies and procedures (including sales, procurement, production, personnel, finance, information security, compliance and other control measures), and oversees the internal audit unit operations and review internal control self-assessment result. The Audit Committee considered the company's internal control system to be effective.

### 4.2.2 Audit Committee Meeting

The Audit Committee held 6 sessions in 2019. The attendance of the independent directors is shown in the following table:

Title/Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Independent Director: Chung-Yu Wu	6	0	100%	None
Independent Director: Peng-Heng Chang	6	0	100%	None
Independent Director: Ming-Tze Tang	6	0	100%	None

#### 4.2.3 Other Required Notes for Audit Committee Meeting

A. Any items listed in Article 14-5 of the Securities and Exchange Act, or any resolution not approved by the Audit Committee but approved by two thirds or more of all directors instead:

a. Items listed in Article 14-5

Date	Meeting	Resolution	Any Independent Director Having a Dissenting Opinion or Qualified Opinion
Jan 29, 2019	The 4 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee	Matter of the group reorganization of Ili Technology Corporation Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards	All independent directors had no dissenting opinion or qualified opinion
Mar 21, 2019	The 5 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee	2019 Business Operating Report Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards Matter of the Company's 2018 financial statements Amend Procedures Governing the Acquisition or Disposition of Assets Matter of acquiring asset Matter of subsidiary organization adjustment Matter of the Company's 2018 internal control statement and self-assessment report	
Apr 29, 2019	The 6 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee	Matter of 2019 Profit Distribution Amend Operating Procedures of Endorsement/Guarantee Amend Procedures for Making Outward Loans to Others	
Jul 2, 2019	The 7 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee	Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards	
Jul 30, 2019	The 8 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee	Matter of organization adjustment	
Oct 29, 2019	The 9 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee	2019 CPA compensation	

b. Other resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors: None.

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

C. Communications of independent directors with internal auditors and CPAs:

- a. Independent directors and internal auditors regularly communicate with each other in the Audit Committee meetings. They communicated well. The internal auditors presented the execution and improvement of audit plan in the meetings. Also, they communicated and exchanged ideas to assess the internal control effectiveness.
- b. Independent directors and CPAs regularly communicate with each other in the Audit Committee meetings. The CPAs report the Company's financial results and fully discuss with Independent Directors on the issues related to financials, taxes, internal control, etc.

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

Assessment Item	Implementation Status		Reason for Non-implementation	
	Yes	No		Summary Description
<b>1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/ Listed Companies”?</b>	✓		The Company has established, via Board resolution, corporate governance best-practice principles. Under these principles, the Company has established a comprehensive corporate internal governance framework, and fairly treats shareholders while protecting their rights.	None
<b>2. Equity structure and shareholders’ equity</b>				
<b>(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement them according to the procedure?</b>	✓		The Company has designated relevant departments, such as Investor Relations, Public Relations, Legal, etc. to handle shareholders’ suggestions or disputes.	None
<b>(2) Does the company keep track of the list of its major shareholders as well as the ultimate owners of those shares?</b>	✓		The Company tracks the shareholdings of directors, officers and shareholders’ holding more than 10% of the Company’s outstanding shares.	None
<b>(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?</b>	✓		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
<b>(4) Does the company establish internal rules against insiders trading with undisclosed information?</b>	✓		The Company published “Insider Trading Policy”, strictly prohibiting staffs and managers from insider trading with material nonpublic information. Violators are subject to punishment, investigation, and legal liability.	None
<b>3. Composition and Responsibilities of the Board of Directors</b>				
<b>(1). Does the Board develop and implement a diversification policy for the composition of its members?</b>	✓		The considerations for the nomination of the Company’s board of directors include diversification policies such as gender, age, culture, education, skills, experience or professional background. In addition, candidates should have a reputation for integrity, possess certain accomplishment, experience and reputation in various professional fields, committed to invest sufficient time to participate in the supervision of the Company’s business, has the ability to assist in business management and contribute to the success of the company. For independent directors, the qualifications should meet the requirements of the law. The current board of directors of the company consists of nine directors, including three independent directors (33%). Members of the board of directors include relevant professional backgrounds in science and technology, finance and economics, and industry experience covers various fields of the semiconductor industry, including upstream wafer foundry, IC design engaged by the company, and downstream end product applications. The board of directors includes experts from industry and academia, in line with the aforementioned diversity policy. The company focuses on the diversity of board members. Currently, three of the nine directors have been working in the academic community for a long time (including Professor Chung-yu Wu of NCTU, Professor Ming-Je Tang of NTU and Professor Kenneth Kin of NTHU). The board is consist of experts in the industries and has reached the goal of constructing a board of diversity.	None
<b>(2). Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</b>	✓		The Company’s executives formed Corporate Social Responsibility Committee, which holds semiannual Committee meetings regularly to ensure that the process and direction of execution plan can meet the expectation of the Board and society.	None
<b>(3). Does the company establish a standard to measure the performance of the Board, and implement it annually?</b>	✓		The Board approved rules for “Board of Directors Self-Assessment of Performance” and from 2016, all Board Directors annually assess the functioning of the Board. The Board’s performance evaluation by self-assessment covers the following four major areas: 1. Level of participation in Company operations 2. Improvement of the quality of Board and functional committees’ resolutions 3. The composition and structure of Board and functional committee 4. Internal control The measurement items for the performance evaluation of directors include the following: 1. Knowledge and understanding of the Company	None

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
		<p>2. Level of participation in Company operations 3. Director's professional and continuing education 4. Internal control</p> <p>The assessment is carried out by the corporate governance unit and the Board and functional committee evaluation standard is according to the aforementioned standards, and the valuation is conducted by internal questionnaire. It should be evaluated according to the operation of the board of directors and functional committee, the level of participation of the directors, the knowledge and understanding of the company and the job, and continuous learning. The results of the performance evaluation will be used as a reference for determining their individual compensation and bonus.</p> <p>Every January, after questionnaires are turned in, the responsible unit for corporate governance will, in accordance with the aforementioned rules, conduct analysis and report the results to the Board, with an emphasis on any areas with room for improvement.</p> <p>According to the most recent (2019) Board performance evaluation: The Board's performance was graded as excellent (full score is 120; average score of 100 or above is excellent; 90 to 99 is good; 60 to 89 is passed; below 60 is needs improvement). Detailed information regarding the above evaluation were reported to the Board at the Board Meeting of February 7<sup>th</sup>, 2020.</p>	
<b>(4). Does the company regularly evaluate the independence of CPAs?</b>	✓	<p>At least once a year, the Company evaluates the independence and suitability of its CPA. The Company also evaluates the accounting firm with regard to its financial interests, funding and guarantees, commercial relations, family and personal relations, employment relations, rotation of CPAs, and non-audit services, and obtains a statement of independence issued by the accounting firm. The results of the most recent evaluations in the last two years were reported to the Board on Mar. 22, 2019 and Mar. 20, 2020.</p>	None
<b>4. Does the company established an exclusively (or concurrently) corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc.</b>	✓	<p>The Company's board of directors resolved to appoint General Counsel David Su as the supervisor for corporate governance and the Legal &amp; Intellectual Property Department under the General Counsel as the department responsible in March 22, 2019 for corporate governance and business integrity, to safeguard shareholder rights and strengthen the Board's functioning. The General Counsel is an officer of the Company and a qualified attorney with over 3 years of experience in managing legal matters of a publically traded company. Primary duties are to handle related matters according to law and make meeting minutes for board of director meetings and shareholder meetings, assist in the matters of director appointment and profession enhancement, provide directors with related information required in conducting business, and assist directors in compliance with laws. Please refer to "III. Corporate Governance - 4.8.3 Supervisor for Corporate Governance Profession Enhancement Status" for the profession enhancement of the supervisor of corporate governance.</p> <p>Implementation in 2019:</p> <ol style="list-style-type: none"> <li>1. Conducted matters relating to Board Meetings and Shareholder Meetings</li> <li>2. Recorded minutes of Board Meetings and Shareholder Meetings</li> <li>3. Assisted in the matters of director appointment and profession enhancement</li> <li>4. Provided directors with related information required in conducting business</li> <li>5. Assist directors in compliance with laws</li> <li>6. Handle matters relating to company registration and change of company registration</li> <li>7. Regularly conduct performance evaluation pursuant to the rules for "Board of Directors Self-Assessment of Performance"</li> </ol>	None
<b>5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?</b>	✓	<p>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.</p>	None
<b>6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?</b>	✓	<p>The Company has engaged CTBC Bank's agency department to handle matters relating to Shareholder Meetings.</p>	None



Assessment Item	Implementation Status		Summary Description	Reason for Non-implementation
	Yes	No		
<b>7. Information Disclosure</b>				
(1). Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company discloses financial information and corporate governance items on its company website: <a href="http://www.mediatek.com">http://www.mediatek.com</a>	None
(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)?	✓		1. The Company has designated appropriate persons to handle information collection and disclosure. Contact person: Jessie Wang, TEL: +886-(0)3-567-0766 ext.23447 / email: ir@mediatek.com 2. The Company has established a Spokesperson policy. Spokesman: David Ku; Acting Spokesperson: Jessie Wang. 3. The Company provides investor conferences webcasts and presentation materials on its website in a timely manner. 4. The Company discloses real-time information to shareholders and stakeholders on both Company website and MOPS website.	None
(3). Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		✓	The company announced and declared the quarterly and annual financial reports and the monthly operating situation within the prescribed time limit, but did not announce and declare the annual financial report within month of the end of the fiscal year.	As explained in summary description.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (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)?	✓		1. The Company discloses its financial statements and corporate governance information on its Chinese and English websites ( <a href="http://www.mediatek.com">http://www.mediatek.com</a> ). The Company aims to provide free access to transparent information for employees, investors, suppliers and stakeholders. 2. The Company'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. The Company maintains D&O insurance for its Directors and key officers. 6. In the succession planning of important management, MediaTek emphasizes that successors should have excellent corporate strategy planning and operational capabilities, and also focus on their core values (integrity, customer focus, innovation, conviction inspired by deep thinking, inclusiveness, and constant renewal). The candidates of the board of directors of the Company and the manager of the important management team will go through systematic trainings such as building experience in subsidiaries, rotating between business units to deepen professional abilities and personal development plans, enhancing the depth and broadness in their decision making process and operation, to be ready for the succession.	None
<b>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</b>				
This year, the information security risk management framework was strengthened. The Cyber Security Committee and the head of the supervisors of IT formed the Cyber Security Committee, with the top director of the IT Department as the convener. The Information Security Committee is responsible for information security management, planning, supervision and implementation. Related matters include: formulating and regularly reviewing the security policy, including the security incident notification and response mechanism. In addition, in order to implement the core value of the company's integrity management culture, in accordance with the company's "integrity management code" Article 24 and "Practice Ethical Conduct" Article 5, the "reporting method" is formulated to establish the company report pipelines and investigation and processing procedures, and safeguard the legitimate rights and interests of whistleblowers..				

## 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 and managers as well as establishing compensation policy, system, standard and structure and regularly reviewing the compensation of directors 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 Remuneration Committee's members are below:

Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)										Number of other public companies concurrently serving as an independent director	
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
<b>Independent Director</b> <b>Peng-Heng Chang</b>			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
<b>Independent Director</b> <b>Chung-Yu Wu</b>	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
<b>Other</b> <b>Ji-Ren Lee</b>	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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. The spouse, relatives within the second and other relatives of the manager listed in (1) or the persons listed in (2) and (3), or a blood relative within the third parent.
5. Directors who do not directly hold more than 5% of the total issued shares of the company, hold the top five shares, or appoint representatives to act as directors or supervisors of the company's corporate shareholders in accordance with Article 27, paragraph 1 or 2, Supervisor or servant (but if the company and its parent company, subsidiary or subsidiary of the same parent company are independent directors established by this law or local state laws and regulations, they are not limited to this).
6. More than half of the shares that are not on the board of directors of the company or have voting rights are the directors, supervisors or employees of other companies controlled by the same person (but if they are the company or its parent company, subsidiary or a child of the same parent company (The independent directors established by the company in accordance with this law or local national laws shall not be limited to this).
7. Directors (directors), supervisors (supervisors) or employees (but in the case of the company and its parent company) of other companies or institutions that are not the same person or spouse with the company's chairman, general manager or equivalent, Independent directors set up by a subsidiary company or a subsidiary of the same parent company in accordance with this law or local state laws shall not be limited to this).
8. Directors (directors), supervisors (supervisors), managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but if a specific company or organization holds issued shares in the company) If the total number is more than 20% but not more than 50%, and the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws are concurrently serving, they are not limited).
9. Professionals, sole proprietorships, partnerships, companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that do not exceed NT \$ 500,000 in cumulative compensation in the past two years Business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses. However, members of the Salary and Compensation Committee, Public Takeovers Review Committee, or M & A Special Committee performing their functions and powers in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited to this.
10. Not been a person of any conditions defined in Article 30 of the Company Act.

#### 4.4.3 Remuneration Committee Meeting Status

The tenure of the Company's 4th remuneration committee is from July 31, 2018 to June 14, 2021. The convener, Mr. Peng-Heng Chang held 2 sessions in 2019 and the attendance of members is shown in the following table:

Title	Name	Attendance in Person	Attendance Rate in Person (%)	Note
Convener	Peng-Heng Chang	2	100%	None
Member	Chung-Yu Wu	2	100%	None
Member	Ji-Ren Lee	2	100%	None

The Company's remuneration committee's resolutions in 2019 and the Company's response to the remuneration committee's proposal:

Date	Meeting	Proposal	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
Jan 29, 2019	The 2 <sup>nd</sup> meeting of the 4 <sup>th</sup> Committee	Key management's 2018 performance evaluation and remuneration proposal for 2019	Approved by all attending members of the committee	Approved by all attending directors in the board of director meetings
Mar 21, 2019	The 3 <sup>rd</sup> meeting of the 4 <sup>th</sup> Committee	Directors' 2018 performance evaluation and remuneration		

#### 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, agenda, all members' opinion and the follow-up of the members' opinion: None.

## 4.5. Status of Fulfilling Corporate Social Responsibility and Differences and Causes of CSR Practices

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
<b>1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations and formulate relevant risk management policies or strategies based on the principle of materiality?</b>	✓		The company uses the Business Continuity Plan (BCP) to face the risks and crises of the environment, society and corporate governance. According to the principle of materiality, the company assesses, plans and ensures that major impacts on stakeholders can be controlled. Management, including hazard identification and risk management strategy formulation, and pre-prevention and simulation exercises for potential risks. At the same time, there are backup control mechanisms in important global locations, so that important business functions must be organized and planned to resume normal operations in the shortest time in the event of a disaster.	None
<b>2. Does the company establish dedicated first-line managers (or acting in concurrent positions) authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</b>	✓		The Company established a Corporate Social Responsibility Committee in 2014, led by CEO, Mr. Lih-Shyng Tsai. According to the Company's entrepreneurship, focusing on global view, innovation and talents, and three major topics: supply chain management and environment, corporate governance and local presence, in total of six teams. 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. In addition to regularly reporting annual execution results to the Board every January, the Company holds regular discussion meetings semiannually to report the Board about execution plans of the current year to achieve the highest principle of the corporate sustainability development via continuous improvement, while review the implementation performance of the previous semi-year. Therefore, the Company can improve continually in order to achieve the highest principle of sustainable development.	None
<b>3. Sustainable Environment Development</b>				
<b>(1) Does the company establish proper environmental management systems based on the characteristics of their industries?</b>	✓		The company continues to implement the environmental management system (ISO-14001) and occupational safety and health management system (ISO-45001), and all have obtained certification. The company is responsible for system management, environmental protection concept promotion and education promotion, and passes the SGS regular review every year. In addition, the company also expects to carry out the certification of the greenhouse gas inventory system (ISO-14064) in 2020.	None
<b>(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</b>	✓		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
<b>(3) Does the company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues</b>	✓		The company actively identifies the risks brought by climate change (for example: lack of water, lack of electricity, typhoons, earthquakes, etc.), and continuously controls the operational impact and damage caused by extreme climates. In response to various disaster risks that may affect operations, the company has formulated countermeasures to ensure that operations can be resumed quickly after a disaster occurs.	None
<b>(4) Does the company keep records of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?</b>	✓		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 VI, Corporate Social Responsibility" section in this report.	None
<b>4. Social Topics</b>				
<b>(1). Does the company establish an appropriate environmental management system according to its industrial characteristics?</b>	✓		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. Please refer to "Section VI, Corporate Social Responsibility – 1. Corporate Promise – 1.1 Employee Relations" for more details.	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(2). Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	✓		The company regularly measures the market compensation level and formulates reasonable compensation and bonus policies based on the overall economic indicators to ensure the overall compensation and bonus are competitive. It is written in the company's articles of association that if the company makes profit in the year, the Company should provide employee compensation no less than 1% of net income, to link company performance to employee compensation and bonus. At the same time, in order to balance the work and life of employees, in addition to the sick leave, marriage leave and maternity leave stipulated by the law, the Company provides benefits that are better than the law, it gives employees additional leave hours, and improve the convenience to arrange employee's time off; also provides one day of pay leave to employee to do social volunteer work per year to encourage employees to give back to society; for employees whose spouse is pregnant, an additional 2 days of paternity leave is provided. In addition, in order to achieve a balance between work and life of employees, promote cross-unit fellowship and relief, provide multiple community activities, sign special store discounts, set up pension plans and multiple welfare subsidies. In addition, through regular performance appraisal and development operation mechanisms, a two-way communication and interaction platform is provided to achieve organizational and personal development, and corresponding rewards are given according to performance results, so as to encourage employees and the company to grow together.	None
(3). Does the company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees?	✓		The company is committed to providing employees with a safe and healthy working environment, promoting health promotion, providing healthy and wholehearted programs, and regularly implementing safety and health education for employees. The company has obtained ISO 14001 and ISO 45001 certifications, and has dedicated personnel responsible for system management and annual SGS periodic review.	None
(4). 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 to continuously enhance the organization's capabilities. For more details, please refer to VI. Corporate Social Responsibility – 1. Corporate Promise - 1.1 Employee Relations.	None
(5). With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the company follow relevant regulations and international standards, and formulate relevant protection policies and appeal procedures for consumer rights?	✓		The company's products and services, in terms of customer health and safety, customer privacy, marketing and labeling, all comply with relevant regulations and international standards, and formulate relevant consumer protection policies and appeal procedures.	None
(6). Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	✓		The company has formulated the MediaTek Supplier Code of Conduct based on the Code of Conduct of the Responsible Business Alliance, the ILO Tripartite Declaration of Principles, and the United Nations Universal Declaration of Human Rights. To formulate the supplier's code of conduct for MediaTek and covers 5 areas: labor and human rights, health and safety, environmental protection, code of ethics and management. With the management system, all suppliers are required to sign a guarantee to comply with this code of conduct, and implement an annual review to continuously track the actual compliance of suppliers.	None
5. Does the company make reference to internationally-used report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?	✓		The company's corporate social responsibility report has been commissioned by the independent and credible British Standards Institution (BSI) to guarantee according to the AA1000 AS (2008) Type 1 intermediate guarantee standard and the GRI Standard core project (Core). After the guarantee work is completed, the relevant The results have been fully communicated with the governance unit, and provided an independent guarantee statement (attached to the corporate social responsibility report).	None
6. 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 form and the practices are in accordance with “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”.				
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices : Please refer to the Company's web page at <a href="http://www.mediatek.com/corporate-social-responsibility">http://www.mediatek.com/corporate-social-responsibility</a> .				



## 4.6. Ethical Corporate Management and Differences and Causes of CSR Practices

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
<b>1. Establishment of ethical corporate management policies and programs</b>			
<b>(1). Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, and the board and senior management's commitment to actively implement the management policy?</b>	✓		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 as well as all related laws and standards. Also, The Company has set up many internal guidelines to ensure ethical corporate management and compliance.
<b>(2). Whether the company has established an evaluation mechanism for the risk of dishonesty, and regularly analyze and evaluate business activities with high risks of dishonesty in the business scope, and 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?</b>	✓		The Company has the following corporate governance guidelines and regulations in place: 1. Articles of Incorporation 2. Rules and Procedures of Shareholders' Meeting 3. Rules and Procedures for Board of Directors Meetings 4. Rules for Election of Directors 5. Procedures Governing the Acquisition or Disposition of Assets 6. Operating Procedures of Endorsement and Guarantee 7. Operating Procedures of Outward Loans to Others 8. Procedures of Internal Material Information 9. Remuneration Committee Charter 10. Audit Committee Charter 11. Ethical Corporate Management Best Practice Principles 12. Corporate Social Responsibility Best Practice Principles 13. Corporate Governance Best Practice Principles 14. Code of Business Conduct 15. Insider Trading Policy 16. Reporting Method 17. IT Security Access Link: <a href="http://www.mediatek.com">http://www.mediatek.com</a>
<b>(3). Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?</b>	✓		The Directors and Officers of the Company adhere to the core principle of integrity. If any matter involves a conflict of interest, the affected Director(s) or Officer(s) shall avoid such conflict and refrain from participating in resolutions in such matter.
<b>2. Fulfill operations integrity policy</b>			
<b>(1). Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</b>	✓		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 on counterparties' integrity records and includes ethical principles in relevant contracts before trading with upstream and downstream companies to minimize the risks.
<b>(2). Does the company set up a special unit under the board of directors to promote corporate integrity management, and</b>	✓		For ethical corporate management, the Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" on October 30, 2015, which designated Human Resource Department and Legal & Intellectual Property Department

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
regularly (at least once a year) report to the board on its integrity management policies and plans to prevent dishonesty and supervision and implementation?			to make policy and Audit Division to monitor execution results. The Company's "Ethical Corporate Management Best Practice Principles" is available on the Company website and a commitment of the Company's ethical corporate management. It is promoted by Legal & Intellectual Property Department, which annually reports the implementation status to the Audit Committee and the Board. The Company regularly holds operational integrity-related educational training courses covering the topics of misconduct management, intellectual property information management, insider trading prevention, and trade secret infringement prevention, internal and customer communication principles, etc. In 2019, 13,306 personnel received such training for an aggregate total of 9,333 hours.	
(3). Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The Company's internal rules covering business conduct and the conduct of Directors and Officers clearly define policies to prevent conflicts of interest. In addition, the Company also designates a contact window for each department to consult, communicate or resolve relevant issues in order to achieve results rapidly and effectively.	None
(4). Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit formulates the relevant audit plan based on the assessment results of the risk of dishonesty, and checks the compliance with the plan to prevent dishonesty, Or entrust an accountant to perform the audit?	✓		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 evaluates the risk according to the results and conduct related internal control in compliance regularly or irregularly.	None
(5). Does the company regularly hold internal and external educational trainings on operational integrity?	✓		Operating with integrity is the Company's core value and is regularly promoted throughout the Company.	None
<b>3. Operation of the integrity channel</b>				
(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's "Code of Business Conduct" and "Reporting Method" are disclosed on the Company's website and states reporting channels, anyone can report any inappropriate behaviors and the Company will assign senior management team to handle related issue.	None
(2). Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company sets related reporting and handling procedures for the investigations of misconduct. The Company's "Code of Business Conduct" and "Reporting Method" clearly states that the personal data and reporting information of the informant should be kept confidential.	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" on the Company's internal website. The Company also discloses "Ethical Corporate Management Best Practice Principles" and its practices on the Company's external website. In addition, the annual report which including relevant information about ethical corporate management on TSEC "MOPS" website.	None
<b>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.</b> The Company has set up an 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.				
<b>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies).</b> 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) Articles of Incorporation
- (2) Rules and Procedures of Shareholders' Meeting
- (3) Rules and Procedures for Board of Directors Meetings
- (4) Rules for Election of Directors
- (5) Procedures Governing the Acquisition or Disposition of Assets
- (6) Operating Procedures of Endorsement and Guarantee
- (7) Operating Procedures of Outward Loans to Others
- (8) Procedures of Internal Material Information
- (9) Remuneration Committee Charter
- (10) Audit Committee Charter
- (11) Ethical Corporate Management Best Practice Principles
- (12) Corporate Social Responsibility Best Practice Principles
- (13) Corporate Governance Best Practice Principles
- (14) Code of Business Conduct
- (15) Insider Trading Policy
- (16) Reporting Method
- (17) IT Security

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

Please refer to the Company's website at <http://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 Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
<b>Chairman</b> <b>Ming-Kai Tsai</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
<b>Vice Chairman</b> <b>Ching-Jiang Hsieh</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
<b>Director and CEO</b> <b>Lih-Shyng Tsai</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
<b>Director</b> <b>Cheng-Yaw Sun</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
<b>Director</b> <b>Kenneth Kin</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
	Aug 1, 2019	Taiwan Corporate Governance Association	US-China Trade Negotiation and Export Control	3
<b>Director</b> <b>Gon-Wei Liang</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
<b>Independent Director</b>	Jun 27, 2019	Taiwan Corporate Governance Association	Director Responsibility and Risk Management under the Latest Corporate Governance Blueprint	3

Title/Name	Date	Host by	Training / Speech title	Hours
<b>Chung-Yu Wu</b>	Jun 28, 2019	Taiwan Corporate Governance Association	Audit Committee Operation Practice	3
	Aug 1, 2019	Taiwan Corporate Governance Association	US-China Trade Negotiation and Export Control	3
	Oct 25, 2019	Taiwan Corporate Governance Association	The Impact of US-China Trade War and the Taxation Paradise Economic Substantial Act on Enterprises and Countermeasures	3
	Dec 13, 2019	Taiwan Corporate Governance Association	The practical problems of unconventional transactions that the directors and supervisors should pay attention	3
<b>Independent Director Peng-Hen Chang</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
<b>Independent Director Ming-Tze Tang</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3

#### 4.8.2 Key Management Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
<b>Executive Vice President &amp; CFO &amp; Spokesman David Ku</b>	Nov 14, 2019	Accounting Research and Development Foundation	Corporate Governance Practices: Impact and Response of Newly Published "Labor Incident Law" to Enterprises	3
	Nov 15, 2019	Accounting Research and Development Foundation	Analysis of IFRS 16 "Lease" FAQ and practical analysis	3
	Nov 15, 2019	Accounting Research and Development Foundation	Discussion on the Legal Responsibility of "Employee Fraud" and the Practice of Fraud Identification	3
	Nov 27, 2019	Accounting Research and Development Foundation	Comparison, Legal Responsibility and Case Analysis of "Economic Espionage Crime" in the United States and "Business Secret Law" in China	3
<b>Associate General Manager, Internal Audit Kirin Liu</b>	Nov 4, 2019	Accounting Research and Development Foundation	How auditors detect fraud in financial statements	6
	Dec 3, 2019	Accounting Research and Development Foundation	Practice and management of fraud risk audit	6

#### 4.8.3 Supervisor for Corporate Governance Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
<b>Vice President &amp; General Counsel David Su</b>	Mar 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Avoidance-Corporate Impact and Response	3
	Mar 22, 2019	Taiwan Corporate Governance Association	Master the global economic situation and technology pulse-a key issue for corporate CEOs	3
	Apr 18, 2019	Securities and Futures Institute Education Center	Discussing the Responsibilities of Directors and Supervisors from the Illegal Cases of the Securities Market	3
	Jul 16, 2019	Securities and Futures Institute Education Center	How to supervise the company to strengthen the internal control and internal audit system	3
	Aug 13, 2019	Securities and Futures Institute Education Center	New regulations and trends of corporate governance that must be known by directors and supervisors in 2019	3
	Oct 2, 2019	Securities and Futures Institute Education Center	Case Analysis of the Establishment Practice of the Crime of Breach of Trust by Dong Jian and the Special Crime of Breach of Trust	3

## 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 20<sup>th</sup>, 2020

MediaTek Inc. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31, 2019, 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. Furthermore, the operation environment and situation may vary, hence the effectiveness of the internal controls systems may vary. 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 of which the procedures for effective internal controls are composed: (1) Control environment (2) Risk evaluation (3) Control operation (4) Information and communication (5) Monitoring. Each of the elements in turn contains several 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 for legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on March 20, 2020 with all directors present under unanimous consent.

MediaTek Inc.

Ming-Kai Tsai  
Chairman  
Joe Chen  
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 Findings and Status of Correction: There is only one case of violation of the regulations on the extension of working hours, the overtime application and review operations were not completed in accordance with the regulations, and in accordance with the "Zhuhuanzi No. 1080001758" on January 14, 2019, Paragraph 1 of Articles 24 and Paragraph 2 of Articles 32 of Labor Law is fined NT \$ 70,000. The company has strengthened promotion and communication for employees to declare overtime work.

#### 4.11. Major Resolutions of Shareholders' Meeting and Board Meetings

##### 4.11.1 Major Resolutions of Shareholders' Meeting and Implementation Status

The Company held 2019 Annual General Meeting on June 14, 2019 at the International Convention Center of MediaTek in No. 1, Dusing 1st Rd., Hsinchu Science Park, Hsinchu, Taiwan. In the meeting, the attended shareholders approved the following proposals:

Major Proposals	Implementation Status
<b>Acknowledgement Items:</b>	
1. Adoption of the 2018 business report and financial statements	Approved.
2. Adoption of the proposal for distribution of 2018 profits	Approved a cash dividend per share of NT\$6, and distribution base date was set at July 14, 2018. Cash dividend distribution was completed by August 1, 2019.
<b>Discussion Items:</b>	
1. Discussion of cash distribution from additional paid-in capital	Resolution passed – July 14, 2019 designated as distribution base date, and payments completed by August 1, 2018 (NT\$3 per share)
2. Amendments to the Company's "Articles of Association"	Resolution passed – announced on website and proceeded as the amended procedures by July 10, 2019
3. Amendments to the Company's "Procedures Governing the Acquisition or Disposition of Assets"	Resolution passed – announced on website and proceeded as the amended procedures by July 10, 2019
4. Amendments to the Company's "Operating Procedures of Endorsement and Guarantee"	Resolution passed – announced on website and proceeded as the amended procedures by July 10, 2019
5. Amendments to the Company's "Operating Procedures of Outward Loans to Others"	Resolution passed – announced on website and proceeded as the amended procedures by July 10, 2019

## 4.11.2 Major Resolutions of Board Meetings

During the 2019 calendar year and as of the printing date of this annual report, 9 Board meetings were convened.

Major resolutions approved at these meetings are summarized below:

Date	Meeting	Major Approvals
Jan 30, 2019	The 5 <sup>th</sup> meeting of the 8 <sup>th</sup> board	2019 first quarter financial forecasts Subsidiary, ILI Technology Corp. organization adjustment Cancellation of 2018 fourth quarter restricted stock award 2018 performance evaluation of management and 2019 proposal for compensation pending approval Matter of request for approving issuance of restricted stock for employees under the 2018 Rules for Issuing Restricted Stock for Employees
Mar 22, 2019	The 6 <sup>th</sup> meeting of the 8 <sup>th</sup> board	Matter of Director performance and compensation Matter of appointing supervisor for corporate governance Matter of request for approving issuance of restricted stock for employees under the 2018 Rules for Issuing Restricted Stock for Employees 2019 general shareholder meeting date, location, and agenda Amend Procedures Governing the Acquisition or Disposition of Assets 2018 business operating report 2019 operating plans and operating budget forecast Matter of 2018 employee compensation 2018 financial statement Assess CPA's independence Matter of acquiring asset Matter of subsidiary organization adjustment 2018 internal control statement and internal control self-assessment report Amend Rules and Procedures for Board of Directors Meetings
Apr 30, 2019	The 7 <sup>th</sup> meeting of the 8 <sup>th</sup> board	2019 second quarter financial forecasts Cancellation of 2019 first quarter restricted stock awards Proposed resolutions for annual meeting of shareholders Matter of 2018 profit distribution Matter of cash distribution from additional paid-in capital Amend Operating Procedures of Endorsement/Guarantee Amend Procedures for Making Outward Loans to Others Amend Articles of Incorporation
Jul 2, 2019	The 8 <sup>th</sup> meeting of the 8 <sup>th</sup> board	Matter of request for approving issuance of restricted stock for employees under the 2018 Rules for Issuing Restricted Stock for Employees
Jul 31, 2019	The 9 <sup>th</sup> meeting of the 8 <sup>th</sup> board	2019 third quarter financial forecasts Matter of organization adjustment Cancellation of 2019 second quarter restricted stock awards
Oct 30, 2019	The 10 <sup>th</sup> meeting of the 8 <sup>th</sup> board	2019 fourth quarter financial forecasts 2019 CPA compensation 2020 audit plan Cancellation of 2019 third quarter restricted stock awards Matter of 2019 third quarter new common stock issuance for employee stock option Lifting non-competition restriction on directors Lifting non-competition restriction on managements
Feb 7, 2019	The 11 <sup>th</sup> meeting of the 8 <sup>th</sup> board	2020 first quarter financial forecasts Cancellation of 2019 fourth quarter restricted stock award Matter of 2019 fourth quarter new common stock issuance for employee stock option Matter of management compensation
Mar 20, 2020	The 12 <sup>th</sup> meeting of the 8 <sup>th</sup> board	Matter of Director compensation 2020 general shareholder meeting date, location, and agenda Lifting non-competition restriction on directors 2019 business operating report 2020 operating plans and operating budget forecast Matter of 2019 employee compensation 2019 financial statement Assess CPA's independence 2019 internal control statement and internal control self-assessment report Amend Rules and Procedures for Board of Directors Meetings Amend Audit Committee Charter Amend Remuneration Committee Charter Amend The Evaluation of Board of Directors' Performance
Apr 28, 2020	The 13 <sup>th</sup> meeting of the 8 <sup>th</sup> board	2020 second quarter financial forecasts Matter of organization structure adjustment Cancellation of 2020 first quarter restricted stock award Matter of 2020 first quarter new common stock issuance for employee stock option Amend 2020 agenda of annual meeting of shareholders Matter of 2019 profit distribution Matter of cash distribution from additional paid-in capital



#### 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 or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D during 2019 and as of the Date of this Annual Report

None.

## 5. Information Regarding the Company's Independent Auditors

### 5.1. Auditor Information

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young	Shau-Pin Kuo	Wen-Fun Fuh	2019	None

### 5.2. Information on Audit Fees

#### 5.2.1 Audit Fee Scale

	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	✓		✓

## 5.2.2 Information on Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young	Shau-Pin Kuo	13,951	-	483	-	1,925	2,408	2019	(Note)
	Wen-Fun Fuh								

Note: non-audit fee – other includes financial and tax consulting services of NT\$825 thousand and corporate consulting fee of NT\$1,100 thousand.

### 5.2.3 Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee:

None.

### 5.2.4 Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year:

Not applicable.

### 5.2.5 Audit fee reduced more than 10% year over year:

None.

## 5.3. Replacement of Independent Auditors in the Last Two Years and in the Subsequent Periods:

None.

## 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 2019:

None.

## 5.5. Evaluation of the External Auditor's Independence:

The Company Accounting Division evaluates the independence of auditors once a year and receives Statement of Independence issued by external auditors. After evaluation, the Company's external auditors can meet the Company's independency evaluation standards and be qualified as the Company's external auditors.

The Company has reported the evaluation result to Audit Committee and the Board for their review. Both of them approved.

Evaluation item	Evaluation result	Does it meet with independency?
1. Do the accounting firm's audit team members and their families have direct or indirect significant financial interest in the Company?	None	Yes
2. Do the Company and the accounting firm engage in mutual financing or mutual guarantee activities?	None	Yes
3. Do the accounting firm, their affiliates and audit team members have close business relationship with the Company or the Company's directors and key managers?	None	Yes
4. Do the accounting firm and their audit team members as well as their families serve as the Company's directors, key managers or any other position which can have direct and significant impact on auditing?	None	Yes
5. Do the CPAs serve as the Company's auditors for more than seven years? The same CPAs may serve as the Company's auditors again after the Company's CPAs have been changed to other CPAs for two years.	None	Yes
6. Do the CPAs provide the Company with non-audit services which are likely to influence their audit service?	None	Yes

## 6. Net Changes in Shareholding

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

Unit: Shares

Title/Name	2019		Jan. 1 to April 13, 2020	
	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
<b>Chairman</b> Ming-Kai Tsai	103,870	-	-	-
<b>Vice Chairman</b> Ching-Jiang Hsieh	48,472	-	-	-
<b>Director &amp; CEO</b> Lih-Shyng Tsai	103,870	-	-	-
<b>Director</b> Cheng-Yaw Sun	-	-	-	-
<b>Director</b> Kenneth Kin	-	-	-	-
<b>Director</b> Gon-Wei Liang	-	-	-	-
<b>Independent Director</b> Chung-Yu Wu	-	-	-	-
<b>Independent Director</b> Peng-Heng Chang	-	-	-	-
<b>Independent Director</b> Ming-Tze Tang	-	-	-	-
<b>President</b> Joe Chen	83,096	-	-	-
<b>Executive Vice President &amp; CFO &amp; Spokesman</b> David Ku	66,476	-	-	-
<b>Executive Vice President</b> Cheng-Te Chuang	(74,832)	-	(2,000)	-
<b>Executive Vice President &amp; CTO</b> Kevin Jou	-	-	-	-
<b>Senior Vice President</b> Kou-Hung Loh	-	-	-	-
<b>Senior Vice President</b> Jerry Yu	58,168	-	-	-
<b>Senior Vice President</b> Jasper Yang	31,778	-	-	-
<b>Vice President</b> Rolly Chang	35,778	-	-	-
<b>Vice President</b> JC Hsu	6,624	-	-	-
<b>Vice President &amp; CHRO</b> Sherry Lin	41,548	-	-	-
<b>Vice President &amp; General Counsel</b> David Su	33,238	-	-	-
<b>Vice President</b> SR Tsai	41,548	-	-	-
<b>Vice President</b> HW Kao	33,238	-	-	-
<b>Vice President</b> Mike Chang	41,548	-	-	-

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 13, 2020. Unit: Share / %

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3 <sup>rd</sup> Party		Top 10 Shareholders Who are Related Parties to Each Other	
	Shares	Proportion	Shares	Proportion	Shares	Proportion	Name	Relationship
Government of Singapore	70,896,747	4.46%	-	-	-	-	-	-
Chui-Hsing Lee	43,140,145	2.71%	41,241,668	2.59%	-	-	Ming-Kai Tsai	Spouse
Cathay Life Insurance Chairman: Tiao-Kuei Huang	41,645,084	2.62%	-	-	-	-	-	-
Ming-Kai Tsai	41,241,668	2.59%	43,140,145	2.71%	-	-	Chui-Hsing Lee	Spouse
New Labor Pension Fund Management Committee	31,394,787	1.97%	-	-	-	-	-	-
Jyh-Jer Cho	29,104,222	1.83%	10,558,414	0.66%	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	25,794,239	1.62%	-	-	-	-	-	-
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Fund	21,545,940	1.36%	-	-	-	-	-	-
Tin-Ren Liu	20,506,763	1.29%	3,454,879	0.22%	-	-	-	-
JOHCM International Select Fund	17,985,558	1.13%	-	-	-	-	-	-

## 8. Long-Term Investment Ownership

As of December 31, 2019. Unit: Share / %

Long-Term Investments	Investments by the Company (1)		Investments Directly or Indirectly Controlled by Directors and Managers of the Company (2)		Total Investment (1) + (2)	
	Shares	Portion	Shares	Portion	Shares	Portion
Hsu-Ta Investment Corp.	3,398,981,889	100%	-	-	3,398,981,889	100%
MediaTek Investment Singapore Pte. Ltd.	2,251,157,978	100%	-	-	2,251,157,978	100%
MediaTek Singapore Pte. Ltd.	111,993,960	100%	-	-	111,993,960	100%
MStar France SAS	458,900	100%	-	-	458,900	100%
MShining International Corporation	63,138,811	100%	-	-	63,138,811	100%
MStar Co., Ltd.	13,350,000	100%	-	-	13,350,000	100%
HFI Innovation Inc.	113,890,952	100%	-	-	113,890,952	100%
MStar International Technology Inc.	30,000,000	100%	-	-	30,000,000	100%
Digimoc Holdings Limited	3,805	100%	-	-	3,805	100%
Spidcom Technologies	14,620	100%	-	-	14,620	100%

## IV. Capital and Shares

### 1. Capital and Shares

#### 1.1. Capitalization

As of April 30, 2020, Unit: shares / 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.
Feb 2019	10	2,000,000,000	20,000,000,000	1,593,675,765	15,936,757,650	Restricted stock award cancellation: 37,100 Employee stock options exercised: 2,205,888	-	Mar 14, 2019 Yuan-Shang-Tze No. 1080007198
Apr 2019	10	2,000,000,000	20,000,000,000	1,593,693,583	15,936,935,830	Restricted stock award issuance: 17,818	-	Apr 26, 2019 Yuan-Shang-Tze No. 1080011928
Apr 2019	10	2,000,000,000	20,000,000,000	1,587,538,871	15,875,388,710	Restricted stock award cancellation: 6,154,712	-	May 13, 2019 Yuan-Shang-Tze No. 1080013418
Jul 2019	10	2,000,000,000	20,000,000,000	1,589,721,829	15,897,218,290	Restricted stock award issuance: 2,182,958	-	Jul 23, 2019 Yuan-Shang-Tze No. 1080021408
Jul 2019	10	2,000,000,000	20,000,000,000	1,589,691,202	15,896,912,020	Restricted stock award cancellation: 30,627	-	Aug 19, 2019 Yuan-Shang-Tze No. 1080023913
Oct 2019	10	2,000,000,000	20,000,000,000	1,589,647,349	15,896,473,490	Restricted stock award cancellation: 218,325 Restricted stock award issuance: 174,472	-	Nov 19, 2019 Yuan-Shang-Tze No. 1080034138
Feb 2020	10	2,000,000,000	20,000,000,000	1,589,981,632	15,899,816,320	Restricted stock award cancellation: 43,690 Restricted stock award issuance: 377,973	-	Feb 25, 2020 Yuan-Shang-Tze No. 1090004993
Apr 2020	10	2,000,000,000	20,000,000,000	1,588,850,262	15,888,502,620	Restricted stock award cancellation: 1,194,780 Restricted stock award issuance: 63,410	-	Currently under amendment registration

As of April 30, 2020; Unit: shares

Type of Stock	Authorized Capital			Remark
	Outstanding	Un-Issued	Total	
Common Stock	1,588,850,262	411,149,738	2,000,000,000	Listed on TSE

Shelf Registration: None.

#### 1.2. Composition of Shareholders

As of April 13, 2020; Unit: shares / %

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Persons	Individuals	Total
Number of Shareholders	1	59	563	1,975	77,948	80,546
Shareholding	2	105,188,570	118,177,972	979,938,957	386,739,712	1,590,045,213
Holding Percentage	0.00%	6.62%	7.43%	61.63%	24.32%	100.00%

## 1.3. Distribution of Shareholding

### 1.3.1 Distribution of Common Stock

As of April 13, 2020, Unit: shares / %

Common Share Shareholder Ownership	Number of Shareholders	Number of Shares held	Ownership
1 ~ 999	28,810	3,768,110	0.24%
1,000 ~ 5,000	43,074	76,293,082	4.80%
5,001 ~ 10,000	3,903	29,057,223	1.83%
10,001 ~ 15,000	1,215	15,020,860	0.94%
15,001 ~ 20,000	647	11,598,094	0.73%
20,001 ~ 30,000	650	16,151,133	1.02%
30,001 ~ 40,000	326	11,486,294	0.72%
40,001 ~ 50,000	229	10,390,585	0.65%
50,001 ~ 100,000	557	39,784,751	2.50%
100,001 ~ 200,000	369	53,512,805	3.37%
200,001 ~ 400,000	277	78,602,724	4.94%
400,001 ~ 600,000	134	66,057,853	4.15%
600,001 ~ 800,000	83	57,289,889	3.60%
800,001 ~ 1,000,000	42	37,104,707	2.33%
Over 1,000,001	230	1,083,927,103	68.18%
<b>Total</b>	<b>80,546</b>	<b>1,590,045,213</b>	<b>100.00%</b>

### 1.3.2 Distribution of Preferred Stock: Not Applicable.

## 1.4. Major Shareholders

As of April 13, 2020; Unit: shares / %

Top 10 Shareholders	Number of Shares held	Ownership (%)
Government of Singapore	70,896,747	4.46%
Chui-Hsing Lee	43,140,145	2.71%
Cathay Life Insurance	41,645,084	2.62%
Ming-Kai Tsai	41,241,668	2.59%
New Labor Pension Fund Management Committee	31,394,787	1.97%
Jyh-Jer Cho	29,104,222	1.83%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	25,794,239	1.62%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Fund	21,545,940	1.36%
Tin-Ren Liu	20,506,763	1.29%
JOHCM International Select Fund	17,985,558	1.13%

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

Unit: NT\$ / Shares

Item		2018 (Distributed in 2019)	2019 (Distributed in 2020)	Jan. 1 ~ Mar. 31, 2020	
<b>Market Price Per Share (Note1)</b>	Highest	374.5	464.0	446.0	
	Lowest	199.5	213.5	273.0	
	Average	279.7	329.8	371.9	
<b>Book Value Per Share</b>	Before Distribution	172.35	197.71	206.35	
	After Distribution	163.32	*	*	
<b>Earnings Per Share</b>	Weighted Average Shares		1,565,368,402	1,567,873,703	1,571,419,258
	EPS	Not-Adjusted	13.26	14.69	3.64
		Adjusted	13.26	*	**
<b>Dividends Per Share</b>	Cash Dividends		9	*	**
	Stock Dividend	Earning Distribution	-	*	**
		Capital Distribution	-	*	**
	Accumulated Undistributed Dividend		-	-	**
<b>Return on Investment</b>	Price/Earnings Ratio (Note2)		21.09	22.45	**
	Price/Dividend Ratio (Note3)		31.08	*	**
	Cash Dividend Yield (Note4)		3.22%	*	**

\* : Pending shareholders' approval in Annual General Shareholders' Meeting

\*\* : Not applicable.

Note1: Retroactively adjusted for stock dividends and stock bonuses to employees

Note2: Price/Earnings Ratio = Average Market Price / Earnings Per Share

Note3: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note4: 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 several factors into consideration 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 strikes 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 2019 Profits (Approved by the Board and subject to Shareholders' approval)

The Board adopted a proposal for 2019 profit distribution as follows:

Cash dividends to common shareholders from retained earnings is NT\$7,944,252 thousand and cash distributed from additional paid-in capital in capital surplus to common shareholders is NT\$8,738,677 thousand, which totals NT\$16,682,929 thousand, or NT\$10.5 per share of cash to common shareholder. The proposal is subject to shareholders' approval at the Annual Shareholders' Meeting. The Chairman will then determine an ex-dividend date.

## 1.7. Effect of 2019 Share Dividends to Operating Performance and EPS

Not applicable.



## 1.8. Employees' Compensation and Remuneration to Directors

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

According to amended 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 the board meeting of the Company held on February 1, 2016 to amend the Articles of Incorporation of the Company. According to the amended Articles of Incorporation, 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.

### 1.8.2 Proposed Compensation and Remuneration to Employees and Directors

The Company accrued employees' compensation and remuneration to directors based on a specific rate percentage of profit of the year. 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 the board meeting held on March 20, 2020 to distribute employees' compensation and remuneration to directors. The details of discrepancy between the aforementioned approved amounts and the estimated amounts in 2019 are as follows.

Unit: shares / NT\$ thousands

Items	Board resolution	Estimate	Difference	Reason of difference
Employee Compensation – Cash	317,139	317,139	-	-
Remuneration to Directors	32,110	32,110	-	-

Note1: 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 the Board of Directors' approval of the distribution plan at the Board meeting.

Note2: Other than the aforementioned employees' compensation in the amount of NT\$317,139 thousand, the Company also expects to distribute employee bonus of NT\$6,025,640 thousand.

### 1.8.3 Earnings Retained in Previous Period (2018) Allocated as Employee Compensation and Directors Remuneration

Unit: shares / NT\$ thousands

Items	AGM resolution	Estimate	Difference	Reason of difference
Employee Compensation – Cash	261,021	261,021	-	-
Remuneration to Directors	31,624	30,748	876	(Note)

Note: The difference was mainly because different calculation basis. The Board has approved that the difference shall be accounted as "changes in accounting estimations" and booked in 2019.

## 1.9. Repurchase of Company Shares:

As of April 30, 2020

Implementation of Buybacks	3
Purpose of Buyback	Defend company credit and shareholders' rights
Class of Shares Buyback	Common Shares
Amount Limit of Share Buyback (NT\$)	238,042,410,101
Buyback Period	Mar 23, 2020 ~ May 22, 2020
Maximum Quantity of Share Buyback (shares)	15,900,000
Price Range of Share Buyback (NT\$)	301.00~452.00
Class and Quantity of Shares Bought Back (shares)	0
Accumulated Amount of Company Shares Bought Back (NT\$)	0
Percentage of Accumulated Number of Company Shares Bought back to Total Number of Shares Buyback (%)	0

## **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, 2020 / Unit: shares and NT\$ thousands

Employee Stock Options Granted	3 <sup>rd</sup> Grant	4 <sup>th</sup> Grant	5 <sup>th</sup> Grant
Approval Date by the Securities & Futures Bureau	Jul. 27, 2009	May 10, 2010	May 10, 2010
Issue (Grant) Date	Aug. 18, 2009	August 27, 2010	Nov. 4, 2010
Number of Options Granted	1,382,630	1,605,757	65,839
Percentage of Shares Exercisable to Outstanding Common Shares	0.09%	0.10%	0.00%
Option Duration	10 years	10 years	10 years
Source of Option Shares	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%
Shares Exercised	80,853	200,407	923
Value of Shares Exercised	34,726	80,757	348
Shares Unexercised (Note)	-	533,458	8,134
Adjusted Exercise Price Per Share (NT\$)	-	397.8	370.5
Percentage of Shares Unexercised to Outstanding Common Shares	-	0.03%	0.00%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited		

Employee Stock Options Granted	6 <sup>th</sup> Grant	15 <sup>th</sup> Grant	16 <sup>th</sup> Grant
Approval Date by the Securities & Futures Bureau	Aug. 9, 2011	Aug. 9, 2012	Aug. 9, 2013
Issue (Grant) Date	Aug. 24, 2011	Aug. 14, 2012	Aug. 22, 2013
Number of Options Granted	2,109,871	1,346,795	1,436,343
Percentage of Shares Exercisable to Outstanding Common Shares	0.13%	0.08%	0.09%
Option Duration	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share

Employee Stock Options Granted	6 <sup>th</sup> Grant	15 <sup>th</sup> Grant	16 <sup>th</sup> Grant
<b>Vesting Schedule</b>	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%
<b>Shares Exercised</b>	657,842	266,706	96,702
<b>Value of Shares Exercised (NT\$)</b>	181,081	75,550	35,586
<b>Shares Unexercised (Note)</b>	703,427	579,616	830,188
<b>Adjusted Exercise Price Per Share (NT\$)</b>	272.6	281.9	368.0
<b>Percentage of Shares Unexercised to Outstanding Common Shares</b>	0.04%	0.04%	0.05%
<b>Impact to Shareholders' Equity</b>	Dilution to original shareholders' holding is limited		

Note: The number of invalid shares due to resignation was deducted. The third issuances are terminated in August, 2019.

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

As of April 30, 2020 / Unit: shares and NT\$ thousands

Title	Name	Number of Option Acquired	Number of Option Acquired / Number of Option Issued (Note2)	Exercised				Not Exercised			
				Number of Option	Exercise Price (NT\$)	Option amount	Number of Option / Number of Option Issued (Note2)	Number of Option (Note3)	Exercise Price (NT\$)	Option amount (Note3)	Number of Option / Number of Option Issued (Note2)
Manager and employee	Jonathan Strange	625,288	0.04%	159,962	298.9	47,807	0.01%	465,326	332.3	164,497	0.03%
	John Finbarr Moynihan										
	Bernard Tenbroek										
	James K Farley										
	Douglas P Remington										
	Vincent DelVecchio										
	Edmund Vickers										
	Stacy Ho										
	Russell Mestechkin										
	Jason Taylor										

Note1: The Company's managers are not granted with employee stock option.

Note2: The share issued is calculated based on the amended number of total share issued approved by Ministry of Economic Affairs on Feb 25, 2020.

Note3: Including stock options that have expired in August, 2019, of which 110,023 shares were invalidated and the amount was NT\$ 46,430 thousands.

## 6. Status of New Employees Restricted Stock Issuance

### 6.1. Issuance of New Restricted Employee Shares

As of April 30, 2020

Type of New Restricted Employee Shares	2016 1 <sup>st</sup> Grant	2016 2 <sup>nd</sup> Grant										
<b>Date of Effective Registration</b>	Aug. 19, 2016											
<b>Issue date</b>	Sep. 6, 2016	Jul. 17, 2017										
<b>Number of New Restricted Employee Shares Issued</b>	10,528,505	300,000										
<b>Issued Price (NT\$)</b>	None											
<b>New Restricted Employee Shares as a Percentage of Shares Issued</b>	0.66%	0.02%										
<b>Vesting Conditions of New Restricted Employee Shares</b>	<p>1. If an employee continues to be employed in the Company through the vesting dates, without any violation of any terms of the Company's employment agreement, employee handbook, or policies and achievement of both personal performance criterion and the Company's operation objectives during the vesting period, are eligible to receive the vested shares. The maximum portions of the vested shares of each year are 15%, 35%, and 50% for the years ended 2017, 2018, and 2019, respectively. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives. The share shall be rounded down to the nearest integer.</p> <p>2. Personal Performance Index ("PPI") is determined with reference to the Employee's year-end performance rating for the year preceding the vesting date and shall be an I (Meets Expectations) rating or better. And, the work result has to meet the predetermined performance standard between employee and Company. The Company's Operating Target ("COT") shall be determined with reference to Revenue, Gross Margin, Operating Margin, and Return on Equity (ROE) operating index targets. Achievement of Operating Index Targets for a particular vesting date shall be determined by the Company with reference to the corresponding operating indices set forth in the Company's audited, annual consolidated financial statements for the Company's fiscal year ending in the year prior to the vesting date. The Operating Index Targets are classified into low, mid, and high standards represented by 40%, 70% and 100% of vested shares, respectively. For an applicable vesting date, provided that at least two (2) Operating Index Targets (in separate indices) are achieved, the COT shall be equal to the percentage applicable to the highest two standards of Operating Index Targets (in separate indices) achieved, subject to the following: (i) if the highest two such standards achieved are the same, the COT shall be the percentage applicable to such standard; (ii) if highest two such standards achieved are the not the same and are separated by one-degree (e.g. Low-standard and Mid-Standard), the COT shall be the percentage applicable to the higher of the two standards; and (iii) if highest two such standards achieved are different and are separated by two-degrees (e.g. Low-standard and High-standard) the COT shall be 70%. Each Operating Index Targets range in Y2016 is set as the table below, Y2017 and Y2018's target should grow comparing to the previous year.</p> <table border="1" data-bbox="454 1310 1324 1429"> <thead> <tr> <th>Company's Operation Objectives</th> <th>Revenue (NT\$ billions)</th> <th>Gross Margin</th> <th>Operating Margin</th> <th>ROE</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>234.6~255.9</td> <td>35%~40%</td> <td>7%~11%</td> <td>6.5~12.5%</td> </tr> </tbody> </table>		Company's Operation Objectives	Revenue (NT\$ billions)	Gross Margin	Operating Margin	ROE	2016	234.6~255.9	35%~40%	7%~11%	6.5~12.5%
Company's Operation Objectives	Revenue (NT\$ billions)	Gross Margin	Operating Margin	ROE								
2016	234.6~255.9	35%~40%	7%~11%	6.5~12.5%								
<b>Restricted Rights of New Restricted Employee Shares</b>	<p>1. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.</p> <p>2. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting right, etc., are in accordance with the Company's issued common shares and exercised by trust agency.</p> <p>3. During the vesting period, other restricted employee shares' rights including but not limited to cash dividend, share dividend, legal reserve and capital surplus distributable right, subscription rights of capital increase, etc. are in accordance with the Company's issued common shares and exercised by trust agency.</p> <p>4. During the period from the Company's book closure date for issuance of bonus shares, book closure date for cash dividends, book closure date for subscription rights of capital increase, book closure date for AGM provided by Article 165-3 of the Company Act, or statutory book closure date for other event to ex-rights (ex-dividend) record date, when employees achieve the vesting condition, their vesting shares' unrestricted schedule and process are carried out in accordance with custody contract or relevant regulations.</p>											
<b>Custody Status of New Restricted Employee Shares</b>	<p>1. After new restricted employee shares are issued, the shares must immediately be deposited in trust. Furthermore, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares.</p> <p>2. During the period in which the new restricted employee shares are placed in trust, the Company shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, but not limited to, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of instructions for the delivery, utilization, or disposition of the assets in trust.</p>											
<b>Measures to be Taken When Vesting Conditions are not Met</b>	<p>1. In the event that (i) the employment with the Company is terminated through the vesting dates, (ii) employee violates any terms of the Company's employment agreement, employee handbook, or policies, (iii) personal performance criterion and the Company's operation objectives are not achieved, (iv) employee violates the issuance policy to cancel Company's authorization to act as agent for the employee to conduct the share trust institution matters, the Company will redeem the issued restricted employee shares and cancel the full number of the share with immediate effects.</p> <p>2. During the vesting period, if the employee quits, is fired or is laid off, the Company will redeem the unvested and cancel the restricted employee shares with immediate effects.</p>											

Type of New Restricted Employee Shares	2016 1 <sup>st</sup> Grant	2016 2 <sup>nd</sup> Grant
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	8,085,204	226,500
Number of Released New Restricted Employee Shares	2,443,301	73,500
Number of Unreleased New Restricted Shares	0	0
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.00%	0.00%
Impact on possible dilution of shareholdings	Dilution of original shareholders' holding is limited	

Type of New Restricted Employee Shares	2018 1 <sup>st</sup> Grant	2018 2 <sup>nd</sup> Grant	2018 3 <sup>rd</sup> Grant	2018 4 <sup>th</sup> Grant								
Date of Effective Registration	Aug. 13, 2018											
Issue date	Sep. 6, 2018	Feb. 27, 2019	Apr. 12, 2019	Jul. 15, 2019								
Number of New Restricted Employee Shares Issued	12,259,550	2,205,888	17,818	2,182,958								
Issued Price (NT\$)	None											
New Restricted Employee Shares as a Percentage of Shares Issued	0.77%	0.14%	0.001%	0.14%								
Vesting Conditions of New Restricted Employee Shares	<p>1. if an employee continues to be employed with the Company through the vesting dates, without any violation of any terms of the Company's employment agreement, employee handbook, or policies and achievement of both personal performance criterion and the Company's operation objectives during the vesting period, are eligible to receive the vested shares. The maximum portions of the vested shares of each year are 34%, 33%, and 33% for the year ended 2019, 2020, and 2021 respectively. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives. The share shall be rounded down to the nearest integer.</p> <p>2. Personal Performance Index ("PPI") is determined with reference to the Employee's year-end performance rating for the year preceding the vesting date and shall be an I (Meets Expectations) rating or better. And, the work result has to meet the predetermined performance standard between employee and Company. The Company's Operating Target ("COT") shall be determined with reference to Revenue, Gross Margin, Operating Margin, and Return on Equity (ROE) operating index targets. Achievement of Operating Index Targets for a particular vesting date shall be determined by the Company with reference to the corresponding operating indices set forth in the Company's audited, annual consolidated financial statements for the Company's fiscal year ending in the year prior to the vesting date. Each objective sets two targets (as following table). Achieving either one of the target is considered achieving the objective. The actual shares received is set according to the level of achievement with individual employee.</p> <table border="1" data-bbox="507 1771 1366 1921"> <thead> <tr> <th>Company's Operation Objectives</th> <th>Operating Target A</th> <th>Operating Target B</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>Increase <math>\geq</math> 5% YoY</td> <td rowspan="2">Higher than the average of previous three years</td> </tr> <tr> <td>Gross Margin (%)</td> <td>Increase <math>\geq</math> 1.5ppt YoY</td> </tr> </tbody> </table>				Company's Operation Objectives	Operating Target A	Operating Target B	Revenue	Increase $\geq$ 5% YoY	Higher than the average of previous three years	Gross Margin (%)	Increase $\geq$ 1.5ppt YoY
Company's Operation Objectives	Operating Target A	Operating Target B										
Revenue	Increase $\geq$ 5% YoY	Higher than the average of previous three years										
Gross Margin (%)	Increase $\geq$ 1.5ppt YoY											

Type of New Restricted Employee Shares	2018 1 <sup>st</sup> Grant	2018 2 <sup>nd</sup> Grant	2018 3 <sup>rd</sup> Grant	2018 4 <sup>th</sup> Grant
		Operating Margin (dollar)	Increase $\geq$ 20% YoY in 2018; Increase $\geq$ 15% YoY in 2019/2020	
		Operating Margin (%)	Increase $\geq$ 2% YoY	
<b>Restricted Rights of New Restricted Employee Shares</b>	<p>1. During the vesting period, the employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.</p> <p>2. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting right, etc., are in accordance with the Company's issued common shares and exercised by trust agency.</p> <p>3. During the vesting period, other restricted employee shares' rights including but not limited to cash dividend, share dividend, legal reserve and capital surplus distributable right, subscription rights of capital increase, etc. are in accordance with the Company's issued common shares and exercised by trust agency.</p> <p>4. During the period from the Company's book closure date for issuance of bonus shares, book closure date for cash dividends, book closure date for subscription rights of capital increase, book closure date for AGM provided by Article 165-3 of the Company Act, or statutory book closure date for other event to ex-rights (ex-dividend) record date, when employees achieve the vesting condition, their vesting shares' unrestricted schedule and process are carried out in accordance with custody contract or relevant regulations.</p>			
<b>Custody Status of New Restricted Employee Shares</b>	<p>1. After new restricted employee shares are issued, the shares must immediately be deposited in trust. Furthermore, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares.</p> <p>2. During the period in which the new restricted employee shares are placed in trust, the Company shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, but not limited to, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of instructions for the delivery, utilization, or disposition of the assets in trust.</p>			
<b>Measures to be Taken When Vesting Conditions are not Met</b>	<p>1. In the event that (i) the employment with the Company is terminated through the vesting dates, (ii) employee violates on any terms of the Company's employment agreement, employee handbook, or policies, (iii) personal performance criterion and the Company's operation objectives are not achieved, (iv) employee violates the issuance policy to cancel Company's authorization to act as agent for the employee to conduct the share trust institution matters, the Company will redeem the issued restricted employee shares and cancel the full number of the share with immediate effects.</p> <p>2. During the vesting period, if the employee quits, is fired or is laid off, the Company will redeem the unvested and cancel the restricted employee shares with immediate effects.</p>			
<b>Number of New Restricted Employee Shares that have been Redeemed or Bought Back</b>	1,890,037	357,483	2,389	327,117
<b>Number of Released New Restricted Employee Shares</b>	3,279,706	600,240	4,848	592,236
<b>Number of Unreleased New Restricted Shares</b>	7,089,807	1,248,165	10,581	1,263,605
<b>Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)</b>	0.45%	0.08%	0.001%	0.08%
<b>Impact on possible dilution of shareholdings</b>	Dilution of original shareholders' holding is limited			



## 6.2. List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares

As of April 30, 2020 / Unit: shares and NT\$ thousands

	Title	Name	No. of New Restricted Shares (Note 1)	New Restricted Shares as a Percentage of Shares Issued (Note 2)	Released			Unreleased				
					No. of Shares (Note 1)	Issued Price (NT\$)	Amount (NT\$ thousands)	Released Restricted Shares as a Percentage of Shares Issued (Note 2)	No. of Shares (Note 1)	Strike Price (NT\$)	Amount (NT\$ thousands)	Unreleased Restricted Shares as a Percentage of Shares Issued (Note 2)
	Chairman	Ming-Kai Tsai										
Manager and employee	Vice Chairman	Ching-Jiang Hsieh	9,006,600	0.57%	6,395,536	0	0	0.40%	2,611,064	0	0	0.16%
	CEO	Lih-Shyng Tsai										
	President	Joe Chen										
	Executive Vice President & CFO & Spokesman	David Ku										
	Executive Vice President	Cheng-Te Chuang										
	Senior Vice President	Jerry Yu										
	Senior Vice President	Jasper Yang										
	Vice President	Rolly Chang										
	Vice President	JC Hsu										
	Vice President & CHRO	Sherry Lin										
	Vice President & General Counsel	David Su										
	Vice President	SR Tsai										
	Vice President	HW Kao										
	Vice President	Mike Chang										
	Employee	CH Wang										
	Employee	Ching San Wu										
	Employee	Yi-Ching Lee										
	Employee	Alan Hsu										
	Employee	Ryan Chen										
	Employee	Alex Chen										
Employee	PC Tseng											
Employee	SA Huang											
Employee	HC Huang											
Employee	JS Pan											
Employee	Alan Cheng											
Employee	Harrison Hsieh											
Employee	Ken Hsieh											
Employee	Evan Su											

Note 1: The number of unrestricted shares and the number of unrestricted totaled 9,006,600 shares, including 4,360,039 shares that have been recovered.

Note 2: The share issued is calculated based on the amended number of total share issued approved by Ministry of Economic Affairs on February 25, 2020.

## **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 the Company

- 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 (2019)

Product Category	Multimedia Chipsets	Others (Note)
Revenue Mix	98.40%	1.60%

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

#### 1.1.3 Products Currently Offered by the Company

- A. Mobile communication chipsets;
- B. Tablet chipsets;
- C. Bluetooth chips;
- D. Wireless LAN (WLAN) chips;
- E. Global Positioning Satellite (GPS) chips;
- F. Near Field Communication (NFC) SoCs;
- G. Connectivity combo SoCs that integrated Bluetooth, FM, WLAN, GPS, etc.;
- H. Artificial Intelligence of Things (AIoT) device SoCs;
- I. Smart home connectivity chips;
- J. Bio-sensing analog front-end chips;
- K. Optical storage chipsets;
- L. DVD player SoCs;
- M. Blu-ray DVD player chipsets;
- N. Highly-integrated digital TV controller chips;
- O. xDSL chipsets;
- P. Automotive chipsets;
- Q. Power management and controller chips for various electronics;
- R. USB PD Type-C controller chips; and
- S. Consumer and enterprise ASIC 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 artificial intelligence of things (AIoT) device SoCs;
- E. Next generation low-power smart home connectivity chips;
- F. Next generation highly integrated 8K Ultra HD, 8K120z smart TV chips;
- G. Next generation 10G PON(passive optical network) chipsets;
- H. New generation NBASE-T Ethernet physical chipsets;

- I. Next generation power management and controller chipsets for various electronics; and
- J. Next generation consumer and enterprise ASIC 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 compared to 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, including 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 in-house testing.

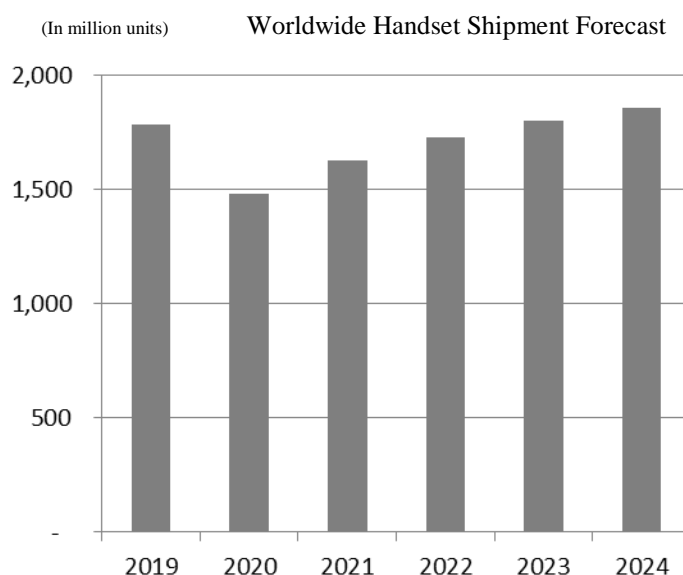
In the semiconductor supply chain, the IC design industry is a knowledge-intensive industry with a relatively high return on investment. Coupled with complete semiconductor industry ecosystem and ample talents, IC design is a thriving industry in Taiwan.

### 1.2.2 Industry Outlook, Trends and Competition

#### A. Wireless Communications Products

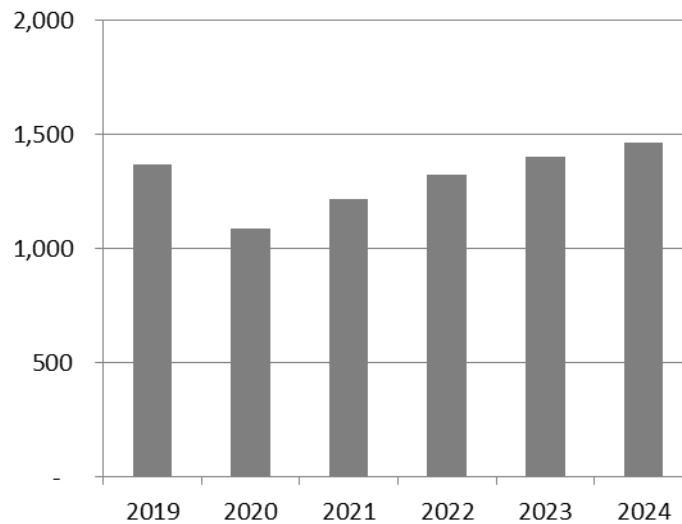
##### a. Mobile Computing Platform

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 1.8 billion units in 2019. Due to Covid-19 impact, 2020 shipment decreased year-over-year. However, the shipment is expected to grow steadily to 1.9 billion units in 2024. Strategy Analytics estimated that global smartphone shipments was about 1.4 billion units in 2019 and the number is expected to grow to 1.5 billion units in 2024.



Source: Strategy Analytics, April 2020

(In million units) **Worldwide Smartphone Shipment Forecast**



Source: Strategy Analytics, April 2020

Global communication technologies continue to evolve and upgrade. It is gradually migrating toward large-scale 5G commercialization. The 5G characteristics of enhanced mobile broadband (eMBB), massive machine type communication (mMTC), and ultra-reliable low latency communication (URLLC) are driving the long-term application development of cloud computing, internet of vehicles and IoT. It also lifts the hardware and performance requirement of mobile devices and brings up the end products' price and evolution of the whole industry. 4G network continues to play an important role in the global market and it will still be the mainstream technology at the early transition period of 5G. 4G technology in the emerging market is maturing and the penetration rate for smartphone is growing with upgrade demand.

In addition to mobile communication and transmission functions, consumers also look forward to advanced camera applications and higher multimedia performance, such as multi-camera shot, on-line gaming, video streaming, social networking, augmented/virtual reality, and etc. In order to meet consumers' need and support more applications, the specifications and features of mobile computing products continue to be upgraded such as enhancing network connections, optimizing gaming control, picture quality and some adjustments to enhance the overall gaming experience, deliver higher performance AI accelerator to not only improve photo quality but also provides stronger computing power with lower power consumption.

The competition of rapidly-growing wireless communication market is intensifying, 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 related business, MediaTek establishes partnerships with worldwide operators and distribution channels to aggressively expand global market with customers. MediaTek launched 5G multimode SoC in the leading group and is participating in the first wave of large-scale commercialization. By working closely with customers and global ecosystem, MediaTek further strengthens the competitiveness of the product portfolio and drives the replacement demand. MediaTek will continue to cultivate 4G market to maintain good market share and explore the opportunities in product and technology upgrades. For feature phones, MediaTek integrates more features into products to achieve a higher level of customization and differentiation for customers. On the tablet front, MediaTek further optimizes multimedia functions and enhances performance to expand market size.

#### **b. Internet of Things (IoT)**

Other than smartphones and tablets, Internet of Things and Internet of Vehicles are both important applications in wireless communication. As the Internet of Things concept becomes more common, new applications with Wi-Fi, GPS and Bluetooth are also boosting the market demand for wireless communications, including AI voice assistant devices, smart home appliances, Bluetooth headsets, smart utility meters, game console, TV and other consumer electronics. Audio becomes new human-machine interface through the development of AI voice assistant device. New developments speed up the integration of high speed transmission and high-performance

processing unit. For instance, Wi-Fi spec upgrades from 11ac to Wi-Fi 6, more applications derived from AI voice assistant, such as the continuous upgrades of connectivity in WiFi6 and 11ac, voice assistant upgrade to smart assistant with screen, camera and image recognition functions, these all facilitate the integration of high speed transmission and high performance processor in a faster pace.

Internet of Vehicles is growing to be another important platform for wireless communication. Benefiting from the trend of autonomous driving, 5G, AI, high-speed computing and cloud computing all drive the development of wireless and high-speed transmission, and further increase the demand of wireless communication products such as Wi-Fi and modem. To seize future opportunities, MediaTek develops eCockpit, telematics, mmWave radar, and vision-based ADAS with the technology advantages in wireless communication and multimedia and the complete IPs across different platforms.

### **B. Digital TV Products**

Global digital TV shipment is stable and the 4K Ultra High Definition (4K Ultra HD) share is increasing as 4K Ultra HD technology matures. Higher yield rate of OLED panels and lower production costs contributes the shipment to tier-one brands. As panel technology develops and consumer demands better picture quality, the need for higher resolution is also growing. As 8K technology develops, it enables more refined picture and audio quality to satisfy consumer demand. In addition, the application of AI more flexibly elevates user experience, for instance, through AI scene detection to automatically select the best picture enhancement scenario to perform picture quality enhancement (AI-PQ, AI-Picture Quality), audio control, audio enhancement (AI-AQ), search functions and etc.

MediaTek leads the industry by launching multi-core smart TV SoCs, adding AI, enhancing picture quality through automatic scene detection. Our products now support coding and decoding specifications for 8K UHD TVs. MediaTek proactively cooperates with TV makers to launch 8K60Hz and 8K120Hz products.

### **C. ASIC Products**

As technology advances at much faster pace, electronic products become obsolete at faster rates. In order to differentiate products, the demand for customization in consumer electronics, large data centers, automotive electronics, industrial automation, communication industry, artificial intelligence and related areas is increasing. Particularly, with the trend of digitalization, tremendous amount of data grows in an incredible rate that therefore sets data center and high-speed transmission related applications, such as switches, storage devices, and high-speed computing to be the market focus. MediaTek has dedicated in developing high-speed transmission IPs for many years and the IPs is now recognized by many first tier customers. MediaTek will continue to establish cross-platform, long-term relationships with our partners, and actively expand the business portfolio into new areas.

### **D. Analog Products**

As all digital electronic systems require data and signals' input/output and transition, the demand for analog IC continues to increase. Analog ICs are in charge of data and signal transmission between users and machines, and therefore very extensive applications for analog ICs, for example, computers and their peripheral applications, communications, automotive electronics, consumer electronics and new applications such as smart home, IoT, and etc. Traces of analog IC can be found in practically all electronic systems.

### **E. Broadband Networking Products**

Global broadband industry continues to grow as the number of broadband user increases. According to research firms, at the end of fourth quarter 2019, there are more than 940 million global broadband users, which implies a steady growth rate of 5%. Among which, mainland China is the world's largest single market, and its main technology is xPON, which is gradually migrating towards 10GPON. In recent years, under the FTTH trend, many regions have accelerated the deployment of xPON, such as emerging countries like Central and South America, Southeast Asia and India, as well as Europe and North America. The rapid growth of overseas market has made them to be the next driver of market. In order to cope with the high traffic load of 5G mobile communications in the future, higher-speed 10G fiber fixed network broadband has become the basis of 5G mobile communications.

## 1.3. Technology and R&D

### 1.3.1 R&D Spending

The Company's R&D spending in 2019 was NT\$63,001,401 thousand, and from January 1<sup>st</sup> 2020 to the printing date of this annual report, the R&D spending was NT\$20,414,018 thousand.

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

- A. Highly integrated 5G smartphone SoCs;
- B. Highly integrated LTE chipsets;
- C. Highly integrated tablet chipsets;
- D. Highly integrated artificial intelligence of things (AIoT) chipsets;
- E. Highly integrated smart home connectivity chips;
- F. Highly integrated WLAN SoCs;
- G. WiFi 6 wireless communication chips;
- H. Highly integrated advanced smart assistance chips;
- I. Highly integrated 8K Ultra HD smart TV chipsets;
- J. Highly integrated UHG chipsets;
- K. Highly integrated terabyte passive optical network (xPON) chipsets;
- L. Power management and controller chipsets for various electronics;
- M. USB PD Type-C controller chipsets;
- N. Next generation brushless DC motor;
- O. Consumer and enterprise ASIC chips;
- P. Highly integrated automotive SoC for eCockpit, telematics and mmWave radar;

## 1.4. Long- and Short-Term Business Development Plans

### 1.4.1 Short-Term Business Development Plans

- A. Keep our finger on the pulse of market trend and customer need, continue to develop highly competitive new products, and adopt more advanced process/more optimized circuit design architecture to introduce high price-performance ratio mainstream products to stimulate market demand.
- B. Combine newly-acquired companies' product offerings with existing platform advantages to provide customers with total solutions. Deeply understand and serve customers, and facilitate customers to time-to-market to seize market opportunities.
- C. Enhance existing long-term partnerships with customers as well as expand customer base and market share by implementing efficient marketing strategies. Meanwhile, work closely with relevant partners in every industry such as operators to expand business opportunities.
- D. Maintain close relationship with supply chain partners including foundries, packaging companies and testing houses. Ensure real-time communications with customers and manufacturing partners to respond to market changes quickly and effectively, secure sufficient capacity, and ensure smooth delivery as well as 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 relationship cooperation with world-class customers and partners to develop various business opportunities.
- B. Continue to develop innovative products and maintain a market-leading position in different markets. Continue to enhance product competitiveness and profitability through new product developments, product design optimization, cost control, etc.
- C. Continue to work closely with the supply chain and co-develop more cost-effective solutions.
- D. Recruit and retain global talents with different expertise for future products and market development. Establish comprehensive internal training systems to share knowledge and experiences.
- E. Establish comprehensive global management systems to ensure effective internal operation efficiency and external communications. Maintain good relationship with capital markets and seek investment targets for business expansion.



## 2. Market, Production, and Sales Outlook

### 2.1. Market Analyst

#### 2.1.1 Major Markets

Region	2019	
	Sales (NT\$ thousands)	Percentage
Export sales	223,288,194	90.69%
Domestic sales	22,933,537	9.31%
Total	246,221,731	100%

#### 2.1.2 Market Share

According to a report Gartner published in April 2020, worldwide semiconductor market revenue was US\$419.1 billion in 2019; MediaTek's market share was 1.9% and ranked No.13 worldwide.

#### 2.1.3 Major Markets

##### A. Wireless Communications Products

The popularization of 4G network and the development of 5G technologies is expected to contribute to the market demand of wireless communication, among which smartphones are the mainstream products. In addition, consumers value more in product functionality. AI brings out more demand for wireless communication chipsets, such as various kinds of AIoT demand derived from AI voice assistant and smart city applications, all facilitate broader applications for wireless communication. Consumers also look forward to wireless communication functions from automotive electronics to realize Internet of Vehicles and autonomous driving. Market expects 5G, IoT and IoV to become important growth drivers in wireless communication markets.

##### B. Digital TV Products

OLED TV becomes mainstream and has high requirements on picture quality and brightness. Coupled with the maturity of HDR technologies, users can enjoy high contrast content. Adding AI to picture and audio quality enhancement to provide product differentiation. With smart TV functions, users can surf the Internet, watch video on demand, install applications or games and voice search as well as control TVs by smart devices to enhance user experience.

##### C. ASIC Products

Technology advances rapidly, with the applications of massive data, cloud and AI grow swiftly, high-speed transmission and data center related demand are also rising. MediaTek has diverse product lines, comprehensive products across platforms, and we steadily invest in cutting-edge technologies, incorporating multiple advanced IPs, such as multimedia, connectivity, high-speed transmission, and data computing, to provide the most competitive consumer and enterprise ASICs.

##### D. Analog Products

According to Gartner, global analog ICs will carry the highest CAGR of 1.95% among all ICs between 2017 and 2023. Specifically, power management IC growth rate is estimated to be 3.15%. These estimates show that analog IC market has been growing steadily. MediaTek will continue to work with foundry vendors and leverage our advantages from accumulated experiences in analog IC design to expand business in the industry.

##### E. Broadband Networking

People value more on the demand and quality of network and it has become the driver to push the upgrades of global networking product and equipment specification. The fiber-to-the-home (FTTH) policy of Mainland China has greatly increased the number of users. With the increase in specifications such as network speed and bandwidth, demand from overseas markets such as Europe, America and emerging markets is expected to drive the next wave of growth. The company has advanced and complete networking product lines, such as xPON,

xDSL, etc. MediaTek will continue to develop faster networking products to seize upgrade opportunities and steadily expand domestic and overseas markets in the future.

#### **2.1.4 Competitive Advantage**

##### **A. Outstanding Team**

MediaTek's management team has been working together in the multimedia industry for many years and has grown with the participation of outstanding talents. Many of our 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. The Company has a large pool of talented IC and system designers. Through their joint efforts, the Company has been able to launch competitive SoC products every year.

#### **2.1.5 Favorable Developments, Unfavorable Factors and Countermeasures**

##### Favorable Developments

##### **A. Connectivity technology upgrades of 5G and Wi-Fi 6 to drive replacement cycle and the growing opportunities in consumer electronics, Internet of Vehicles and related areas**

Mobile and IoT devices have become an integral part of consumers' everyday life. Consumer demand for user experience boosts the development of product functionalities, the momentum of replacement cycle and related growth in semiconductor industry. MediaTek spares no effort in the development of wireless communication and consumer electronics products to provide customers with convenient and reliable integrated solutions. The market's constant need for more powerful and more diverse multimedia features also lead to the demand growth in mobile computing and IoT platforms. In addition, the Internet of Vehicles and more wireless communication demand will continue to drive to the market growth. MediaTek integrates the technologies from multimedia and other platforms to shorten customers' design cycle by providing highly competitive and innovative solutions. Furthermore, MediaTek has aggressively expanded 4G market and invested in 5G technology, participating in global standard setting, contributing in future trend and fulfilling market's need of mobile network upgrades. The company has launched the latest Wi-Fi 6 connectivity technology and combining it to different consumer electronics platform with group synergy. It is expected that high speed communication technologies will bring mobile users more optimized user experience and boost the growth of related wireless communication chipsets.

##### **B. Integrating internal artificial intelligence platform with rich IP portfolio, leading the industry to creates new trends of smart consumer devices**

Artificial Intelligence (AI) has become a hot topic recently. Related needs are growing rapidly in various consumer electronic platforms. The company develops and upgrades its own AI platform, integrates AI functions cross-platform into smartphones, TV chips, smart speakers and other products, and combines multiple advantages to develop multiple innovative products with customers to enhance user experience and lead the industry trend. For example, AI strengthens the smartphone camera function, and the good experience brought by the smart voice assistant extends to many peripheral products. For TV-related applications, the company develops and introduces artificial intelligence in high-definition / high-voice-quality processing to provide differentiations such as voice recognition, voice control to meet customer and consumer needs, and bring more convenience to users. The ecosystem built by various smart connected devices is gradually completed, which will further promote the wider AI penetration and more intelligent AI demand for more functions.

##### **C. Continue the Collaboration with First-Tier Customers to Develop Highly Competitive ASICs**

The product cycle of ASICs is significantly longer than other traditional consumer electronics and requires high technology integration capability. MediaTek has been developing multimedia and high speed transmission IPs for many years, possessing complete IPs and large product platforms. With the SoC integration capability, high-

end process and packaging experience, the product development collaborations have received recognitions from customers.

#### **D. Demand for analog products continues to grow**

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

#### **E. xPON and VDSL to Become Growth Drivers for the Broadband Market**

xPON and VDSL2 have been replacing ADSL, accounting for 90% of market share in 2019. Overall wired broadband market continues to grow steadily. MediaTek has complete product portfolio of xPON and VDSL across the board and is able to provide customers with the most comprehensive and competitive products. 10 GPON will become another new trend of the year. It will increase the broadband demand in home and enterprise, and become one of the options of small cell as 5G mobile network develops.

#### **F. 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 our customers' needs.

#### Unfavorable Factors and Countermeasures

The IT industry moves at a fast pace and new technology may emerge at any time. Coupled with relatively short product life cycle, pricing pressures are always there.

In the extremely competitive technology industry, the Company 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, the Company also works proactively on next generation products. The Company aims to increase our competitiveness by bringing high-quality products to the market ahead of our competitors.

## **2.2 Key Product Applications and Manufacturing Processes**

### **2.2.1 Key Product Applications**

MediaTek's major products include chipsets for wireless communication, digital TV, ASIC, analog and broadband networking for applications such as mobiles, digital TVs, PCs, electronics, wearables and IoT products. 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 5G/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, and can also be used in other applications such as routers, TVs, set-up-boxes, smart wearables, smart home appliances, IoT applications, automotive, game consoles, notebooks and portable navigation devices, etc.

#### **B. Digital TV Products**

Digital TV decoder 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 via Ethernet and Wi-Fi. MediaTek provides users with the best in audio and video enjoyment by strengthening processing engine of image quality.

#### **C. ASIC Products**

ASIC chips are mainly used in consumer and enterprise electronics.

## D. Analog Products

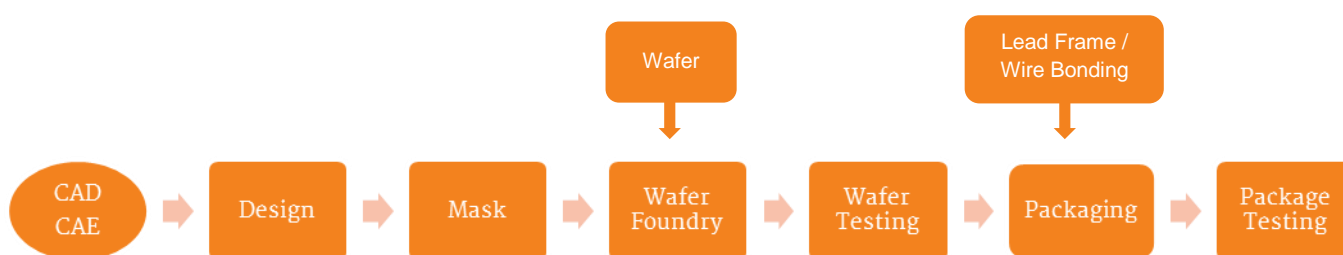
Power management chipsets are core components to provide stable electric current and voltage to electronics. The required functions of power management differ from devices to devices, including voltage detection systems, current protection, power supply for distinct voltages or AC/DC transition, integrated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

## 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 functions.

### 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

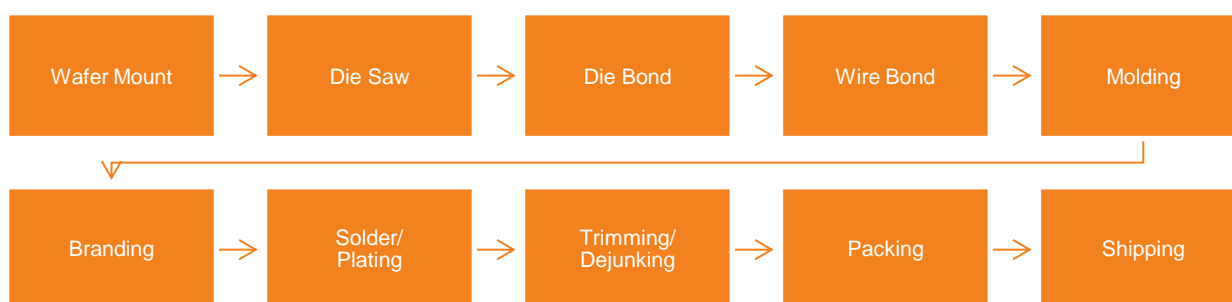
Wafer fabrication is outsourced to foundries. The wafer manufacturing process begins by entering a module and then going through etching, photo, thin film and diffusion with masks. The finished wafers must be tested before shipping to the next stage.

#### 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 the Company's major raw materials and are mainly procured from the Company'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 the Company's requirements. The Company negotiates pricing with suppliers according to market supply and demand conditions. It also reviews production and service quality periodically with its suppliers. The Company 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:

Unit: NT\$ thousands / %

2018				2019				2020.Q1			
Supplier	Amount Purchased	% of Total Purchase	Relation	Supplier	Amount Purchased	% of Total Purchase	Relation	Supplier	Amount Purchased	% of Total Purchase	Relation
Supplier A	42,960,400	39.06%	Not Related Parties	Supplier A	45,203,719	45.58%	Not Related Parties	Supplier A	15,397,375	53.05%	Not Related Parties
Supplier C	14,750,773	13.41%	Not Related Parties	Supplier B	12,778,101	12.88%	Not Related Parties	Supplier B	3,127,853	10.78%	Not Related Parties
Supplier B	13,127,690	11.93%	Not Related Parties	Supplier C	10,961,268	11.05%	Not Related Parties	Supplier C	3,037,337	10.46%	Not Related Parties
Others	39,153,282	35.60%		Others	30,238,444	30.49%		Others	7,463,952	25.71%	
<b>Total</b>	<b>109,992,145</b>	<b>100.00%</b>		<b>Total</b>	<b>99,181,532</b>	<b>100.00%</b>		<b>Total</b>	<b>29,026,517</b>	<b>100.00%</b>	

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:

Unit: NT\$ thousands / %

2018				2019				2020.Q1			
Customer	Sales	% of Total Revenue	Relation	Customer	Sales	% of Total Revenue	Relation	Customer	Sales	% of Total Revenue	Relation
-	-	-	-	-	-	-	-	-	-	-	-
Others (Note)	238,057,346	100.00%		Others (Note)	246,221,731	100.00%		Others (Note)	60,862,975	100.00%	
<b>Total</b>	<b>238,057,346</b>	<b>100.00%</b>		<b>Total</b>	<b>246,221,731</b>	<b>100.00%</b>		<b>Total</b>	<b>60,862,975</b>	<b>100.00%</b>	

Note: There are not any customers for more than 10% of the total sales in 2018, 2019 and 2020 Q1.

## 2.5. Production Volume and Value in the Past Two Years

Unit: thousand pieces / NT\$ thousands

	2018			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
<b>Multimedia and Handset Chipsets</b>	Not applicable	8,351,808	145,264,912	Not applicable (Note)	8,882,844	140,212,352

Note: The Company 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

Unit: thousand pieces / NT\$ thousands

	2018				2019			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
<b>Multimedia and handset Chipsets</b>	2,342,110	23,897,244	6,347,896	211,325,574	2,432,567	22,922,308	7,095,560	219,362,192
<b>Others</b>	Not applicable	11,172	Not applicable	2,823,356	Not applicable	11,229	Not applicable	3,926,002
<b>Total</b>	2,342,110	23,908,416	6,347,896	214,148,930	2,432,567	22,933,537	7,095,560	223,288,194

## 3. Employees

		2018	2019	2020 (As of April 30)
<b>Number of Employees</b>	Management	1,080	1,077	1,082
	R&D	14,829	14,994	15,089
	Sales & Marketing	703	748	746
	Manufacturing	446	630	637
	Total	17,058	17,449	17,554
<b>Average Age</b>		35	35	35
<b>Average Years of Service</b>		5.5	5.0	4.9
<b>Education</b>	Doctoral	4.96%	4.80%	4.76%
	Master	67.58%	68.83%	68.93%
	University & College	26.73%	25.73%	25.56%
	High School	0.73%	0.64%	0.75%
	Total	100.00%	100.00%	100.00%

## 4. Material Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
<b>Licensing</b>	NTT DOCOMO Inc.	From Jul. 2010	The Company licensed NTT DOCOMO's LTE technology.	None
<b>Strategic agreement</b>	NavInfo Co.	From May 13, 2016	The Company signed a strategic cooperation agreement with NavInfo Co., Ltd.	None
<b>Investment and share disposal</b>	NavInfo Co.	From May 13, 2016	Ralink Technology (Samoa) Corp., a subsidiary of MediaTek Inc., disposed of around 82.9% of AutoChips share ownership	None
<b>Patent licensing</b>	Rambus Inc.	From Jan. 1, 2017	Rambus and the Company renewed the patent licensing agreement, effective retrospectively in the beginning of 2017.	None
<b>Patent settlement and licensing</b>	Broadcom Ltd.	From Oct. 19, 2017	Both parties reached a patent cross-licensing agreement and agreed to file for dismissal of all patent lawsuits by both sides.	None
<b>Real estate construction</b>	Jiangsu Wannian Construction Group Co.,Ltd. etc.	From Sep. 3, 2018	MediaTek (Chengdu) Inc., a subsidiary of MediaTek Inc., engaged to build a new office building on rented land.	None
<b>Real estate deal</b>	Winsome Development Co. Ltd	From Apr. 3, 2019	Real estate deal in the 6 <sup>th</sup> phase of Taiyuan Hi-Tech Industrial Park	None
<b>Share acquisition</b>	Hefei Gaoxin Industry Investment Ltd.	From Apr. 30, 2019	Nepfos Cayman Co. Limited, a subsidiary of MediaTek Inc., acquired 6.82% ownership of Nepfos (Hefei) Co. Ltd., a subsidiary of MediaTek Inc., from Hefei Gaoxin Industry Investment Ltd.	None
<b>Share acquisition</b>	VanChip (Tianjin) Technology Co., Ltd.	From Apr. 30, 2019	Gaintech Co. Limited, a subsidiary of MediaTek Inc., acquired 19,098,449 shares VanChip (Tianjin) Technology Co., Ltd. common shares for US\$ 40 million.	None
<b>Patent licensing</b>	ATI Technologies ULC	From Sep. 16, 2019	The two parties reached a patent mutual licensing agreement	None
<b>Real estate construction</b>	Jiangsu Wannian Construction Group Co.,Ltd	From Nov. 15, 2019	MediaTek (Wuhan) Inc. announced to build new office building	None

# VI. Corporate Social Responsibility

## 1. Corporate Promise

### 1.1. Employee Relations

MediaTek has long been devoted to pursuing to build a healthy relationship with its employees. The dedicated Employee Relations Department is responsible for planning, promoting with managers, and implementing initiatives. We believe that positive employee relationship is one of the key reasons for MediaTek to continuously deliver stable performance. The framework of MediaTek's management of its employee relations is as follows:

#### A. Employment

MediaTek strictly complies with the Labor Standards Act and International Bill of Human Rights to defend the rights and interests of employees' freedom of association, and prohibits any employment discrimination based on race, age, gender, sexual orientation, disability, pregnancy, politics, or religion of employees. All employees are required to sign a written labor contract in accordance with the law, stating that the employment relationship is established on the basis of mutual agreement and MediaTek is against use of child labor. In addition, in the rules of work, the norms of non-forced labor are specified, and the number of hours of work of employees is determined in accordance with labor regulations. In Taiwan, in the event the labor contract with employee must be terminated under special circumstances, an advance notice must be served and the subsequent severance payments are carried out in accordance with the Labor Standards Act.

#### B. Communication with Employees

MediaTek's communication platform is based on establishing diversified communication channels, assistance from managers and communication effectiveness evaluation. MediaTek has hosted communications conferences and established an online communication platform, in addition to communications with supervisors from different levels to meet the objectives of "understanding the Company operations", "getting to know your supervisors", "improving the work environment" and "collective effort". Our communications matrix structure can effectively assist employees in understanding the Company and its policies, and solving problems for employees and the work environment. In order to let employees' voice heard and make them understand the important company policies and campaign promotions, Hot Paper, the internal electronic newsletter, is issued on a monthly basis. A communication platform that is available around the clock was set up to respond to employees' questions in a timely manner. In addition, regular face-to-face meetings are held for employee representatives to meet with top management to discuss and respond to major issues to achieve better mutual understandings between employees and the Company and thus reaching cohesiveness.

#### C. Employee Cohesiveness

In addition to the formal communication channels, MediaTek also hosts different types of events such as corporate event (year-end parties, anniversaries and family days), holiday celebrations (Engineers' Day, Mid-Autumn Festival and Christmas), departmental activities (department family days, department outings and birthday celebrations), group outings, club events, etc. These activities are designed to suit needs of different employee groups so that we can have more participation from employees and their families and strengthen interaction and connection between employees.

Since MediaTek began promoting various employee clubs, there have been 61 clubs running in total, including the new clubs formed in 2019. With more than 40% of our employees joining at least one club, MediaTek effectively promotes these clubs by offering company reimbursements and allowances. These clubs are highly valued as they create employee cohesion and a sense of community.

#### D. Work Environment Safety and Employee Healthcare

The Environmental Safety and Health Policy is the highest guideline for the Company's environmental safety management. In order to meet ISO 14001 and OHSAS 18001 requirements, MediaTek regularly conducts



environmental safety and health management system audits and publishes the environmental safety and health policy on the internal website. In accordance with the "Education and Training Management Procedures", the Company educates employees at all levels of the Company; and the contractors are required to comply with the "Management Procedures for Contracting the Environmental Safety and Security", so that both internal and external members can fully understand the environmental safety and security policy and ensure the relevance and effectiveness of the continuous operation of the environmental safety management system.

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

MediaTek firmly believes that "healthy employees are essential to high productivity". In terms of physical health, MediaTek has provided high-quality health checks and post-check consultations to its employees for more than 14 years. Higher-risk groups such as senior managers, female staff and testing staff receive additional testing items such as eyesight checks, mammograms, cervical smear tests, 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, professional doctors' health consulting service and clinical services are provided to offer employees reliable medical information. Also, MediaTek provides each department exclusive medical session so that executives can give appropriate medical information based on employees' practical demand.

Moreover, as for physical wellbeing enhancement, employees are encouraged to use onsite fitness centers or participate in cross-departmental competitions to cultivate the habit of regular exercise. MediaTek also designs different programs targeting different employees who regularly or rarely exercise. This type of initiative aims 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 and aerobics room) reaches 100% in the evenings. MediaTek started to offer additional service hours at noon and on holidays in 2014 due to growing number of employees and exercise demand. We also hired blind masseurs recommended by Hsinchu and Taipei Association of Blind Masseurs whose services are provided inside the fitness center.

With respect to mental healthcare, the Company not only establishes physical emergency relief measures to relieve employees' mental stress when facing emergencies but also holds mental health lectures and mental stress index assessment service. We have also signed contracts with professional Employee Assistance Program to allow employees access to professional consulting and assistance without pressure while their privacies are protected.

## **E. 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 employees' personal needs. There are authorized stores, ticket/gift certificate ordering services and concierge services that help employees plan their wedding parties/baby showers. These thoughtful services help employees save a great deal of time and stress. Meanwhile, employees can also appreciate the comprehensive welfare in MediaTek.

## **F. Care for the Employees and Their Families**

MediaTek not only established employee-friendly relationships policies and environment but also assigned the dedicated Employee Relations Department to provide one-on-one care and assistance to address individual employee's issues and needs. The services range from emergency assistance (such as car accidents or family emergencies) and psychological counseling/referral. Employee care systems (such as online mental health enhancement platform) and HR Business Partner's deep observation/solicitude on departments exhibiting abnormal results to conduct "Department Morale Survey", focus group interviews, and random interviews to identify the substantial reasons and improvement actions and thus help departments take necessary rectification measures to solve the problems.

Also, MediaTek understands that behind every hard-working employee, there is a supportive family. Therefore the Company takes the initiatives to extend company resources to family members of employees. The "Family Network" is established to help employee families understand the Company, build an employee families community and provide information such as medical care, childcare and education, residential housing rental and purchases, etc. There is also a family activity room in the Health and Life Style Center where families can

organize their own classes thereby creating a strong bond amongst the community. The Company's active initiatives are expected to create positive feedback from employees and communities. Take 2019 for example, there were 3 classes organized, including art class, parents and kids' dance class and adult yoga class, which all received great feedback.

### G. Employee Welfare Committee

MediaTek has requested each department to nominate a representative to form an Employee Welfare Committee in accordance to the Organization Regulations on the Employee Welfare Committee. The purpose of this committee is to oversee Employee Welfare Committee funds and to promote various benefits. MediaTek has always set aside a higher percentage of the revenue than what is stipulated by law to sponsor the Employee Welfare Committee, allowing the Committee to offer more benefits. At the same time, MediaTek has also taken cohesiveness of each department and flexible selection of personal benefits into account, such as sponsoring departmental events reimbursements and encouraging events that includes families. In 2019, MediaTek implemented flexible welfare policy for the first time, allowing employees to apply the flexibility of the subsidy to five major projects, truly reflecting the beauty and spirit of employee welfare.

### H. Continuing Education and Training System

The Company provides a comprehensive training system to provide a challenging and learning environment to show employees' potential and grow the Company's overall capability. There are various types of training, each based on employee's rank and nature of work:

- a. **Management Training System:** Helps managers develop their training blueprint based on skills required for their positions.
- b. **Orientation:** Orientation hosted by Human Resources Department helps new staff learn company policies, corporate culture, working environment, etc. 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 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 specialty such as environmental safety, finance and accounting, human resources, information technology, intellectual property, marketing & sales, quality assurance management, etc.
- 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 insufficiency of internal trainings.

Results of education and training in the latest fiscal year are as follows:

Categories	2019				Jan. 1 to Apr. 30, 2020			
	Number of classes	Numbers of attendees	Hours	Total cost (NT\$)	Number of classes	Numbers of attendees	Hours	Total cost (NT\$)
Management Training System	96	2,344	11,414	40,642 thousand	11	323	847	11,537 thousand
General Training	196	6,265	22,024		31	465	1,473	
Professional Knowledge Training	247	5,856	17,855		41	554	2,940	
Personal effectiveness	97	2,379	13,204		13	302	1,442	
Language training	57	1,423	33,105		30	846	21,886	
External training	873	1,352	44,553		180	213	12,460	
<b>Total</b>	<b>1,566</b>	<b>19,619</b>	<b>142,153</b>		<b>306</b>	<b>2,703</b>	<b>42,008</b>	

### I. 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. 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 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", provides actuarial reports and recognizes reserve as a pension liability on balance sheet.

## 1.2. Supplier Management

As a technical leader in the semiconductor industry, MediaTek is at the forefront of the value chain-technological design. Subsequent processes such as raw material procurement, OEM, packaging and testing are all conducted by suppliers, forming a partnership based on each firm's expertise. However, we have realized that the key impact and influence on society and environment comes from our suppliers upon conducting risk evaluation and carbon footprint verifications. Hence, how to partner with our suppliers to reduce potential risks on the society and environment has become our top priority.

We commenced the CSR audit in 2016. In addition to requiring suppliers to sign a CSR guarantee statement, MediaTek also manages effectiveness of supplier's sustainability actions through the EICC - ON online management system. Moreover, MediaTek also autonomously produced an EICC training course for all suppliers to assist them in better understanding and complying with relevant regulations. We hope to effectively exert the influence we have as industry leader, and collaborate with suppliers to work toward sustainable business models. To build a long-lasting, stable partnership with suppliers and achieve the vision of sustainable development, MediaTek has incorporated standards and proposals that fall under the three primary perspectives of economy, society and environment into our scope of sustainable management of suppliers. Through regulating potential risks, we can uncover potential market opportunities.

From an economic perspective, besides the basic factors of meeting deadlines, production capacity, service, and quality, we also require that suppliers remain in compliance with the IATF16949 quality management system for the automobile industry in coordination with MediaTek's strategic planning for the IoT market. This is required in order to ensure that these suppliers can jointly develop chips for the Internet of Vehicle (IoV) market. From an environmental perspective, we require suppliers to introduce the ISO 14001 and QC080000 Environmental Management System. We also strive to ensure that suppliers do not use hazardous substances. We assess suppliers by complying with national regulations in different countries, Sony Green-Partner and QC080000 standards for the product safety requirements from international customers. From the social aspect, we ensure that suppliers fulfill their social responsibility, comply with international labor rights, and provide a healthy and safe work environment according to the RBA Code of Conduct, SA8000, and OHSAS 18001 standards.

MediaTek performs supplier risk evaluations from economic, environmental and societal perspectives in order to investigate each supplier's standards under these perspectives and identify potential risks. Step 1: Suppliers undertake self-assessments to ensure their levels of compliance for each indicator and provide supporting materials. Step 2: Mediatek performs assessments and on-site audits to confirm the data against the self-assessments and supplemental information from suppliers and ensure the completeness and accuracy of the data.

## 2. Social Participation

### 2.1. Social Contributions

#### 2.1.1. National Elementary School Science Project Award

"MediaTek Foundation" was founded by MediaTek in 2001 and taking technology talent fostering as its core mission. Since 2011, it started a series of activities to support primary school students to develop inquisitive spirit toward science projects, holding teacher training camps, science project awards, donating popular science education books, and providing reserved quota for schools from remote area to encourage more students to explore the field of science. Until 2019, MediaTek foundation has encouraged approximately 18,000 students to participate, laying the foundation for Taiwan's technological competitiveness from elementary school.

“National Elementary School Science Project Rewarding Program” is a long-term companionship program for elementary school teachers and students to obtain the resources needed to explore the field of science. The program includes 5 stages: “initial screening process for science projects”, “teachers training camp for science project”, “popular science reading promotion plan”, “sponsorships for city and municipal science project participation”, “sponsorships for national science project participation”, provides resources and supports for 7 months for teachers and students to invest themselves in science projects without worries.

A total of 121 projects were received in 2019, among which, 43 projects (39 schools) were selected after initial screening process and 40% were reserved for students in remote or disadvantaged schools. 39 Projects won the County Science and Technology Exhibition Awards, and 11 projects won the National Science and Technology Exhibition Awards. “National Elementary School Science Project Rewarding Program” is aiming to support students in schools lacking of related resources to have the opportunity to present their science projects in national competition. In the 40% of reserved quota for remote schools, 3 schools passed city/municipal science competition with our support this year, including Che-cheng Elementary School – Bao-Li Division in Pingtung, Penghu Chi-dong Elementary School, Green Island Residence Elementary School which have 16, 20, and 30 students in the whole school respectively. In addition, Changhua Shui-wei Elementary School (49 students) won the third place in the national science competition.

For the third stage to promote popular science reading, 50 popular science books were provided for the 39 schools that passed initial screening. Students were able to grow their science knowledge and to be inspired. 1,625 response cards and 7,705 internet votes were received, over 3,500 people participated and some schools further held popular science week and storytelling activities to spread science knowledge to the whole school.

In addition, MediaTek Foundation cooperated with the Science Education Center to sponsor the National Science and Technology Exhibition Enterprise Award - “MediaTek – Everyday Genius Award” to reward 10 projects to encourage junior and senior high school science projects to demonstrate more everyday applications. During the national science and technology exhibition, about 300 teachers and students attended the seminar “Talk with the Master”. Academician Ovid J. L. Tzeng and Professor Daisy L. Hung were invited to give lectures on “Cross-domain Learning and Deep Cultivation of Life” to encourage students to explore in various ways.

### **2.1.2. Local Talent Foster**

The “STEAM” program starts the cultivation from elementary and junior high school by collaborating with city and municipal governments to provide trainings for programming and maker teachers as the first step to help pushing Taiwan information technology education. The domestic training system for teachers has long been weak in nurturing science and technology teachers. When facing 2019 new course structure, city and municipal governments are in the predicament of lacking science and information technology teachers. MediaTek Foundation invests internal developed MediaTek LinkIt™ as the platform, working with the education bureau/department of local governments to carry out large-scale trainings for teachers and donating teaching materials to help elementary and junior high school students in Taiwan with the first step into IoT education.

In 2019, the cooperation with New Taipei City, Yilan County and Kaohsiung City in total incubated 159 seed teachers, 78.5 hours of training, and 1,301 of teachers and students participated in programming and IoT in practice. During the collaboration, the trained teachers were encouraged to provide courses after returning to school and share the teaching case with the teacher’s community to promote IoT and programming education in Taiwan. MediaTek Foundation wishes to contribute in teaching material development, teaching case development, education support and resource sharing for popular science and maker education in Taiwan to build a complete ecosystem of value creation and key talents for the future.

### **2.1.3. Teamed up with Taiwan Science and Education Museum and Department of Electrical Engineering, National Taiwan University to open Young TITC AI High School Camp**

In view of the increasing importance of AI applications, the rooting of AI talents also requires the joint investment of resources by enterprises, academia, and the public sector. Therefore, together with the Taiwan Science and Education Museum and the Department of Electrical Engineering of National Taiwan University, the first Young TITC was launched in the summer of 2019. The Smart Technology Camp team recruited 35 high school students with programming skills. In the form of an intensive camp team for six days during the summer vacation, with after-school return coaching and results announcement, they will cultivate AI future talents. In addition to

professional software and hardware implementation, the course also brings demonstrations of industrial technology into electronic modules, sensor application implementations, and computer application implementations, so that participating high school students can take the lead in experiencing and learn about the new generation AI technology, through the actual operations including number guessing games, 8 puzzle games and Othello games, achieves the effect of edutainment, so that participants can also have the correct understanding while welcoming the new generation, and acquire the multiple technological capabilities needed in the future, as well as important concepts and applications of smart technology.

#### **2.1.4. Establish the MediaTek Fellowship**

MediaTek Fellowship was established in 2001. MediaTek holds the value proposition that knowledge can drive a better future. In order to promote academic technology research and encourage/help graduate students who have ambition to pursue a doctoral degree domestically, MediaTek Fellowship was established in 2002 to reward outstanding electric engineering and information technology graduate students to pursue a doctoral degree domestically to cultivate domestic technology research and education future talents and thus to enhance our country's competitive edge of fundamental research in electronic technology.

Since 2002, 63 students from universities such as NTU, NTHU and NCTU have received the fellowship, each receiving NT\$35,000~NT\$50,000 per month for 48 months at most. The Fellowship allows the students to dedicate themselves to fundamental research. In 2019, 7 Ph.D. candidates continued to receive the funding. Some of the fellowship recipients have entered the industry or academia and begun making contributions in the field of research.

#### **2.1.5 Partnership with Academia and Research Publications**

11 papers from MediaTek was selected and published on International Solid-State Circuit Conference (ISSCC) in 2020. The papers mainly focuses on the application of 5G and AI in artificial intelligence Internet of Things (AIoT), covering high-performance mobile phone processors and edge AI processors, as well as advanced communication technologies for accelerating cloud AI. In addition, there are high dynamic range vehicle image processors, multi-function biosensors, and fast charging technologies, which involve applications such as mobile phones, automobiles, and wearable devices. MediaTek's senior vice president Mr. Kou-Hung Loh was also invited to speak at the ISSCC Annual Forum with the theme "Fertilizing AIoT from Root to Leaves", focusing on how integrated circuits can meet the future applications and needs of AIoT to carry out various discussions. MediaTek is the only company in Taiwan that has been selected for publication for 17 consecutive years, and the number of selected papers has reached 79. ISSCC is the best place for the technical exchange of industry, academia and research experts of international semiconductor and SoCs. MediaTek's ranked the third largest for the papers selected among semiconductor companies in the world and the highest in Taiwan. The research and development capabilities of the company are being seen.

The Company started higher education industry-academia cooperation since 2002. From 2013, the Company built MediaTek Research Centers in NTU, NTHU and NCTU, providing millions of research funding according to the number of professors' proposal. The total funding has exceeded NT\$1 billion for the past 18 years. Collaborated with National Taiwan University, National Tsing Hua University, National Chiao Tung University, National Cheng Kung University, National Chung Cheng University, National Taiwan Ocean University and National Taiwan University of Science and Technology. In addition to the collaboration with top universities in Taiwan, the Company also cooperate with universities overseas. The Company collaborated with University of Florida, Harvard, Oulu, Oregon State, Mississippi, MIT, Twente, USC, Waterloo, Austin and Peking University in different technology development. According to the different developments in the technical field, various forward-looking technology developments are conducted with different schools respectively to quickly integrate with international standards. In recent years, the collaboration direction has changed in accordance with the Company's product roadmap to substantially increase in areas such as AI application and 5G. Three MediaTek research centers in NTU, NTHU and NCTU, respectively, applied for 5 patents and published 56 papers, and 19 of the alumni participated in the researches joined MediaTek. In addition to collaborating with schools on industry-academia programs, MediaTek also participates in various academic research institutions, such as: MIT CSAIL Lab, Khronos Group, Taiwan Semiconductor Association, Taiwan Semiconductor Industry-University R & D Alliance, Taiwan Electromagnetic Industry-University Alliance, National Taiwan University System Chip



Center, etc.; at the same time, it continuously sponsors various seminars, forums and competitions in the field of IC design at home and abroad.

The Company highly values the cultivation of high-level talents and long-term and close cooperation with academia. Students can understand the corporate thinking and operational principles by participating in different programs. After joining the enterprise, they can greatly reduce the adapting time and become one of the main channels for enterprise talent cultivation. Not only does it cultivate talents, but also assists in hiring professors that raise the bar of education. Since 2016, MediaTek has responded to the policy of actively recruiting academic excellence talents to return to Taiwan, promoted by Dr. Mau-Chung Frank Chang, the President of NCTU. MediaTek Foundation provides funding for MediaTek Junior Chair Professor for NCTU to recruit top professors and talents to return to Taiwan universities and hope more R&D energy can be brought to drive the innovation momentum to technology industry.

## 2.2. Community Involvement

### 2.2.1. Genius at Home – Digital Social Innovation Competition

In addition to pursuing technology leadership, MediaTek is influencing the world by believing in human's life can be changed through technology, more connected with the world and everyone is potentially capable of creating unlimited possibilities with technology. Thus, "Genius at Home" is held to encourage the communities in 368 local townships in Taiwan to make a difference for their hometowns by innovatively applying technology to make improvements and hence influence the society.

In 2019, 390 teams registered for the competition, 1,427 people joined the competition, eventually 360 township improvement proposals were made and the topics were around 167 townships in Taiwan. The proposals included five major aspects: health care, civil society, environmental protection, economic development, and education promotion that fully reflect current social challenges.

The composition of the participating teams is quite diverse, including teachers, start-ups, students, farmers, policemen and fire-fighters and NPOs. The youngest participant is only 9 years old. It is obvious that "Genius at Home" has successfully called on people who are willing to contribute to improve their hometown.

In addition to advocating social innovation, the Company called on the public to participate, and actively led the value creation, providing training and coaching mechanisms for the 20 teams in the finals. Not only put 20 level one managers as technical consultants of the team, but also provide guidance from technical thresholds, organizational effectiveness, financial advice, etc., and invite five professional professors in the field of design thinking to serve as the mentor of the finalist team. The consultant provides counseling for nearly three months. During the period from September to October 2019, six workshops were held in Taipei, Taichung and Tainan to help the team refocus the pain points, review the effectiveness of the proposal and find out the direction of improvement.

The competition eventually selected a group for one million prizes, three excellence prizes and seven special prizes. The first prize team introduced AIoT technology into the monitoring and management of fish body growth in aquaculture fisheries to solve the current predicament of aquaculture and manual sampling, high consumption and inefficiency. The overall plan has completed the field demonstration of the five fishing grounds in Taiwan, and obtained relevant experimental data and user feedback, reaching an important milestone in commercialization. Taking science and technology as the body, using fisheries for development, and developing viable business models, expanding the digital transformation and sustainable development of traditional farming fisheries, fully embodying the core purpose of Genius at Home.

The key word for "Genius for Home" is home. Starting from hometown and call on the participation of public to encourage the social innovation through technology application. The Company's senior management were actively involved as team consultants to create value with the teams. MediaTek "Genius for Home" is a platform to provide people with the heart to change society to create better future. This is also the spirit of MediaTek's "Everyday genius."

### **2.2.2. Support the 2019 NASA hackathon and encourage people to use AI technology to solve earth problems**

In order to strengthen Taiwan's artificial intelligence (AI) end device applications and nurture talents, MediaTek and the American Association in Taiwan (AIT) work together to provide the latest AI development platform application courses to participants of the NASA "2019 NASA Hackathon" competition, Guide participants to use the latest AI technology to find solutions from the data provided by NASA. And sponsored 20 sets of the latest AI development platform "NeuroPilot" software and hardware for the excellent proposal team to apply, and provide a final bonus of NT\$60,000 to the three groups using the AI platform winning team.

## **2.3. Charity and community participation**

### **2.3.1. Promoting Cultural Activities – Exclusive Sponsor for IC Radio Broadcasting Programs**

The Company believes that great ideas and concepts may change the world. To support the founding philosophy of IC Radio Broadcasting of "I Care, I Can, I Change", the Company has been the exclusive sponsor for three IC Radio Broadcasting 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 through the power of media by spreading positive messages. During the sharing process, the audience may cultivate independent judgments and society participation, take part in topics of interest proactively and develop civic identity with the aim to further enhance the quality of life.

### **2.3.2. Great Tide South Project**

The foundation and the Taiwan Good Foundation jointly promote the project in Pingtung, hoping to start with education and introduce human and science education resources to preserve local culture. Promote multiple projects, hoping to gradually develop from points, lines, and planes, weave the natural and human cultural textures of Chaozhou and Nanzhou in Pingtung, and accumulate the beauty and goodness of Taiwan. The four major projects benefited a total of 1,462 students, 172 teachers, and 121 people, for a total of 1,755 people.

### **2.3.3 Volunteer Team**

The Company always encourages its employees to engage in various employee volunteer programs including interacting with the Ren-Ai Special Education Center in 2003, planting organic vegetables with Hua-Kuang Special Education Center in 2004, participating greening, cleaning and arrangement of Morning Light School in 2005, hosting a MediaTek's volunteer day in 2006, and providing different volunteer services in 2007. Since 2011, the Company has organized volunteer clubs to promote a volunteering spirit throughout the Company by caring for elders, visiting orphanage, taking part in love and care activities, 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.

The Company has launched annual volunteering leave since 2015, encouraging employees' participation to contribute to the society and care the groups in need. Also, the Company started to organize the Company's volunteers to engage in science education promotion, reading program in remote areas and charity events to make contribution to society. In 2018, we launched five volunteer events, including promoting characters, teaching reading and writing to local elementary schools, coastal cleanup to protect ocean, secondhand kids' book collection, children's Christmas gifts adoptions, charity sales and fundraising for stray cats and dogs. In addition, the Company encouraged employees' families and friends' participation to expand the volunteer scope and plan to include the Group's volunteers. In 2019, the reading and writing group and character education group of the volunteer cooperative continued to cooperate with schools around Hsinchu. With a total of 1,225 hours. Character education cooperates with Hsinchu Long-Shan Elementary School and teaches in 13 classes with 28 volunteers for 140 hours.

### **2.3.4 Environmental Activities**

The Company not only engages in public welfare business but also cares about environmental issues. It has been actively involved in various environmental activities such as 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

MediaTek continues to promote various environmental protection activities and energy-saving and carbon-reduction measures. In addition to winning the national awards of the "Enterprise Environmental Protection Award" and the "Energy Conservation Standard Award", in terms of environmental protection, it has also received higher scores since 2017.

#### 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 and to implement environment protection and occupational safety and sanitation system. Also, the Company regularly reviews execution result and improves 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. IT Facility Air Conditioning Energy-Saving Management

MediaTek improves equipment room air conditioning environment and system control to reduce air conditioning waste. Also, it built new IT Facility with new energy-saving technology. An annual saving in 2019 was approximately NT\$12.17 million.

- a. MediaTek improves traditional IT facilities' air conditioning circulation system, reduces water leakage, and increases environmental temperature as well as executes system control to reduce air conditioning waste. In addition, we replaced traditional fluorescent lamp by LED lighting to generate air conditioner and lighting's power saving benefits with annual saving of NT\$4.18 million.
- b. New high-density data center is built by new power-saving technologies, which has better power usage effectiveness (PUE), compared to the traditional equipment room, and thus can save electricity cost of NT\$7.99 million.

###### B. Office Area Air Conditioning Energy-Saving Management

MediaTek selected energy-saving system equipment and modifies control system requirements to reduce air conditioning waste. An annual saving in 2019 was approximately NT\$12.31 million.

- a. MediaTek selected VAV air conditioning system for plants, which conserves significant energy in air ventilation. Compared with the traditional AC control system, the new system can save about 15~30% of power, which sums up to about NT\$4.84 million in savings.



- b. MediaTek adjusted water chilling control system from fixed flow to variable flow, which depends on demand to adjust number of active air conditioners and water as well as controls air conditioners' operation time. These added up to approximately NT\$ 2.01 million in savings.
- c. MediaTek adjusted water chilling machine operation mode by taking temperature difference, machine operation hours, loaded on/off frequency, etc. into account to group machines to run parallel, which can reduce number of active machine and thus save energy with an annual saving of approximately NT\$2.21 million.
- d. MediaTek implemented air conditional power saving measures in testing areas, warehouse, water chilling machine room, lobby, parking lots, etc. Without affecting equipment/employees' normal operation, we adjust and increase temperatures of environment and chilling water to lower units and time of active air conditioners to save energy with an annual saving of approximately NT\$3.25 million.

### **C. Lighting Energy-Saving Management**

MediaTek continues to use energy-saving lighting equipment and take several measures, including lowering lighting consumption and shortening lighting time. An annual saving in 2019 was approximately NT\$4.59 million.

- a. Without affecting driving safety, MediaTek halves the lighting units in parking lots and undertakes systematic reductions in lighting in non-peak hours. In addition, we limit parking to one floor during holidays and turn off lighting in unused floors to save energy with an annual saving of approximately NT\$2.24 million.
- b. MediaTek replaced traditional fluorescent lamp by LED lighting in staircases, parking lots, equipment rooms, etc. and shortens lighting time to save energy with an annual saving of approximately NT\$2.35 million.

### **D. Equipment Improvement to Save Energy**

MediaTek improves equipment hardware and optimizes conditions of systematic operation to lower power waste and save energy with an annual saving of approximately NT\$4.13 million in 2019.

- a. MediaTek conducts power-saving in testing areas and warehouse by adjusting temperature and humidity control setting, including lowering output pressure of dry oil, increasing temperature setting, adjusting air conditioner control, lowering parameters of temperature system, etc. to save energy with an annual saving of approximately NT\$1.89 million.
- b. MediaTek improves equipment by replacing emulator equipment's air-cooled air conditioner by water-cooled air conditioner to save energy with an annual saving of approximately NT\$530 thousand.
- c. MediaTek uses modularized UPS for traditional IT facility expansion. Compared to original standalone system, UPS can increase electricity conversion efficiency by approximately 15% to save energy with an annual saving of approximately NT\$1.72 million.

### **E. Power Management**

MediaTek changed calculation for electricity fees from two tiers to three tiers and review and continue to track the impacts on the power usage contract, fluctuations in prices of the electricity fees payable, and the continued benefits of power conservation at the three-tiered pricing level. An annual saving in 2019 was approximately NT\$4.92 million.

The Company reduced 5,898 tons and 4,912 tons of carbon dioxide emissions in 2019 and 2018, respectively (a savings of 11,070,000 kWh and 9,220,000 kWh). The calculating standard of the aforementioned carbon dioxide emissions is based on the release of Bureau of Energy, Ministry of Economic Affairs. The 2019 statistics was based on 2018 electricity emission coefficient that 1 kWh of electricity emission is equal to 0.533 kilogram carbon dioxide.

#### **3.2.2. Efforts in water saving**

- A. The Company replaced traditional faucets/toilets with water-saving faucets/toilets. Usage of water was reduced by approximately 2,480 ton in 2019 and carbon emission was reduced by 397 kg/CO<sub>2</sub>e.
- B. The Company implemented a rainwater collection storage tank. Approximately 1,240 ton of rainwater was collected in 2019 for cooling water towers and watering plants. Carbon emission was reduced by 198 kg/CO<sub>2</sub>e.

C. Approximately 10,820 ton of condensed water and RO water are recycled in 2019 for gardening and approximately 1,731 kg/CO<sub>2</sub>e of carbon emission is reduced.

### **3.2.3. Waste Management and Recycling:**

For the purpose of achieving the maximum benefits of effective waste management and recycling, MediaTek has placed huge importance on the reduction of waste. We effectively sort out, recycle, re-use, and properly dispose waste. We continue to improve the impact storage, transportation, and processing of waste has on the environment. In order to effectively control the flow of waste, we have carefully selected qualified waste disposal and recycling suppliers, and we audit the legitimacy of the waste disposal process at random. These measures are taken by MediaTek to the responsibility of supervising waste management.

### **3.2.4. In-Door Air Quality Management:**

An automatic carbon dioxide monitoring system is installed in the office area, and environmental monitoring is carried out regularly every six months to ensure air quality, and all monitoring results are in compliance with the indoor air quality standard of 1,000 ppm.

### **3.2.5. Green Transportation:**

- A. The company leases large buses to carry employees to and from work on four main routes.
- B. Provide a cross-plant shuttle bus every 20 minutes, and changed to electric shuttle bus since July 2019.
- C. Set up 10 M-Bikes for colleagues to use across the plant
- D. Provides two official electric motor vehicles.

The annual green transportation mileage exceeds 970,000 kilometers.

### **3.2.6. Others:**

The Company continues to promote environment concepts and polices including using environmental tableware, saving computer power, recycling, echoing government and environmental groups' activities, etc.

## **3.3. Environment Safety Management**

- A. Monitor operation and safety of the Company's fire extinguisher/suppression system, water/electricity system and air-conditioning system around the clock.
- B. Check safety of the Company's working environment and equipment/machinery rooms on a daily basis.
- C. Conduct labor safety and sanitation training for new employees on a monthly basis.
- D. Conduct disaster prevention and evacuation drill for all employees to continuously strengthen employees' emergency management capabilities on a yearly basis.
- E. Authorize SGS to audit the Company's ISO 14001& OHSAS 18001 system on a yearly basis.
- F. Promote traffic and working 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	2018	2019	Change	% of Change
<b>Current Assets</b>	236,037,524	266,729,101	30,691,577	13
<b>Funds and Investments</b>	49,261,788	73,277,847	24,016,059	49
<b>Property, Plant and Equipment</b>	37,603,586	38,889,940	1,286,354	3
<b>Intangible Assets</b>	73,788,598	70,917,102	(2,871,496)	(4)
<b>Other Assets</b>	6,144,548	8,887,804	2,743,256	45
<b>Total Assets</b>	402,836,044	458,701,794	55,865,750	14
<b>Current Liabilities</b>	122,592,079	131,098,015	8,505,936	7
<b>Non-current Liabilities</b>	5,918,058	13,204,241	7,286,183	123
<b>Total Liabilities</b>	128,510,137	144,302,256	15,792,119	12
<b>Common Stock</b>	15,915,070	15,900,253	(14,817)	(0)
<b>Capital Surplus</b>	85,237,214	82,392,203	(2,845,011)	(3)
<b>Retained Earnings</b>	148,009,403	169,237,532	21,228,129	14
<b>Other Equity</b>	23,840,504	45,276,326	21,435,822	90
<b>Treasury Shares</b>	(55,970)	(55,970)	0	0
<b>Non-controlling Interest</b>	1,379,686	1,649,194	269,508	20
<b>Total Equity</b>	274,325,907	314,399,538	40,073,631	15

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 the change in financial assets at fair value through profit or loss.
- (2) Increase in other assets: Mainly due to IFRS 16 for recognition of right-of-use assets
- (3) Increase in non-current liabilities: Mainly due to the increase in deferred tax liabilities.
- (4) Increase in other equity: Mainly due to the market value change in financial assets measured at fair value.
- (5) Increase in non-controlling interest: Mainly due to change in ownership in subsidiaries.

## 1.2. Parent Company

Unit: NT\$ thousands

Item	2018	2019	Change	% of Change
<b>Current Assets</b>	92,454,434	137,776,031	45,321,597	49
<b>Funds and Investments</b>	194,393,642	196,537,558	2,143,916	1
<b>Property, Plant and Equipment</b>	12,988,180	20,003,889	7,015,709	54
<b>Intangible Assets</b>	28,975,722	54,646,668	25,670,946	89
<b>Other Assets</b>	3,226,374	5,228,970	2,002,596	62
<b>Total Assets</b>	332,038,352	414,193,116	82,154,764	25
<b>Current Liabilities</b>	57,235,307	95,302,921	38,067,614	67
<b>Non-current Liabilities</b>	1,856,824	6,139,851	4,283,027	231
<b>Total Liabilities</b>	59,092,131	101,442,772	42,350,641	72
<b>Common Stock</b>	15,915,070	15,900,253	(14,817)	(0)
<b>Capital Surplus</b>	85,237,214	82,392,203	(2,845,011)	(3)
<b>Retained Earnings</b>	148,009,403	169,237,532	21,228,129	14
<b>Other Equity</b>	23,840,504	45,276,326	21,435,822	90
<b>Treasury Shares</b>	(55,970)	(55,970)	0	0
<b>Total Equity</b>	272,946,221	312,750,344	39,804,123	15

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

- (1) **Increase in current assets: Mainly due to increase in cash.**
- (2) **Increase in property, plant and equipment: Mainly due to the acquisition of MStar Semiconductor, Inc.**
- (3) **Increase in intangible assets: Mainly due to the acquisition of MStar Semiconductor, Inc.**
- (4) **Increase in other assets: Mainly due to IFRS 16 for recognition of right-of-use assets**
- (5) **Increase in current liabilities: Mainly due to the increase of short-term borrowing and account payable.**
- (6) **Increase of non-current liabilities: Mainly due to the increase of deferred tax liabilities and IFRS 16 for recognition of lease liabilities.**
- (7) **Increase in other equity: Mainly due the market value change in financial assets measured at fair value.**

## 2. Operating Results

### 2.1. Consolidated Report

Unit: NT\$ thousands

Item	2018	2019	Change	% of Change
Net Sales	238,057,346	246,221,731	8,164,385	3
Operating Costs	146,333,658	143,176,223	(3,157,435)	(2)
Gross Profit	91,723,688	103,045,508	11,321,820	12
Operating Expenses	75,541,212	80,478,056	4,936,844	7
Operating Income	16,182,476	22,567,452	6,384,976	39
Non-Operating Income and Expenses	7,509,009	4,459,917	(3,049,092)	(41)
Net Income before Income Tax	23,691,485	27,027,369	3,335,884	14
Income Tax Expense	2,909,089	3,823,059	913,970	31
Net Income	20,782,396	23,204,310	2,421,914	12
Other Comprehensive Income, net of tax	78,580	29,821,023	29,742,443	37,850
Total Comprehensive Income	20,860,976	53,025,333	32,164,357	154
Net Income Attributable to Owners of the Parent	20,760,498	23,032,721	2,272,223	11
Total Comprehensive Income Attributable to Owners of the Parent	20,860,790	52,896,235	32,035,445	154

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

- (1) **Increase in operating income: Mainly due to increase in gross profit from the increase of net sales.**
- (2) **Decrease in non-operating income and expenses: Mainly due to gains on disposal of investments from AutoChips Inc. in previous period.**
- (3) **Increase in income tax expense: Mainly due to the increase of net income before income tax.**
- (4) **Increase in other comprehensive income, net of tax: Mainly due to the market value change in financial assets measured at fair value.**
- (5) **Increase in total comprehensive income and total comprehensive income attributable to owners of the parent: Mainly due to aforementioned changes.**

## 2.2. Parent Company

Unit: NT\$ thousands

Item	2018	2019	Change	% of Change
Net Sales	88,795,775	136,467,915	47,672,140	54
Operating Costs	52,423,845	80,852,750	28,428,905	54
Gross Profit	36,371,930	55,615,165	19,243,235	53
Unrealized Gross Profit on Sales	0	(150,628)	(150,628)	100
Realized Gross Profit on Sales	81,656	84,166	2,510	3
Net Gross Profit	36,453,586	55,548,703	19,095,117	52
Operating Expenses	33,581,076	46,089,398	12,508,322	37
Operating Income	2,872,510	9,459,305	6,586,795	229
Non-Operating Income and Expenses	17,981,150	15,879,699	(2,101,451)	(12)
Net Income before Income Tax	20,853,660	25,339,004	4,485,344	22
Income Tax Expense (Income)	93,162	2,306,283	2,213,121	2,376
Net Income	20,760,498	23,032,721	2,272,223	11
Other Comprehensive Income, net of tax	100,292	29,863,514	29,763,222	29,677
Total Comprehensive Income	20,860,790	52,896,235	32,035,445	154

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

- (1) **Increase in net sales, operating costs and gross profit: Mainly due to the acquisition of MStar Semiconductor, Inc.**
- (2) **Decrease in unrealized gross profit on sales: Mainly due to no sales between affiliate companies in the previous year.**
- (3) **Increase in operating expenses: Mainly due to the increase in employee from the acquisition of MStar Semiconductor, Inc.**
- (4) **Increase in operating income and net income before income tax: Mainly due the increase in net sales.**
- (5) **Increase in income tax expense: Mainly due to the income tax overestimation was adjusted due to the income tax assessment last year.**
- (6) **Increase in other comprehensive income, net of tax: Mainly due to increase ownership in subsidiaries and affiliate companies in equity method.**
- (7) **Increase in total comprehensive income: Mainly due to changes from aforementioned changes.**

## 3. Cash Flow Analysis

### 3.1. Consolidated Report

Unit: NT\$ thousands

Cash Balance Dec. 31, 2018	Net Cash Provided by Operating Activities in 2019	Net Cash Outflows from Investing and Financing Activities in 2019	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2019	Remedy for Cash Shortfall (Investment & Financing Plan)
\$143,170,245	\$42,605,942	\$(5,534,632)	\$(2,696,641)	\$177,544,914	--

#### 3.1.1 Analysis of the Change in Cash Flow in 2019

**Operating activities:** Net cash inflow of NT\$42,605,942 thousand, mainly from operating profits.

**Investing activities:** Net cash inflow of NT\$2,882,121 thousand, mainly due to acquisition and disposal of financial assets.

**Financing activities:** Net cash outflow of NT\$8,416,753 thousand, mainly due to distribution of cash dividend.

#### 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, 2018	Net Cash Provided by Operating Activities in 2019	Net Cash Outflows from Investing and Financing Activities in 2019	Cash Balance Dec. 31, 2019	Remedy for Cash Shortfall (Investment & Financing Plan)
\$60,204,772	\$27,760,475	\$15,714,041	\$103,679,288	--

#### 3.2.1 Analysis of the Change in Cash Flow in 2019

**Operating activities:** Net cash inflow of NT\$27,760,475 thousand, mainly from operating profits

**Investing activities:** Net cash inflow of NT\$2,455,531 thousand, mainly due to the merge of subsidiaries.

**Financing activities:** Net cash inflow of NT\$13,258,510 thousand, mainly due to the increase in 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 (2019 and 2018)	Status of Actual or Projected Use of Capital	
			2019	2018
Fixed Assets - Land, Office Building and R&D Equipment	Cash flow generated from operation	\$10,268,576	\$5,615,810	\$4,652,766
Intangible Assets - Software, IPs and Patents	Cash flow generated from operation	\$4,483,002	\$2,332,489	\$2,150,513

### 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.

#### 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 loss from equity method investment in 2019 was NT\$72,618 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 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. 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. When NTD appreciates or depreciates against USD by 0.1%, the profit



for the years ended December 31, 2019 and 2018 decreases/increases by NT\$482 thousand and NT\$8,905 thousand, while equity decreases/increases by NT\$125,136 thousand and NT\$94,822 thousand, respectively.

#### Risks associated with interest rate:

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 investment of debt instruments at variable interest rates, bank borrowings with fixed 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, 2019 and 2018 to increase/decrease by NT\$4,266 thousand and NT\$4,743 thousand, respectively.

#### Risks associated with inflation:

There was no major impact from inflation on the Company's 2019 operations. The Finance Department 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 Department 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 2020
Next generation tablet chips	End of 2020
Next generation highly-integrated wireless communication chips	End of 2020
Next generation low-power AIoT and smart home connectivity chips	End of 2020
Next generation highly-integrated 8K UltraHD, 8K120Hz smart TV chips	End of 2020
Various electronics' next generation power management and controller chipsets	End of 2020
Next generation terabit passive optical network (xPON) chipsets	Mid of 2020
New generation ten megabyte passive optical network (xPON) chipsets	End of 2020
Next generation ten megabyte NBASE-T Ethernet physical chipsets	End of 2020
Next generation brushless DC motor	End of 2020

The Company's R&D projects all follow industry trends and are implemented in a highly integrated and economical way. R&D expenses in 2019 and 2018 were NT\$63,001,401 thousand and NT\$57,548,771 thousand, accounting for 26% and 24% 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 2020 total R&D budget which is estimated to be 25% of 2020 revenue.

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

The Company pays close attention to any changes in policies and laws that may affect the company's operations, and adjusts the relevant internal regulations of the company. The Securities Exchange Law was amended on June 21, 2019. Measures for the Board of Directors of Public Offering Companies, Measures for the Establishment of Independent Directors of Public Offering Companies and Measures to Be Followed, Measures for the Exercise of Power of Audit Committees of Public Offering Companies The establishment and exercise of powers and commissions of the Remuneration and Compensation Committee for the sale of companies in business premises is equal to the amendment on January 15, 2020. The changes in the aforementioned laws and regulations have no significant impact on the Company's business.

The Company's Legal Department and Finance Department are 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

The Company 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. The Company upholds the partnership with our suppliers and customers and implements corporate social responsibility. At the same time, the Company'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 the Company's corporate image and impact on the Company's crisis management.

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

#### 6.7. Risks Associated with Mergers and Acquisitions

There was no M&As from January 1, 2019 to the printing date of this annual report.

The Company's Business Units and 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 and its subsidiaries expanded office buildings in Hsin-Chu Science Park, Tai Yuen Hi-Tech Industrial 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 Company's Human Resources Department and Corporate Facility & Construction Division are responsible for managing the risks associated with plant expansion.

#### 6.9. Risks Associated with Purchase Concentration and Sales Concentration

The Company'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 the Company's products are sold to many clients throughout Japan, Korea, Europe, Southeast Asia, and Greater China.

The Company's 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 the Company's Directors and Major Shareholders Who Own 10% or more of the Company's Total Outstanding Shares

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

## 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 the Company.

## 6.12. Risks Associated with Litigations

- (1) Vantage Micro LLC ("VM") filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on October 8, 2018, alleging infringement of United States Patent Nos. 6,678,838, 7,414,606, and 9,959,593. The operations of MTK and subsidiary MediaTek USA Inc., will not be materially affected by these cases.
- (2) M-Red Inc. ("M-Red") filed a complaint in the United States District Court for the Eastern District of Texas against MTK on April 29, 2019, alleging infringement of United States Patent Nos. 6,853,259, 7,068,557, and 7,209,401. The complaint was not served on MTK until February 2020. The operations of MTK will not be materially affected by this case.

The Company will handle these cases carefully.

### 6.13. Other Material Risk:

For information technology security risks and management measures, MediaTek is a fabless semiconductor company and there are many computers, instruments and information systems related to IC design business in the company. Company information and computer system security must be defended with information security management system. Even if MediaTek has established such an information security management system, there is no guarantee that the computer systems it manages or maintains will be able to completely avoid any aggressive hacker attacks. Due to the rapid changes in hacker attack techniques and malware technology, and the continued existence of special advanced attacks, it may further affect the operation of the company and the loss of important data. On the other hand, the company's information system, including upstream and downstream partners and customer data management are becoming increasingly large, only through continuous testing and evaluation of network and system architecture and sophisticated security management measures can the effectiveness of security measures be ensured.

MediaTek's information security management system includes but is not limited to penetration testing procedures, malware detection, two-factor verification mechanisms, social engineering drills, etc., and is equipped with intrusion detection systems at important information systems and network monitoring. In addition, to monitor the log files of important servers, MediaTek operates a security monitoring center and team to unify the recording and continuous monitoring and analysis of the above important security incidents, and to ensure the detection of security incidents by establishing a professional dedicated security center and security team, to monitor aforementioned important security events to keep consistent records and continue monitoring. Through building a professional IT security team to ensure the effectiveness of IT incident detection.

Badly intentioned hackers could steal the company's important operating information or sell stolen technical information through loopholes in the information system. These malicious acts not only affect the company's image, but also cause substantial property losses. In order to avoid the impact from the incidents, MediaTek conducted system vulnerability tests in 2014, to simulate important hackers' attacks to confirm whether there are system vulnerabilities. And in 2019, it began to implement automated vulnerability scanning to ensure the completeness of security inspection coverage.

Certain hacker groups continue to invade technology companies that master key technologies. Once infiltrated, backdoor programs will be implanted in the internal information system or lurking in the internal system. MediaTek can detect whether the information system has been implanted with backdoor programs or malicious programs. Since 2015, the company has regularly implemented internal automated and large-scale malware detection to ensure the safety of information systems. This type of hacking method often penetrates the company's information system through social engineering malicious letters or any method of deceiving employees. In addition to repairing the loopholes of the information system, MediaTek has implemented social engineering drills and implemented security training for employees based on the results, strengthening the information protection awareness of employees and the company since 2015.

In light of the fact that some of the information systems purchased from third-party vendors may be vulnerable and could be infected by computer viruses. MediaTek has included system security requirements and specifications in the outsourcing information system contract, and clearly established loophole patching policies to avoid potential risks to impact company operations. MediaTek continues to build a company-trusted environment through the aforementioned security control measures. However, even if a trusted environment is constructed, there is still a chance there are malicious attempts to try to login with the company's employee IDs. MediaTek strengthened the employee password policy and introduced a two-factor authentication mechanism to strengthen the identity authentication of the information system in 2019.

## 7. Other Material Events

### 7.1. Certificate Holding Status for Personnel Associated with Financial Transparency

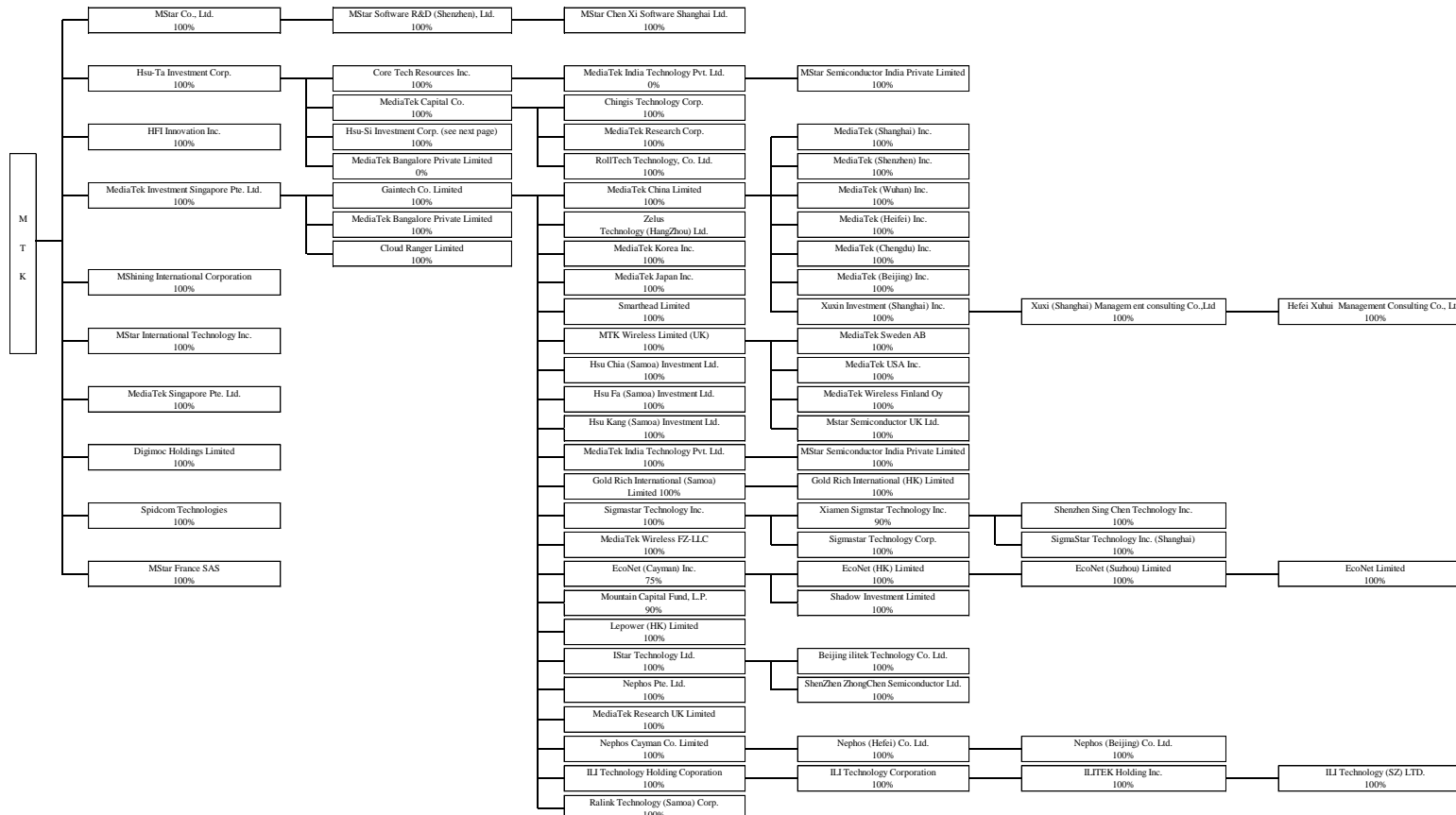
	Certificate	CPA	US CPA	CA	CIA	CFA	CMA	FRM	TA
Headcount	Singapore								
Finance	17	5	1	6	2	1	1	1	
Internal audit	2	-	-	1	-	-	-	-	

# VIII. Special Disclosure

## 1. Summary of Affiliated Companies

### 1.1. The Company's Affiliated Companies Chart

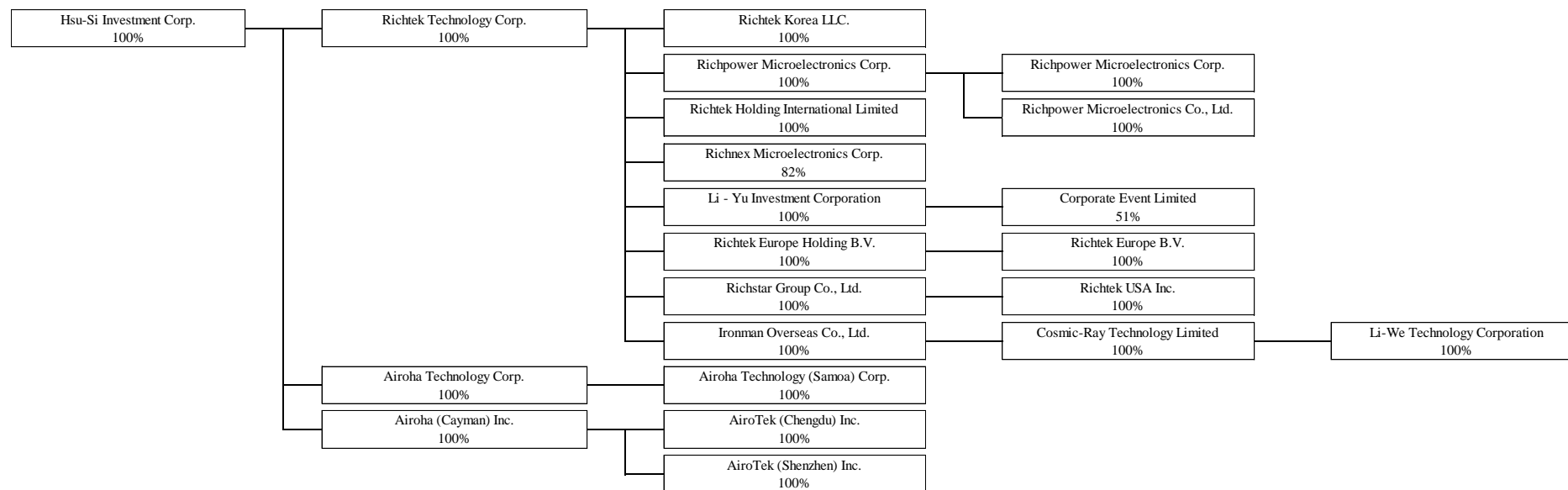
Dec. 31, 2019



(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. The Company Affiliated Companies

As of Dec. 31, 2019. Unit: NTD thousands / Foreign Currency thousands

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Hsu-Ta Investment Corp.	Sep 2002	Taiwan	NTD 33,989,819	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 2,251,158	General investing
MStar International Technology Inc.	Jan 2015	Taiwan	NTD 300,000	Research
HFI Innovation Inc.	Feb 2016	Taiwan	NTD 1,138,910	Intellectual property right management
MStar France SAS	Oct 2006	France	EUR 4,589	Research
MStar Co., Ltd.	May 2003	Seychelles	USD 13,350	General investing
Digimoc Holdings Limited	Sep 2007	B.V.I.	USD 50	General investing
MShining International Corporation	Mar 2016	Taiwan	NTD 631,388	Sales
Spidcom Technologies	Sep 2002	France	EUR 146	Research
Core Tech Resources Inc.	Sep 2002	B.V.I.	USD 102,200	General investing
MediaTek Capital Corp.	Sep 2000	Taiwan	NTD 1,464,120	General investing
Hsu-Si Investment Corp.	Sep 2015	Taiwan	NTD 27,300,000	General investing
RollTech Technology Co., Ltd.	Mar 2007	Taiwan	NTD 52,620	Research
Chingis Technology Corp.	Oct 1998	Taiwan	NTD 1,169,370	Research
Richtek Technology Corp.	Sep 1998	Taiwan	NTD 1,484,828	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	Netherlands	EUR 2,000	General investing
Richtek Holding International Limited	Nov 2007	B.V.I.	USD 3,000	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 330,000	Research, manufacturing and sales
Richtek USA, Inc.	Mar 2004	USA	USD 1,000	Sales and technical services
Cosmic-Ray Technology Limited	Aug 2003	Samoa	USD 5,530	General investing
Richtek Europe B.V.	Sep 2007	Netherlands	EUR 1,500	Marketing service
Li-We Technology Corp.	Apr 2004	Mainland China	USD 2,500	Research and technical services
Richpower Microelectronics Corp.	Dec 2008	Taiwan	NTD 100,000	Administrative services
Richpower Microelectronics Co., Ltd.	Apr 2004	Mainland China	USD 3,200	Technical services
Corporate Event Limited	Sep 2009	B.V.I.	USD 102	Technical services
Richtek Korea LLC.	Aug 2013	Korea	KRW 1,116,500	Sales and technical services
MediaTek Research Corp.	Jan 2019	Taiwan	NTD 800	Research
MStar Semiconductor India Private Limited	Jul 2015	India	INR 4,100	Research and technical services
MediaTek China Limited	Sep 2007	Hong Kong	HKD 2,730,103	General investing
MTK Wireless Limited (UK)	Aug 2007	UK	GBP 66,395	Research
MediaTek Japan Inc.	Jun 1997	Japan	JPY 100,000	Technical services



Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
MediaTek India Technology Pvt. Ltd.	May 2004	India	INR 55,000	Research
MediaTek Korea Inc.	Feb 2007	Korea	KRW 2,000,000	Research
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 19,035	General investing
Mediatek Wireless FZ-LLC	Nov 2013	Dubai	AED 50	Technical services
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 3,039	Research
Nephos Cayman Co. Limited	Dec 2015	Cayman Islands	USD 113,110	General investing
Zelus Technology (HangZhou) Ltd.	Oct 2017	Mainland China	USD 5,150	Research and sales
IStar Technology Ltd.	Aug 2013	Cayman Islands	USD 50	General investing
MediaTek Research UK Limited	Jan 2019	UK	GBP 280	Research
Lepower (HK) Limited	Mar 2011	Hong Kong	USD 3,050	General investing
Mountain Capital Fund, L.P.	May 2015	Cayman Islands	Not applicable	General investing
MediaTek (Hefei) 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 technical services
MediaTek (Chengdu) Inc.	Sep 2010	Mainland China	USD 49,800	Research
MediaTek (Wuhan) Inc.	Dec 2010	Mainland China	USD 16,607	Research
Xuxin Investment (Shanghai) Inc.	Jan 2011	Mainland China	USD 36,600	General investing
MediaTek (Shanghai) Inc.	Dec 2009	Mainland China	CNY 297,000	Research
MediaTek Sweden AB	Dec 2004	Sweden	SEK 1,008	Research
MediaTek USA Inc.	May 1997	USA	USD 0.1	Research
MediaTek Wireless Finland Oy	Oct 2014	Finland	EUR 3	Research
MStar Semiconductor UK Ltd.	Jun 2007	UK	GBP 0.01	Research and technical services
Gold Rich International (HK) Limited	Mar 2011	Hong Kong	USD 4,190	General investing
Nephos (Beijing) Co., Ltd.	Dec 2011	Mainland China	USD 3,000	Research
Shadow Investment Limited	Apr 2002	Samoa	USD 15,000	General investing
EcoNet (HK) Limited	Mar 2013	Hong Kong	USD 67,535	General investing and research
EcoNet Limited	Oct 2016	B.V.I.	USD 400	General investing and sales
EcoNet (Suzhou) Limited	Apr 2014	Mainland China	USD 10,000	Research, manufacturing and sales
MediaTek Bangalore Private Limited	May 2014	India	INR 20,000	Research

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Gaintech Co. Limited	Jul 2000	Cayman Islands	USD 383,814	General investing
Cloud Ranger Limited	Feb 2015	Samoa	USD 23,139	General investing
MStar Software R&D (Shenzhen), Ltd.	Aug 2003	Mainland China	USD 30,000	Technical services
MStar Chen Xi Software Shanghai Ltd.	Apr 2015	Mainland China	CNY 9,000	Technical services
Nephos (Hefei) Co. Ltd.	Jul 2016	Mainland China	USD 41,250	Research, manufacturing and sales
Xuxi (Shanghai) Management Consulting Co., Ltd.	Apr 2019	Mainland China	CNY 167,500	General investing
Hefei Xuhui Management Consulting Co., Ltd.	Apr 2019	Mainland China	CNY 167,500	General investing
ILI Technology Corporation	Jul 2015	Taiwan	NTD 3,436,170	Research, manufacturing and sales
Beijing Ilitek Technology Co. Ltd.	May 2016	Mainland China	USD 3,000	Research and technical services
ILITEK Holding Inc.	May 2012	B.V.I.	USD 13,050	General investing
ILI Technology(SZ) LTD.	Oct 2012	Mainland China	USD 13,000	Technical services
ILI TECHNOLOGY HOLDING CORPORATION	Jan 2019	Cayman Islands	USD 113,600	General investing
Airoha (Cayman) Inc.	Oct 2009	Cayman Islands	USD 624	General investing
Airoha Technology Corp.	Aug 2001	Taiwan	NTD 646,826	Research, manufacturing and sales
Airoha Technology (Samoa) Corp.	Feb 2008	Samoa	USD 1,762	General investing
Airotek (Chengdu) Inc.	Sep 2017	Mainland China	USD 950	Research
Airotek (Shenzhen) Inc.	Sep 2017	Mainland China	USD 950	Research and technical services
Sigmastar Technology Inc.	Oct 2017	Cayman Islands	USD 55,525	General investing
Sigmastar Technology Corp.	Sep 2017	Taiwan	NTD 1,527,950	Research, manufacturing and sales
Xiamen Sigmastar Technology Inc.	Dec 2017	Mainland China	USD 2,000	Research, manufacturing and sales
Shenzhen Sing Chen Technology Inc.	Jan 2018	Mainland China	CNY 3,000	Research
SigmaStar Technology Inc. (Shanghai)	Apr 2018	Mainland China	CNY 1,000	Research
ShenZhen ZhongChen Semiconductor Ltd.	Jun 2018	Mainland China	USD 5,000	Technical services

### 1.3. Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual or Deemed Control

None.

### 1.4. Business Scope of the Company 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 the Company's Affiliated Companies

December 31, 2019; Unit: share / %

Company Name	Title	Name or Representative	Shares	% of Holding
<b>Hsu-Ta Investment Corp.</b>	Chairman	MediaTek Inc. Rep.: Ching-Jiang Hsieh	3,398,981,889	100%
	Director	MediaTek Inc. Rep.: David Ku		
<b>MediaTek Singapore Pte. Ltd.</b>	Director	David Ku	MediaTek Inc.	100%
	Director	Bun Suan Heng	111,993,960	
<b>MediaTek Investment Singapore Pte. Ltd.</b>	Director	David Ku	MediaTek Inc.	100%
	Director	Bun Suan Heng	2,251,157,978	
<b>MStar International Technology Inc.</b>	Chairman	MediaTek Inc. Rep.: David Ku	30,000,000	100%
<b>HFI Innovation Inc.</b>	Chairman	MediaTek Inc. Rep.: David Ku	113,890,952	100%
<b>MStar France SAS</b>	Director	David Ku	MediaTek Inc. 458,900	100%
<b>MStar Co., Ltd.</b>	Director	David Ku	MediaTek Inc. 13,350,000	100%
<b>Digimoc Holdings Limited</b>	Director	David Ku	MediaTek Inc. 3,805	100%
<b>MShining International Corporation</b>	Chairman	MediaTek Inc. Rep.: David Ku	63,138,811	100%
<b>Spidcom Technologies</b>	Director	Ching-Jiang Hsieh	MediaTek Inc. 14,620	100%
	Director	David Ku		
	Director	Steven Liu		
<b>CoreTech Resources Inc.</b>	Director	David Ku	Hsu-Ta Investment Ltd. 102,200,000	100%
<b>MediaTek Capital Corp.</b>	Chairman	Hsu-Ta Investment Corp. Rep.: David Ku	146,411,975	100%
<b>Hsu-Si Investment Corp.</b>	Chairman	Hsu-Ta Investment Corp. Rep.: Ching-Jiang Hsieh	2,730,000,000	100%
	Director	Hsu-Ta Investment Corp. Rep.: David Ku		
<b>RollTech Technology Co. Ltd.</b>	Chairman	MediaTek Capital Corp. Rep: Iris Chen	5,262,000	100%

Company Name	Title	Name or Representative	Shares	% of Holding
<b>Chingis Technology Corp.</b>	Chairman	MediaTek Capital Corp. Rep.: Chang-Chaio Han	116,936,991	100%
	Director	MediaTek Capital Corp. Rep.: David Ku		
	Director	MediaTek Capital Corp. Rep.: Iris Chen		
	Supervisor	MediaTek Capital Corp. Rep.: Amy Chung		
<b>Richtek Technology Corp.</b>	Chairman	Hsu-Si Investment Corp. Rep.: Rick Tsai	148,482,806	100%
	Director	Hsu-Si Investment Corp. Rep.: Lawrence Loh		
	Director	Hsu-Si Investment Corp. Rep.: David Ku		
<b>Richstar Group Co., Ltd.</b>	Director	Chris Yuan	Richtek Technology Corp. 10,765,000	100%
<b>Ironman Overseas Co., Ltd.</b>	Director	Chris Yuan	Richtek Technology Corp. 8,930,000	100%
<b>Richtek Europe Holding B.V.</b>	Director	Chris Yuan	Richtek Technology Corp. 2,000,000	100%
	Director	Nick Liu		
<b>Richtek Holding International Limited</b>	Director	Chris Yuan	Richtek Technology Corp. 30,000	100%
<b>Richpower Microelectronics Corp.</b>	Director	Steve Lai	Richtek Technology Corp. 12,600,000	100%
<b>Li-Yu Investment Corp.</b>	Chairman	Richtek Technology Corp. Rep.: Steve Lai	31,275,100	100%
	Director	Richtek Technology Corp. Rep.: Chris Yuan		
	Director	Richtek Technology Corp. Rep.: Scott Wang		
<b>Richnex Microelectronics Corp.</b>	Chairman	Shen Tu	1,481,500	4%
	Director	Richtek Technology Corp. Rep.: Tom Kuo	26,963,153	82%
	Director	Richtek Technology Corp. Rep.: Nick Liu		
	Supervisor	York Chang	-	-

Company Name	Title	Name or Representative	Shares	% of Holding
Richtek USA, Inc.	Director	Tom Kuo	Richstar Group Co., Ltd. 1,000,000	100%
	Director	Don Yuh		
	Director	Nick Liu		
Cosmic-Ray Technology Limited	Director	Chris Yuan	Ironman Overseas Co., Ltd. 5,530,000	100%
Richtek Europe B.V.	Director	Chris Yuan	Richtek Europe Holding B.V. 1,500,000	100%
	Director	Nick Liu		
Li-We Technology Corp.	Executive director /Legal representative	Cosmic-Ray Technology Limited Chris Yuan	Not Applicable	100%
Richpower Microelectronics Corp.	Supervisor	Richpower Microelectronics Corp. Rep.: York Chang	10,000,000	100%
Richpower Microelectronics Co., Ltd.	Executive director /Legal representative	Richpower Microelectronics Corp. Steve Lai	Not Applicable	100%
	Supervisor	Richpower Microelectronics Corp. York Chang		
Corporate Event Limited	Director	Hsing-Fen, Chung	50,000	49%
Richtek Korea LLC.	Director	Justin Park	Richtek Technology Corp. 10,000	100%
MediaTek Research Corp.	Chairman	MediaTek Capital Corp. Rep.: David Ku	80,000	100%
MStar Semiconductor India Private Limited	Director	Anku Jain	MediaTek India Technology Pvt. Ltd. 1,500	100%
	Director	David Ku		
	Director	Cheng-Te Chuang		
MediaTek China Limited	Director	David Ku	Gaintech Co. Limited 2,730,102,500	100%
MTK Wireless Limited (UK)	Director	Kou-Hung Loh	Gaintech Co. Limited 66,394,826	100%
	Director	David Ku		
MediaTek Japan Inc.	Director	David Ku	Gaintech Co. Limited 7,100	100%
MediaTek India Technology Pvt. Ltd.	Director	Cheng-Te Chuang	Gaintech Co. Limited 5,499,999	100%
	Director	David Ku		
	Director	Anku Jain		
MediaTek Korea Inc.	Director	Jerry Yu	Gaintech Co. Limited 200,000	100%
	Director	John Lee		

Company Name	Title	Name or Representative	Shares	% of Holding
	Director	David Ku		
	Supervisor	Iris Chen		
<b>Gold Rich International (Samoa) Limited</b>	Director	Iris Chen	Gaintech Co. Limited 4,290,000	100%
<b>Smarthead Limited</b>	Director	Iris Chen	Gaintech Co. Limited 700,000	100%
<b>Ralink Technology (Samoa) Corp.</b>	Director	David Ku	Gaintech Co. Limited 7,150,000	100%
<b>EcoNet (Cayman) Inc.</b>	Director	David Ku	Gaintech Co. Limited 14,362,660	75%
	Director	PH Lu		
	Director	Bomin Wang		
	Director	Pang-Yen Yang	PVG GCN Ventures, L.P. 312,361	2%
<b>MediaTek Wireless FZ-LLC</b>	Director	Bun Suan Heng	Gaintech Co. Limited 50	100%
	Director	Iris Chen		
	Director	David Ku		
<b>Hsu Chia (Samoa) Investment Ltd.</b>	Director	Iris Chen	Gaintech Co. Limited 1,000,000,000	100%
<b>Hsu Fa (Samoa) Investment Ltd.</b>	Director	Iris Chen	Gaintech Co. Limited 1,000,000,000	100%
<b>Hsu Kang (Samoa) Investment Ltd.</b>	Director	Iris Chen	Gaintech Co. Limited 1,000,000,000	100%
<b>Nepfos Pte. Ltd.</b>	Director	Bun Suan Heng	Gaintech Co. Limited 3,039,240	100%
	Director	Ching-Jiang Hsieh		
<b>Nepfos Cayman Co. Limited</b>	Director	Jerry Yu	Gaintech Co. Limited 113,110,426	100%
	Director	David Ku		
<b>Zelus Technology (HangZhou) Ltd.</b>	Executive director / Legal representative	Ningbo Meishan Bonded Port Area Zhifa Investment Partnership Hai Wang	Not applicable	7.25%
	Director	Gaintech Co. Limited Vincent Hsu		89.75%
	Director	Gaintech Co. Limited David Ku		
	Supervisor	Gaintech Co. Limited Amy Chung		
<b>IStar Technology Ltd.</b>	Director	David Ku	Gaintech Co. Limited 50,000	100%

Company Name	Title	Name or Representative	Shares	% of Holding
<b>MediaTek Research UK Limited</b>	Director	David Ku	Gaintech Co. Limited 280,000	100%
	Director	DS Shiu		
<b>Lepower (HK) Limited</b>	Director	Iris Chen	Gaintech Co. Limited 3,050,000	100%
<b>Mountain Capital Fund, L.P.</b>	Not applicable	Not applicable	27,200,000	90%
<b>MediaTek (Hefei) Inc.</b>	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
<b>MediaTek (Beijing) Inc.</b>	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
<b>MediaTek (ShenZhen) Inc.</b>	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
<b>MediaTek (Chengdu) Inc.</b>	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
<b>MediaTek (Wuhan) Inc.</b>	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
<b>MediaTek (Shanghai) Inc.</b>	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
<b>Xuxin Investment (Shanghai) Inc.</b>	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
<b>MediaTek Sweden AB</b>	Director	David Ku	MTK Wireless Limited (UK) 1,008,371	100%
	Director	Eric Tell		
<b>MediaTek USA Inc.</b>	Director	David Ku	MTK Wireless Limited (UK)	100%

Company Name	Title	Name or Representative	Shares	% of Holding
	Director	Kevin Jou	111,815	
MediaTek Wireless Finland Oy	Director	Iris Chen	MTK Wireless Limited (UK) 1,000	100%
	Director	Jeanette Padgett		
	Director	Gemma Noonan		
MStar Semiconductor UK Ltd.	Director	David Ku	MTK Wireless Limited (UK) 1	100%
Gold Rich International (HK) Limited	Director	Iris Chen	Gold Rich International (Samoa) Limited 4,190,000	100%
Nephos (Beijing) Co., Ltd.	Executive director / Legal representative	Nephos (Hefei) Co. Ltd. Ching-Jiang Hsieh	Not applicable	100%
	Supervisor	Nephos (Hefei) Co. Ltd. Amy Chung		
Shadow Investment Limited	Director	Hsu-Feng Ho	EcoNet (Cayman) Inc. 15,000,000	100%
EcoNet (HK) Limited	Director	Hsu-Feng Ho	EcoNet (Cayman) Inc. 67,534,520	100%
EcoNet Limited	Director	Hsu-Feng Ho	EcoNet (Suzhou) Limited 400,000	100%
EcoNet (Suzhou) Limited	Executive director / Legal representative	EcoNet (HK) Limited Hsu-Feng Ho	Not applicable	100%
	Supervisor	EcoNet (HK) Limited Jhe-Wei Lin		
MediaTek Bangalore Private Limited	Director	Cheng-Te Chuang	MediaTek Investment Singapore Pte. Ltd. 1,999,999	100%
	Director	David Ku		
	Director	Anku Jain		
Gaintech Co. Limited	Director	David Ku	MediaTek Investment Singapore Pte. Ltd. 383,813,853	100%
Cloud Ranger Limited	Director	Iris Chen	MediaTek Investment Singapore Pte. Ltd. 23,139,000	100%
MStar Software R&D (Shenzhen), Ltd.	Executive director / Legal representative	MStar Co., Ltd. Hai Wang	Not Applicable	100%
	Director	MStar Co., Ltd. Iris Chen		
MStar Chen Xi Software Shanghai Ltd.	Executive director / Legal representative	MStar Software R&D (Shenzhen), Ltd. Hai Wang	Not Applicable	100%
	Director	MStar Software R&D (Shenzhen), Ltd.		



Company Name	Title	Name or Representative	Shares	% of Holding
		Iris Chen		
<b>Nephos (Hefei) Co. Ltd.</b>	Executive director / Legal representative	Nephos Cayman Co. Limited Ching-Jiang Hsieh	Not applicable	100%
	Director	Nephos Cayman Co. Limited Jerry Yu		
	Director	Nephos Cayman Co. Limited David Ku		
	Supervisor	Nephos Cayman Co. Limited Amy Chung		
<b>Xuxi (Shanghai) Management Consulting Co., Ltd.</b>	Executive director / Legal representative	Xuxin Investment (Shanghai) Inc. Hai Wang	Not Applicable	100%
	Director	Xuxin Investment (Shanghai) Inc. Iris Chen		
<b>Hefei Xuhui Management Consulting Co., Ltd.</b>	Executive director / Legal representative	Xuxin Investment (Shanghai) Inc. Hai Wang	Not Applicable	100%
	Director	Xuxin Investment (Shanghai) Inc. Iris Chen		
<b>ILI Technology Corporation</b>	Chairman	ILI Technology Holding Corporation Rep.: Gon-Wei Liang	343,617,000	100%
	Director	ILI Technology Holding Corporation Rep.: David Ku		
	Director	ILI Technology Holding Corporation Rep.: Luen-Wu Wei		
<b>Beijing Ilitek Technology Co. Ltd.</b>	Executive director / Legal representative	IStar Technology Ltd. Luen-Wu Wei	Not applicable	100%
	Supervisor	IStar Technology Ltd. Sheng-Hsin Chen		
<b>ILITEK Holding Inc.</b>	Director	Luen-Wu Wei	ILI Technology Corporation 13,050	100%
<b>ILI Technology (SZ) LTD.</b>	Executive director / Legal representative	ILITEK Holding Inc. Po-Tau Chen	Not applicable	100%
	Supervisor	ILITEK Holding Inc. Shen-Shin Chen		
<b>ILI Technology Holding Corporation</b>	Director	David Ku	Gaintech Co. Limited 344,243,782	100%
<b>Airoha (Cayman) Inc.</b>	Director	Ching-Jiang Hsieh	Hsu-Si Investment Corp.	100%

Company Name	Title	Name or Representative	Shares	% of Holding
			1,248,583	
Airoha Technology Corp.	Chairman	Hsu-Si Investment Corp. Rep.: Ching-Jiang Hsieh	61,092,908	100%
	Director	Hsu-Si Investment Corp. Rep.: David Chang		
	Director	Hsu-Si Investment Corp. Rep.: Yuchuan Yang		
Airoha Technology (Samoa) Corp.	Director	David Chang	Airoha Technology Corp. 1,762,000	100%
Airotek (Chengdu) Inc.	Executive director / Legal representative	Hsu-Si Investment Corp. Yuchuan Yang	Not applicable	100%
	Supervisor	Hsu-Si Investment Corp. David Liang		
Airotek (Shenzhen) Inc.	Executive director / Legal representative	Hsu-Si Investment Corp. Yuchuan Yang	Not applicable	100%
	Supervisor	Hsu-Si Investment Corp. David Liang		
Sigmastar Technology Inc.	Director	Yong-Yu Lin	Gaintech Co. Limited 52,031,546	100%
	Director	David Ku	Gaintech Co. Limited 52,031,546	100%
Sigmastar Technology Corp.	Chairman	Sigmastar Technology Inc. Rep.: Jane Chen	152,795,000	100%
	Director	Sigmastar Technology Inc. Rep.: Gon-Wei Liang		
	Director	Sigmastar Technology Inc. Rep.: Mei-Hui Lin		
Xiamen Sigmastar Technology Inc.	Executive director / Legal representative	Sigmastar Technology Inc. Yong-Yu Lin	Not applicable	80%
	Director	Sigmastar Technology Inc. Gon-Wei Liang		
	Director	Sigmastar Technology Inc. Mei-Hui Lin		
	Supervisor	Sigmastar Technology Inc. David Ku		
Shenzhen Sing Chen Technology Inc.		Xiamen Sigmastar Technology Inc.	Not applicable	100%

Company Name	Title	Name or Representative	Shares	% of Holding
	Executive director / Legal representative	Yong-Yu Lin		
	Supervisor	Xiamen Sigmaster Technology Inc. Ben Chen		
SigmaStar Technology Inc. (Shanghai)	Executive director / Legal representative	Xiamen Sigmaster Technology Inc. Yong-Yu Lin	Not applicable	100%
	Supervisor	Xiamen Sigmaster Technology Inc. Bo-I Lin		
ShenZhen ZhongChen Semiconductor Ltd.	Executive director / Legal representative	IStar Technology Ltd. Hai Wang	Not applicable	100%
	Supervisor	IStar Technology Ltd. Iris Chen		

## 1.6. Operation Highlights of the Company's Affiliated Companies

Dec. 31, 2019; Unit: NT\$ thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Net Income	EPS (NT\$)
Hsu-Ta Investment Corp.	33,989,819	40,468,214	1	40,468,213	4,285,232	4,285,105	4,278,173	1.26
MediaTek Singapore Pte. Ltd.	2,347,744	24,692,558	18,214,631	6,477,927	61,901,111	5,853,678	6,214,071	55.49
MediaTek Investment Singapore Pte. Ltd.	67,773,362	146,302,618	139	146,302,479	4,228,424	4,226,299	4,226,299	1.88
MStar International Technology Inc.	300,000	83,119	0	83,119	0	(166)	295	0.01
HFI Innovation Inc.	1,138,910	701,887	8,531	693,356	259,579	(35,648)	(77,349)	(0.68)
MStar France SAS	154,915	834,857	11,178	823,679	0	(50,869)	(8,519)	(18.56)
MStar Co., Ltd.	401,915	577,003	128,518	448,485	(44,863)	(56,056)	(56,056)	(4.20)
Digimoc Holdings Limited	1,505	60,683	0	60,683	18	(57)	(57)	(14.98)
MShining International Corporation	631,388	663,546	200	663,346	0	(361)	20,214	0.32
Spidcom Technologies	5,247	3,586	0	3,586	0	(1,050)	(1,050)	(71.82)
Core Tech Resources Inc.	3,076,833	4,749,589	46	4,749,543	140,668	140,893	140,893	1.38
MediaTek Capital Corp.	1,464,120	6,370,749	102,085	6,268,664	81,336	71,538	73,771	0.50
Hsu-Si Investment Corp.	27,300,000	27,279,433	556	27,278,877	4,065,527	4,065,347	4,065,347	1.49
RollTech Technology Co., Ltd.	52,620	8,250	30	8,220	9,201	2,938	2,965	0.56
Chingis Technology Corp.	1,169,370	1,087,672	366,541	721,131	593,963	(70,529)	(36,643)	(0.31)
Richtek Technology Corp.	1,484,828	13,808,065	4,534,851	9,273,214	18,414,920	3,903,279	3,307,104	22.27
Richstar Group Co., Ltd.	324,091	243,932	0	243,932	78,852	94,312	108,530	10.08
Ironman Overseas Co., Ltd.	268,847	148,136	0	148,136	46,384	46,384	49,471	5.54
Richtek Europe Holding B.V.	67,516	51,787	69	51,718	0	(85)	2,403	1.20
Richtek Holding International Limited	90,318	99,542	52,752	46,790	75,495	718	(1,629)	(54.30)
Richpower Microelectronics Corp.	87,247	380,980	13,167	367,813	406,864	(192,143)	(185,118)	(14.69)
Li-Yu Investment Corp.	312,751	336,938	475	336,463	2,724	2,179	1,522	0.05

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Net Income	EPS (NT\$)
Richnex Microelectronics Corp.	330,000	45,506	17,162	28,344	53,883	(3,034)	(3,096)	(0.09)
Richtek USA, Inc.	30,106	169,391	23,495	145,896	87,111	8,304	15,337	15.34
Cosmic-Ray Technology Limited	166,486	71,777	0	71,777	0	0	3,537	0.64
Richtek Europe B.V.	50,637	38,390	3,465	34,925	17,107	2,438	2,439	1.63
Li-We Technology Corp.	75,265	107,289	68,917	38,372	137,288	6,807	3,383	Not applicable
Richpower Microelectronics Corp.	100,000	67,860	1	67,859	0	(3,022)	206	0.02
Richpower Microelectronics Co., Ltd.	96,339	46,241	26,799	19,442	60,729	3,569	3,054	Not applicable
Corporate Event Limited	3,071	15,295	12,145	3,150	134,776	62	68	0.67
Richtek Korea LLC.	29,062	51,866	27,761	24,105	136,796	10,317	9,979	997.90
MediaTek Research Corp.	800	1,273	184	1,089	4,402	4,114	288	3.60
MStar Semiconductor India Private Limited	1,729	10,293	0	10,293	(113)	(2,794)	(3,861)	(2,574.00)
MediaTek China Limited	10,578,853	18,122,301	3,060,168	15,062,133	653,553	653,396	653,396	0.24
MTK Wireless Limited (UK)	2,649,918	5,004,110	289,212	4,714,898	723,226	47,314	575,618	8.67
MediaTek Japan Inc.	27,719	130,116	48,837	81,279	147,956	8,375	4,798	675.77
MediaTek India Technology Pvt. Ltd.	23,197	609,659	227,219	382,440	541,340	90,252	68,068	12.38
MediaTek Korea Inc.	52,060	404,480	201,282	203,198	514,769	33,676	32,079	160.40
Gold Rich International (Samoa) Limited	129,155	41,702,081	0	41,702,081	180,984	180,947	180,947	42.18
Smarthead Limited	21,074	55,267	0	55,267	(3,006)	(3,032)	(3,032)	-4.33
Ralink Technology (Samoa) Corp.	215,258	696,212	0	696,212	824,832	824,799	587,883	82.22
EcoNet (Cayman) Inc.	573,063	4,427,696	0	4,427,696	752,125	751,853	751,853	39.50
Mediatek Wireless FZ-LLC	410	18,012	8,225	9,787	32,716	1,558	1,558	31,160
Hsu Chia (Samoa) Investment Ltd.	4,323,590	4,938,884	0	4,938,884	164,444	154,946	154,946	0.15
Hsu Fa (Samoa) Investment Ltd.	4,323,590	4,924,422	0	4,924,422	150,123	146,033	146,033	0.15
Hsu Kang (Samoa) Investment Ltd.	4,323,590	4,929,589	0	4,929,589	167,980	152,849	152,849	0.15
Nephos Pte. Ltd.	67,984	103,138	0	103,138	287,794	18,509	18,982	6.25
Nephos Cayman Co. Limited	3,405,302	(89,382)	15	(89,397)	(245,775)	(246,600)	(246,600)	(2.18)
Zelus Technology (HangZhou) Ltd.	155,046	126,541	14,490	112,051	(42,994)	(26,724)	(24,319)	Not applicable
IStar Technology Ltd.	1,505	234,239	0	234,239	6,307	6,124	6,124	122.48
MediaTek Research UK Limited	11,175	16,829	3,351	13,478	34,822	2,278	2,275	8.13
Lepower (HK) Limited	91,823	776	0	776	0	(115)	(115)	(0.04)
MediaTek (Hefei) Inc.	511,802	2,281,990	1,025,920	1,256,070	1,751,624	130,447	93,123	Not applicable
MediaTek (Beijing) Inc.	3,010,600	4,913,138	184,925	4,728,213	1,774,024	131,409	179,551	Not applicable
MediaTek (Shenzhen) Inc.	2,709,540	6,656,174	3,551,731	3,104,443	2,847,325	151,103	106,971	Not applicable
MediaTek (Chengdu) Inc.	1,499,279	2,212,594	219,493	1,993,101	930,848	70,140	102,620	Not applicable
MediaTek (Wuhan) Inc.	499,966	838,878	82,037	756,841	413,224	30,656	44,250	Not applicable
Xuxin Investment (Shanghai) Inc.	1,101,880	1,437,277	5,736	1,431,541	29,765	28,998	18,397	Not applicable
MediaTek (Shanghai) Inc.	1,284,106	3,947,483	2,442,926	1,504,557	1,417,892	99,927	76,666	Not applicable
MediaTek Sweden AB	3,242	82,163	41,979	40,184	99,035	6,479	6,298	6.25

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Net Income	EPS (NT\$)
MediaTek USA, Inc.	3	5,591,472	2,223,401	3,368,071	4,567,269	299,415	497,991	4,453.70
MediaTek Wireless Finland Oy	84	480,964	213,306	267,658	806,260	52,746	43,272	43,272
MStar Semiconductor UK Ltd.	0	71,121	1,106	70,015	0	(318)	(122)	(122,000)
Gold Rich International (HK) Limited	126,144	46,330,941	4,631,431	41,699,510	184,631	180,984	180,984	43.19
Nepfos (Beijing) Co., Ltd.	90,318	6,104	0	6,104	43,920	2,148	2,223	Not applicable
Shadow Investment Limited	451,590	77,361	0	77,361	1,396	1,352	1,352	0.09
EcoNet (HK) Limited	2,033,194	4,215,081	1,364	4,213,717	761,272	747,178	747,118	11.06
EcoNet Limited	12,042	123,232	0	123,232	39,368	39,773	39,773	99.43
EcoNet (Suzhou) Limited	301,060	4,061,615	671,519	3,390,096	3,169,221	623,683	821,320	Not applicable
MediaTek Bangalore Private Limited	8,435	961,542	365,143	596,399	1,028,751	171,459	173,047	86.52
Gaintech Co. Limited	11,555,100	144,150,301	20,850	144,129,451	4,515,956	4,469,491	4,029,769	10.50
Cloud Ranger Limited	696,623	1,120,160	0	1,120,160	3,594	(11,983)	(11,983)	(0.52)
MStar Software R&D (Shenzhen), Ltd.	903,180	455,449	2,029	453,420	0	(48,749)	(41,486)	Not applicable
MStar Chen Xi Software Shanghai Ltd.	38,912	41,316	0	41,316	0	(7,735)	(4,571)	Not applicable
Nepfos (Hefei) Co. Ltd.	1,241,873	448,317	584,737	(136,420)	231,705	(254,858)	(284,137)	Not applicable
Xuxi (Shanghai) Management Consulting Co., Ltd.	724,201	740,555	0	740,555	17,077	16,975	16,937	Not applicable
Hefei Xuhui Management Consulting Co., Ltd.	724,201	745,825	5,381	740,444	22,529	22,428	16,821	Not applicable
ILI Technology Corporation	3,436,170	6,740,669	3,049,836	3,690,833	10,695,950	280,663	255,387	0.73
Beijing Ilitek Technology Co. Ltd.	90,318	80,446	4,062	76,384	9,154	421	1,519	Not applicable
ILITEK Holding Inc.	399,927	387,440	0	387,440	7,928	(30)	7,898	605.21
ILI Technology(SZ) LTD.	391,378	435,686	49,534	386,152	189,081	9,004	7,984	Not applicable
ILI TECHNOLOGY HOLDING CORPORATION	3,420,055	3,729,028	0	3,729,028	122,546	122,546	122,546	0.36
Airoha (Cayman) Inc.	18,795	193,777	0	193,777	14,957	(397)	14,560	11.66
Airoha Technology Corp.	646,826	6,339,813	4,393,980	1,945,833	12,209,311	1,870,741	1,558,185	25.51
Airoha Technology (Samoa) Corp.	49,004	4,880	0	4,880	12	17	27	0.02
Airotek (Chengdu) Inc.	28,601	51,153	21,800	29,353	110,608	5,800	6,235	Not applicable
Airotek (Shenzhen) Inc.	28,601	80,453	56,083	24,370	149,958	8,447	8,707	Not applicable
Sigmastar Technology Inc.	1,671,626	1,872,081	0	1,872,081	87,990	87,887	87,887	1.69
Sigmastar Technology Corp.	1,527,950	1,627,692	168,155	1,459,537	437,139	(75,812)	(45,781)	(0.30)
Xiamen Sigmastar Technology Inc.	60,212	1,948,824	1,391,876	556,948	3,189,603	122,584	152,308	Not applicable
Shenzhen Sing Chen Technology Inc.	12,971	196,061	171,335	24,726	115,523	8,924	8,956	Not applicable
SigmaStar Technology Inc. (Shanghai)	4,324	169,730	155,858	13,872	117,314	9,756	9,512	Not applicable
ShenZhen ZhongChen Semiconductor Ltd.	150,530	151,389	0	151,389	0	(997)	4,792	Not applicable

Note: The amount of capital, asset, liabilities and net worth in this table were calculated using the exchange rate at end of 2018. The net sales, income from operation, net income and EPS numbers were calculated using the average exchange rate in 2019.

## 2. Private Placement Securities

None.

## 3. Holding or Disposition of the Company Stocks by Subsidiaries

Unit: NT\$ thousands / share / %

Subsidiary	Paid-in Capital	Source of Funding	The Company 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 the Company	Balance of Financing Provided by the Company
MediaTek Capital Corp.	1,464,120	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. 2015-2020Q1 Consolidated Condensed Balance Sheets – the Company & Subsidiaries

Unit: NTS thousands

Item		2015	2016	2017	2018	2019	2020Q1
<b>Current assets</b>		214,873,175	220,277,570	238,664,496	236,037,524	266,729,101	265,276,598
<b>Funds and investments</b>		22,813,731	36,970,720	38,124,359	49,261,788	73,277,847	81,095,848
<b>Property, plant and equipment</b>		34,390,077	36,857,740	36,938,640	37,603,586	38,889,940	38,484,546
<b>Intangible assets</b>		75,430,673	72,014,554	76,029,080	73,788,598	70,917,102	74,185,621
<b>Other assets</b>		3,742,000	4,591,188	5,409,633	6,144,548	8,887,804	8,771,574
<b>Total assets</b>		351,249,656	370,711,772	395,166,208	402,836,044	458,701,794	467,814,187
<b>Current liabilities</b>	Before distribution	101,266,471	119,346,691	127,257,383	122,592,079	131,098,015	124,414,630
	After distribution	118,553,892	134,371,923	143,050,113	136,879,929	(Note1)	(Note2)
<b>Non-current liabilities</b>		2,896,300	4,702,203	6,709,812	5,918,058	13,204,241	14,851,125
<b>Total liabilities</b>	Before distribution	104,162,771	124,048,894	133,967,195	128,510,137	144,302,256	139,265,755
	After distribution	121,450,192	139,074,126	149,759,925	142,797,987	(Note1)	(Note2)
<b>Equity attributable to owners of the parent</b>							
<b>Share capital</b>		15,715,837	15,821,122	15,814,371	15,915,070	15,900,253	15,900,450
<b>Capital surplus</b>	Before distribution	88,354,178	89,815,356	88,210,819	85,237,214	82,392,203	82,759,816
	After distribution	88,354,178	87,442,951	84,262,637	80,474,597	(Note1)	(Note2)
<b>Retained earnings</b>	Before distribution	128,508,763	126,952,601	137,627,576	148,009,403	169,237,532	180,170,143
	After distribution	111,221,342	114,299,774	125,783,028	138,484,170	(Note1)	(Note2)
<b>Other equity</b>		7,904,918	12,245,801	18,214,847	23,840,504	45,276,326	47,702,857
<b>Treasury shares</b>		(55,970)	(55,970)	(55,970)	(55,970)	(55,970)	(55,970)
<b>Total equity attributable to owners of the parent</b>	Before distribution	240,427,726	244,778,910	259,811,643	272,946,221	312,750,344	326,477,296
	After distribution	223,140,305	232,126,083	247,967,095	263,420,988	(Note1)	(Note2)
<b>Non-controlling interests</b>		6,659,159	1,883,968	1,387,870	1,379,686	1,649,194	2,071,136
<b>Total equity</b>	Before distribution	247,086,885	246,662,878	261,199,013	274,325,907	314,399,538	328,548,432
	After distribution	229,799,464	234,010,051	249,354,465	264,800,674	(Note1)	(Note2)

Note1: Pending on approval of shareholders at Annual General Shareholders' Meeting.

Note2: Not applicable.

## 1.2. 2015-2019 Condensed Balance Sheets – Parent Company

Unit: NTS thousands

Item	2015	2016	2017	2018	2019
<b>Current assets</b>	94,412,808	90,622,975	96,561,558	92,454,434	137,776,031
<b>Funds and investments</b>	155,319,309	171,773,810	186,823,137	194,393,642	196,537,558
<b>Property, plant and equipment</b>	10,565,034	12,331,165	12,425,597	12,988,180	20,003,889
<b>Intangible assets</b>	29,881,027	28,504,894	29,449,574	28,975,722	54,646,668
<b>Other assets</b>	1,292,315	1,607,902	1,897,443	3,226,374	5,228,970
<b>Total assets</b>	291,470,493	304,840,746	327,157,309	332,038,352	414,193,116
<b>Current liabilities</b>					
Before distribution	49,045,380	57,799,284	65,335,126	57,235,307	95,302,921
After distribution	66,332,801	72,824,516	81,127,856	71,523,157	(Note)
<b>Non-current liabilities</b>	1,997,387	2,262,552	2,010,540	1,856,824	6,139,851
<b>Total liabilities</b>					
Before distribution	51,042,767	60,061,836	67,345,666	59,092,131	101,442,772
After distribution	68,330,188	75,087,068	83,138,396	73,379,981	(Note)
<b>Share capital</b>	15,715,837	15,821,122	15,814,371	15,915,070	15,900,253
<b>Capital surplus</b>					
Before distribution	88,354,178	89,815,356	88,210,819	85,237,214	82,392,203
After distribution	88,354,178	87,442,951	84,262,637	80,474,597	(Note)
<b>Retained earnings</b>					
Before distribution	128,508,763	126,952,601	137,627,576	148,009,403	169,237,532
After distribution	111,221,342	114,299,774	125,783,028	138,484,170	(Note)
<b>Other equity</b>	7,904,918	12,245,801	18,214,847	23,840,504	45,276,326
<b>Treasury shares</b>	(55,970)	(55,970)	(55,970)	(55,970)	(55,970)
<b>Total equity</b>					
Before distribution	240,427,726	244,778,910	259,811,643	272,946,221	312,750,344
After distribution	223,140,305	232,126,083	247,967,095	263,420,988	(Note)

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



## 2. Condensed Statements of Comprehensive Income

### 2.1. 2015-2020Q1 Consolidated Condensed Statements of Comprehensive Income – the Company & Subsidiaries

Unit: NTS thousands

Item	2015	2016	2017	2018	2019	2020Q1
Net sales	213,255,240	275,511,714	238,216,318	238,057,346	246,221,731	60,862,975
Gross profit	92,179,586	98,189,832	84,885,882	91,723,688	103,045,508	26,237,103
Operating income	25,907,970	23,075,775	9,819,142	16,182,476	22,567,452	5,802,289
Non-operating income and expenses	3,460,523	4,137,110	17,418,321	7,509,009	4,459,917	927,961
Net income before income tax	29,368,493	27,212,885	27,237,463	23,691,485	27,027,369	6,730,250
Net income	25,768,732	24,030,532	24,070,098	20,782,396	23,204,310	5,804,475
Other comprehensive Income, net of tax	1,594,830	5,691,418	5,263,033	78,580	29,821,023	7,349,690
Total comprehensive income	27,363,562	29,721,950	29,333,131	20,860,976	53,025,333	13,154,165
Net income (loss) for the periods attributable to:						
Owners of the parent	25,958,429	23,700,598	24,332,604	20,760,498	23,032,721	5,715,297
Non-controlling interests	(189,697)	329,934	(262,506)	21,898	171,589	89,178
Total comprehensive income for the periods attributable to:						
Owners of the parent	27,527,096	29,463,494	29,601,582	20,860,790	52,896,235	13,091,141
Non-controlling interests	(163,534)	258,456	(268,451)	186	129,098	63,024
Earnings per share (NT\$)	16.60	15.16	15.56	13.26	14.69	3.64
Earnings per share – adjusted (NT\$)	16.60	15.16	15.56	13.26	(Note1)	(Note2)

Note1: Pending on approval of shareholders at Annual General Shareholders' Meeting.

Note2: Not applicable.

### 2.2. 2015-2019 Condensed Statements of Comprehensive Income – Parent Company

Unit: NTS thousands

Item	2015	2016	2017	2018	2019
Net sales	99,245,700	121,097,722	92,525,183	88,795,775	136,467,915
Gross profit	49,716,650	38,523,096	34,777,752	36,371,930	55,615,165
Operating income	11,447,326	688,585	517,600	2,872,510	9,459,305
Non-operating income and expenses	16,603,855	24,000,115	23,308,592	17,981,150	15,879,699
Net income before income tax	28,051,181	24,688,700	23,826,192	20,853,660	25,339,004
Net income	25,958,429	23,700,598	24,332,604	20,760,498	23,032,721
Other Comprehensive Income, net of tax	1,568,667	5,762,896	5,268,978	100,292	29,863,514
Total comprehensive income	27,527,096	29,463,494	29,601,582	20,860,790	52,896,235
Earnings per share (NT\$)	16.60	15.16	15.56	13.26	14.69
Earnings per share – adjusted (NT\$)	16.60	15.16	15.56	13.26	(Note)

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

### 3. Five-Year Auditors' Opinions

Year	Accounting Firm	Name of Auditors (CPA)	Audio Opinion
2015	Ernst & Young	Jia-Ling Tu, Jin-Lai Wang	Unqualified Opinions
2016	Ernst & Young	Jia-Ling Tu, Jin-Lai Wang	Unqualified Opinions
2017	Ernst & Young	Shau-Pin Kuo, Wen-Fun Fuh	Unqualified Opinions
2018	Ernst & Young	Shau-Pin Kuo, Wen-Fun Fuh	Unqualified Opinions
2019	Ernst & Young	Shau-Pin Kuo, Wen-Fun Fuh	Unqualified Opinions

### 4. Five-Year Financial Analysis

#### 4.1. 2015-2020Q1 Consolidated Financial Analysis – the Company & Subsidiaries

Item		2015	2016	2017	2018	2019	2020Q1	
<b>Capital structure analysis</b>	Debt ratio (%)	29.65	33.46	33.90	31.90	31.45	29.76	
	Long-term fund to property, plant and equipment ratio (%)	718.48	670.37	712.69	731.98	811.63	859.99	
<b>Liquidity Analysis</b>	Current ratio (%)	212.19	184.60	187.54	192.53	203.45	213.21	
	Quick ratio (%)	186.19	154.91	165.59	166.02	181.21	185.58	
	Times interest earned (Times)	54.87	49.69	30.00	14.74	17.59	23.58	
<b>Operating performance analysis</b>	Average collection turnover (Times)	10.37	10.89	8.94	8.74	8.79	9.29	
	Days sales outstanding	35	34	41	42	42	39	
	Average inventory turnover (Times)	3.87	4.67	3.57	3.26	3.11	2.99	
	Average payment turnover (Times)	7.87	8.70	6.36	7.09	7.15	6.08	
	Average inventory turnover days	94	78	102	112	117	122	
	Property, plant and equipment turnover (Times)	7.39	7.73	6.45	6.38	6.43	6.29	
	Total assets turnover (Times)	0.61	0.76	0.62	0.59	0.57	0.52	
<b>Profitability analysis</b>	Return on total assets (%)	7.47	6.79	6.48	5.55	5.68	5.21	
	Return on equity attributable to owners of the parent (%)	10.42	9.73	9.47	7.76	7.88	7.22	
	Pre-tax income to paid-in capital (%)	186.87	172.00	172.23	148.86	169.98	42.32	
	Net margin (%)	12.08	8.72	10.10	8.72	9.42	9.53	
	Earnings per share (NT\$)	Before adjustments	16.60	15.16	15.56	13.26	14.69	3.64
		After adjustments	16.60	15.16	15.56	13.26	N/A	N/A
<b>Cash flow</b>	Cash flow ratio (%)	23.08	27.28	16.77	16.59	32.49	1.55	
	Cash flow adequacy ratio (%)	94.44	98.80	102.91	83.83	97.91	113.03	
	Cash flow reinvestment ratio (%)	(6.21)	8.23	3.21	2.17	10.67	0.68	
<b>Leverage</b>	Operating leverage	6.25	9.21	18.93	11.54	8.30	7.86	
	Financial leverage	1.02	1.02	1.11	1.12	1.08	1.05	

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

- Cash flow ratio increased by 96%: Mainly due to increase in cash provided by operating activities.**
- Cash flow reinvestment ratio increased by 392%: Mainly due to increase in cash provided by operating activities.**

- (3) **Operating leverage decreased by 28%: Mainly due to increase of gross margin this year resulting in higher operating income.**

## 4.2. 2015-2019 Financial Analysis – Parent Company

Item		2015	2016	2017	2018	2019	
<b>Capital structure analysis</b>	Debt ratio (%)	17.51	19.70	20.59	17.79	24.49	
	Long-term fund to property, plant and equipment ratio (%)	2,275.69	1,985.04	2,099.34	2,103.86	1,567.54	
<b>Liquidity Analysis</b>	Current ratio (%)	192.50	156.79	147.79	161.53	144.56	
	Quick ratio (%)	174.50	131.51	136.74	144.92	130.31	
	Times interest earned (Times)	96.42	77.05	46.11	23.00	26.84	
<b>Operating performance analysis</b>	Average collection turnover (Times)	11.95	14.12	10.14	9.83	11.63	
	Days sales outstanding	31	26	36	37	31	
	Average inventory turnover (Times)	3.72	5.10	3.17	2.87	3.50	
	Average payment turnover (Times)	7.46	10.29	7.59	10.73	9.55	
	Average inventory turnover days	98.07	71.52	115.01	127.17	104.28	
	Property, plant, and equipment turnover (Times)	10.05	10.58	7.47	6.98	8.27	
	Total assets turnover (Times)	0.33	0.41	0.29	0.26	0.36	
<b>Profitability analysis</b>	Return on total assets (%)	8.58	8.04	7.84	6.52	6.38	
	Return on equity attributable to shareholders of the parent (%)	10.65	9.77	9.64	7.79	7.86	
	Pre-tax income to paid-in capital (%)	178.49	156.05	150.66	131.03	159.36	
	Net margin (%)	26.16	19.57	26.30	23.38	16.87	
	Basic earnings per share (NT\$)	Before adjustments	16.60	15.16	15.56	13.26	14.69
		After adjustments	16.60	15.16	15.56	13.26	N/A
<b>Cash flow</b>	Cash flow ratio (%)	19.29	24.28	40.15	18.78	29.12	
	Cash flow adequacy ratio (%)	106.96	107.05	122.29	99.03	69.34	
	Cash flow reinvestment ratio (%)	(11.59)	(1.46)	4.73	(1.97)	5.00	
<b>Leverage</b>	Operating leverage	5.70	122.95	129.32	21.81	10.60	
	Financial leverage	1.03	1.89	(48.75)	1.49	1.12	

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

- Debt ratio increased by 38%: Mainly due to increase in short-term borrowing and account payable**
- Long-term fund to property, plant and equipment ratio decreased by 25%: Mainly due to increase in property, plant and equipment.**
- Average inventory turnover increased by 22%: Mainly due to increase in operating costs.**
- Total assets turnover increased by 38%: Mainly due to increase in net sales.**
- Pre-tax income to paid-in capital increased by 22%: Mainly due to increase in pre-tax income.**
- Net margin decreased by 28%: Mainly due to increase in net sales.**
- Cash flow ratio increased by 55%: Mainly due to increase in net cash provided by operating activities.**
- Cash flow adequacy ratio decreased by 30%: Mainly due to decrease in net cash provided by operation activities in the past 5 years.**
- Cash flow reinvestment ratio increased by 354%: Mainly due to increase in net cash provided by operation activities.**

- (10) **Operating leverage decreased by 51%: Mainly due to increase in operating income.**
- (11) **Financial leverage decreased by 25%: Mainly due to increase in operating income.**

**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)

## 5. Audit Committee's Review Report

### **MediaTek Inc. Audit Committee's Report**

The Board of Directors has prepared the Company's 2019 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 by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To MediaTek Inc. 2020 Annual General Shareholders' Meeting

MediaTek Inc.

Chairman of the Audit Committee: Chung-Yu Wu

April 30, 2020

- 6. Financial Statements and Independent Auditors' Report –the Company & Subsidiaries (Page F1 – Page F145)**
- 7. Financial Statements and Independent Auditors' Report – Parent Company (Page F146 – Page F285)**
- 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, 2019 AND 2018**

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.



## REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2019 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 20, 2020

English Translation of a Report Originally Issued in Chinese

**Independent Auditors' Report**

To the Board of Directors and Shareholders  
of MediaTek Inc.

**Opinion**

We have audited the accompanying consolidated balance sheets of MediaTek Inc. and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

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, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of MediaTek Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

MediaTek Inc. and its subsidiaries recognized NT\$246,221,731 thousand as net sales, which includes sale of goods in the amount of NT\$242,284,500 thousand and services and other operating revenues in the amount of NT\$3,937,231 thousand for the year ended December 31, 2019. Main source of revenue comes from sales of chips. Due to the fact that the product portfolio and the pricing methods are varied and sales discounts are usually directly included or indirectly implied in purchase orders or in practice, it is necessary for the Company to judge and determine the performance obligation of a contract, the timing of its satisfaction, and the estimate of the variable considerations. As a result, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control which is related to the timing of revenue recognition; performing test of details on samples selected from details of sales, reviewing the significant terms of sales agreements, testing five steps of revenue recognition and tracing to relevant documentation of transactions; performing test for contract modification, test for contract consolidation and test for principal and agent; adopting audit sampling on trade receivables and performing confirmation procedures on final balance and key terms of sales agreements; and reviewing transactions for certain period before and after the reporting date, analyzing the reasonableness of fluctuations and selecting samples to perform cutoff procedures, tracing to relevant documentation to verify that revenue has been recorded in the correct accounting period; besides, we also review if there is condition of significant reversals in subsequent periods.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4, Note 5 and Note 6 in notes to consolidated financial statements.



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of MediaTek Inc. and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MediaTek Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of MediaTek Inc. and its subsidiaries.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of MediaTek Inc. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of MediaTek Inc. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MediaTek Inc. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within MediaTek Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Others**

We have audited and expressed an unqualified opinion on the parent company only financial statements of MediaTek Inc. as of and for the years ended December 31, 2019 and 2018.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 20, 2020

### Notice to Readers

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 177,544,914	39	\$ 143,170,245	36
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	6,342,734	1	5,026,696	1
Financial assets at fair value through other comprehensive income-current	4, 5, 6(3)	19,026,604	4	13,468,075	3
Financial assets measured at amortized cost-current	4, 5, 6(4), 8	259,415	-	3,005,650	1
Notes receivables, net	6(22)	2,811	-	2,950	-
Trade receivables, net	4, 5, 6(5), 6(22)	26,829,271	6	28,929,826	7
Trade receivables from related parties, net	4, 5, 6(5), 6(22), 7	5,000	-	6,605	-
Other receivables	6(6)	6,313,078	1	8,229,716	2
Current tax assets	4, 5, 6(29)	552,689	-	910,984	-
Inventories, net	4, 5, 6(7)	27,615,237	6	30,979,767	8
Prepayments	6(8), 7	1,550,085	1	1,523,281	1
Other current assets		687,263	-	783,729	-
Total current assets		266,729,101	58	236,037,524	59
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	6,868,203	2	3,986,224	1
Financial assets at fair value through other comprehensive income-noncurrent	4, 5, 6(3)	50,223,077	11	32,083,500	8
Financial assets measured at amortized cost-noncurrent	4, 5, 6(4), 8	2,570,042	1	480,106	-
Investments accounted for using the equity method	4, 6(9)	13,616,525	3	12,711,958	3
Property, plant and equipment	4, 6(10), 8	38,889,940	8	37,603,586	10
Right-of-use assets	4, 6(23)	2,890,906	1	-	-
Investment property, net	4, 6(11), 8	956,450	-	917,343	-
Intangible assets	4, 6(12), 6(13), 7	70,917,102	15	73,788,598	18
Deferred tax assets	4, 5, 6(29)	4,769,887	1	4,776,271	1
Refundable deposits		270,561	-	288,449	-
Net defined benefit assets-noncurrent		-	-	14,825	-
Long-term prepaid rent		-	-	147,660	-
Total non-current assets		191,972,693	42	166,798,520	41
<b>Total assets</b>		\$ 458,701,794	100	\$ 402,836,044	100

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese  
**MEDIA TEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2019 and 2018**  
(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2019	%	December 31, 2018	%
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Short-term borrowings	6(14)	\$ 57,254,570	12	\$ 51,056,528	13
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	9,085	-	4,932	-
Contract liabilities-current	4, 5, 6(21)	2,693,530	1	1,508,874	-
Trade payables	7	21,407,328	5	16,982,909	4
Trade payables to related parties	6(15)	906,224	-	704,262	-
Other payables	7	27,562,938	6	30,481,779	8
Other payables to related parties	4, 5, 6(29)	20,364	-	459	-
Current tax liabilities	4, 6(23)	1,721,632	1	2,904,187	1
Lease liabilities-current	6(16)	499,032	-	-	-
Other current liabilities	6(17), 8	18,002,871	4	17,512,343	4
Current portion of long-term liabilities		1,020,441	-	1,435,806	1
Total current liabilities		131,098,015	29	122,592,079	31
<b>Non-current liabilities</b>					
Long-term borrowings	6(17), 8	165,825	-	244,104	-
Long-term payables	4, 6(18)	1,079,607	-	681,175	-
Net defined benefit liabilities-noncurrent		869,001	-	819,631	-
Deposits received		565,773	-	188,534	-
Deferred tax liabilities	4, 5, 6(29)	6,805,508	2	2,973,703	1
Lease liabilities-noncurrent	4, 6(23)	2,360,427	1	-	-
Non-current liabilities-others		1,358,100	-	1,010,911	-
Total non-current liabilities		13,204,241	3	5,918,058	1
Total liabilities		144,302,256	32	128,510,137	32
<b>Equity attributable to owners of the parent</b>					
Share capital	6(19)				
Common stock		15,896,473	3	15,915,070	4
Capital collected in advance		3,780	-	-	-
Capital surplus	6(19), 6(20), 6(31)	82,392,203	18	85,237,214	21
Retained earnings	6(19)				
Legal reserve		41,507,689	9	39,431,639	10
Undistributed earnings		127,729,843	28	108,577,764	27
Other equity	6(20)	45,276,326	10	23,840,504	6
Treasury shares	4, 6(19)	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		312,750,344	68	272,946,221	68
<b>Non-controlling interests</b>	4, 6(19), 6(31)	1,649,194	-	1,379,686	-
Total equity		314,399,538	68	274,325,907	68
<b>Total liabilities and equity</b>		\$ 458,701,794	100	\$ 402,836,044	100

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku



## MEDIATEK INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

Description	Notes	2019	%	2018	%
<b>Net sales</b>	4, 5, 6(21)	\$ 246,221,731	100	\$ 238,057,346	100
<b>Operating costs</b>	4, 5, 6(7), 6(24), 7	(143,176,223)	(58)	(146,333,658)	(61)
<b>Gross profit</b>		103,045,508	42	91,723,688	39
<b>Operating expenses</b>	6(22), 6(23), 6(24), 7				
Selling expenses		(10,954,054)	(4)	(11,456,060)	(5)
Administrative expenses		(6,538,333)	(3)	(6,765,538)	(3)
Research and development expenses		(63,001,401)	(26)	(57,548,771)	(24)
Expected credit gains		15,732	-	229,157	-
Total operating expenses		(80,478,056)	(33)	(75,541,212)	(32)
<b>Operating income</b>		22,567,452	9	16,182,476	7
<b>Non-operating income and expenses</b>					
Other income	4, 6(25), 7	5,076,437	2	5,009,617	2
Other gains and losses	4, 6(26)	1,084,783	1	3,861,940	2
Finance costs	6(27)	(1,628,685)	(1)	(1,723,738)	(1)
Share of profit of associates accounted for using the equity method	4, 6(9)	(72,618)	-	361,190	-
Changes in associates and joint ventures accounted for using the equity method		4,459,917	2	7,509,009	3
<b>Net income before income tax</b>		27,027,369	11	23,691,485	10
<b>Income tax expense</b>	4, 5, 6(29)	(3,823,059)	(2)	(2,909,089)	(1)
<b>Net income</b>		23,204,310	9	20,782,396	9
<b>Other comprehensive income</b>	4, 6(9), 6(28), 6(29)				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plan		(73,142)	-	(152,757)	-
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		33,059,665	13	314,857	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		2,889,013	1	(1,232,013)	(1)
Income tax relating to those items not to be reclassified to profit or loss		(3,321,857)	(1)	161,158	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		(2,828,823)	(1)	1,012,687	1
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		37,134	-	(18,899)	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		59,033	-	(6,453)	-
<b>Other comprehensive income, net of tax</b>		29,821,023	12	78,580	-
<b>Total comprehensive income</b>		\$ 53,025,333	21	\$ 20,860,976	9
<b>Net income (loss) for the periods attributable to :</b>					
Owners of the parent	6(30)	\$ 23,032,721		\$ 20,760,498	
Non-controlling interests	6(31)	171,589		21,898	
		\$ 23,204,310		\$ 20,782,396	
<b>Total comprehensive income for the periods attributable to :</b>					
Owners of the parent		\$ 52,896,235		\$ 20,860,790	
Non-controlling interests		129,098		186	
		\$ 53,025,333		\$ 20,860,976	
Basic Earnings Per Share (in New Taiwan Dollars)	6(30)	\$ 14.69		\$ 13.26	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(30)	\$ 14.57		\$ 13.18	

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese  
**MEDIA TEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the years ended December 31, 2019 and 2018**  
(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent										Non-controlling interests	Total equity	
	Share capital		Retained earnings			Other equity							Treasury shares
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for-sale financial assets	Others	Treasury shares	Equity attributable to owners of the parent		
Balance as of January 1, 2018	\$ 15,814,140	\$ 231	\$ 88,210,819	\$ 36,998,379	\$ 100,029,197	\$ (2,250,288)	\$ -	\$ 21,062,980	\$ (97,815)	\$ (55,970)	\$ 259,811,643	\$ 1,387,370	\$ 261,199,013
Effects of retrospective application and restatement	-	-	-	-	2,221,085	-	27,945,391	(21,062,980)	-	-	9,103,526	-	9,103,526
Restated balance as of January 1, 2018	15,814,140	231	88,210,819	36,998,379	102,850,282	(2,250,288)	27,945,391	-	(97,815)	(55,970)	268,915,169	1,387,370	270,302,539
Appropriation and distribution of 2017 earnings:	-	-	-	2,433,260	(2,433,260)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	2,433,260	(2,433,260)	-	-	-	-	-	(11,844,548)	-	(11,844,548)
Cash dividends	-	-	-	2,433,260	(14,277,808)	-	-	-	-	-	(11,844,548)	-	(11,844,548)
Total	-	-	(3,948,182)	-	-	-	-	-	-	-	(3,948,182)	-	(3,948,182)
Cash dividends distributed from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year ended December 31, 2018	-	-	-	-	20,760,498	-	-	-	-	-	20,760,498	21,898	20,782,396
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(137,225)	1,027,946	(790,429)	-	-	-	100,292	(21,712)	78,580
Total comprehensive income	-	-	-	-	20,623,273	1,027,946	(790,429)	-	-	-	20,860,990	186	20,860,990
Share-based payment transactions	447	(231)	30,648	-	-	-	-	-	-	-	30,864	-	30,864
Adjustments due to dividends that subsidiaries received from parent company	-	-	77,941	-	-	-	-	-	-	-	77,941	-	77,941
Changes in associates and joint ventures accounted for using the equity method	-	-	(4,327)	-	(31,091)	-	-	-	-	-	(35,418)	-	(35,418)
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	-	(1,379,861)	-	-	-	-	-	(1,379,861)	(206,070)	(1,585,931)
Changes in ownership interests in subsidiaries	-	-	38,318	-	-	-	-	-	-	-	38,318	(26,798)	11,520
Issuance of restricted stock for employees	100,483	-	837,359	-	66,351	-	-	-	(767,683)	-	236,510	-	236,510
Changes in other capital surplus	-	-	(5,362)	-	-	-	(726,618)	-	-	-	(5,362)	-	(5,362)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	224,998	224,998
Balance as of December 31, 2018	15,915,070	-	85,237,214	39,431,639	108,377,764	(1,222,342)	26,428,344	-	(1,365,498)	(55,970)	272,946,221	1,379,686	274,325,907
Appropriation and distribution of 2018 earnings:	-	-	-	2,076,080	(2,076,080)	-	-	-	-	-	(9,525,233)	-	(9,525,233)
Legal reserve	-	-	-	2,076,080	(2,076,080)	-	-	-	-	-	(9,525,233)	-	(9,525,233)
Cash dividends	-	-	-	2,076,080	(11,601,283)	-	-	-	-	-	(9,525,233)	-	(9,525,233)
Total	-	-	(4,762,617)	-	-	-	-	-	-	-	(4,762,617)	-	(4,762,617)
Cash dividends distributed from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year ended December 31, 2019	-	-	-	-	23,032,721	-	-	-	-	-	23,032,721	171,589	23,204,310
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(581,130)	(2,227,299)	32,648,943	-	-	-	29,863,514	(42,491)	29,821,023
Total comprehensive income	-	-	-	-	22,974,591	(2,227,299)	32,648,943	-	-	-	52,896,235	129,098	53,025,333
Share-based payment transactions	1,744	3,780	26,686	-	-	-	-	-	-	-	32,210	115,930	148,140
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,147	-	-	-	-	-	-	-	70,147	-	70,147
Changes in associates and joint ventures accounted for using the equity method	-	-	9,810	-	-	-	-	-	-	-	9,810	-	9,810
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	992	(9,970,74)	-	-	-	-	-	-	(996,082)	24,480	(971,602)
Changes in ownership interests in subsidiaries	-	-	(11,520)	-	-	-	-	-	-	-	(11,520)	-	(11,520)
Issuance of restricted stock for employees	(20,341)	-	1,692,596	37,237	-	-	-	-	286,785	-	1,978,277	-	1,978,277
Changes in other capital surplus	-	-	128,895	-	-	-	-	-	-	-	128,895	-	128,895
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(8,754,607)	-	-	-	(15,999)	-	(15,999)
Balance as of December 31, 2019	\$ 15,896,473	\$ 3,780	\$ 82,392,203	\$ 41,507,689	\$ 127,729,843	\$ (3,949,641)	\$ 50,322,680	\$ -	\$ (1,096,713)	\$ (55,970)	\$ 312,750,344	\$ 1,641,194	\$ 314,399,538

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

Chairman: Ming-Kai Tsai

President: Lih-Shyng Tsai

Chief Financial Officer: David Ku

**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018
<b>Cash flows from operating activities :</b>		
Profit before tax from continuing operations	\$ 27,027,369	\$ 23,691,485
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	4,258,016	3,705,288
Amortization	4,128,225	3,865,516
Expected credit gains	(15,732)	(229,157)
Gains on financial assets and liabilities at fair value through profit or loss	(120,723)	(307,121)
Interest expenses	1,628,685	1,723,738
Gains on derecognition of financial assets measured at amortized cost	(113,066)	(26,388)
Interest income	(4,198,286)	(3,900,942)
Dividend income	(388,662)	(739,625)
Share-based payment expenses	2,019,119	170,699
Share of profit or loss of associates accounted for using the equity method	72,618	(361,190)
Losses on disposal of property, plant and equipment	14,469	18,596
Property, plant and equipment transferred to expenses	3,356	1,738
Losses on disposal of intangible assets	23,050	-
Gains on disposal of non-current assets held for sale	(813,152)	(3,460,483)
Losses on disposal of investments	16,119	5,653
Losses on disposal of investments accounted for using the equity method	-	8,825
Impairment of non-financial assets	46,096	22,760
Others	258	-
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	(4,002,653)	1,018,248
Notes receivables	139	(139)
Trade receivables	1,967,476	(3,486,673)
Trade receivables from related parties	1,605	(6,605)
Other receivables	590,355	(111,701)
Inventories	3,390,495	(4,551,184)
Prepayments	(68,401)	(442,698)
Other current assets	96,466	816,895
Contract liabilities	1,184,656	79,519
Trade payables	7,561,372	(2,653,280)
Trade payables to related parties	201,962	132,669
Other payables	(1,537,716)	(1,297,737)
Other payables to related parties	19,905	459
Other current liabilities	625,299	6,000,892
Net defined benefit liabilities	(8,947)	(2,943)
Non-current liabilities-others	(136,102)	284,328
Cash generated from operating activities:		
Interest received	3,119,610	3,855,851
Dividend received	692,603	1,116,364
Interest paid	(1,607,039)	(1,740,309)
Income tax paid	(3,072,902)	(2,858,509)
Net cash provided by operating activities	<u>42,605,942</u>	<u>20,342,839</u>
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets at fair value through other comprehensive income	(2,859,849)	(2,568,130)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12,815,323	13,391,304
Proceeds from capital return of financial assets at fair value through other comprehensive income	174,983	270,357
Acquisition of financial assets measured at amortized cost	(2,350,377)	(8,550,886)
Proceeds from redemption of financial assets measured at amortized cost	3,016,688	7,261,168
Acquisition of investments accounted for using the equity method	(135,477)	(686,191)
Proceeds from disposal of investments accounted for using the equity method	7,956	715
Net cash outflow from disposal of subsidiaries	-	(30,879)
Proceeds from capital return of investments accounted for using the equity method	126,697	-
Proceeds from disposal of non-current assets held for sale	-	4,729,801
Acquisition of property, plant and equipment	(5,615,810)	(4,652,766)
Proceeds from disposal of property, plant and equipment	16,588	17,547
Decrease in refundable deposits	17,888	30,641
Acquisition of intangible assets	(2,332,489)	(2,150,513)
Decrease in long-term prepaid rent	-	7,291
Net cash provided by investing activities	<u>2,882,121</u>	<u>7,069,459</u>
<b>Cash flows from financing activities :</b>		
Increase (decrease) in short-term borrowings	6,690,952	(13,568,777)
Repayment of long-term borrowings	(78,279)	(92,088)
Increase in deposits received	377,239	9,062
Cash payment for the principal portion of the lease liabilities	(423,648)	-
Proceeds from exercise of employee stock options	167,389	6,052
Cash dividends	(14,161,809)	(15,630,378)
Acquisition of ownership interests in subsidiaries	(979,358)	(1,585,931)
Disposal of ownership interests in subsidiaries (without losing control)	2,281	-
Change in non-controlling interests	(11,520)	275,186
Net cash used in financing activities	<u>(8,416,753)</u>	<u>(30,586,874)</u>
Effect of changes in exchange rate on cash and cash equivalents	(2,696,641)	1,006,445
Net increase (decrease) in cash and cash equivalents	34,374,669	(2,168,131)
Cash and cash equivalents at the beginning of the year	143,170,245	145,338,376
Cash and cash equivalents at the end of the year	<u>\$ 177,544,914</u>	<u>\$ 143,170,245</u>

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**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 20, 2020.

**3. Newly Issued or Revised Standards and Interpretations**

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

MTK and its subsidiaries (“the Company”) applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company follows the transition provision of IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

- b. For the definition of a lease, the Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases. The new definition has no significant impact on the Company.
- c. The Company as lessee: The Company elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.
- (a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company's right-of-use asset increased by NT\$2,703,679 thousand, investment property increased by NT\$63,946 thousand, prepayment decreased by NT\$52,541 thousand, lease liability-current increased by NT\$331,219 thousand and lease liability-noncurrent increased by NT\$2,262,560 thousand.

Among them, on January 1, 2019, for leases that had previously been classified as operating leases applying IAS 17 and whose rent had been paid in full, the Company reclassified the long-term rental prepayment of NT\$121,305 thousand to the right-of-use asset.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
  - iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
  - iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
  - v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- (b) Please refer to Note 4 and Note 6. (23) for additional disclosure of lessees required by IFRS 16.
- (c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:
- i. The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.06%.
  - ii. The difference of the amount NT\$1,076,278 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019 is presented as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$ 1,908,923
Discounted using the incremental borrowing rate on January 1, 2019	\$ 1,517,501
Less: adjustment to leases that meet and elect to be accounted in the same way as short-term leases	(216,184)
Less: adjustment to leases that meet and elect the underlying asset of low value	(18,253)
Add: adjustments to the options to extend or terminate the lease that is reasonably certain to exercise	1,310,715
The carrying value of lease liabilities recognized as at January 1, 2019	<u>\$ 2,593,779</u>

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(d) The Company as lessor: The Company has not made any adjustments. Please refer to Note 4 for the information relating to the lessor.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) and endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

<u>Standards or Interpretations Numbers</u>	<u>The Projects of Standards or Interpretations</u>	<u>Effective Dates</u>
IFRS 3	Amendment to “Business Combinations” -Definition of a Business	January 1, 2020
IAS 1 and IAS 8	“Presentation of Financial Statements” and “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of material (Amendment)	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	“Interest Rate Benchmark Reform” (Amendment)	January 1, 2020

The abovementioned standards and interpretations issued by IASB and have been endorsed by FSC will become effective for annual periods beginning on or after January 1, 2020 and have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC and not yet adopted by the Company as at the end of the reporting period are listed below:

<u>Standards or Interpretations Numbers</u>	<u>The Projects of Standards or Interpretations</u>	<u>Effective Dates</u>
IFRS 10 and IAS 28	“Consolidated Financial Statements” and “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)	To be determined by IASB
IFRS 17	“Insurance Contracts”	January 1, 2021
IAS 1	“Classification of Liabilities as Current or Non-current” (Amendment)	January 1, 2022

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

- A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in Associates and Joint Ventures” (IAS 28), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 “Business Combinations” (IFRS 3) between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

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 currently determining the potential impact of the standards and interpretations listed under A, it is not practicable to estimate the 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 FSC.



**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

*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.

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.

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

If loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
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%	-
MTK	MStar Semiconductor, Inc.	Research, manufacturing and sales	-	100%	1
MTK	MStar International Technology Inc.	Research	100%	100%	2
MTK	HFI Innovation Inc.	Intellectual property right management	100%	100%	-
MTK	Airoha Technology Corp.	Research, manufacturing and sales	-	7%	3
MTK	MStar France SAS	Research	100%	-	1
MTK	MStar Co., Ltd.	General investing	100%	-	1
MTK	Digimoc Holdings Limited	General investing	100%	-	1
MTK	MStar Semiconductor UK Ltd.	Research and technical services	-	-	1,4
MTK	MShining International Corporation	Sales	100%	-	1

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
MTK	Sigmastar Technology Inc.	General investing	-	-	1,5
MTK	Spidcom Technologies	Research	100%	-	1
MTK	ILI Technology Corporation	Research, manufacturing and sales	-	-	1,30
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	General investing	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Capital Co.	General investing	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Bangalore Private Limited	Research	0%	0%	-
Hsu-Ta Investment Corp.	Hsu-Si Investment Corp.	General investing	100%	100%	-
MediaTek Capital Co.	RollTech Technology Co., Ltd.	Research	100%	67%	-
MediaTek Capital Co.	E-Vehicle Semiconductor Technology Co., Ltd.	Research, manufacturing and sales	-	-	6
MediaTek Capital Co.	Chingis Technology Corporation	Research	100%	100%	-
MediaTek Capital Co.	Velocenet Inc.	Research	-	100%	7
MediaTek Capital Co.	Nephos (Taiwan) Inc.	Research	-	100%	8
MediaTek Capital Co.	MediaTek Research Corp.	Research	100%	-	9
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Research	0%	0%	-
Hsu-Si Investment Corp.	Richtek Technology Corp.	Research, manufacturing and sales	100%	100%	-
Hsu-Si Investment Corp.	Airoha Technology Corp.	Research, manufacturing and sales	100%	93%	3
Hsu-Si Investment Corp.	Airoha (Cayman) Inc.	General investing	100%	100%	-

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
Richtek Technology Corp.	Richstar Group Co., Ltd.	General investing	100%	100%	-
Richtek Technology Corp.	Ironman Overseas Co., Ltd.	General investing	100%	100%	-
Richtek Technology Corp.	Richtek Europe Holding B.V.	General investing	100%	100%	-
Richtek Technology Corp.	Richtek Holding International Limited	General investing	100%	100%	-
Richtek Technology Corp.	Richpower Microelectronics Corp.	Manufacturing and sales	100%	100%	-
Richtek Technology Corp.	Li-Yu Investment Corp.	General investing	100%	100%	-
Richtek Technology Corp.	Richnex Microelectronics Corp.	Research, manufacturing and sales	82%	82%	-
Richtek Technology Corp.	Richtek Global Marketing Co., Ltd.	General investing	-	100%	10
Richtek Technology Corp.	Richtek Korea LLC.	Sales and technical services	100%	-	10
Richstar Group Co., Ltd.	Richtek USA Inc.	Sales and technical services	100%	100%	-
Ironman Overseas Co., Ltd.	Cosmic-Ray Technology Limited	General investing	100%	100%	-
Richtek Europe Holding B.V.	Richtek Europe B.V.	Marketing services	100%	100%	-
Cosmic-Ray Technology Limited	Li-We Technology Corp.	Research and technical services	100%	100%	-
Richpower Microelectronics Corp.	Richpower Microelectronics Corporation	Administrative services	100%	100%	-
Richpower Microelectronics Corp.	Richpower Microelectronics Co., Ltd.	Technical services	100%	100%	-
Li-Yu Investment Corp.	Corporate Event Limited	Technical services	51%	51%	-

(To be continued)

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	Sales and technical services	-	100%	10
Airoha (Cayman) Inc.	Airotek (Shenzhen) Inc.	Research and technical services	100%	100%	-
Airoha (Cayman) Inc.	Airotek (Chengdu) Inc.	Research	100%	100%	-
Airoha Technology Corp.	Airoha Technology (Samoa) Corp.	General investing	100%	100%	-
MediaTek India Technology Pvt. Ltd.	MStar Semiconductor India Private Limited	Research and technical services	100%	-	11
Gaintech Co. Limited	MediaTek China Limited	General investing	100%	100%	-
Gaintech Co. Limited	MTK Wireless Limited (UK)	Research	100%	100%	-
Gaintech Co. Limited	MediaTek Japan Inc.	Technical services	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	Gold Rich International (Samoa) Limited	General investing	100%	100%	-
Gaintech Co. Limited	Smarthead Limited	General investing	100%	100%	-
Gaintech Co. Limited	Ralink Technology (Samoa) Corp.	General investing	100%	100%	-
Gaintech Co. Limited	EcoNet (Cayman) Inc.	General investing	75%	75%	-
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technical services	100%	100%	-
Gaintech Co. Limited	Digital Lord Limited	General investing	-	100%	12
Gaintech Co. Limited	Hsu Chia (Samoa) Investment Ltd.	General investing	100%	100%	-
Gaintech Co. Limited	Hsu Fa (Samoa) Investment Ltd.	General investing	100%	100%	-
Gaintech Co. Limited	Hsu Kang (Samoa) Investment Ltd.	General investing	100%	100%	-
Gaintech Co. Limited	Nephos Pte. Ltd.	Research	100%	100%	-
Gaintech Co. Limited	Nephos Inc.	Research	-	100%	13

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
Gaintech Co. Limited	Nephos Cayman Co. Limited	General investing	100%	100%	-
Gaintech Co. Limited	Dynamic Presence Limited	General investing	-	-	14
Gaintech Co. Limited	White Dwarf Limited	General investing	-	100%	15
Gaintech Co. Limited	Zelus Technology (HangZhou) Ltd.	Research and sales	90%	100%	-
Gaintech Co. Limited	IStar Technology Ltd.	General investing	100%	100%	16
Gaintech Co. Limited	MediaTek Research UK Limited	Research	100%	-	17
Gaintech Co. Limited	ILI Technology Holding Corporation	General investing	100%	-	17
Gaintech Co. Limited	Lepower (HK) Limited	General investing	100%	-	12
Gaintech Co. Limited	Sigmastar Technology Inc.	General investing	100%	-	5
Gaintech Co. Limited	Mountain Capital Fund, L.P.	General investing	90%	42%	20
MediaTek China Limited	MediaTek (Hefei) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Beijing) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Shenzhen) Inc.	Research and technical services	100%	100%	-
MediaTek China Limited	MediaTek (Chengdu) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Wuhan) Inc.	Research	100%	100%	-
MediaTek China Limited	Xuxin Investment (Shanghai) Inc.	General investing	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	Research	100%	100%	-
MTK Wireless Limited (UK)	MediaTek Sweden AB	Research	100%	100%	-
MTK Wireless Limited (UK)	MediaTek USA Inc.	Research	100%	100%	-

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
MTK Wireless Limited (UK)	MediaTek Wireless Finland Oy	Research	100%	100%	-
MTK Wireless Limited (UK)	MStar Semiconductor UK Ltd.	Research and technical services	100%	-	4
MTK Wireless Limited (UK)	Nephos Inc.	Research	-	-	13
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	-
Digital Lord Limited	Lepower (HK) Limited	General investing	-	100%	12
Lepower (HK) Limited	Nephos (Beijing) Co., Ltd.	Research	-	-	18
E-Vehicle Semiconductor Technology Co., Ltd.	E-Vehicle Holdings Corp.	General investing	-	-	6
E-Vehicle Holdings Corp.	E-Vehicle Investment Limited	General investing	-	-	6
E-Vehicle Investment Limited	E-Vehicle Semiconductor (Shanghai) Co., Ltd.	Research, manufacturing and sales	-	-	6
EcoNet (Cayman) Inc.	Shadow Investment Limited	General investing	100%	100%	-
EcoNet (Cayman) Inc.	EcoNet (HK) Limited	General investing and research	100%	100%	-
EcoNet (HK) Limited	EcoNet (Suzhou) Limited	Research, manufacturing and sales	100%	100%	-
EcoNet (Suzhou) Limited	EcoNet Limited	General investing and sales	100%	100%	-
Shadow Investment Limited	MediaTek (Nanjing) Inc.	Research	-	-	19
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	100%	-

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
MediaTek Investment Singapore Pte. Ltd.	Cloud Ranger Limited	General investing	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	MStar Semiconductor India Private Limited	Research and technical services	-	100%	11
MStar Semiconductor, Inc.	MStar France SAS	Research	-	100%	1
MStar Semiconductor, Inc.	Shunfonger Investment Holding Limited	General investing	-	-	21
MStar Semiconductor, Inc.	IStar Technology Ltd.	General investing	-	-	16
MStar Semiconductor, Inc.	MStar Co., Ltd.	General investing	-	100%	1
MStar Semiconductor, Inc.	Digimoc Holdings Limited	General investing	-	100%	1
MStar Semiconductor, Inc.	MStar Semiconductor UK Ltd.	Research and technical services	-	100%	1
MStar Semiconductor, Inc.	ILI Technology Corporation	Research, manufacturing and sales	-	100%	1
MStar Semiconductor, Inc.	MStar Technology Pte. Ltd.	Research, manufacturing and sales	-	-	22
MStar Semiconductor, Inc.	MShining International Corporation	Sales	-	100%	1
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Research, manufacturing and sales	-	-	23
MStar Semiconductor, Inc.	Sigmastar Technology Inc.	General investing	-	100%	1
MStar Semiconductor, Inc.	Spidcom Technologies	Research	-	100%	1,24

(To be continued)



**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
Sigmastar Technology Inc.	Xiamen Sigmastar Technology Inc.	Research, manufacturing and sales	80%	90%	-
Sigmastar Technology Inc.	Sigmastar Technology Corp.	Research, manufacturing and sales	100%	100%	23
Xiamen Sigmastar Technology Inc.	Shenzhen Sing Chen Technology Inc.	Research	100%	100%	25
Xiamen Sigmastar Technology Inc.	SigmaStar Technology Inc. (Shanghai)	Research	100%	100%	26
MStar Co., Ltd.	MStar Software R&D (Shenzhen), Ltd.	Technical services	100%	100%	-
Digimoc Holdings Limited	Bubbly Bay Holdings Limited	General investing	-	-	27
MStar Software R&D (Shenzhen), Ltd.	MStar Chen Xi Software Shanghai Ltd.	Technical services	100%	100%	-
MStar Technology Pte. Ltd.	MStar Semiconductor India Private Limited	Research and technical services	-	-	11
MStar Semiconductor UK Ltd.	MSilicon Technology Corp.	Research and technical services	-	-	28
IStar Technology Ltd.	Beijing Ilitek Technology Co., Ltd.	Research and technical services	100%	100%	-
IStar Technology Ltd.	ShenZhen ZhongChen Semiconductor Ltd.	Technical services	100%	100%	29
ILI Technology Holding Corporation	ILI Technology Corporation	Research, manufacturing and sales	100%	-	30
ILI Technology Corporation	ILITEK Holding Inc.	General investing	100%	100%	-
ILITEK Holding Inc.	ILI Technology (SZ) Ltd.	Technical services	100%	100%	-
Nepfos Cayman Co. Limited	Nepfos (Hefei) Co., Ltd.	Research, manufacturing and sales	100%	83%	-
Nepfos (Hefei) Co., Ltd.	Nepfos (Beijing) Co., Ltd.	Research	100%	100%	18

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
Xuxin Investment (Shanghai) Inc.	Xuxi (Shanghai) Management Consulting Co., Ltd.	General investing	100%	-	31
Xuxi (Shanghai) Management Consulting Co., Ltd.	Hefei Xuhui Management Consulting Co., Ltd.	General investing	100%	-	32

- For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with MediaTek Inc. on January 1, 2019. Subsidiaries previously owned by MStar Semiconductor, Inc., were transferred to MediaTek Inc.
- Hsu-Chuang Investment Corp. was renamed Hsu-Chuang Communication Corp. in February 2018 and was further renamed MStar International Technology Inc. in September 2018.
- For the purpose of reorganization, the 7% ownership of Airoha Technology Corp., which was previously owned by MediaTek Inc., was transferred to Hsu-Si Investment Corp. in August 2019.
- For the purpose of reorganization, the 100% ownership of MStar Semiconductor UK Ltd., which was previously owned by MediaTek Inc., was transferred to MTK Wireless Limited (UK) in August 2019.
- For the purpose of reorganization, the 100% ownership of Sigmastar Technology Inc., which was previously owned by MediaTek Inc., was transferred to Gaintech Co. Limited in August 2019.
- E-Vehicle Semiconductor Technology Co., Ltd. and its subsidiaries have been removed from the consolidated entities as the Company lost control over them in December 2018.
- For the purpose of reorganization, Velocenet Inc. was dissolved due to merger with MediaTek Capital Co. in December 2019.
- For the purpose of reorganization, Nephos (Taiwan) Inc. was dissolved due to merger with MediaTek Capital Co. in December 2019.
- MediaTek Capital Co. established MediaTek Research Corp. in January 2019.
- For the purpose of reorganization, Richtek Global Marketing Co., Ltd. has been liquidated in November 2019. The 100% ownership of Richtek Korea LLC., which was previously owned by Richtek Global Marketing Co., Ltd., was transferred to Richtek Technology Corp.
- For the purpose of reorganization, the 100% ownership of MStar Semiconductor India Private Limited, which was previously owned by MStar Technology Pte. Ltd., was transferred to MediaTek Investment Singapore Pte. Ltd. in December 2018. Moreover, the 100% ownership of MStar Semiconductor India Private Limited was transferred to MediaTek India Technology Pvt. Ltd. in November 2019.
- For the purpose of reorganization, Digital Lord Limited has been liquidated in October 2019. The 100% ownership of Lepower (HK) Limited, which was previously owned by Digital Lord Limited, was transferred to Gaintech Co. Limited.
- For the purpose of reorganization, the 100% ownership of Nephos Inc., which was previously owned by Gaintech Co. Limited, was transferred to MTK Wireless Limited (UK) in September 2019. Moreover, Nephos Inc. was dissolved due to merger with MediaTek USA Inc. in October 2019.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

14. For the purpose of reorganization, Dynamic Presence Limited has been liquidated in November 2018.
15. For the purpose of reorganization, White Dwarf Limited has been liquidated in October 2019.
16. For the purpose of reorganization, the 100% ownership of IStar Technology Ltd. and its subsidiaries, which was previously owned by MStar Semiconductor, Inc., was transferred to Gaintech Co. Limited in December 2018.
17. Gaintech Co. Limited established MediaTek Research UK Limited and ILI Technology Holding Corporation in January 2019.
18. Lepower Technologies (Beijing) Inc. was renamed Nephos (Beijing) Co., Ltd. in June 2018. For the purpose of reorganization, the 100% ownership of Nephos (Beijing) Co., Ltd., which was previously owned by Lepower (HK) Limited, was transferred to Nephos (Hefei) Co., Ltd. in September 2018.
19. For the purpose of reorganization, MediaTek (Nanjing) Inc. has been liquidated and returned its capital in February 2018.
20. Mountain Capital Fund, L.P. has been included in the consolidated entities as the Company obtained control over it.
21. For the purpose of reorganization, Shunfonger Investment Holding Limited has been liquidated and returned its capital in August 2018.
22. For the purpose of reorganization, the 100% ownership of MStar Technology Pte. Ltd., which was previously owned by MStar Semiconductor, Inc., was transferred to MediaTek Singapore Pte. Ltd. in December 2018. Moreover, MStar Technology Pte. Ltd. was dissolved due to merger with MediaTek Singapore Pte. Ltd. in December 2018.
23. For the purpose of reorganization, the 100% ownership of Sigmastar Technology Corp., which was previously owned by MStar Semiconductor, Inc., was transferred to Sigmastar Technology Inc. in October 2018.
24. MStar Semiconductor, Inc. accomplished the tender offer and acquired 100% shares of Spidcom Technologies in July 2018.
25. Xiamen Sigmastar Technology Inc. established Shenzhen Sing Chen Technology Inc. in January 2018.
26. Xiamen Sigmastar Technology Inc. established SigmaStar Technology Inc. (Shanghai) in April 2018.
27. For the purpose of reorganization, Bubbly Bay Holdings Limited has been liquidated and returned its capital in July 2018.
28. For the purpose of reorganization, MSilicon Technology Corp. has been liquidated and returned its capital in September 2018.
29. IStar Technology Ltd. established ShenZhen ZhongChen Semiconductor Ltd. in June 2018.
30. For the purpose of reorganization, the 100% ownership of ILI Technology Corporation, which was previously owned by MediaTek Inc., was transferred to ILI Technology Holding Corporation in May 2019.
31. Xuxin Investment (Shanghai) Inc. established Xuxi (Shanghai) Management Consulting Co., Ltd. in April 2019.
32. Xuxi (Shanghai) Management Consulting Co., Ltd. established Hefei Xuhui Management Consulting Co., Ltd. in April 2019.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

Foreign currency transactions

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

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 "Financial Instruments" 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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

*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 IFRS 9 Financial Instruments 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 instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- I. the Company's business model for managing the financial assets and
- II. the contractual cash flow characteristics of the financial asset.

a. Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.



**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

b. Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (i) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (ii) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

c. Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivables.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.



**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

The loss allowance is measured as follows:

- a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

**C. 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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

D. 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 IFRS 9 Financial Instruments 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 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 the near 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 (combined) 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 liabilities or financial assets and financial liabilities 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 company is provided internally on that basis to the key management personnel.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

(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.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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 instrument

The Company uses derivative 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 except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative 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. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, 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 designated at fair value through 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:

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

- 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*

Inventory costs include 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.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

*Investments accounted for using the equity method*

The Company's investment in its associates 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. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under the equity method, the investment in the associate or an investment in a joint venture 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 or joint venture. After the interest in the associate or joint venture 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 or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, 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 or joint venture on a pro rata basis.

When the associate or joint venture issues new shares, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture 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 or joint venture.

The financial statements of the associate or joint venture 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 or an investment in a joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture 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 or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

*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 recognizes 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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

Investment property

The accounting policy from January 1, 2019 is as follows:

The Company's owned 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, 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", investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	40-50 years
Right-of-use assets	29-50 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.

The Company decides to transfer to or from investment properties based on the actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy before January 1, 2019 is as follows:

The Company's 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".



**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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

Buildings	40-50 years
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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.

The Company decides to transfer to or from investment properties based on the actual usage of the assets.

Leases

The accounting policy from January 1, 2019 is as follows:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associate with those leases in the consolidated income statement.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

**B. The Company as a lessor**

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

The accounting policy before January 1, 2019 is as follows:

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

The Company recognizes assets held under finance leases as lease receivables at an amount equal to the net investment in the lease. Direct costs incurred in connection with arranging a finance lease is included in net investment in the lease. The recognition of finance income is allocated over the lease term based on a pattern reflecting a constant periodic rate of return on net investment in the finance lease.

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Sales returns and allowances (Refund liabilities)

The Company estimates sales returns and allowances based on past experience and other known factors in accordance with IFRS 15, which are recognized as deduction of operating revenue and refund liabilities.

Revenue recognition

The Company's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Company's types of revenue are explained as follows:

Sale of goods

The Company manufactures and sells merchandise. Sales are recognized when goods have been shipped and customers have obtained the control (the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits from the goods). The main product of the Company is multimedia integrated circuit chip and revenue is recognized based on the consideration stated in the contract. However, sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Based on previous experience, the Company uses the expected value method to estimate volume discounts. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Refund liability is also recognized during the period specified in the contract.



**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Company transfers the goods to customers and when the customers pay for that goods is usually short and there is no significant financing component to the contract. For a small part of the contracts, the Company has the right to transfer the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Company provides non-recurring engineering services. Revenues are recognized based on the stage of completion of the contracts. Besides, if there are sales transactions included in the services contracts, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contracts, net of the estimated volume discounts. Based on previous experience, the Company uses the expected value method to estimate volume discounts. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Contract liabilities are also recognized during the period specified in the contract.

The contractual considerations of the Company are received in accordance with the payment schedule set by the contracts. When the Company has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently and it should be recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

Silicon intellectual property license

Licensing is to provide customers the right to use intellectual properties. The amount allocated to performance obligation-licenses of intellectual property is recognized as revenue at a point in time in which the licence is granted.



**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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 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 recognizes 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 a subsidiary issues restricted shares, the subsidiary shall follow the same accounting policy, and any equity variances resulted shall be attributed 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 income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by shareholders.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

*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 IFRS 9 "Financial Instruments" 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.

*Non-current assets held for sale*

Non-current assets or disposal groups are classified as held for sale if they are available for immediate sale in their present condition subject only to terms that are usual and customary for sale of such assets or disposal group and that are highly probable to complete within one year. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

**5. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements requires 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 Level 3 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- estimation of obsolescence provision

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(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 allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (16) for more details.

**6. Contents of Significant Accounts**

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	\$ 4,182	\$ 4,653
Checking and savings accounts	20,314,514	20,053,199
Time deposits	157,063,421	122,966,588
Cash equivalents - repurchase agreements	102,787	145,805
Cash in transit	60,010	-
Total	<u>\$ 177,544,914</u>	<u>\$ 143,170,245</u>

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.



## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(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, 2019	December 31, 2018
<u>Current</u>		
<u>Financial assets mandatorily</u>		
<u>measured at fair value through</u>		
<u>profit or loss</u>		
Funds	\$ 5,891,239	\$ 3,162,748
Linked deposits	238,004	790,425
Bonds	132,466	997,692
Stocks	76,404	74,504
Forward exchange contracts	4,621	1,327
Total	<u>\$ 6,342,734</u>	<u>\$ 5,026,696</u>
<u>Held for trading financial liabilities</u>		
Forward exchange contracts	<u>\$ 9,085</u>	<u>\$ 4,932</u>
<u>Noncurrent</u>		
<u>Financial assets mandatorily</u>		
<u>measured at fair value through</u>		
<u>profit or loss</u>		
Linked deposits	\$ 5,379,044	\$ 3,070,747
Bonds	612,052	384,852
Trust Funds	576,848	394,617
Stocks	300,259	136,008
Total	<u>\$ 6,868,203</u>	<u>\$ 3,986,224</u>

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



**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (3) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
<u>Current</u>		
<u>Debt instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Bonds	\$ 238,355	\$ 1,357,537
<u>Equity instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Listed company stocks	18,651,002	12,000,191
Unlisted company stocks	137,247	110,347
Subtotal	18,788,249	12,110,538
Total	<u>\$ 19,026,604</u>	<u>\$ 13,468,075</u>
<u>Noncurrent</u>		
<u>Debt instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Bonds	\$ 1,627,019	\$ 787,275
<u>Equity instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Listed company stocks	26,415,109	12,047,624
Capital	11,979,752	11,109,299
Unlisted company stocks	7,207,708	5,431,327
Funds	2,993,489	2,707,975
Subtotal	48,596,058	31,296,225
Total	<u>\$ 50,223,077</u>	<u>\$ 32,083,500</u>

Financial assets at fair value through other comprehensive income were not pledged.

Please refer to Note 6. (22) for more details on accumulated impairment of debt instrument investments measured at fair value through other comprehensive income and Note 12 for more details on credit risk.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the years ended of 2019 and 2018 are as follows:

	For the years ended December 31	
	2019	2018
Related to investments held at the end of the reporting period	\$ 367,188	\$ 739,625
Related to investments derecognized during the period	2,684	-
Dividends recognized during the period	<u>\$ 369,872</u>	<u>\$ 739,625</u>

In consideration of disposition according to the Company's investment strategy or liquidation of certain investments, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31	
	2019	2018
The fair value of the investments at the date of derecognition	<u>\$ 11,632,381</u>	<u>\$ 1,254,830</u>
The cumulative gain on disposal	<u>\$ 9,667,162</u>	<u>\$ 810,176</u>

(4) Financial assets measured at amortized cost

	December 31, 2019	December 31, 2018
<u>Current</u>		
Bonds	\$ 259,415	\$ 2,995,945
Time deposits	-	9,705
Subtotal	<u>259,415</u>	<u>3,005,650</u>
<u>Noncurrent</u>		
Bonds	2,253,036	290,000
Time deposits	317,006	190,106
Subtotal	<u>2,570,042</u>	<u>480,106</u>
Total	<u>\$ 2,829,457</u>	<u>\$ 3,485,756</u>

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6. (22) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

## (5) Trade receivables and trade receivables from related parties

	December 31, 2019	December 31, 2018
Trade receivables	\$ 26,920,545	\$ 29,037,221
Less: allowance for doubtful debts	(91,274)	(107,395)
Subtotal	<u>26,829,271</u>	<u>28,929,826</u>
Trade receivables from related parties	5,000	6,605
Less: allowance for doubtful debts	-	-
Subtotal	<u>5,000</u>	<u>6,605</u>
Total	<u>\$ 26,834,271</u>	<u>\$ 28,936,431</u>

Trade receivables and trade receivables from related parties were not pledged.

Trade receivables are generally on 30 to 150 day terms. The total carrying amount were NT\$26,925,545 thousand and NT\$29,043,826 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6. (22) for more details on impairment of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

Trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring without recourse were NT\$2,472,998 thousand and NT\$3,865,489 thousand as of December 31, 2019 and 2018, respectively.

## (6) Other receivables

	December 31, 2019	December 31, 2018
Factoring receivables	\$ 3,436,924	\$ 2,978,963
Others	2,876,154	5,250,753
Total	<u>\$ 6,313,078</u>	<u>\$ 8,229,716</u>

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

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\$3,436,924 thousand and NT\$2,978,963 thousand as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, trade receivables derecognized were summarized (by transferee) as follows:

## A. As of December 31, 2019:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin					
International Bank	-	\$ 67,421	\$ -	\$ 67,421	\$ 116,000
BNP Paribas	-	46,587	-	46,587	155,000
CHB	-	153	-	153	1,200
CTBC	-	-	-	-	1,675
SMBC	-	-	-	-	12,000
SKCB	-	-	-	-	2,500
Total		\$ 114,161	\$ -	\$ 114,161	\$ 288,375

## B. As of December 31, 2018:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin					
International Bank	-	\$ 50,860	\$ -	\$ 50,860	\$ 102,500
BNP Paribas	-	42,962	-	42,962	157,000
HSBC	-	-	-	-	350
SMBC	-	3,109	-	3,109	10,000
Total		\$ 96,931	\$ -	\$ 96,931	\$ 269,850

## (7) Inventories

	December 31, 2019	December 31, 2018
Raw materials	\$ 1,944,316	\$ 3,866,518
Work in progress	17,247,335	15,950,814
Finished goods	8,423,586	11,162,435
Net amount	\$ 27,615,237	\$ 30,979,767

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

For the years ended December 31, 2019 and 2018, the cost of inventories recognized in expenses amounted to NT\$143,176,223 thousand and NT\$146,333,658 thousand, including reversal of write-down of inventories of NT\$320,946 thousand for the year ended December 31, 2019 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\$2,213,779 thousand for the year ended December 31, 2018.

Inventories were not pledged.

**(8) Prepayments**

	December 31, 2019	December 31, 2018
Prepaid expenses	\$ 864,904	\$ 684,645
Input tax	187,474	197,544
Others	497,707	641,092
Total	<u>\$ 1,550,085</u>	<u>\$ 1,523,281</u>

**(9) Investments accounted for using the equity method**

Details of investments in associates and jointly controlled entities are as follows:

Investees	December 31, 2019		December 31, 2018	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
MOUNTAIN CAPITAL				
FUND, L.P.	\$ -	-	\$ 1,585,705	42
FONTAINE CAPITAL				
FUND, L.P.	1,180,774	57	1,187,618	57
Others	1,074,961	-	1,107,816	-
Subtotal	<u>2,255,735</u>		<u>3,881,139</u>	
Investments in jointly controlled entities:				
Yuan Ke (Pingtan) Investment				
Fund Limited Partnership	11,360,790	81	8,830,819	81
Subtotal	<u>11,360,790</u>		<u>8,830,819</u>	
Total	<u>\$ 13,616,525</u>		<u>\$ 12,711,958</u>	

Subsidiary Gaintech Co. Limited has control over Mountain Capital Fund, L.P. and the Company included it in the consolidated entities.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

Although partial of the Company's ownership in the aforementioned investments were higher than 50%, those investments were Limited Partnership and the Company served as a Limited Partner which had no ability to direct the relevant activities of them. Therefore, the Company had no control over them and they were not included in the consolidated entities.

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

## A. Investments in associates

	For the years ended December 31	
	2019	2018
Loss from continuing operations	\$ (145,013)	\$ (47,032)
Other comprehensive income (post-tax)	(2,991)	(2,094)
Total comprehensive income	<u>\$ (148,004)</u>	<u>\$ (49,126)</u>

## B. Investments in jointly controlled entities

	For the years ended December 31	
	2019	2018
Loss from continuing operations	\$ (119,922)	\$ (19,009)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$ (119,922)</u>	<u>\$ (19,009)</u>

The associates and jointly controlled entities had no contingent liabilities or capital commitments and investments in associates and jointly controlled entities were not pledged as of December 31, 2019 and 2018.

## (10)Property, plant and equipment

	December 31, 2019	December 31, 2018 (Note)
Owner-occupied property, plant and equipment	<u>\$ 38,889,940</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## 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
				equipment	equipment				
<b>A. Owner-occupied property, plant and equipment (after the application of IFRS 16)</b>									
<b>Cost:</b>									
As of January 1, 2019	\$ 5,486,945	\$ 28,032,356	\$ 1,231,413	\$ 5,881,516	\$ 8,900,423	\$ 2,113,288	\$ 1,702,221	\$ 53,348,162	
Additions-acquired separately	116,430	393,219	171,121	1,589,092	1,544,693	335,769	1,328,552	5,478,876	
Disposals	(3,223)	(123,265)	(52,662)	(219,045)	(229,891)	(395,316)	(7,758)	(1,031,160)	
Transfers	-	1,991,039	(78,109)	449,745	459,772	(318,306)	(2,390,025)	114,116	
Exchange differences	-	(455,716)	(1,476)	(77,611)	(81,360)	(41,449)	(9,405)	(667,017)	
As of December 31, 2019	\$ 5,600,152	\$ 29,837,633	\$ 1,270,287	\$ 7,623,697	\$ 10,593,637	\$ 1,693,986	\$ 623,585	\$ 57,242,977	
<b>Depreciation and impairment:</b>									
As of January 1, 2019	\$ -	\$ 4,320,989	\$ 590,632	\$ 4,212,213	\$ 5,418,395	\$ 1,202,347	\$ -	\$ 15,744,576	
Depreciation	-	845,879	170,733	1,030,898	1,281,701	429,442	-	3,758,653	
Disposals	-	(117,587)	(56,609)	(208,994)	(215,537)	(398,020)	-	(996,747)	
Transfers	-	(14,881)	(64,319)	283,503	137,955	(282,836)	-	59,422	
Exchange differences	-	(47,924)	(1,245)	(65,068)	(71,063)	(27,567)	-	(212,867)	
As of December 31, 2019	\$ -	\$ 4,986,476	\$ 639,192	\$ 5,252,552	\$ 6,551,451	\$ 923,366	\$ -	\$ 18,353,037	
<b>Net carrying amount as of:</b>									
December 31, 2019	\$ 5,600,152	\$ 24,851,157	\$ 631,095	\$ 2,371,145	\$ 4,042,186	\$ 770,620	\$ 623,585	\$ 38,889,940	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.



## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

## B. Property, plant and equipment (prior to the application of IFRS 16)

Cost:	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment		Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
				equipment	equipment				
As of January 1, 2018	\$ 5,196,705	\$ 27,212,618	\$ 1,425,053	\$ 5,689,417	\$ 7,602,174	\$ 2,305,629	\$ 846,426	\$ 50,278,022	
Additions-acquired separately	-	895,958	71,991	402,131	1,251,610	661,148	1,570,055	4,852,893	
Disposals	-	(13,448)	(153,673)	(181,521)	(141,490)	(695,102)	-	(1,185,234)	
Transfers	290,240	295,286	(108,809)	13,678	246,416	(132,577)	(713,434)	(109,200)	
Exchange differences	-	(358,058)	888	(40,538)	(55,314)	(25,136)	(826)	(478,984)	
Others	-	-	(4,037)	(1,651)	(2,973)	(674)	-	(9,335)	
As of December 31, 2018	\$ 5,486,945	\$ 28,032,356	\$ 1,231,413	\$ 5,881,516	\$ 8,900,423	\$ 2,113,288	\$ 1,702,221	\$ 53,348,162	

## Depreciation and impairment:

As of January 1, 2018	\$ -	\$ 3,543,549	\$ 535,742	\$ 3,407,765	\$ 4,496,269	\$ 1,356,057	\$ -	\$ 13,339,382
Depreciation	-	822,182	233,837	1,010,098	1,084,069	534,485	-	3,684,671
Disposals	-	(12,392)	(151,645)	(177,276)	(137,959)	(668,081)	-	(1,147,353)
Transfers	-	(6,274)	(26,765)	2,213	22,394	(19,810)	-	(28,242)
Exchange differences	-	(26,076)	1,009	(28,971)	(43,429)	346	-	(97,121)
Others	-	-	(1,546)	(1,616)	(2,949)	(650)	-	(6,761)
As of December 31, 2018	\$ -	\$ 4,320,989	\$ 590,632	\$ 4,212,213	\$ 5,418,395	\$ 1,202,347	\$ -	\$ 15,744,576

## Net carrying amount as of:

December 31, 2018	\$ 5,486,945	\$ 23,711,367	\$ 640,781	\$ 1,669,303	\$ 3,482,028	\$ 910,941	\$ 1,702,221	\$ 37,603,586
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Please refer to Note 8 for more details on property, plant and equipment under pledge.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (11) Investment property

The Company's investment properties include both owned investment properties and investment properties held by the Company as right-of-use assets.

The Company has entered into commercial property leases for its owned investment properties with terms between 40 and 50 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The investment properties held by the Company as right-of-use assets with non-cancellable period of 3 to 50 years. Some of these contracts provide the Company options to extend the leases.

	<u>Land</u>	<u>Buildings and facilities</u>	<u>Right-of-use assets (Note)</u>	<u>Total</u>
Cost:				
As of January 1, 2019	\$ 201,536	\$ 808,452	\$ -	\$ 1,009,988
Additions from adoption of IFRS 16	-	-	63,946	63,946
Transfers	-	12,907	4,293	17,200
Exchange differences	-	(19,324)	(247)	(19,571)
As of December 31, 2019	<u>\$ 201,536</u>	<u>\$ 802,035</u>	<u>\$ 67,992</u>	<u>\$ 1,071,563</u>
As of January 1, 2018	\$ 201,536	\$ 739,274		\$ 940,810
Transfers	-	84,271		84,271
Exchange differences	-	(15,093)		(15,093)
As of December 31, 2018	<u>\$ 201,536</u>	<u>\$ 808,452</u>		<u>\$ 1,009,988</u>
Depreciation and impairment:				
As of January 1, 2019	\$ -	\$ 92,645	\$ -	\$ 92,645
Depreciation	-	21,726	2,268	23,994
Transfers	-	1,358	31	1,389
Exchange differences	-	(2,876)	(39)	(2,915)
As of December 31, 2019	<u>\$ -</u>	<u>\$ 112,853</u>	<u>\$ 2,260</u>	<u>\$ 115,113</u>

(To be continued)

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

	Land	Buildings and facilities	Right-of-use assets (Note)	Total
As of January 1, 2018	\$ -	\$ 67,159		\$ 67,159
Depreciation	-	20,617		20,617
Transfers	-	6,634		6,634
Exchange differences	-	(1,765)		(1,765)
As of December 31, 2018	<u>\$ -</u>	<u>\$ 92,645</u>		<u>\$ 92,645</u>
Net carrying amount as of:				
December 31, 2019	<u>\$ 201,536</u>	<u>\$ 689,182</u>	<u>\$ 65,732</u>	<u>\$ 956,450</u>
December 31, 2018	<u>\$ 201,536</u>	<u>\$ 715,807</u>		<u>\$ 917,343</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

	For the years ended December 31	
	2019	2018
Rental income from investment properties	\$ 115,520	\$ 98,562
Less:		
Direct operating expenses from investment properties generating rental income	(23,994)	(20,617)
Total	<u>\$ 91,526</u>	<u>\$ 77,945</u>

Please refer to Note 8 for more details on investment properties under pledge.

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

Based on comparative approach:	December 31, 2019	December 31, 2018
Fair value	<u>\$ 1,386,439</u>	<u>\$ 1,295,589</u>
Based on comparative approach and income approach:	December 31, 2019	December 31, 2018
Fair value	<u>\$ 263,382</u>	<u>\$ 263,076</u>
Income capitalization rate	<u>1.10%-3.44%</u>	<u>1.05%-3.24%</u>

English Translation of Financial Statements Originally Issued in Chinese

**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, 2019	\$ 772,487	\$ 3,540,539	\$ 5,114,146	\$ 10,712,618	\$ 65,462,080	\$ 85,601,870
Additions-acquired separately	-	253,156	-	1,114,145	-	1,367,301
Disposals	-	(94,496)	-	(185,550)	-	(280,046)
Transfers	-	(2,965,856)	-	2,947,685	-	(18,171)
Exchange differences	-	(2,890)	-	(34,184)	(11,803)	(48,877)
As of December 31, 2019	\$ 772,487	\$ 730,453	\$ 5,114,146	\$ 14,554,714	\$ 65,450,277	\$ 86,622,077
As of January 1, 2018	\$ 772,487	\$ 2,977,133	\$ 5,114,146	\$ 9,642,915	\$ 65,446,925	\$ 83,953,606
Additions-acquired separately	-	677,953	-	611,623	-	1,289,576
Disposals	-	(102,724)	-	(9,355)	-	(112,079)
Transfers	-	(7,680)	-	453,459	-	445,779
Exchange differences	-	(1,190)	-	30,051	15,155	44,016
Others	-	(2,953)	-	(16,075)	-	(19,028)
As of December 31, 2018	\$ 772,487	\$ 3,540,539	\$ 5,114,146	\$ 10,712,618	\$ 65,462,080	\$ 85,601,870

**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, 2019	\$ 504,794	\$ 2,651,297	\$ 2,721,397	\$ 5,935,784	\$ -	\$ 11,813,272
Amortization	112,599	220,764	640,055	3,154,807	-	4,128,225
Disposals	-	(94,496)	-	(162,500)	-	(256,996)
Transfers	-	(2,420,412)	-	2,479,556	-	59,144
Exchange differences	-	587	-	(39,257)	-	(38,670)
As of December 31, 2019	\$ 617,393	\$ 357,740	\$ 3,361,452	\$ 11,368,390	\$ -	\$ 15,704,975
As of January 1, 2018						
As of January 1, 2018	\$ 392,194	\$ 2,044,968	\$ 2,118,267	\$ 3,369,097	\$ -	\$ 7,924,526
Amortization	112,600	716,917	603,130	2,432,869	-	3,865,516
Disposals	-	(102,724)	-	(9,355)	-	(112,079)
Transfers	-	(5,318)	-	154,678	-	149,360
Exchange differences	-	141	-	(1,830)	-	(1,689)
Others	-	(2,687)	-	(9,675)	-	(12,362)
As of December 31, 2018	\$ 504,794	\$ 2,651,297	\$ 2,721,397	\$ 5,935,784	\$ -	\$ 11,813,272
Net carrying amount as of:						
December 31, 2019	\$ 155,094	\$ 372,713	\$ 1,752,694	\$ 3,186,324	\$ 65,450,277	\$ 70,917,102
December 31, 2018	\$ 267,693	\$ 889,242	\$ 2,392,749	\$ 4,776,834	\$ 65,462,080	\$ 73,788,598

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

(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 goodwill of NT\$65,450,277 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 rates 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.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (14) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	\$ 57,254,570	\$ 51,056,528
Interest rates	2.05%-2.55%	1.00%-3.39%

## (15) Other payables

	December 31, 2019	December 31, 2018
Accrued salaries and bonuses	\$ 18,180,385	\$ 18,426,299
Accrued royalties	2,244,203	1,885,990
Others	7,138,350	10,169,490
Total	\$ 27,562,938	\$ 30,481,779

## (16) Other current liabilities

	December 31, 2019	December 31, 2018
Refund liabilities	\$ 17,514,391	\$ 17,214,694
Others	488,480	297,649
Total	\$ 18,002,871	\$ 17,512,343

## (17) Long-term borrowings

Details of long-term loans as of December 31, 2019 are as follows:

Lenders	December 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Secured long-term loan from Shin Kong Bank	\$ 202,675	1.40%	Effective from October 30, 2017, principal is repaid in 16 semi- annually payments with monthly interest payments.
Less: current portion	(36,850)		
Noncurrent portion	\$ 165,825		



**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

Details of long-term loans as of December 31, 2018 are as follows:

Lenders	December 31, Interest		Maturity date and terms of repayment
	2018	Rate (%)	
Unsecured long-term loan from Mega International Commercial Bank	\$ 5,000	1.79%	Effective from May 10, 2018, principal is repaid in 21 quarterly payments with monthly interest payments.
Secured long-term loan from Mega International Commercial Bank	36,429	1.79%	Effective from May 10, 2018, principal is repaid in 21 quarterly payments with monthly interest payments.
Secured long-term loan from Shin Kong Bank	239,525	1.40%	Effective from October 30, 2017, principal is repaid in 16 semi- annually payments with monthly interest payments.
Total	280,954		
Less: current portion	(36,850)		
Noncurrent portion	<u>\$ 244,104</u>		

Please refer to Note 8 for more details on long-term loans under pledge.

**(18) 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, 2019 and 2018 were NT\$1,807,298 thousand and NT\$1,716,934 thousand, respectively.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**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.

The funds are operated and managed by the government's designated authorities. 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\$2,325 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The weighted average duration of the defined benefit obligation was 11 to 18 years and 10 to 19 years as of December 31, 2019 and 2018, respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended	
	December 31	
	2019	2018
Current service cost	\$ 6,471	\$ 7,592
Net interest on the net defined benefit liabilities	10,604	10,094
Past service cost	3,002	(3,063)
Subtotal	20,077	14,623
Underestimate on book	(1,141)	(496)
Total	\$ 18,936	\$ 14,127

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

	December 31,	December 31,
	2019	2018
Defined benefit obligation	\$ 1,170,583	\$ 1,090,597
Plan assets at fair value	(301,584)	(286,932)
Subtotal	868,999	803,665
Overestimate on book	2	1,141
Subtotal	869,001	804,806
Net defined benefit assets	-	14,825
Net defined benefit liabilities	\$ 869,001	\$ 819,631

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(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, 2019	\$ 1,090,597	\$ (286,932)	\$ 803,665
Current service cost	6,471	-	6,471
Interest expenses (income)	13,199	(2,595)	10,604
Past service cost	3,002	-	3,002
Subtotal	22,672	(2,595)	20,077
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	21,902	-	21,902
Actuarial gains and losses arising from changes in financial assumptions	83,359	-	83,359
Experience adjustments	(22,235)	-	(22,235)
Remeasurements of the defined benefit assets	-	(9,891)	(9,891)
Subtotal	83,026	(9,891)	73,135
Payment of benefit obligation	(25,712)	17,091	(8,621)
Contributions by employer	-	(19,257)	(19,257)
Subtotal	1,170,583	(301,584)	868,999
Overestimate on book	2	-	2
As of December 31, 2019	\$ 1,170,585	\$ (301,584)	\$ 869,001
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2018	\$ 924,450	\$ (268,747)	\$ 655,703
Current service cost	7,592	-	7,592
Interest expenses (income)	13,694	(3,600)	10,094
Past service cost	(3,063)	-	(3,063)
Subtotal	18,223	(3,600)	14,623
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(5,845)	-	(5,845)
Actuarial gains and losses arising from changes in financial assumptions	161,312	-	161,312
Experience adjustments	(4,931)	-	(4,931)
Remeasurements of the defined benefit assets	-	(121)	(121)
Subtotal	150,536	(121)	150,415
Payment of benefit obligation	(2,612)	2,612	-
Contributions by employer	-	(17,076)	(17,076)
Subtotal	1,090,597	(286,932)	803,665
Overestimate on book	1,141	-	1,141
As of December 31, 2018	\$ 1,091,738	\$ (286,932)	\$ 804,806

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(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, 2019	December 31, 2018
Discount rate	0.75%-1.25%	1.00%-1.50%
Expected rate of salary increases	2.25%-5.00%	2.00%-5.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended December 31			
	2019		2018	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	\$	\$ (93,951)	\$	\$ (88,078)
Discount rate decreases by 0.5%	103,676		97,477	
Rate of future salary increases by 0.5%	100,728		95,071	
Rate of future salary decreases by 0.5%		(92,373)		(86,907)

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.

**(19) Equity****A. Share capital**

MTK's authorized capital as of December 31, 2019 and 2018 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\$15,896,473 thousand and NT\$15,915,070 thousand divided into 1,589,647,349 shares and 1,591,506,977 shares, as of December 31, 2019 and 2018, respectively. Each share has one voting right and a right to receive dividends.

On June 15, 2018, the general shareholders' meeting approved to issue restricted stocks for employees. As of December 31, 2019, 16,666,214 shares of restricted stocks for employees were issued. Relevant regulators' approvals have been obtained and related registration processes have been completed.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

MTK has redeemed and cancelled 6,440,764 shares and 2,211,278 shares of issued restricted stocks for employees during the years ended December 31, 2019 and 2018, respectively. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MTK issued 174,472 shares and 21,590 shares at par value of NT\$10 for exercising employee stock options for the years ended December 31, 2019 and 2018. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MTK issued 377,973 new shares for the year ended December 31, 2019 at par value of NT\$10 for exercising employee stock options. The aforementioned new issued shares (NT\$3,780 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of December 31, 2019.

**B. Capital surplus**

	December 31, 2019	December 31, 2018
Additional paid-in capital	\$ 76,646,751	\$ 80,196,101
Treasury share transactions	1,677,838	1,607,691
The difference between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	992	-
Changes in ownership interests in subsidiaries	1,173,605	1,185,125
Donated assets	1,261	1,261
From share of changes in net assets of associates	9,810	-
Employee stock options	353,275	444,505
Restricted stocks for employees	2,127,089	1,600,453
Others	401,582	202,078
<b>Total</b>	<b>\$ 82,392,203</b>	<b>\$ 85,237,214</b>

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

C. Treasury shares

As of December 31, 2019 and 2018, 7,794,085 shares of MTK's common shares amounting to NT\$55,970 thousand were held by the subsidiary, MediaTek Capital Co. These shares held by MediaTek Capital Co. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2019 and 2018, MTK did not hold any other treasury shares.

D. Retained earnings and dividend policy

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

- a. reserve for tax payments;
- b. offset accumulated losses in previous years, if any;
- c. legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock;
- d. allocation or reverse of special reserves as required by law or government authorities;
- e. the remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

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 paid-in 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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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.

Details of the 2018 and 2017 earnings distribution and dividends per share as resolved by general shareholders' meeting on June 14, 2019 and June 15, 2018, respectively, are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 2,076,050	\$ 2,433,260	-	-
Cash dividends-common stock	9,525,233	11,844,548	\$ 6.00	\$ 7.50
Total	<u>\$ 11,601,283</u>	<u>\$ 14,277,808</u>		

In addition, the general shareholders' meeting on June 14, 2019 and June 15, 2018 resolved to distribute the additional paid-in capital by cash in the amount of NT\$4,762,617 thousand and NT\$3,948,182 thousand, or NT\$3.0 per share and NT\$2.5 per share, respectively.



**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## E. Non-controlling interests

	For the years ended of December 31	
	2019	2018
Beginning balance	\$ 1,379,686	\$ 1,387,370
Gains attributable to non-controlling interests	171,589	21,898
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(42,491)	(21,712)
Share-based payment transactions	115,930	-
Changes in ownership interests in subsidiaries	-	(26,798)
Acquisition of additional interest in a subsidiary	24,480	(206,070)
Others	-	224,998
Ending balance	\$ 1,649,194	\$ 1,379,686

## (20) 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 July 2009, May 2010, August 2011, August 2012 and August 2013, MTK was authorized by the FSC, Executive Yuan, to issue employee stock options of 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 Taiwan Stock Exchange Corporation ("TWSE") on the grant date.

Detail information relevant to the share-based payment plan as of December 31, 2019 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)
2009.08.18	1,382,630	-	-	\$ 422.0
2010.08.27	1,605,757	533,596	533,596	397.8
2010.11.04	65,839	8,134	8,134	370.5
2011.08.24	2,109,871	729,599	729,599	272.6
2012.08.14	1,346,795	610,309	610,309	281.9
2013.08.22	1,436,343	839,825	839,825	368.0

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

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.

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%-6.57%
Expected volatility (%)	32.9%-42.99%
Risk free interest rate (%)	0.93%-1.65%
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			
	2019		2018	
	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)
Employee Stock Option				
Outstanding at beginning of period	3,883,721	\$ 337.5	4,673,059	\$ 340.4
Granted	-	-	-	-
Exercised (Note)	(552,445)	303.0	(21,590)	278.2
Forfeited (Expired)	(609,813)	402.4	(767,748)	347.0
Outstanding at end of period	<u>2,721,463</u>	329.0	<u>3,883,721</u>	337.5
Exercisable at end of period	<u>2,721,463</u>		<u>3,883,721</u>	
Weighted-average fair value of options granted during the period (in NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Note: The weighted average share price at the date of exercise of those options were NT\$408.2 and NT\$329.1 for the years ended December 31, 2019 and 2018, respectively.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(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, 2019 and 2018 is as follows:

Date of grant	Range of Exercise Price (NT\$)	December 31, 2019		December 31, 2018	
		Outstanding stock options	Outstanding stock options	Outstanding stock options	Outstanding stock options
		Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT\$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT\$)
2009.07.27	\$ 422.0	-	\$ -	-	\$ 423.2
2010.05.10	370.5-397.8	-	397.4	-	398.5
2011.08.09	272.6	-	272.6	-	273.4
2012.08.09	281.9	-	281.9	0.13	282.6
2013.08.09	368.0	0.17	368.0	1.17	368.0

Restricted stocks plan for employees of MTK

On June 24, 2016 and June 15, 2018, the shareholders' meeting approved to issue gratuitous restricted stocks for employees, at a total of 17,500,000 and 19,200,000 common shares. MTK shall set up the actual issuance date(s) in one tranche or in installments within one year from the date of receipt of the effective registration of the competent authority. The issuance process was granted effective registration by the securities authority.

MTK has issued 10,528,505, 300,000, 12,259,550, 2,205,888, 17,818 and 2,182,958 gratuitous restricted stocks on September 6, 2016, July 17, 2017, September 6, 2018, February 27, 2019, April 12, 2019, and July 15, 2019, respectively. The issuance process was granted effective registration by the securities authority.

The fair value of the restricted stocks issued was NT\$254.5, NT\$254.5, NT\$255, NT\$280, NT\$293.5 and NT\$314.5 per share, respectively. The estimated compensation expenses amounted to NT\$4,065,720 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of December 31, 2019, MTK had recognized NT\$2,969,007 thousand as compensation expense and NT\$1,096,713 thousand as unearned employee compensation, which were recorded under salary expense and other equity, respectively.

Restrictions on the rights and vesting conditions of restricted stocks for employees of 2016 and 2018 are as follows:

A. To issue common shares of MTK with gratuitous issue price.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

- B. Employee's continuous employment with the Company through the vesting dates, with no violation on any terms of the Company's employment agreement, employee handbook, or policies and achievement of both personal performance criterion and the Company's operation objectives during the vesting period, are eligible to receive the vested shares. For restricted stocks for employees of 2016, the maximum portions of the vesting shares of each year are 15%, 35%, and 50% for the years ended 2017, 2018, and 2019, respectively. For restricted stocks for employees of 2018, the maximum portion of the vesting shares of each year are 34%, 33%, 33%, for the years ended 2019, 2020, 2021, respectively. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives.
- C. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.
- D. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting right, etc., and other rights of restricted stock plan for employees, including but not limited to, dividends, bonuses, the distribution rights of legal reserve and capital surplus, the right to subscription of new shares, etc., are the same as the common shares issued by MTK.

Share-based payment plans of Subsidiaries

On May 21, 2018, Board of Directors of Airoha (Cayman) Inc. resolved to issue 4,868,732 common shares for the exercise of employee stock options of Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc. and restricted stocks plan for employees of Airoha Technology Corp.

Each unit of employee stock options is eligible to subscribe for one common share of Airoha (Cayman) Inc. The options may be granted to qualified employees of Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc. with exercise price of US\$3.48 per share. Total outstanding stock options of Airoha (Cayman) Inc. were 340,000 units as of December 31, 2018. During the year ended December 31, 2019, totally 42,900 units were granted and 63,700 units expired. Total outstanding stock options of Airoha (Cayman) Inc. were 319,200 units as of December 31, 2019.

On June 19, 2019, Board of Directors of ILI Technology Holding Corporation resolved to issue 47,463,000 common shares for the exercise of employee stock options of ILI Technology (SZ) Ltd. and restricted stocks plan for employees of ILI Technology Corporation.

Each unit of employee stock options is eligible to subscribe for one common share of ILI Technology Holding Corporation. The options may be granted to qualified employees of ILI Technology (SZ) Ltd. with subscription price of NT\$10 per share. Total outstanding stock options of ILI Technology Holding Corporation were 2,680,000 units as of December 31, 2019.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(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, the Price-Book Ratio and the Price-to-Earnings Ratio were used to estimate the fair value of options granted. Assumptions of the Black-Scholes Option Pricing model used in calculating the fair value are disclosed as follows:

	<u>Compensatory Stock Option Plan</u>
Expected dividend yield (%)	0.00%
Expected volatility (%)	38.13%
Risk free interest rate (%)	0.68%
Expected life (Years)	4.08-4.13 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.

On November 22, 2019 and November 30, 2018, the Board of Directors of subsidiary Xiamen Sigmastar Technology Inc. resolved to issue restricted stocks for employees with a total number of 6,711,909 units and 10,531,500 units at the exercising prices of USD\$1 and USD\$0.7 per share, respectively.

New common shares of Airoha (Cayman) Inc., ILI Technology Holding Corporation and Xiamen Sigmastar Technology Inc. would be issued for their respective restricted stocks plans. Each unit of the restricted stock plan is eligible to subscribe for one common share of the subsidiaries. During the vesting period, employees may not transfer the restricted stocks to others, and the voting rights of the restricted stocks will be exercised by the custodian organization on behalf of employees according to the trust contract. If the employees receiving the grant of restricted stocks terminate employment within the vesting period, the restricted stocks during the vesting period are clawed back by the Company.

Total units of restricted stocks issued were 14,129,095 units and the total fair value amounted to NT\$136,239 thousand for the year ended December 31, 2018. The grant dates were from May 2018 to November 2018 and the lock-up periods were 3 to 4 years after the grant dates. Total outstanding units were 12,856,836 units as of December 31, 2018 and 2019.

Total units of stock options issued by subsidiaries were 51,869,509 units and the total fair value amounted to NT\$7,643,447 thousand for the year ended December 31, 2019. The grant dates were from January 2019 to November 2019 and the lock-up periods were 3 to 4 years after the grant dates. Total outstanding units were 51,869,509 units as of December 31, 2019.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

**(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, the Price-Book Ratio and the Price-to-Earnings Ratio were used to estimate the fair value of options granted. Assumptions of the Black-Scholes Option Pricing model used in calculating the fair value are disclosed as follows:

	<u>Restricted stocks plan for employee</u>
Expected dividend yield (%)	0.00%
Expected volatility (%)	38.45%-45.46%
Risk free interest rate (%)	0.33%-0.47%
Expected life (Years)	0.04-0.81 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.

Share-based compensation expenses recognized for employee services received for the years ended December 31, 2019 and 2018, are shown in the following table:

	For the years ended	
	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Employee stock options	\$ 2,490	\$ -
Restricted stocks for employees	<u>2,016,629</u>	<u>170,699</u>
Total	<u>\$ 2,019,119</u>	<u>\$ 170,699</u>

The Company and subsidiaries did not modify or cancel any share-based payment plans for the years ended December 31, 2019 and 2018.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

(21) Sales

Analysis of revenue from contracts with customers for the years ended December 31, 2019 and 2018 is as follows:

A. Disaggregation of revenue

	For the years ended	
	December 31	
	2019	2018
Sale of goods	\$ 242,284,500	\$ 235,222,818
Services and other operating revenues	3,937,231	2,834,528
Total	<u>\$ 246,221,731</u>	<u>\$ 238,057,346</u>
Revenue recognition point:		
At a point in time	\$ 242,807,182	\$ 235,580,850
Satisfies the performance obligation over time	3,414,549	2,476,496
Total	<u>\$ 246,221,731</u>	<u>\$ 238,057,346</u>

B. Contract balances

Contract liabilities - current

	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	\$ 2,368,770	\$ 1,265,696	\$ 1,057,970
Services and other			
operating revenues	324,760	243,178	371,385
Total	<u>\$ 2,693,530</u>	<u>\$ 1,508,874</u>	<u>\$ 1,429,355</u>



**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended	
	December 31	
	2019	2018
Revenue recognized during the period that was included in the beginning balance	\$ 886,060	\$ 861,538
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	\$ 1,845,705	\$ 935,216

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2019 and 2018, no disclosure of the unsatisfied performance obligations is needed as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of services are NT\$3,471,523 thousand and NT\$771,398 thousand. The Company recognizes revenues in accordance with the stage of completion of the contracts. Those contracts are expected to be completed within the next 1 to 2 years.

(22) Expected credit gains (losses)

	For the years ended	
	December 31	
	2019	2018
Operating expense – Expected credit gains (losses)		
Trade receivables	\$ 15,732	\$ 229,290
Other receivables	-	(133)
Total	\$ 15,732	\$ 229,157

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its receivables (including note receivables, trade receivables and trade receivables from related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2019 and 2018 is as follow:

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

The Company considers the grouping of receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

2019.12.31

	Neither past due	Past due				Total
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 25,411,552	\$ 1,160,329	\$ 118,262	\$ 119,960	\$ 110,442	\$ 26,920,545
Loss ratio	0%	0%	0%	0%-10%	20%-100%	
Lifetime expected credit losses	-	-	-	(11,821)	(79,453)	(91,274)
Carrying amount of trade receivables	\$ 25,411,552	\$ 1,160,329	\$ 118,262	\$ 108,139	\$ 30,989	\$ 26,829,271

2018.12.31

	Neither past due	Past due				Total
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 27,838,357	\$ 708,741	\$ 272,956	\$ 86,759	\$ 130,408	\$ 29,037,221
Loss ratio	0%	0%	0%	0%-10%	20%-100%	
Lifetime expected credit losses	-	-	-	(8,659)	(98,736)	(107,395)
Carrying amount of trade receivables	\$ 27,838,357	\$ 708,741	\$ 272,956	\$ 78,100	\$ 31,672	\$ 28,929,826

Note: Neither the Company's note receivables nor the trade receivables from related parties were past due.

The movements in the provision for impairment of receivables for the years ended December 31, 2019 and 2018 are as follows:

	Note receivables	Trade receivables
As of January 1, 2019	\$ -	\$ 107,395
Reversal for the current period	-	(15,732)
Effect of changes in exchange rate	-	(389)
As of December 31, 2019	\$ -	\$ 91,274

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

	Note receivables	Trade receivables
As of January 1, 2018 (in accordance with IAS 39)	\$ -	\$ 331,984
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	331,984
Reversal for the current period	-	(229,290)
Write off	-	(6,473)
Effect of changes in exchange rate	-	11,174
As of December 31, 2018	<u>\$ -</u>	<u>\$ 107,395</u>

**(23) Leases****A. The Company as lessee (applicable to IFRS 16)**

The Company leases various property (land and buildings), transportation equipment and office equipment. These leases have terms between 1 and 50 years.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

**a. Amounts recognized in the balance sheet****(a) Right-of-use asset**

The carrying amount of right-of-use assets

	December 31, 2019	December 31, 2018 (Note)
Land	\$ 1,759,111	
Buildings and facilities	1,047,076	
Machinery equipment	24,209	
Transportation equipment	26,162	
Office equipment	34,348	
Total	<u>\$ 2,890,906</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the additions to right-of-use assets of the Company amounted to NT\$702,039 thousand.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (b) Lease liability

	December 31, 2019	December 31, 2018 (Note)
Lease liability-current	\$ 499,032	
Lease liability-noncurrent	2,360,427	
Total	<u>\$ 2,859,459</u>	

Please refer to Note 6. (27) for the interest on lease liability recognized during 2019 and refer to Note 12. (2) C. for the maturity analysis of lease liabilities as of December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## b. Amounts recognized in the statement of profit or loss

## Depreciation charge for right-of-use assets

	For the years ended December 31	
	2019	2018(Note)
Land	\$ 48,431	
Buildings and facilities	401,931	
Machinery equipment	3,026	
Transportation equipment	12,226	
Office equipment	9,755	
Total	<u>\$ 475,369</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

c. Income and costs relating to leasing activities

	For the years ended	
	December 31	
	2019	2018 (Note)
The expense relating to short-term leases	\$ 157,095	
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	\$ 3,578	
Income from subleasing right-of-use assets	\$ 36,801	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT\$638,625 thousand.

B. Operating lease commitments - The Company as lessee (applicable to IAS 17)

The Company has entered into commercial leases. These leases have an average life of one to fifty years.

Future minimum rentals payable under non-cancellable operating leases as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$ 554,748
Later than one year and not later than five years		1,068,478
Later than five years		285,697
Total		\$ 1,908,923

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Operating lease expenses recognized are as follows:

	For the years ended	
	December 31	
	2019(Note)	2018
Minimum lease payments		\$ 700,161

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(24) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2019 and 2018:

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 41,681	\$ 1,784,553	\$ 1,826,234	\$ 31,766	\$ 1,699,295	\$ 1,731,061
Others	\$ 1,118,420	\$ 46,566,401	\$ 47,684,821	\$ 814,363	\$ 42,587,354	\$ 43,401,717
Depreciation	\$ 175,327	\$ 4,082,689	\$ 4,258,016	\$ 205,894	\$ 3,499,394	\$ 3,705,288
Amortization	\$ 8,133	\$ 4,120,092	\$ 4,128,225	\$ 10,097	\$ 3,855,419	\$ 3,865,516

According to the Articles of Incorporation of MTK, 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, MTK's accumulated losses shall have been covered (if any). MTK 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. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

MTK accrued employees' compensation and remuneration to directors based on a specific rate of profit of the year ended December 31, 2019. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, MTK will recognize the change as an adjustment to income of next year. If the Board of Directors resolves to distribute employees' compensation in stock, 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 Board of Directors' meeting. A resolution was approved in a meeting of the Board of Directors held on March 20, 2020 to distribute NT\$317,139 thousand and NT\$32,110 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2019.

A resolution was approved in a meeting of the Board of Directors held on March 22, 2019 to distribute NT\$261,021 thousand and NT\$31,624 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2018.

## (25) Other income

	For the years ended	
	December 31	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$ 3,660,186	\$ 3,352,029
Financial assets at fair value through other comprehensive income	181,340	240,337
Subtotal	3,841,526	3,592,366
Financial assets at fair value through profit or loss	356,760	308,576
Subtotal	4,198,286	3,900,942
Dividend income	388,662	739,625
Rental income	184,078	150,823
Others	305,411	218,227
Total	\$ 5,076,437	\$ 5,009,617



## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

## (26) Other gains and losses

	For the years ended	
	December 31	
	2019	2018
Losses on disposal of property, plant and equipment	\$ (14,469)	\$ (18,596)
Losses on disposal of intangible assets	(23,050)	-
Gains (losses) on disposal of investments		
Non-current assets held for sale	813,152	3,460,483
Debt instruments measured at fair value through other comprehensive income	(16,119)	(5,653)
Investments accounted for using the equity method	-	(8,825)
Foreign exchange gains	202,558	336,796
Impairment losses		
Investments accounted for using the equity method	(46,096)	(22,760)
Gains on financial assets at fair value through profit or loss	113,693	364,684
Losses on financial liabilities at fair value through profit or loss	(9,085)	(4,932)
Others	64,199	(239,257)
Total	<u>\$ 1,084,783</u>	<u>\$ 3,861,940</u>

## (27) Finance costs

	For the years ended	
	December 31	
	2019	2018
Interest expenses on borrowings	\$ 1,574,381	\$ 1,723,738
Interest expenses on lease liabilities	54,304	(Note)
Total	<u>\$ 1,628,685</u>	<u>\$ 1,723,738</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

## (28) Components of other comprehensive income

For the year ended December 31, 2019 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit(expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (73,142)	\$ -	\$ (73,142)	\$ 15,012	\$ (58,130)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	33,059,665	-	33,059,665	(3,336,869)	29,722,796
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	2,889,013	-	2,889,013	-	2,889,013
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(2,828,823)	-	(2,828,823)	-	(2,828,823)
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	21,015	16,119	37,134	-	37,134
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	59,033	-	59,033	-	59,033
Total	\$ 33,126,761	\$ 16,119	\$ 33,142,880	\$ (3,321,857)	\$ 29,821,023

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

For the year ended December 31, 2018 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (152,757)	\$ -	\$ (152,757)	\$ 15,532	\$ (137,225)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	314,857	-	314,857	145,626	460,483
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,232,013)	-	(1,232,013)	-	(1,232,013)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	1,012,687	-	1,012,687	-	1,012,687
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(24,552)	5,653	(18,899)	-	(18,899)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(6,453)	-	(6,453)	-	(6,453)
<b>Total</b>	<b>\$ (88,231)</b>	<b>\$ 5,653</b>	<b>\$ (82,578)</b>	<b>\$ 161,158</b>	<b>\$ 78,580</b>

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of NT\$(16,119) thousand and NT\$(5,653) thousand for the years ended December 31, 2019 and 2018, respectively, which were recognized in other comprehensive income, were reclassified to profit or loss.

(29) Income Tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

	For the years ended	
	December 31	
	2019	2018
Current income tax	\$ 2,899,353	\$ 3,736,763
Deferred tax income	841,892	(808,475)
Others	81,814	(19,199)
Income tax expense recognized in profit or loss	<u>\$ 3,823,059</u>	<u>\$ 2,909,089</u>

Income tax recognized in other comprehensive income

	For the years ended	
	December 31	
	2019	2018
Deferred tax (income) expense:		
Remeasurements of defined benefit plan	\$ (15,012)	\$ (15,532)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	<u>3,336,869</u>	<u>(145,626)</u>
Income tax relating to components of other comprehensive income	<u>\$ 3,321,857</u>	<u>\$ (161,158)</u>

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Income tax charged directly to equity

	For the years ended	
	December 31	
	2019	2018
Current income tax expense:		
Realized gains from equity instrument investments measured at fair value through other comprehensive income	\$ 1,058,085	\$ 83,558

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	
	2019	2018
Accounting profit before tax from continuing operations	\$ 27,027,369	\$ 23,691,485
Tax at the domestic rates applicable to profits in the country concerned	\$ 9,793,520	\$ 8,672,301
Tax effect of revenues exempt from taxation	(2,499,002)	(1,875,677)
Tax effect of expenses not deductible for tax purposes	(99,736)	25,122
Investment tax credits	(1,175,943)	(996,051)
Tax effect of deferred tax assets/liabilities	(1,931,820)	(2,701,473)
Corporate income surtax on undistributed retained earnings	598,602	1,022,742
Adjustments in respect of current income tax of prior periods	-	(463,584)
Others	(862,562)	(774,291)
Total income tax expense recognized in profit or loss	\$ 3,823,059	\$ 2,909,089

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Ending balance
Temporary differences					
Unrealized allowance for inventory					
obsolescence	\$ 2,178,353	\$ (48,603)	\$ -	\$ -	\$ 2,129,750
Allowance for sales returns and					
discounts	1,329,212	127,371	-	-	1,456,583
Amortization of difference for tax					
purpose	280,681	(43,960)	-	-	236,721
Amortization of goodwill					
difference for tax purpose	(464,556)	(1,492,875)	-	-	(1,957,431)
Unused tax losses	25,393	(2,648)	-	-	22,745
Unused tax credits	330,672	77,661	-	-	408,333
Others	(1,877,187)	1,924,807	(3,321,857)	(1,058,085)	(4,332,322)
Deferred tax income (expense)		\$ 541,753	\$ (3,321,857)	\$ (1,058,085)	
Net deferred tax assets	\$ 1,802,568				\$ (2,035,621)
Reflected in balance sheet as follows:					
Deferred tax assets	\$ 4,776,271				\$ 4,769,887
Deferred tax liabilities	\$ (2,973,703)				\$ (6,805,508)

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Ending balance
Temporary differences					
Unrealized allowance for inventory obsolescence	\$ 1,664,070	\$ 514,283	\$ -	\$ -	\$ 2,178,353
Allowance for sales returns and discounts	550,166	779,046	-	-	1,329,212
Amortization of difference for tax purpose	144,016	136,665	-	-	280,681
Amortization of goodwill difference for tax purpose	(436,949)	(27,607)	-	-	(464,556)
Unused tax losses	36,381	(10,988)	-	-	25,393
Unused tax credits	276,250	54,422	-	-	330,672
Others	(1,432,970)	(521,817)	161,158	(83,558)	(1,877,187)
Deferred tax income (expense)		<u>\$ 924,004</u>	<u>\$ 161,158</u>	<u>\$ (83,558)</u>	
Net deferred tax assets	<u>\$ 800,964</u>				<u>\$ 1,802,568</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 3,927,687</u>				<u>\$ 4,776,271</u>
Deferred tax liabilities	<u>\$ (3,126,723)</u>				<u>\$ (2,973,703)</u>

The assessment of income tax returns

As of December 31, 2019, the assessments 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 2017	(Note1, Note2)
Subsidiary- Hsu-Ta Investment Corp.	Assessed and approved up to 2017	
Subsidiary- Hsu-Si Investment Corp.	Assessed and approved up to 2017	
Subsidiary- Richtek Technology Corp.	Assessed and approved up to 2017	

Note1: MTK has applied for administrative appeals for the tax returns of 2017, 2016, 2015, 2014, 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.

Note2: MStar Semiconductor, Inc. has paid in full the additional taxes of 2017 assessed by the tax authorities and applied for administrative appeals.



**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (30) 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.

	For the years ended December 31	
	2019	2018
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 23,032,721	\$ 20,760,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,567,873,703	1,565,368,402
Basic earnings per share (NT\$)	\$ 14.69	\$ 13.26
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 23,032,721	\$ 20,760,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,567,873,703	1,565,368,402
Effect of dilution:		
Employees' compensation-stock (share)	921,244	1,334,384
Employee stock options (share)	683,822	27,389
Restricted stocks for employees (share)	11,241,268	8,751,258
Weighted average number of ordinary shares outstanding after dilution (share)	1,580,720,037	1,575,481,433
Diluted earnings per share (NT\$)	\$ 14.57	\$ 13.18

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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

(31) Changes in ownership interests in subsidiaries

Changes in ownership of subsidiaries

In consideration of the Company's investment strategy, the Company disposed of shares of Zelus Technology (HangZhou) Ltd. in August 2019 and its ownership was reduced to 90%. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction.

The Company purchased additional 6.82% and 10.18% of voting shares of Nephos (Hefei) Co., Ltd. in May and November 2019, respectively, and its ownership rose to 100%. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction. The ownership of Nephos (Beijing) Co., Ltd. also rose to 100%.

The Company purchased additional 33% of voting shares of RollTech Technology Co., Ltd. in December 2019 and its ownership rose to 100%. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction.

Richnex Microelectronics Corp., EcoNet (Cayman) Inc. and Xiamen Sigmastar Technology Inc. increased their respective capital by cash for the year ended December 31, 2018, and the Company did not subscribe new shares proportionate to its original ownership interest. In addition, the Company purchased additional 20.45% of voting shares of Nephos (Hefei) Co., Ltd. in May 2018 and its ownership rose to 83%. As the control over those companies remained, the changes of the ownership interest were accounted for as an equity transaction.

Due to reorganization, Lepower (HK) Limited transferred its ownership of shares of Nephos (Beijing) Co., Ltd. to Nephos (Hefei) Co., Ltd. in September 2018. After that, the Company's ownership over Nephos (Beijing) Co., Ltd. went down to 83%. As the control over Nephos (Beijing) Co., Ltd. remained, the change of the ownership interest was accounted for as an equity transaction.

The differences between the fair value of purchased equity investments and the decrease in the non-controlling interest were NT\$1,007,602 thousand and NT\$1,341,543 thousand for the years ended December 31, 2019 and 2018 respectively, and have been recorded in equity.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****7. Related Party Transactions**

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
E-Vehicle Semiconductor Technology Co., Ltd.	Associate (Note)
Intelligo Technology Inc.	Associate
Cyberon Corp.	Associate
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
Andes Technology Corp.	Substantive related party

Note: The Company lost control over E-Vehicle Semiconductor Technology Co., Ltd. (E-Vehicle) on December 27, 2018, and the Company adopted the equity method for the investment. As a result, E-Vehicle became an associate of the Company after that date.

Significant transactions with the related parties

## (1) Sales

	For the years ended December 31	
	2019	2018
Associates		
Intelligo Technology Inc.	\$ 10,905	\$ 12,944
E-Vehicle Semiconductor Technology Co., Ltd.	1,190	-
Total	<u>\$ 12,095</u>	<u>\$ 12,944</u>

The trade credit terms for associates was 30 days and third-party customers was 30 to 150 days. Third-party customers may pay their accounts in advance.

## (2) IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2019	2018
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	<u>\$ 3,301,417</u>	<u>\$ 3,211,857</u>

The trade credit terms for related parties and third-party customers were both 60 to 75 days.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (3) Consign research and development expenses and license expenses

	For the years ended	
	December 31	
	2019	2018
Associate		
Cyberon Corp.	\$ 28,557	\$ -
Other related parties		
Andes Technology Corp.	27,440	28,008
Total	\$ 55,997	\$ 28,008

## (4) Rental income

	For the years ended	
	December 31	
	2019	2018
Other related parties		
Andes Technology Corp.	\$ -	\$ 790

## (5) Trade receivables from related parties

	December 31,	December 31,
	2019	2018
Other related parties		
Intelligo Technology Inc.	\$ -	\$ 2,855
E-Vehicle Semiconductor Technology Co., Ltd.	5,000	3,750
Total	\$ 5,000	\$ 6,605

## (6) Trade payables to related parties

	December 31,	December 31,
	2019	2018
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	\$ 906,224	\$ 704,262

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

(7) Other payables to related parties

	December 31, 2019	December 31, 2018
Associate		
Cyberon Corp	\$ 16,312	\$ -
Other related parties		
Andes Technology Corp.	4,052	459
Total	<u>\$ 20,364</u>	<u>\$ 459</u>

(8) Prepayments

	December 31, 2019	December 31, 2018
Other related parties		
Andes Technology Corp.	\$ 254	\$ -

(9) Other

The patent payment NT\$7,864 thousand dollars for Andes Technology Corp. was identified to intangible assets.

(10) Key management personnel compensation

	For the years ended December 31	
	2019	2018
Short-term employee benefits (Note)	\$ 951,348	\$ 825,873
Share-based payment	330,841	-
Post-employment benefits	3,719	3,787
Total	<u>\$ 1,285,908</u>	<u>\$ 829,660</u>

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

**MEDIATEK INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**  
(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:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2019	December 31, 2018	
Financial assets measured at amortized cost-current	\$ -	\$ 9,705	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	9,988	9,898	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	105	110	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	24,375	24,304	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	24,000	24,000	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	9,180	9,180	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	1,519	1,507	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	650	498	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	-	1,000	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	23,017	23,017	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	7,125	7,000	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	101,132	-	Performance bond
Financial assets measured at amortized cost-noncurrent	115,915	89,592	Performance bond
Property, plant and equipment - buildings	223,526	243,571	Long-term borrowing
Property, plant and equipment - buildings	321,363	326,434	Long-term borrowing
Investment Property-buildings and facilities	157,939	152,577	Long-term borrowing
Total	<u>\$ 1,019,834</u>	<u>\$ 922,393</u>	

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

**9. Contingencies and Off Balance Sheet Commitments**

Legal claim contingency

(1) Advanced Micro Devices, Inc. and ATI Technologies ULC (collectively “AMD”) filed a complaint with the U.S. International Trade Commission (the “Commission”) against MTK and subsidiary MediaTek USA Inc. on January 24, 2017, alleging infringement of United States Patent Nos. 7,633,506, 7,796,133, 8,760,454 and 9,582,846. On October 31, 2017, AMD’s motion to withdraw its claims relating to U.S. Patent Nos. 8,760,454 and 9,582,846 was granted. On August 22, 2018, the Commission issued a final determination, finding that the accused MTK and subsidiary MediaTek USA Inc., and VIZIO’s products infringe U.S. Patent No. 7,633,506, but do not infringe U.S. Patent No. 7,796,133, and issued a limited exclusion order for the relevant products. Based on agreement between AMD and MTK, the Commission entered a modified limited exclusion order on October 15, 2019 which lifts all limitations on MTK products from the previous limited exclusion order. Appeal of the original final determination was also dismissed by the Federal Circuit Court of Appeals pursuant to parties’ joint motion.

On January 10, 2019, AMD filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiary MediaTek USA Inc., alleging infringement of United States Patent Nos. 7,633,506 and 7,796,133. The court dismissed the case on September 23, 2019 based on joint stipulation of the parties.

(2) American Patents LLC (“American Patents”) filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on November 14, 2018, alleging infringement of United States Patent Nos. 6,964,001, 7,836,371, 8,239,716 and 8,996,938.

On December 6, 2018, American Patents filed another complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc., alleging infringement of United States Patent Nos. 6,507,293, 6,587,058 and 7,262,720.

In December 2019, the court dismissed the claims in both American Patents actions against MTK and subsidiary MediaTek USA Inc. with prejudice.

(3) Dynamic Data Technologies, LLC (“Dynamic Data”) filed a complaint in the United States District Court for the District of Delaware against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on November 30, 2018, alleging infringement of United States Patent Nos. 7,058,227, 6,639,944, 6,760,376 and 6,782,054. On March 6, 2019, Dynamic Data filed an amended complaint in this matter, alleging infringement by MTK and subsidiary MediaTek USA Inc. of United States Patent Nos. 6,639,944, 6,760,376, 6,774,918, 6,996,175, 6,996,177, 7,010,039, 7,894,529, 7,929,609, 7,982,799, 8,073,054, 8,135,073, 8,189,105 and 8,311,112. On July 10, 2019, the court dismissed the claims against MTK and subsidiary MediaTek USA Inc. with prejudice pursuant to the parties’ joint stipulation.



**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

- (4) Innovative Foundry Technologies LLC (“IFT”) filed a complaint with the Commission against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on February 15, 2019, alleging infringement of United States Patent Nos. 6,583,012, 6,797,572, 7,009,226, 7,880,236 and 9,373,548. On September 27, 2019, the Administrative Law Judge entered an initial determination to terminate the investigation based on parties’ agreement.

IFT filed a complaint in the United States District Court for the District of Delaware against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on February 13, 2019, alleging infringement of the above referenced patents. Given the termination of the corresponding Commission’s investigation, the parties have jointly moved for dismissal of this case.

- (5) GlobalFoundries U.S. Inc. (“GF”) filed a complaint with the Commission against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of United States Patent Nos. 7,750,418, 8,912,603 and 8,936,986.

GF also filed a complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of the above referenced patents.

GF also filed a separate complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of United States Patent Nos. 6,518,167, 7,425,497, 8,039,966, 8,581,348, 8,598,633 and 9,355,910.

On November 8, 2019, GF voluntarily dismissed the District Court actions against MTK, subsidiary MediaTek USA Inc. and subsidiary MStar Semiconductor, Inc. with prejudice. On November 25, 2019, the Administrative Law Judge entered an initial determination to terminate the investigation based on parties’ agreement. All litigations filed by GF against MTK, subsidiary MediaTek USA Inc. and subsidiary MStar Semiconductor, Inc. have now been dismissed.

- (6) Vantage Micro LLC (“VM”) filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on October 8, 2018, alleging infringement of United States Patent Nos. 6,678,838, 7,414,606, and 9,959,593. The operations of MTK and subsidiary MediaTek USA Inc., will not be materially affected by these cases.

- (7) M-Red Inc. (“M-Red”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK on April 29, 2019, alleging infringement of United States Patent Nos. 6,853,259, 7,068,557, and 7,209,401. The complaint was not served on MTK until February 2020. The operations of MTK will not be materially affected by this case.

The Company will handle these cases carefully.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

**10. Losses due to Major Disasters**

None

**11. Significant Subsequent Events**

None

**12. Others**

## (1) Financial instruments

## A. Categories of financial instruments

Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Held for trading financial assets	\$ 4,621	\$ 1,327
Mandatorily measured at fair value through profit or loss (Note 1)	15,679,314	12,877,082
Subtotal	15,683,935	12,878,409
Financial assets at fair value through other comprehensive income	69,249,681	45,551,575
Financial assets measured at amortized cost (Note 2)	211,047,351	179,954,956
Total	\$ 295,980,967	\$ 238,384,940

Financial liabilities

## Financial liabilities at fair value through profit or loss:

Held for trading financial liabilities	\$ 9,085	\$ 4,932
Financial liabilities at amortized cost:		
Short-term borrowings	57,254,570	51,056,528
Trade payables (including related parties)	22,313,552	17,687,171
Other payables (including related parties)	27,583,302	30,482,238
Long-term payables (including current portion)	2,063,198	2,080,131
Long-term borrowings (including current portion)	202,675	280,954
Lease liabilities	2,859,459	(Note 3)
Subtotal	112,276,756	101,587,022
Total	\$ 112,285,841	\$ 101,591,954

## Notes:

1. Includes trade receivables classified as financial assets measured at fair value through profit or loss for December 31, 2019 and 2018 which were in the amount of NT\$2,472,998 thousand and NT\$3,865,489 thousand, respectively. Please refer to Note 6. (5) for further explanation.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

2. Includes cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables (excluding financial assets measured at fair value through profit or loss for December 31, 2019 and 2018 which were in the amount of NT\$2,472,998 thousand and NT\$3,865,489 thousand, respectively. Please refer to Note 6. (5) for further explanation.) and other receivables.
3. The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**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 (including related parties), other receivables, short-term borrowings, trade payables (including related parties) and other payables (including related parties) 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) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) 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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

- (e) 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

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

c. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets 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:

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**As of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ -	\$ -	\$ 744,518	\$ 744,518
Linked deposits	823,000	-	4,794,048	5,617,048
Stocks	269,394	-	107,269	376,663
Funds	782,571	-	5,108,668	5,891,239
Trust funds	576,848	-	-	576,848
Forward exchange contracts	-	4,621	-	4,621
Financial assets at fair value				
through other comprehensive				
income				
Equity instruments measured at				
fair value through other				
comprehensive income	48,059,600	-	19,324,707	67,384,307
Debt instruments measured at				
fair value through other				
comprehensive income	1,136,012	-	729,362	1,865,374
Total	<u>\$ 51,647,425</u>	<u>\$ 4,621</u>	<u>\$ 30,808,572</u>	<u>\$ 82,460,618</u>
<u>Liabilities measured at fair value:</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 9,085</u>	<u>\$ -</u>	<u>\$ 9,085</u>

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

As of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ -	\$ -	\$ 1,382,544	\$ 1,382,544
Forward exchange contracts	-	1,327	-	1,327
Linked deposits	-	261,152	3,600,020	3,861,172
Stocks	74,504	-	136,008	210,512
Funds	750,297	-	2,412,451	3,162,748
Trust funds	394,617	-	-	394,617
Financial assets at fair value				
through other comprehensive				
income				
Equity instruments measured at				
fair value through other				
comprehensive income	24,219,462	2,536,328	16,650,973	43,406,763
Debt instruments measured at				
fair value through other				
comprehensive income	1,532,618	-	612,194	2,144,812
Total	<u>\$ 26,971,498</u>	<u>\$ 2,798,807</u>	<u>\$ 24,794,190</u>	<u>\$ 54,564,495</u>
<u>Liabilities measured at fair value:</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 4,932</u>	<u>\$ -</u>	<u>\$ 4,932</u>

For the years ended December 31, 2019 and 2018, amounts transferred from level 2 of the fair value hierarchy to level 1 due to the release of the stock transfer restrictions were NT\$7,958,351 thousand and NT\$9,511,296 thousand, respectively.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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 mandatorily measured at fair value through profit or loss				Financial assets at fair value through other comprehensive income				Total
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks		
As of January 1, 2019	\$ 136,008	\$ 1,382,544	\$ 2,412,451	\$ 3,600,020	\$ 612,194	\$ 11,109,299	\$ 5,541,674	\$ 24,794,190	
Amount recognized in profit or loss	(25,102)	32,237	97,389	(30,851)	6,413	(16,956)	-	63,130	
Amount recognized in OCI	-	-	-	-	3,882	367,031	(708,333)	(337,420)	
Amount recognized in OCI- exchange differences	(3,637)	(36,059)	(83,187)	38,897	(16,157)	(257,516)	(89,101)	(446,760)	
Acquisitions	-	895,371	8,898,497	2,638,652	432,360	1,017,731	761,220	14,643,831	
Settlements	-	(1,529,575)	(6,216,482)	(1,452,670)	(309,330)	(239,837)	(110,974)	(9,858,868)	
Reclassification	-	-	-	-	-	-	1,950,469	1,950,469	
As of December 31, 2019	\$ 107,269	\$ 744,518	\$ 5,108,668	\$ 4,794,048	\$ 729,362	\$ 11,979,752	\$ 7,344,955	\$ 30,808,572	



English Translation of Financial Statements Originally Issued in Chinese

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

	Financial assets mandatorily measured at fair value				Financial assets at fair value through other comprehensive income			Total
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	
As of January 1, 2018	\$ 499,316	\$ 2,301,854	\$ 944,949	\$ 3,953,685	\$ 2,371,543	\$ 9,177,190	\$ 4,975,415	\$ 24,223,952
Amount recognized in profit or loss	381,310	23,131	47,500	(102,137)	74,527	-	-	424,331
Amount recognized in OCI	-	-	-	-	6,499	607,841	590,700	1,205,040
Amount recognized in OCI- exchange differences	(7,705)	31,218	(24,755)	110,050	(46,536)	198,465	146,201	406,938
Acquisitions	-	917,995	5,488,303	2,191,878	590,377	1,429,012	49,394	10,666,959
Settlements	(736,913)	(1,891,654)	(4,043,546)	(2,553,456)	(2,384,216)	(303,209)	(220,036)	(12,133,030)
As of December 31, 2018	\$ 136,008	\$ 1,382,544	\$ 2,412,451	\$ 3,600,020	\$ 612,194	\$ 11,109,299	\$ 5,541,674	\$ 24,794,190

Total gains (losses) related to assets recognized for the years ended December 31, 2019 and 2018 amounted to NT\$1,763 thousand and NT\$(15,935) thousand, respectively.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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.

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, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,649,821</u>	<u>\$ 1,649,821</u>

As of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558,665</u>	<u>\$ 1,558,665</u>

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****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, 2019	CNY to USD	Buy USD	24,954	January 2020
As of December 31, 2019	TWD to USD	Sell USD	32,000	January 2020
As of December 31, 2019	CNY to USD	Buy USD	12,835	February 2020
As of December 31, 2019	CNY to USD	Sell USD	2,000	February 2020
As of December 31, 2019	CNY to USD	Buy USD	6,999	March 2020
As of December 31, 2019	CNY to USD	Sell USD	2,000	March 2020
As of December 31, 2019	CNY to USD	Sell USD	2,000	May 2020
As of December 31, 2018	TWD to USD	Sell USD	107,000	January 2019
As of December 31, 2018	CNY to USD	Sell USD	4,000	January 2019
As of December 31, 2018	CNY to USD	Sell USD	2,000	February 2019
As of December 31, 2018	CNY to USD	Sell USD	2,000	March 2019

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 and policies**

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 and Audit Committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

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 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, 2019 and 2018 decreases/increases by NT\$482 thousand and NT\$8,905 thousand, while equity decreases/increases by NT\$125,136 thousand and NT\$94,822 thousand, respectively.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the years ended December 31, 2019 and 2018 increases/decreases by NT\$4 thousand and decreases/increases by NT\$5 thousand, while equity decreases/increases by NT\$11,461 thousand and NT\$8,945 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 investment of debt instruments at variable interest rates, bank borrowings with fixed 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, 2019 and 2018 to increase/decrease by NT\$4,266 thousand and NT\$4,743 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 equity securities are classified under the category of equity instrument investments measured at fair value through profit or loss and equity instrument investments measured at fair value through other comprehensive income. 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.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$2,694 thousand and NT\$745 thousand, respectively.

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through other comprehensive income could cause the other comprehensive income for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$480,596 thousand and NT\$267,558 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.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2019 and 2018, receivables from top ten customers represented 42.74%, and 44.28% 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 and cross currency swap contracts are all reputable financial institutions, management believes that the Company's exposure to default by those parties is minimal.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

Credit risk of credit-linked deposits, interest rate-linked deposits, exchange-linked deposits, index-linked deposits and convertible bonds arises if the issuing banks breached the contracts or the debt issuer could not pay off the debts; the maximum exposure is the carrying value of those financial instruments. Therefore, the Company minimized the credit risk by only transacting with counter-party who is reputable, transparent and in good financial standing.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables which is measured at lifetime expected credit losses, for debt instrument investments which are not measured at fair value through profit or loss and are at low credit risk upon acquisition, an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio. The measurement indicators of the Company are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			December 31, 2019	December 31, 2018
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 4,161,192	\$ 4,942,322
	Counter parties with investment grade credit rating			
Credit risk significantly increased	Credit risk measure reduced from IG category to HY category	Lifetime expected credit losses	\$ 216,633	\$ 488,435
	Contract payment overdue 30 days			
Credit-impaired	Credit risk measure belongs to DS category or above	Lifetime expected credit losses	\$ -	\$ -
	Contract payment overdue 90 days			
	Other impaired evidence			
Simplified method (Note)	(Note)	Lifetime expected credit losses	\$ 26,928,356	\$ 29,046,776

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes notes receivables and trade receivables.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).



**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

When the credit risk on debt instrument investment has increased, the Company will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (which available without undue cost and effort), it is mainly based on the macroeconomic information and industrial information and further adjusts the credit loss ratio if there is significant impact from forward-looking information.

**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	Later than 5 years	Total
<u>As of December 31, 2019</u>				
Short-term borrowings	\$ 57,354,161	\$ -	\$ -	\$ 57,354,161
Trade payables (including related parties)	22,313,552	-	-	22,313,552
Other payables (including related parties)	27,529,078	-	-	27,529,078
Lease liabilities	499,032	857,737	1,502,690	2,859,459
Long-term borrowings	39,472	152,731	18,511	210,714
Long-term payables	983,591	1,079,607	-	2,063,198
Total	<u>\$ 108,718,886</u>	<u>\$ 2,090,075</u>	<u>\$ 1,521,201</u>	<u>\$ 112,330,162</u>

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

	Less than 1 year	1 to 5 years	Later than 5 years	Total
<u>As of December 31, 2018</u>				
Short-term borrowings	\$ 51,180,185	\$ -	\$ -	\$ 51,180,185
Trade payables (including related parties)	17,687,171	-	-	17,687,171
Other payables (including related parties)	30,422,092	-	-	30,422,092
Long-term borrowings	40,730	198,523	55,920	295,173
Long-term payables	1,398,956	681,175	-	2,080,131
<b>Total</b>	<b>\$ 100,729,134</b>	<b>\$ 879,698</b>	<b>\$ 55,920</b>	<b>\$ 101,664,752</b>

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
<u>As of December 31, 2019</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,890,629	\$ -	\$ 1,890,629
Outflow	(1,900,140)	-	(1,900,140)
Net	\$ (9,511)	\$ -	\$ (9,511)
<u>As of December 31, 2018</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 123,547	\$ -	\$ 123,547
Outflow	(123,958)	-	(123,958)
Net	\$ (411)	\$ -	\$ (411)
Net settlement			
Forward exchange contracts	(7,262)	-	(7,262)
<b>Total</b>	<b>\$ (7,673)</b>	<b>\$ -</b>	<b>\$ (7,673)</b>

The table above contains the undiscounted net cash flows of derivative financial instruments.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## D. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Long-term borrowings	Lease Liabilities	Deposits received	Total liabilities from financing activities
As of January 1, 2019	\$ 51,056,528	\$ 280,954	\$ 2,593,779	\$ 188,534	\$ 54,119,795
Cash flows	6,690,952	(78,279)	(423,648)	377,239	6,566,264
Non-cash movement	-	-	689,328	-	689,328
Foreign exchange movement	(492,910)	-	-	-	(492,910)
As of December 31, 2019	<u>\$ 57,254,570</u>	<u>\$ 202,675</u>	<u>\$ 2,859,459</u>	<u>\$ 565,773</u>	<u>\$ 60,882,477</u>

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term borrowings	Long-term borrowings	Deposits received	Total liabilities from financing activities
As of January 1, 2018	\$ 64,315,682	\$ 373,042	\$ 179,472	\$ 64,868,196
Cash flows	(13,568,777)	(92,088)	9,062	(13,651,803)
Foreign exchange movement	326,783	-	-	326,783
Other	(17,160)	-	-	(17,160)
As of December 31, 2018	<u>\$ 51,056,528</u>	<u>\$ 280,954</u>	<u>\$ 188,534</u>	<u>\$ 51,526,016</u>

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

## (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, 2019		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 4,821,463	30.106	\$ 145,154,961
CNY	\$ 1,826	4.324	\$ 7,894
Non-monetary item:			
USD	\$ 2,239,603	30.106	\$ 67,425,479
CNY	\$ 2,650,963	4.324	\$ 11,461,675
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,895,330	30.106	\$ 87,166,810
CNY	\$ 2,752	4.324	\$ 11,897
	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 4,606,966	30.733	\$ 141,585,878
CNY	\$ 46,659	4.472	\$ 208,640
Non-monetary item:			
USD	\$ 1,400,154	30.733	\$ 43,030,931
CNY	\$ 1,955,409	4.472	\$ 8,743,728
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,525,021	30.733	\$ 77,601,503
CNY	\$ 462	4.472	\$ 2,063

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

Functional currencies of entities of the Company are varied. Accordingly, the Company 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 gains (losses) were NT\$202,558 thousand and NT\$336,796 thousand for the years ended December 31, 2019 and 2018, 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.

**13. Additional Disclosures**

(1) The following are additional disclosures for the Company and its affiliates:

- A. Financing provided to others for the year ended December 31, 2019: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2019: Please refer to Attachment 2.
- C. Securities held as of December 31, 2019: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 4.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 5.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 6.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2019: Please refer to Attachment 7.
- I. Financial instruments and derivative transactions: Please refer to Note 12.
- J. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 8.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

(2) Information on investees

Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control (excluding investees in Mainland China). Please refer to Attachment 9.

(3) Investment in Mainland China

A. Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control, which discloses investee company name, main business and products, total amount of capital, method of investment, accumulated inflows and outflows of investments from Taiwan, percentage of ownership, net income (loss), investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 10.

B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 1 and Attachment 8.

**14. 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. Net sales from external customers

	For the years ended	
	December 31	
	2019	2018
Taiwan	\$ 22,933,537	\$ 23,908,416
Asia	219,737,854	212,212,752
Others	3,550,340	1,936,178
Total	\$ 246,221,731	\$ 238,057,346

Net sales are classified by customers' countries.

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**

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

B. Non-current assets

	December 31, 2019	December 31, 2018
Taiwan	\$ 96,406,765	\$ 95,871,518
Asia	16,037,983	15,739,336
Others	1,209,650	846,333
Total	<u>\$ 113,654,398</u>	<u>\$ 112,457,187</u>

(3) Major customers

There were no individual customers accounting for at least 10% of net sales for the years ended December 31, 2019 and 2018.



**MEDIA TEK INC. AND SUBSIDIARIES**  
**FINANCING PROVIDED TO OTHERS**  
**For the year ended December 31, 2019**

Attachment 1

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	Hsu Chia (Samoa) Investment Ltd. (Note 1)	MediaTek (Shanghai) Inc.	Other receivables from related party	Yes	\$ 2,298,870 CNY 500,000,000	\$ 2,161,795 CNY 500,000,000	\$ 2,161,795 CNY 500,000,000	3.00%	Short-term financing	-	Operating Capital	-	-	-	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490
		Gaintech Co. Limited	Other receivables from related party	Yes	\$ 597,706 CNY 130,000,000	\$ - -	\$ - -	NA	Short-term financing	-	Operating Capital	-	-	-	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490
		MediaTek China Limited	Other receivables from related party	Yes	\$ 587,228 CNY 130,000,000	\$ 562,067 CNY 130,000,000	\$ - -	0.65%	Short-term financing	-	Operating Capital	-	-	-	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490
2	Hsu Kang (Samoa) Investment Ltd. (Note 1)	MediaTek (Shenzhen) Inc.	Other receivables from related party	Yes	\$ 3,215,269 CNY 699,315,000	\$ 3,023,551 CNY 699,315,000	\$ 3,023,551 CNY 699,315,000	3.00%	Short-term financing	-	Operating Capital	-	-	-	\$ 4,931,904 CNY 1,135,663,917	\$ 4,931,904 CNY 1,135,663,917
		MediaTek (Hefei) Inc.	Other receivables from related party	Yes	\$ 953,571 CNY 207,400,000	\$ 735,010 CNY 170,000,000	\$ 735,010 CNY 170,000,000	3.00%	Short-term financing	-	Operating Capital	-	-	-	\$ 4,919,994 CNY 1,132,921,285	\$ 4,919,994 CNY 1,132,921,285
3	Hsu Fa (Samoa) Investment Ltd. (Note 1)	Gaintech Co. Limited	Other receivables from related party	Yes	\$ 390,435 CNY 84,919,000	\$ - -	\$ - -	NA	Short-term financing	-	Operating Capital	-	-	-	\$ 4,919,994 CNY 1,132,921,285	\$ 4,919,994 CNY 1,132,921,285

Note 1: The operating procedures of financing provided to others of Hsu Chia (Samoa) Investment Ltd., Hsu Kang (Samoa) Investment Ltd. and Hsu Fa (Samoa) Investment Ltd. required:

- A. the total amount for lending shall not exceed 20% of the lender's net worth,
- B. the maximum amount lendable to a single company is 10% of the lender's net worth or 30% of the borrower's net worth, whichever is lower, and
- C. fund lending between foreign subsidiaries held directly or indirectly by the lender with 100% of voting stocks shall be excluded from the above limitations. However, total financing amount limits and financing limits for each borrowing company shall not exceed the lender's net worth.

Note 2: Maximum accumulated balance of financing amount as of the declaration month for the period.

**MEDIA TEK INC. AND SUBSIDIARIES**  
**ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS**  
**For the year ended December 31, 2019**

Attachment 2

No.	Endorsor/Guarantor	Guaranteed Party		Limits on Endorsement/Guarantee to Each Guaranteed Party	Maximum Balance for the Period (Note 3)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee Amount to Net Equity per Latest Financial Statement	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company Name	Relationship (Note 2)										
0	MediaTek Inc.	MediaTek USA Inc.	A	\$ 62,255,020 (Note 1)	\$ 10,838 USD 342,857	\$ 10,322 USD 342,857	\$ 10,322 USD 342,857	\$ -	0.00%		Y	-	-
		MTK Wireless Limited (UK)	A	\$ 62,255,020 (Note 1)	\$ 7,194 GBP 176,250	\$ 7,034 GBP 176,250	\$ 7,034 GBP 176,250	\$ -	0.00%	\$155,637,551 (Note 1)	Y	-	-
		Gaineech Co. Limited	A	\$ 62,255,020 (Note 1)	\$ 24,000,000	\$ 24,000,000	\$ -	\$ -	7.71%		Y	-	-
		MediaTek China Limited	A	\$ 62,255,020 (Note 1)	\$ 9,000,000	\$ 9,000,000	\$ 2,980,313	\$ -	2.89%		Y	-	-

Note 1: Based on the rules of operating procedures of endorsement/guarantee of MediaTek Inc., the limiting amount of endorsement/guarantee rendered to any single company shall not exceed 20% of MediaTek Inc.'s net worth as stated in the latest financial statements.

The total amount of guarantee shall not exceed 50% of the Company's net worth from the latest financial statements.

Note 2: The nature of relationship between endorser/guarantor and guaranteed party is as follows:

- A. The Company directly and indirectly holds more than 50% of the voting shares.
- B. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

Note 3: Amounts converted at the highest exchange rate.



**MEDIATEK INC. AND SUBSIDIARIES**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
 As of December 31, 2019

(Continued)

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019				Note		
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair Value			
				-	USD	9,159,559	-	USD	9,159,559	-
		WALDEN RIVERWOOD VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	6,557,855	-	USD	6,557,855	-
		PNG GCN VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	2,380,734	-	USD	2,380,734	-
		KIBOU FUND L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	9,854,300	-	USD	9,854,300	-
		WRV II, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	8,881,824	-	USD	8,881,824	-
		Shanghai Summ View IC M&A Investment Limited Partnership	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	5,970,197	-	USD	5,970,197	-
		AMITH FUND III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	4,496,345	-	USD	4,496,345	-
		Beijing Integrated Circuit Industry International Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	6,851,895	-	USD	6,851,895	-
		China Prosperity Capital Mobile Internet Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	39,341,210	-	USD	39,341,210	-
		AllStars SPV I Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	23,796,731	-	USD	23,796,731	-
		HDPI USD Master Fund III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	13,336,099	-	USD	13,336,099	-
		China Walden Venture Investments III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	9,764,328	-	USD	9,764,328	-
		WRV III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	600,000	-	USD	600,000	-
		India Ventures II, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	2,841,018	-	USD	2,841,018	-
		Phi Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	250,000	-	USD	250,000	-
		Amih III, LP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	2,400,000	-	USD	2,400,000	-
		Espeferra, Inc.	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD	700,000	-	USD	700,000	-
		AMobile Intelligent Corp. Limited convertible bonds	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	7,195,686	-	USD	7,195,686	-
		DB 5YR CNY SENIOR BULLET NOTE	Debt instrument investments measured at fair value through other comprehensive income- current	-	USD	9,016,000	-	USD	9,016,000	-
		China International Capital Corporation Limited unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	8,951,020	-	USD	8,951,020	-
		SciBank Group Corp unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	7,905,528	-	USD	7,905,528	-
		Royal BK Canada London 0% 20 Dec20	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD	9,590,400	-	USD	9,590,400	-
		5 Year USD Denominated Credit Linked Notes linked to Bank of Communications	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,113,400	-	USD	9,113,400	-
		3 Year USD Denominated Credit Linked Notes linked to Alibaba	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,875,800	-	USD	8,875,800	-
		4 Year USD Denominated Credit Linked Notes linked to Alibaba	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,018,700	-	USD	9,018,700	-
		5 Year USD Denominated Credit Linked Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,187,200	-	USD	9,187,200	-
		USD 3y Auto-callable Range Accrual Notes linked to USD17W	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,095,130	-	USD	9,095,130	-
		Megan Stanley USD Autocallable Range Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,965,800	-	USD	8,965,800	-
		3.5 Year USD Amortizable Stepener Credit Linked Note on the obligation of Alibaba Group Holding Ltd.	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,954,100	-	USD	8,954,100	-
		IFY BRD CAPITAL RETURN NOTES DUE 23 FEBRUARY 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,298,800	-	USD	9,298,800	-
		24 Months Note Linked to a fund due 26 April 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,767,700	-	USD	9,767,700	-
		USD 3y Notes Linked to a fund due 05-May-2022	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,000,000	-	USD	9,000,000	-
		Barclays Bank PLC 3.25% ECLAR DUE 31 OCT 2019 USD REGS	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,795,070	-	USD	8,795,070	-
		Callable Credit Linked Dual Range due 2023	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY	30,000,000	-	CNY	30,000,000	-
		Industrial and Commercial Bank of China- yj chiu yi No.2 RMB Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	50,000,000	-	CNY	50,000,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free F Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	13,000,000	-	CNY	13,000,000	-
		Industrial and Commercial Bank of China- jib yi yeh bin III plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	50,000,000	-	CNY	50,000,000	-
		Industrial and Commercial Bank of China- E-ling RMB Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	50,000,000	-	CNY	50,000,000	-
		Industrial and Commercial Bank of China- jian li hui Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	33,000,000	-	CNY	33,000,000	-
		Industrial and Commercial Bank of China- jib yi yeh bin plan A	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	36,000,000	-	CNY	36,000,000	-
		Industrial and Commercial Bank of China- jian li hui No.2 Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	36,000,000	-	CNY	36,000,000	-
		Industrial and Commercial Bank of China- jian li hui No.1 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	17,671,500	8%	CNY	17,671,500	-
		GEFA FORCE ELECTRONICS CO., LTD	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	18,858,020	-	CNY	18,858,020	-
		Hebei Changbang Nio new energy industry investment (fund partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	55,309,498	-	CNY	55,309,498	-
		Shanghai Internet Of Things VC Fund II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	24,810,181	8%	CNY	24,810,181	-
		AI Speech Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	14,455,594	-	CNY	14,455,594	-
		Adyze Technology Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	2,089,092	-	CNY	2,089,092	-
		Shenzhen ORVIBO Technology Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	2,089,092	-	CNY	2,089,092	-
		Shenzhen Feima Robotics Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	2,089,092	-	CNY	2,089,092	-

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Continued)

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019					
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair value	Note	
Xin Investment (Shanghai) Inc.	Capital	ORBEC CO. LTD	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 55,081,961	-	CNY 55,081,961	-	
		Shanghai Yiqi Information Technology Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 8,539,276	-	CNY 8,539,276	-	
		Wuxi Mamashuo Information Technology Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 97,905	-	CNY 97,905	-	
		Shanghai KQC Financial Management Consulting Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 4,539,197	-	CNY 4,539,197	-	
		Shingho ABAX Sarsing	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 14,256,607	-	CNY 14,256,607	-	
MediaTek USA, Inc.	Funds	Industrial and Commercial Bank of China- Jih yiyue hai III Jian B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 8,000,000	-	CNY 8,000,000	-	
		Industrial and Commercial Bank of China-principal guaranteed Free E orination 2017 no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 4,150,000	-	CNY 4,150,000	-	
		Industrial and Commercial Bank of China- Jih sheng yue bang RMB Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 13,000,000	-	CNY 13,000,000	-	
		PEMG-INSURANCE POLICY TRUST	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 10,909,909	-	USD 10,909,909	-	
		Trust fund	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 19,160,561	-	USD 19,160,561	-	
MediaTek (Wuhan) Inc.	Funds	Fubon Bank of China- yue de ying no.1 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 18,000,000	-	CNY 18,000,000	-	
		One Mobilek Systems Private Limited	Equity instrument investments measured at fair value through other comprehensive income- current	36,201	USD 4,538,801	1%	USD 4,538,801	-	
Cloud Ronger Limited	Bonds	Apptor Holding, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	103,573	USD 8,458,139	1%	USD 8,458,139	-	
		Scaleflux Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,497,076	USD 5,549,212	4%	USD 5,549,212	-	
	Stocks	Naimi Semiconductor Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,276,935	USD 4,871,762	1%	USD 4,871,762	-	
		Ambiq Micro, Inc	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,809,900	USD 3,938,675	3%	USD 3,938,675	-	
	Bonds	Tennesset Technology Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,820,000	USD 3,257,800	9%	USD 3,257,800	-	
		EPConnect Entertainment Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	910	USD 598,352	9%	USD 598,352	-	
	Bonds	SkyREC LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	75,188	USD 600,000	6%	USD 600,000	-	
		Scaleflux Inc. convertible bonds	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 2,000,000	-	USD 2,000,000	-	
	Hsu Chia (Simso) Investment Ltd.	Bonds	BCFINA4.88%	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 5,024,000	-	CNY 5,024,000	-
			GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000	-
Bonds		BACR 3.95 05/30/25	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,375,000	-	CNY 50,375,000	-	
		BQC 3.30 04/17/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-	
Linked Deposits		BQC 3.15 10/16/21	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ADBCH 3.4 11/06/24	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-	
Linked Deposits		ADBCH 3.18 11/06/22	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-	
		GS Floor 03/27/22	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 51,460,000	-	CNY 51,460,000	-	
Bonds		GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000	-	
		BACR 3.95 05/30/25	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,375,000	-	CNY 50,375,000	-	
Hsu Fa (Simso) Investment Ltd.	Bonds	ADBCH 3.08 05/29/20	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BQC 3.30 04/17/22	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-	
	Linked Deposits	BQC 3.15 10/16/21	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BAC 4.5 06/27/21	Financial assets measured at amortized cost- noncurrent	-	CNY 7,029,120	-	CNY 7,029,120	-	
	Linked Deposits	GS Floor 03/27/22	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 51,460,000	-	CNY 51,460,000	-	
		3Yx1y CNY Dual Range Accrual Note link TWP-29 LIBOR < 5%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 48,575,000	-	CNY 48,575,000	-	
	Bonds	3Yx1y CNY Dual Range Accrual Note link TWP-29 LIBOR - 5.25%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 38,856,000	-	CNY 38,856,000	-	
		3Yx1y CNY Dual Range Accrual Note link TWP-29.5 Swap Rate <= 3.49%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 28,101,000	-	CNY 28,101,000	-	
	Bonds	GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 47,990,000	-	CNY 47,990,000	-	
		ADBCH 3.08 05/29/20	Financial assets measured at amortized cost- current	-	CNY 10,000,000	-	CNY 10,000,000	-	
Capital	BQC 3.15 10/16/21	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-		
	ADBCH 3.4 11/06/24	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000	-		
Capital	ADBCH 3.18 11/06/22	Financial assets measured at amortized cost- noncurrent	-	CNY 47,000,000	-	CNY 47,000,000	-		
	Shanghai Shansheng Chuangtuo Investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 10,051,200	-	CNY 10,051,200	-		
		Shanghai Sunmuyuan (C.M.A) Investment Limited Partnership II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 11,302,661	-	CNY 11,302,661	-	

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Held Company Name	Securities Type	Securities Name	December 31, 2019				Note	
			Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair Value		
Mediatek (Shenzhen) Inc.	Funds	Financial Statement Account	Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	-	CNY 22,540,000	-	CNY 22,540,000	-
			Industrial and Commercial Bank of China- principal guaranteed Free E Fund	-	CNY 43,380,000	-	CNY 43,380,000	-
			Industrial and Commercial Bank of China- jh yiyueh bin plan A	-	CNY 31,000,000	-	CNY 31,000,000	-
			Industrial and Commercial Bank of China- jh yiyueh bin V guaranteed 24 weeks Fund	-	CNY 27,830,000	-	CNY 27,830,000	-
Rohde& Technology Corp.	Stocks	DYNA RECH CO., LTD	16,000,000	\$ 116,800	9%	\$ 116,800	-	
	Stocks	Asia Global Venture Capital III	1,000,000	\$ 24,247	10%	\$ 24,247	-	
Gold Rich International (HK) Limited	Stocks	Financial Statement Account	Shenzhen Goodix Technology Co., Ltd	20,475,772	USD 575,518,810	4%	USD 575,518,810	-
			Shenzhen Goodix Technology Co., Ltd	31,216,205	USD 877,403,457	7%	USD 877,403,457	-
			Shanghai Shansheng Changxin Investment Partnership (Limited Partnership)	-	CNY 10,051,200	-	CNY 10,051,200	-
			Zhu Hai City Yuan Fan Information Technology Co., Ltd.	-	CNY 200,000	-	CNY 200,000	-
Mediatek (Shanghai) Inc.	Funds	Financial Statement Account	Industrial and Commercial Bank of China- principal guaranteed Free E Fund	-	CNY 12,000,000	-	CNY 12,000,000	-
			Industrial and Commercial Bank of China- jh yiyueh bin V guaranteed 24 weeks Fund	-	CNY 50,000,000	-	CNY 50,000,000	-
Mediatek India Technology Pvt. Ltd.	Stocks	Financial Statement Account	Industrial and Commercial Bank of China- jh yiyueh bin III plan B	-	CNY 9,000,000	-	CNY 9,000,000	-
			Industrial and Commercial Bank of China- jh sheng yueh heng	-	CNY 33,000,000	-	CNY 33,000,000	-
Mediatek China Limited	Bonds	Financial Statement Account	Spice Mobility Ltd.	19,368,439	INR 81,347,444	9%	INR 81,347,444	-
			Callable Range Accrual Note	-	USD 8,820,000	-	USD 8,820,000	-
MStar Software R&D (Shenzhen), Ltd.	Funds	Financial Statement Account	Citibank Structured Deposit	-	CNY 41,700,000	-	CNY 41,700,000	-
			Fubon Bank of China - yue de ying no.2 Fund	-	CNY 50,000,000	-	CNY 50,000,000	-
MTX Wireless Limited (UK)	Capital	Financial Statement Account	HEVC Advance LLC	-	GBP 881,693	-	GBP 881,693	-
			Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	-	CNY 25,000,000	-	CNY 25,000,000	-
Mediatek (Hefei) Inc.	Funds	Financial Statement Account	Industrial and Commercial Bank of China- principal guaranteed Free E orientation 2017 no.3 Fund	-	CNY 20,000,000	-	CNY 20,000,000	-
			Yue de ying 0110431	-	CNY 40,000,000	-	CNY 40,000,000	-
			Yue de ying 01 20263	-	CNY 10,000,000	-	CNY 10,000,000	-
			Yue de ying no.2 19120376	-	CNY 50,000,000	-	CNY 50,000,000	-
EcoNet (Suzhou) Limited	Funds	Financial Statement Account	Industrial and Commercial Bank of China- principal guaranteed 182 days Fund	-	CNY 50,000,000	-	CNY 50,000,000	-
			Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	-	CNY 30,000,000	-	CNY 30,000,000	-
			Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	-	CNY 15,000,000	-	CNY 15,000,000	-
			Yue de ying 19060065	-	CNY 30,000,000	-	CNY 30,000,000	-
			Yue de ying 19050340	-	CNY 30,000,000	-	CNY 30,000,000	-
			Yue de ying 19060065	-	CNY 20,000,000	-	CNY 20,000,000	-
			Yue de ying no.2 (Guaranteed) 1903037	-	CNY 20,000,000	-	CNY 20,000,000	-
			Yue de ying no.2 (Guaranteed) 19040389	-	CNY 30,000,000	-	CNY 30,000,000	-
			Yue de ying no.3 (Redemption) 19020158	-	CNY 30,000,000	-	CNY 30,000,000	-
			Fubon Bank of China - yue de ying Structured Deposit(SIRABC 19080655	-	CNY 50,000,000	-	CNY 50,000,000	-
			Shanghai Pudong Development Bank- Lifede Structured Deposit	-	CNY 50,000,000	-	CNY 50,000,000	-
			One 97 Communications Limited	115,271	USD 56,865,840	0%	USD 56,865,840	-
MOUNTAIN CAPITAL FUND L.P.	Stocks	Mountain SP	-	USD 9,805,792	-	USD 9,805,792	-	
	Capital	China Merchants Bank - ju yi shen ghu G 4day plan B	-	CNY 9,500,000	-	CNY 9,500,000	-	

Note 1: The chairman of the company is the same as the ultimate parent company.  
 Note 2: Ultimate parent entity.

**INDIVIDUAL SECURITIES ACQUIRED OR DISPOSED OF WHICH ACCUMULATED AMOUNT EXCEEDING THE LOWER OF NT\$300 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
For the year ended December 31, 2019

Attachment 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Units/Shares	Amounts	Units/Shares	Amount	Units/Shares	Amount	Units/Shares	Amount (Note 5)
Gaintech Co. Limited	Mediatek China Limited	Investments accounted for using the equity method	Note 1	Subsidiary	2,445,564,020	USD 443,661,255	284,538,480	USD 36,306,858	-	USD -	2,730,102,500	USD 500,303,378
Gaintech Co. Limited	ILL Technology Holding Corporation	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD -	344,243,782	USD 113,600,448	-	USD -	344,243,782	USD 123,695,307
Gaintech Co. Limited	Nephos Cayman Co. Limited	Investments accounted for using the equity method	Note 1	Subsidiary	82,164,964	USD 8,598,582	30,945,462	USD 30,945,462	-	USD -	113,110,426	USD (2,909,954) (Note 8)
Gaintech Co. Limited	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	USD -	52,031,546	USD 57,522,701	-	USD -	52,031,546	USD 62,182,991
Gaintech Co. Limited	HOPU USD Master Fund III, L.P.	Equity instrument investments measured at fair value through other comprehensive income-noncurrent	-	-	-	USD 11,907,531	-	USD 14,456,039	4,713,765 (Note 9)	USD 4,713,765	-	USD 23,796,731
MediaTek Investment Singapore Pte. Ltd.	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	USD -	52,031,546	USD 57,522,701	-	USD 57,522,701	-	USD -
MediaTek Inc.	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	\$ -	1,790,745	\$ 1,788,726	-	\$ 1,788,726	-	\$ -
MediaTek Inc.	ILL Technology Corporation	Investments accounted for using the equity method	Note 4	Subsidiary	-	\$ -	3,697,720,200	\$ 3,798,727 (Note 4)	343,617,000	\$ 3,576,931	-	\$ -
ILL Technology Holding Corporation	ILL Technology Corporation	Investments accounted for using the equity method	Note 3	Subsidiary	-	USD -	343,617,000	USD 113,600,448	-	USD -	343,617,000	USD 123,863,282
Nephos Cayman Co. Limited	Nephos (Hefei) Co., Ltd.	Investments accounted for using the equity method	Note 2	Subsidiary	-	USD -	31,935,274	USD 31,935,274	-	USD -	-	USD (4,532,138) (Note 8)
MediaTek China Limited	Xuxin Investment (Shanghai) Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD -	18,375,937	USD 26,500,000	-	USD -	-	USD 47,549,995
MediaTek China Limited	MediaTek (Wuhan) Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD -	11,754,149	USD 11,806,858	-	USD -	-	USD 25,139,983
Xuxin Investment (Shanghai) Inc.	Xuxin (Shanghai) Management Consulting Co., Ltd.	Investments accounted for using the equity method	Note 1	Subsidiary	-	CNY -	-	CNY 167,500,000	-	CNY -	-	CNY 171,282,514
Xuxin (Shanghai) Management Consulting Co., Ltd.	Hefei Xuxin Management Consulting Co., Ltd.	Investments accounted for using the equity method	Note 1	Subsidiary	-	CNY -	-	CNY 167,500,000	-	CNY -	-	CNY 171,256,686
MediaTek Inc.	HFI Innovation Inc.	Investments accounted for using the equity method	Note 10	Subsidiary	80,828,122	\$ 228,192	33,062,830	\$ 330,628 (Note 10)	-	\$ -	113,890,952	\$ 440,782
Gold Rich International (HK) Limited	Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income-current	-	-	31,903,483	USD 346,561,042	6,770,195 (Note 6)	USD 5,867,348 (Note 6)	18,197,906	USD 360,566,338	20,475,772	USD 575,518,810 (Note 6)

(To be continued)



(Continued)

Note 1: Subscribed to the new shares issued.

Note 2: Acquired from outside shareholders.

Note 3: For the purpose of reorganization, the 100% ownership of ILL Technology Corporation, which was previously owned by Mediatek Inc., was transferred to ILL Technology Holding Corporation in May 2019.

Note 4: For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with Mediatek Inc. on January 1, 2019. ILL Technology Corporation transferred its ownership of shares of MStar Semiconductor, Inc. to Mediatek Inc.

The difference between the proceeds from disposal of subsidiaries and the carrying amounts of the subsidiaries of NT\$48,485 thousand was credited as deduction of additional paid-in capital.

Note 5: Investments accounted for using equity method include investment income (loss) recognized by the equity method, adjustment for foreign exchange, and unrealized gains (losses) from investments measured at fair value through other comprehensive income.

Equity instrument investments measured at fair value through other comprehensive income includes unrealized gains (losses) from investments measured at fair value through other comprehensive income.

Note 6: Include the reclassification of USD5,867,348 from equity instrument investments measured at fair value through other comprehensive income- noncurrent.

Note 7: For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with Mediatek Inc. on January 1, 2019. Sigmaster Technology Inc., which was previously owned by MStar Semiconductor, Inc., was transferred to Mediatek Inc.

Moreover, Mediatek Inc. transferred its ownership of Sigmaster Technology Inc. to Mediatek Investment Singapore Pte. Ltd. After that, Mediatek Investment Singapore Pte. Ltd. transferred its ownership of Sigmaster Technology Inc. to Gaintech Co. Limited on August 1, 2019.

Note 8: Include the adjustment of changes in ownership interest.

Note 9: Proceeds from capital return.

Note 10: Include the new shares issued in cash and in intellectual property (IP).

**MEDIATEK INC. AND SUBSIDIARIES**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE WITH AMOUNT EXCEEDING THE LOWER OF NT\$400 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
**For the year ended December 31, 2019**

Attachment 5

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party		Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer			
MediaTek Inc.	Land and building	2019.03.22	\$ 339,000	\$ 339,000	Winsome Development Co., Ltd.	None	-	-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Chengdu) Inc.	Construction in progress	2018.08.31	CNY 295,000,000	CNY 83,384,323	Horizon Design (Xiamen) Co., Ltd., Sichuan Chuanjian Geotechnical Survey And Design Institute, Sichuan Hareal Consultina Co., Ltd., Sichuan Linda Safety Consulting Technology Service Co., Ltd., Shanghai Zhenan Engineering Supervision Co., Ltd., Jiangsu Wannanda Construction Group Co., Ltd., Nantong Installation Group Co., Ltd., Shanghai Deheng Power Engineering Co., Ltd., The it electronics eleventh design & research institute scientific and technological engineering Corporation limited, Shanghai zhen nan engineering Supervision Co., Ltd., etc.	None	-	-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Wuhan) Inc.	Construction in progress	2019.10.25	CNY 371,000,000	CNY 2,057,693	Jiangsu Wannanda Construction Group Co., Ltd., Lianxing Construction Hubei Co., Ltd.	None	-	-	Not applicable	Space requirements for staff expansion	None

**MEDIA TEK INC. AND SUBSIDIARIES**  
**RELATED PARTY TRANSACTIONS FOR PURCHASES AND SALES AMOUNTS EXCEEDING THE LOWER OF NT\$100 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
**For the year ended December 31, 2019**

Attachment 6

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Company Name	Counter-party	Relationship	Transaction Details				Details of Abnormal Transaction	Notes/Trade Receivables (Payables)		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales	Payment Term		Ending Balance	Percentage of Total Notes/Trade Receivables (Payables)	
MediaTek Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	Sales (Note 1)	\$ 1,039,170	0.76%	Charged by a certain period	-	\$ 107,110	0.75%	-
MediaTek Inc.	HFI Innovation Inc.	Subsidiary	Sales	\$ 150,628	0.11%	30 days	-	\$ 8,531	0.06%	-
MediaTek Inc.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 1,901,840	-	75 days	-	\$ (443,785)	3.58%	-
MediaTek Singapore Pte. Ltd.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	USD 30,257,281	-	75 days	-	USD (10,347,357)	4.61%	-
MediaTek Singapore Pte. Ltd.	Airoha Technology Corp.	Subsidiary	Sales	USD 5,044,007	0.25%	30 days	-	USD 268,191	0.11%	-
Airoha Technology Corp.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 265,936	-	90 days	-	\$ (89,529)	5.33%	-
EcoNet Limited	EcoNet (Suzhou) Limited	Subsidiary	Purchases	\$ 1,651,086	100.00%	Charged by a certain period	-	\$ (228,567)	100.00%	-
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	Sales	\$ 307,813	70.42%	30 days	-	\$ 304,798	100.00%	-

Note 1: License revenues mainly

**MEDIA TEK INC. AND SUBSIDIARIES**  
**RECEIVABLES FROM RELATED PARTIES WITH AMOUNTS EXCEEDING THE LOWER OF NT\$100 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
**As of December 31, 2019**

Attachment 7

Company Name	Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
					Amount	Action Taken		
					(Amounts in Thousands of New Taiwan Dollars)			
MediaTek Inc.	Airoha Technology Corp.	Subsidiary	\$ 389,346	-	\$ -	\$ -	\$ 1,273	\$ -
MediaTek Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 107,110	-	\$ -	\$ -	\$ 107,110	\$ -
MediaTek Inc.	Sigmastar Technology Corp.	Subsidiary	\$ 113,752	-	\$ -	\$ -	\$ 113,752	\$ -
MediaTek Inc.	ILI Technology Corporation	Subsidiary	\$ 261,532	-	\$ -	\$ -	\$ -	\$ -
MediaTek Inc.	Nephos (Hefei) Co., Ltd.	Subsidiary	\$ 468,432	-	\$ -	\$ -	\$ -	\$ -
MediaTek USA Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 451,865	-	\$ -	\$ -	\$ 451,865	\$ -
MediaTek (Shenzhen) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 283,719	-	\$ -	\$ -	\$ 283,719	\$ -
MediaTek (Chengdu) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 101,210	-	\$ -	\$ -	\$ 101,210	\$ -
MediaTek Wireless Finland Oy	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 144,166	-	\$ -	\$ -	\$ 144,166	\$ -
MediaTek Bangalore Private Limited	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 113,284	-	\$ -	\$ -	\$ 113,284	\$ -
MediaTek (Shanghai) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 133,042	-	\$ -	\$ -	\$ 133,042	\$ -
EcoNet (Suzhou) Limited	EcoNet Limited	Subsidiary	\$ 228,567	-	\$ -	\$ -	\$ 100,383	\$ -
Hsu Chia (Samoa) Investment Ltd.	MediaTek (Shanghai) Inc.	Subsidiary	\$ 2,161,795	-	\$ -	\$ -	\$ -	\$ -
Hsu Fa (Samoa) Investment Ltd.	MediaTek (Hefei) Inc.	Subsidiary	\$ 735,010	-	\$ -	\$ -	\$ -	\$ -
Hsu Kang (Samoa) Investment Ltd.	MediaTek (Shenzhen) Inc.	Subsidiary	\$ 3,023,551	-	\$ -	\$ -	\$ -	\$ -
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	\$ 304,798	-	\$ -	\$ -	\$ -	\$ -
Richtek Technology Corp.	MediaTek Inc.	Subsidiary	\$ 757,291	-	\$ -	\$ -	\$ 757,291	\$ -
Airoha Technology Corp.	MediaTek Inc.	Subsidiary	\$ 101,537	-	\$ -	\$ -	\$ 101,537	\$ -

Note 1: Trade receivables and other receivables arising from technical services, sales of chips and software usage mainly.

Note 2: Loans and their interests (recorded in other receivables) mainly.

Note 3: Dividend revenues (recorded in other receivables) mainly.

**MEDIA TEK INC. AND SUBSIDIARIES**  
**THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES**  
**For the year ended December 31, 2019**

Attachment 8

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transaction		Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
				Accounts	Amount		
0	MediaTek Inc.	MediaTek Singapore Pte. Ltd.	A	Trade Receivables from related party	\$ 107,110	By contract	0.02%
			A	Operating Revenue from related Party	\$ 1,039,170		0.42%
			A	Purchases from related party	\$ 64,282		0.03%
			A	Trade Receivables from related party	\$ 113,752		0.02%
			A	Operating Revenue from related Party	\$ 72,933		0.03%
			A	Other Receivables from related party	\$ 261,532		0.06%
			A	Lease execution deposits	\$ 10,322		0.00%
			A	Lease execution deposits	\$ 7,034		0.00%
			A	Bank loan guarantee	\$ 2,980,313		0.65%
			A	Trade Receivables from related party	\$ 170,278		0.04%
			A	Other Receivables from related party	\$ 298,154		0.06%
			A	Research and development expenses	\$ 85,463		0.03%
			A	Operating Revenue from related Party	\$ 150,628		0.06%
			A	Trade Payables to related party	\$ 757,291		0.17%
			A	Trade Receivables from related party	\$ 388,072		0.08%
			A	Trade Payables to related party	\$ 101,537		0.02%
		1	MediaTek Singapore Pte. Ltd.	MediaTek (Hefei) Co., Ltd.	A		Operating Revenue from related Party
EcoNet Limited	A			Research and development expenses	\$ 76,141	0.02%	
HFI Innovation Inc.	A			Operating Revenue from related Party	\$ 722,733	0.29%	
Richtek Technology Corp.	A			Trade Payables to related party	\$ 56,745	0.01%	
Atroha Technology Corp.	A			Trade Receivables from related party	\$ 540,111	0.22%	
	A			Trade Payables to related party	\$ 52,399	0.01%	
	C			Research and development expenses	\$ 514,945	0.21%	
MTK Wireless Limited (UK)	C			Trade Payables to related party	\$ 101,210	0.02%	
	C			Research and development expenses	\$ 942,436	0.38%	
MediaTek India Technology Pvt. Ltd.	C			Trade Payables to related party	\$ 1,769,543	0.72%	
	C			Research and development expenses	\$ 412,586	0.17%	
MediaTek Korea Inc.	C			Trade Payables to related party	\$ 283,719	0.06%	
	C			Research and development expenses	\$ 2,838,895	1.15%	
MediaTek (Chengdu) Inc.	C			Research and development expenses	\$ 1,746,208	0.71%	
MediaTek (Beijing) Inc.	C			Research and development expenses	\$ 133,042	0.03%	
MediaTek (Wuhan) Inc.	C			Research and development expenses	\$ 1,412,928	0.57%	
MediaTek (Shenzhen) Inc.	C			Trade Payables to related party	\$ 113,284	0.02%	
MediaTek (Hefei) Inc.	C	Research and development expenses	\$ 1,026,576	0.42%			
	C	Trade Payables to related party	\$ 144,166	0.03%			

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES**  
**For the year ended December 31, 2019**

(Continued)

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transaction		Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
				Accounts	Amount		
1	MediaTek Singapore Pte. Ltd.	MediaTek Wireless Finland Oy	C	Research and development expenses	\$ 804,157	By contract	0.33%
		MediaTek USA Inc.	C	Trade Payables to related party	\$ 451,865		0.10%
		Airoha Technology Corp.	C	Research and development expenses	\$ 4,565,124		1.85%
		HFI Innovation Inc.	C	Operating Revenue from Related Party	\$ 156,017		0.06%
		MediaTek Japan Inc.	C	Operating Revenue from Related Party	\$ 81,106		0.03%
		MediaTek Wireless FZ-LLC	C	Research and development expenses	\$ 147,813		0.06%
2	EcoNet Limited	MediaTek Sweden AB	C	Research and development expenses	\$ 32,706	By contract	0.01%
		EcoNet (Suzhou) Limited	C	Research and development expenses	\$ 98,953		0.04%
		Hsu Chia (Samoa) Investment Ltd.	C	Trade Payables to related party	\$ 228,567		0.05%
		Hsu Fa (Samoa) Investment Ltd.	C	Purchases from related party	\$ 1,651,086		0.67%
		Hsu Kang (Samoa) Investment Ltd.	C	Other Receivables from related party	\$ 2,161,795		0.47%
		Nephos Inc.	C	Non-operating income	\$ 67,155		0.03%
3	Hsu Chia (Samoa) Investment Ltd.	MediaTek (Hefei) Inc.	C	Other Receivables from related party	\$ 735,010	By contract	0.16%
		Hsu Fa (Samoa) Investment Ltd.	C	Other Receivables from related party	\$ 3,023,551		0.66%
		Hsu Kang (Samoa) Investment Ltd.	C	Non-operating income	\$ 93,925		0.04%
		Nephos Inc.	C	Operating Revenue from Related Party	\$ 133,713		0.05%
		Nephos (Hefei) Co., Ltd.	C	Operating Revenue from Related Party	\$ 289,379		0.12%
		Nephos Pte. Ltd.	C	Research and development expenses	\$ 224,671		0.09%
4	Corporate Event Limited	Richpower Microelectronics Corp.	C	Operating Revenue from related Party	\$ 133,476	By contract	0.05%
		Li-We Technology Corp.	C	Research and development expenses	\$ 133,414		0.05%
		Airotek (Chengdu) Inc.	C	Research and development expenses	\$ 110,061		0.04%
		Airotek (Shenzhen) Inc.	C	Other Receivables from related party	\$ 30,438		0.01%
		Richpower Microelectronics Co., Ltd.	C	Research and development expenses	\$ 153,161		0.06%
		Richtek Technology Corp.	C	Selling expenses	\$ 60,340		0.02%
5	Richpower Microelectronics Corp.	Richtek Korea LLC.	C	Selling expenses	\$ 49,330	By contract	0.02%
		Richtek USA Inc.	C	Selling expenses	\$ 35,085		0.01%
		Ironman Overseas Co., Ltd.	C	Selling expenses	\$ 45,768		0.02%
		Richstar Group Co., Ltd.	C	Selling expenses	\$ 77,805		0.03%
		Richtek Global Marketing Co., Ltd.	C	Selling expenses	\$ 64,948		0.03%
		Richtek Holding International Limited	C	Selling expenses	\$ 65,982		0.03%
6	Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	C	Selling expenses	\$ 64,948	By contract	0.03%
		Richpower Microelectronics Co., Ltd.	C	Trade Receivables from related party	\$ 304,798		0.07%
		Richstar Group Co., Ltd.	C	Operating Revenue from Related Party	\$ 307,813		0.13%
		Richtek Holding International Limited	C	Trade Payables to related party	\$ 45,268		0.01%
		Richtek Korea LLC.	C	Research and development expenses	\$ 127,270		0.05%
		Xiamen Signastar Technology Inc.	C	Research and development expenses	\$ 127,270		0.05%

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES**  
**For the year ended December 31, 2019**

(Continued)

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transaction			Percentage of Consolidated Net Sales or Total Assets (Note 3)
				Accounts	Amount	Transaction Terms	
14	Xiamen Sigmaster Technology Inc.	Shenzhen Sing Chen Technology Inc.	C	Research and development expenses	\$ 150,631		0.06%
15	EcoNet (HK) Limited	EcoNet (Suzhou) Limited	C	Operating Revenue from Related Party	\$ 161,027		0.07%
16	ILL Technology Corporation	ILL Technology (SZ) Ltd.	C	Other Payables to related party	\$ 56,053	By contract	0.01%
				Selling expenses	\$ 188,927		
17	Nephos (Hefei) Co., Ltd.	EcoNet (Suzhou) Limited	C	Operating Revenue from Related Party	\$ 72,793		0.03%
18	Nephos (Taiwan) Inc.	Nephos (Hefei) Co., Ltd.	C	Operating Revenue from Related Party	\$ 103,868		0.04%
19	Nephos (Beijing) Co., Ltd.	Nephos (Hefei) Co., Ltd.	C	Operating Revenue from Related Party	\$ 44,264		0.02%

Note 1: MediaTek Inc. and its subsidiaries are coded as follows:

A. MediaTek Inc. is coded 0.

B. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: There are three types of relationship categorized as follow:

A. The holding companies to subsidiaries.

B. Subsidiaries to the holding companies.

C. Subsidiaries to subsidiaries.

Note 3: Percentage of consolidated operating revenues or total assets is calculated as follows: for the balance sheet accounts, the ending balance of assets or liabilities divided by consolidated total assets, or for the income statement accounts, the interim accumulated amounts divided by consolidated sales.

Note 4: The disclosure standard of above transactions between the holding company and subsidiaries are amounts exceeding NTS 30,000 thousand, including purchases, sales, trade payables to related party and trade receivables from related party.

**MEDIATEK INC. AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)**

As of December 31, 2019

Attachment 9

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
MediaTek Inc.	MStar International Technology Inc.	Note 1	Research	\$ 300,000	\$ 300,000	30,000,000	100%	\$ 83,140	\$ 295	Note 18	
	HFI Innovation Inc.	Note 1	Intellectual property right management	\$ 1,138,910	\$ 886,281	113,890,952	100%	\$ 440,782	\$ (77,349)	Note 18	
	Hsu-Ta Investment Corp.	Note 1	General investing	\$ 35,264,009	\$ 35,264,009	3,398,881,889	100%	\$ 37,014,570	\$ 4,278,173	Note 18	
	MediaTek Investment Singapore Pte. Ltd.	Note 7	General investing	\$ 53,067,384	\$ 51,278,638	2,251,157,978	100%	\$ 146,880,648	\$ 4,288,183	Note 18	
	MediaTek Singapore Pte. Ltd.	Note 7	Research, manufacturing and sales	\$ 2,745,519	\$ 2,745,519	111,093,960	100%	\$ 6,365,067	\$ 6,189,711	Note 18	
	MStar Semiconductor, Inc.	Note 1	Research, manufacturing and sales	\$ -	\$ 85,302,933	-	-	\$ -	\$ -	Note 19	
	Aroha Technology Corp.	Note 1	Research, manufacturing and sales	\$ -	\$ 451,660	-	-	\$ -	\$ -	Note 18 and Note 22	
	MStar France SAS	Note 13	Research	\$ 868,611	\$ -	488,900	100%	\$ 823,679	\$ (8,519)	Note 18 and Note 19	
	MStar Co., Ltd.	Note 15	General investing	\$ 526,142	\$ -	13,350,000	100%	\$ 448,484	\$ (56,056)	Note 18 and Note 19	
	Digimax Holdings Limited	Note 3	General investing	\$ 36,603	\$ -	3,895	100%	\$ 55,809	\$ (57)	Note 18 and Note 19	
	MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ -	\$ -	-	-	\$ -	\$ -	Note 18, Note 19 and Note 23	
	ILL Technology Corporation	Note 1	Research, manufacturing and sales	\$ -	\$ -	-	-	\$ -	\$ -	Note 19 and Note 20	
	MShining International Corporation	Note 1	Sales	\$ 682,336	\$ -	63,138,811	100%	\$ 666,836	\$ 20,214	Note 18 and Note 19	
Stigmastar Technology Inc.	Note 2	General investing	\$ -	\$ -	-	-	\$ -	\$ -	Note 18, Note 19 and Note 24		
Spidoom Technologies	Note 13	Research	\$ 4,722	\$ -	14,620	100%	\$ 3,673	\$ (1,050)	Note 18 and Note 19		
MStar France SAS	Note 13	Research	\$ -	\$ 202,148	-	-	\$ -	\$ (8,519)	Note 19		
MStar Co., Ltd.	Note 15	General investing	\$ -	\$ 933,852	-	-	\$ -	\$ (56,056)	Note 19		
Digimax Holdings Limited	Note 3	General investing	\$ -	\$ 428,193	-	-	\$ -	\$ (57)	Note 19		
MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ -	\$ 133,057	-	-	\$ -	\$ (130)	Note 19		
ILL Technology Corporation	Note 1	Research, manufacturing and sales	\$ -	\$ 3,697,702	-	-	\$ -	\$ 253,387	Note 19		
MShining International Corporation	Note 1	Sales	\$ -	\$ 631,388	-	-	\$ -	\$ 20,214	Note 19		
Stigmastar Technology Inc.	Note 2	General investing	\$ -	\$ 61,838	-	-	\$ -	\$ 26,116	Note 19		
Spidoom Technologies	Note 13	Research	\$ -	\$ 5,247	-	-	\$ -	\$ (1,050)	Note 19		
Gaintech Co. Limited	Note 2	General investing	USD 1,921,541,067	USD 1,864,018,366	383,813,853	100%	USD 4,787,399,539	USD 130,318,383	Note 18		
Cloud Ranger Limited	Note 5	General investing	USD 23,139,000	USD 23,139,000	23,139,000	100%	USD 37,207,187	USD (387,508)	Note 18		
MediaTek Bangalore Private Limited	Note 4	Research	USD 339,847	USD 339,847	1,999,999	100%	USD 19,810,005	USD 5,596,169	Note 18		
MStar Semiconductor India Private Limited	Note 4	Research and technical services	USD -	USD 454,000	-	-	USD -	USD (125,307)	Note 18 and Note 25		
CoreTech Resources Inc.	Note 3	General investing	\$ 3,357,608	\$ 3,357,608	102,200,000	100%	\$ 4,745,743	\$ 140,893	Note 18		
MediaTek Capital Co.	Note 1	General investing	\$ 3,915,188	\$ 3,765,188	146,411,975	100%	\$ 6,268,673	\$ 73,771	Note 18		
MediaTek Bangalore Private Limited	Note 4	Research	\$ -	\$ -	1	-	USD -	USD 5,596,169	Note 18		
Hsu-Ta Investment Corp.	Note 1	General investing	\$ 27,300,000	\$ 30,700,000	2,730,000,000	100%	\$ 27,280,365	\$ 4,065,347	Note 18		
MediaTek India Technology Pvt. Ltd.	Note 4	Research	\$ -	\$ -	1	-	USD -	USD 2,201,236	Note 18		
RollTech Technology Co., Ltd.	Note 1	Research	\$ 140,020	\$ 138,268	5,262,000	100%	\$ 54,138	\$ 2,965	Note 18		
E-Vahicle Semiconductor Technology Co., Ltd.	Note 1	Research, manufacturing and sales	\$ 16,796	\$ 16,796	7,600,000	30%	\$ 16,770	\$ (18,962)	Note 18		
Chingis Technology Corporation	Note 1	Research	\$ 887,932	\$ 887,932	116,936,991	100%	\$ 615,555	\$ (36,643)	Note 18		
Volenset Inc.	Note 1	Research	\$ -	\$ 154,286	-	-	\$ -	\$ 6,025	Note 18 and Note 26		
Nephos (Taiwan) Inc.	Note 1	Research	\$ -	\$ 136,794	-	-	\$ -	\$ 10,542	Note 18 and Note 27		
CMOS-Crystal Ltd.	Note 1	Research	\$ 18,189	\$ 18,189	25,001	20%	\$ 17,153	\$ (2,291)	Note 18		

(To be continued)



**MEDIA TEK INC. AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)**  
**As of December 31, 2019**

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount			Balance as of December 31, 2019			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount				
MediaTek Capital Co.	Cybenet Corp.	Note 1	Research	\$ 250,737	\$ 250,737	3,119,748	30%	\$ 255,504	\$ 35,003	-	-	
	MediaTek Research Corp.	Note 1	Research	\$ 800	\$ -	80,000	100%	\$ -	\$ 288	-	Note 18	
	MediaTek India Technology Pvt. Ltd.	Note 4	Research	USD 1,797,222	USD 1,797,222	5,499,999	100%	USD 12,703,489	USD 2,201,236	-	Note 18	
	MediaTek Korea Inc.	Note 9	Research	USD 2,074,740	USD 2,074,740	200,000	100%	USD 6,780,536	USD 1,037,407	-	Note 18	
	MediaTek China Limited	Note 11	General investing	USD 351,444,293	USD 315,137,435	2,730,102,500	100%	USD 500,303,378	USD 21,310,119	-	Note 18	
	MediaTek Japan Inc.	Note 10	Technical services	USD 61,978	USD 61,978	71,100	100%	USD 2,699,752	USD 155,176	-	Note 18	
	ZENA TECHNOLOGIES INTERNATIONAL, INC.	Note 3	General investing	USD 3,200,000	USD 3,200,000	600,000	33%	USD -	-	-	-	-
	CMC CAPITAL INVESTMENTS, L.P.	Note 2	General investing	USD 7,215,598	USD 9,692,083	-	67%	USD 4,548,486	USD (2,772,598)	-	-	-
	Smarthead Limited	Note 15	General investing	USD 700,000	USD 700,000	700,000	100%	USD 1,835,761	USD (98,038)	-	-	Note 18
	Gold Rich International (Samoa) Limited	Note 5	General investing	USD 4,290,000	USD 4,290,000	4,290,000	100%	USD 1,385,175,073	USD 5,851,637	-	-	Note 18
	Radink Technology (Samoa) Corp.	Note 5	General investing	USD 5,626,623	USD 5,626,623	7,150,000	100%	USD 23,125,359	USD 9,011,497	-	-	Note 18
	MTK Wireless Limited (UK)	Note 12	Research	USD 111,688,604	USD 110,610,756	66,394,826	100%	USD 156,609,622	USD 18,614,865	-	-	Note 18
	Ecotek (Cayman) Inc.	Note 2	General investing	USD 55,952,726	USD 55,952,726	14,362,660	75%	USD 110,283,158	USD 24,314,109	-	-	Note 18
	PONTAINE CAPITAL FUND, L.P.	Note 2	General investing	USD 17,142,857	USD 20,000,000	17,142,857	57%	USD 39,220,339	USD (391,350)	-	-	-
	MediaTek Wireless FZ-LLC	Note 14	Technical services	USD 13,753	USD 13,753	50	100%	USD 325,076	USD 50,380	-	-	Note 18
	Digital Lord Limited	Note 5	General investing	USD -	USD 3,100,000	-	-	USD -	USD (47,789)	-	-	Note 18 and Note 28
	Ihsa Chia (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 164,049,698	USD 5,010,782	-	-	Note 18
	Ihsa Fa (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 163,569,447	USD 4,722,560	-	-	Note 18
	Ihsa Kang (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 163,740,978	USD 4,942,981	-	-	Note 18
	Nephos Pte. Ltd.	Note 7	Research	USD 2,197,493	USD 2,197,493	3,039,240	100%	USD 3,425,839	USD 613,848	-	-	Note 18
	Nephos Inc.	Note 6	Research	USD -	USD 4,200,000	-	-	USD -	USD 232,058	-	-	Note 18 and Note 29
	Nephos Cayman Co. Limited	Note 2	General investing	USD 113,110,426	USD 82,164,964	113,110,426	100%	USD (2,969,954)	USD (7,974,788)	-	-	Note 18
	MOUNTAIN CAPITAL FUND, L.P.	Note 2	General investing	USD 27,200,000	USD 27,200,000	27,200,000	90%	USD 66,796,722	USD (32,230)	-	-	Note 18 and Note 30
White Dwarf Limited	Note 3	General investing	USD -	USD 15,853,000	-	-	USD -	USD (5,359)	-	-	Note 18	
CSVI VENTURES, L.P.	Note 2	General investing	USD 12,000,000	USD 7,500,000	12,000,000	39%	USD 10,113,415	USD (2,175,457)	-	-	-	
INTELLIGO TECHNOLOGY INC.	Note 2	General investing	USD 8,000,000	USD 8,000,000	8,928,270	24%	USD 4,250,419	USD (4,829,310)	-	-	-	
IStar Technology Ltd.	Note 2	General investing	USD 7,737,673	USD 7,737,673	50,000	100%	USD 7,780,468	USD 198,032	-	-	Note 18	
MediaTek Research UK Limited	Note 12	Research	USD 358,340	USD -	280,000	100%	USD 447,677	USD 73,570	-	-	Note 18	
IIJ Technology Holding Corporation	Note 2	General investing	USD 113,600,448	USD -	344,243,782	100%	USD 123,695,507	USD 3,962,999	-	-	Note 18	
Amobile Intelligent Corp. Limited	Note 11	General investing	USD 1,884,921	USD 1,193,783	1,884,921	22%	USD 2,128,419	USD 1,446,788	-	-	Note 21	
Signasat Technology Inc.	Note 2	General investing	USD 57,522,701	USD -	52,031,546	100%	USD 62,182,991	USD 2,842,160	-	-	Note 18 and Note 24	
Lapower (HK) Limited.	Note 11	General investing	USD 26,851	USD -	3,050,000	100%	USD 25,763	USD (3,714)	-	-	Note 18 and Note 28	
MediaTek Sweden AB	Note 8	Research	GBP 19,361,957	GBP 19,361,957	1,008,371	100%	GBP 11,938,238	GBP 1,592,535	-	-	Note 18	
MediaTek USA, Inc.	Note 6	Research	GBP 36,696,645	GBP 36,696,645	111,815	100%	GBP 84,388,427	GBP 12,614,850	-	-	Note 18	
MediaTek Wireless Finland Oy	Note 17	Research	GBP 4,733,036	GBP 4,733,036	1,000	100%	GBP 8,832,710	GBP 1,096,136	-	-	Note 18	
Mstar Semiconductor UK Ltd.	Note 12	Research and technical services	GBP 1,759,253	GBP -	1	100%	GBP 1,754,249	GBP (3,101)	-	-	Note 18 and Note 23	
Nephos Inc.	Note 6	Research	GBP -	GBP -	-	-	GBP -	GBP 199,825	-	-	Note 18 and Note 29	
Gold Rich International (HK) Limited	Note 11	General investing	USD 4,190,000	USD 4,190,000	4,190,000	100%	USD 1,385,089,467	USD 5,852,824	-	-	Note 18	

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)**  
**As of December 31, 2019**

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balances as of December 31, 2019		Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership			
Smartbest Limited	MOMAGIC TECHNOLOGIES PRIVATE LIMITED	Note 4	Software development	USD 500,000	USD 500,000	2,385,927	2.3%	USD 1,643,314	USD 134,028	-
FeonNet (Cayman) Inc.	Shadow Investment Limited	Note 5	General investing	USD 1,491,120	USD 1,491,120	15,000,000	100%	USD 2,569,631	USD 43,732	Note 18
EcoNet (Szabo) Limited	EcoNet (HK) Limited	Note 11	General investing and research	USD 67,534,520	USD 67,534,520	67,534,520	100%	USD 139,384,711	USD 24,162,944	Note 18
Digital Lead Limited	EcoNet Limited	Note 3	General investing and sales	CNY 2,635,504	CNY 2,639,504	400,000	100%	CNY 25,872,136	CNY 8,882,606	Note 18
Stigmastar Technology Inc.	Lepowor (HK) Limited	Note 11	General investing	USD -	USD 3,660,000	-	-	USD -	USD (3,714)	Note 18 and Note 28
ILI Technology Corporation	Stigmastar Technology Corp.	Note 1	Research, manufacturing and sales	USD 53,474,665	USD 53,474,665	152,795,000	100%	USD 48,615,243	USD (1,480,511)	Note 18
	ILITEK Holding Inc.	Note 3	General investing	\$ 399,927	\$ 399,927	13,050	100%	\$ 387,440	\$ 7,898	Note 18
	Li-Yu Investment Corp.	Note 1	General investing	\$ 88,479	\$ 88,479	31,275,100	100%	\$ 336,463	\$ 1,522	Note 18
	Ironman Overseas Co., Ltd.	Note 3	General investing	\$ 373,359	\$ 373,359	8,950,000	100%	\$ 148,136	\$ 49,471	Note 18
	Richstar Group Co., Ltd.	Note 3	General investing	\$ 619,110	\$ 619,110	10,765,000	100%	\$ 243,932	\$ 108,530	Note 18
	Richnex Microelectronics Corp.	Note 1	Research, manufacturing and sales	\$ 278,032	\$ 278,032	26,963,153	82%	\$ 23,160	\$ (3,096)	Note 18
	Richtek Europe Holding B.V.	Note 16	General investing	\$ 84,724	\$ 84,724	2,000,000	100%	\$ 51,718	\$ 2,403	Note 18
	Richtek Holding International Limited	Note 3	General investing	\$ 292,264	\$ 292,264	30,800	100%	\$ 46,790	\$ (1,629)	Note 18
	Richpower Microelectronics Corp.	Note 2	Manufacturing and sales	\$ 263,830	\$ 263,830	12,600,000	100%	\$ 367,813	\$ (185,118)	Note 18
	Richtek Global Marketing Co., Ltd.	Note 3	General investing	\$ -	\$ 29,935	-	-	\$ -	\$ 6,123	Note 18 and Note 31
	Richtek Korea LLC.	Note 9	Sales and technical services	\$ 26,606	\$ -	10,600	100%	\$ 24,105	\$ 9,979	Note 18 and Note 31
	Corporate Event Limited	Note 3	Technical services	\$ 1,537	\$ 1,537	52,000	51%	\$ 1,606	\$ 68	Note 18
	Richtek Europe B.V.	Note 16	Marketing	EUR 1,500,000	EUR 1,500,000	1,500,000	100%	EUR 1,034,583	EUR 70,450	Note 18
	Richpower Microelectronics Corporation	Note 1	Administrative services	USD 3,114,373	USD 3,114,373	10,000,000	100%	USD 2,253,992	USD 6,663	Note 18
	Richtek USA Inc.	Note 6	Sales and technical services	USD 4,500,000	USD 4,500,000	1,000,000	100%	USD 4,846,075	USD 495,975	Note 18
	Ironman Overseas Co., Ltd.	Note 5	General investing	USD 5,530,000	USD 5,530,000	5,530,000	100%	USD 2,384,145	USD 114,393	Note 18
	Richtek Global Marketing Co., Ltd.	Note 9	Sales and technical services	USD -	USD 1,000,000	-	-	USD -	USD 320,278	Note 18 and Note 31
	Richtek Technology Corp.	Note 1	Research, manufacturing and sales	\$ 28,954,147	\$ 28,954,147	148,482,806	100%	\$ 19,938,339	\$ 3,307,104	Note 18
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ 6,428,827	\$ 6,428,827	61,092,608	100%	\$ 5,906,443	\$ 1,588,185	Note 18
	Airoha (Cayman) Inc.	Note 2	General investing	\$ 59,579	\$ 59,579	1,248,583	100%	\$ 49,592	\$ 14,560	Note 18
	ILI Technology (Sumo) Corp.	Note 5	General investing	\$ 68,580	\$ 68,580	1,762,000	100%	\$ 5,171	\$ 27	Note 18
	ILI Technology Corporation	Note 1	Research, manufacturing and sales	USD 113,600,448	USD -	343,617,000	100%	USD 123,863,282	USD 3,962,999	Note 18 and Note 20
	Media Tek India Technology Pvt. Ltd.	Note 4	Research and technical services	INR 26,422,200	INR -	1,500	100%	INR 24,404,198	INR (8,792,816)	Note 18 and Note 25

Note 1: Taiwan

Note 2: Cayman Islands

Note 3: British Virgin Islands

Note 4: India

Note 5: Western Samoa

Note 6: United States

Note 7: Singapore

Note 8: Sweden

Note 9: Korea

Note 10: Japan

Note 11: Hong Kong

Note 12: United Kingdom

Note 13: France

Note 14: Dubai

Note 15: Seychelles

Note 16: Netherlands

Note 17: Finland

Note 18: Investee is a subsidiary in consolidated group.

Note 19: For the purpose of reorganization, MSI Star Semiconductor, Inc. was dissolved due to the merger with Media Tek Inc. on January 1, 2019. Subsidiaries previously owned by MSI Star Semiconductor, Inc., were transferred to Media Tek Inc.

Note 20: For the purpose of reorganization, the 100% ownership of ILI Technology Corporation, which was previously owned by Media Tek Inc., was transferred to ILI Technology Holding Corporation in May 2019.

Note 21: Amobile Intelligent Holding Corporation issued new shares in June 2019. Gaintech Co. Limited subscribed 22% ownership in total of Amobile Intelligent Holding Corporation, therefore Gaintech Co. Limited has significant influence over Amobile Intelligent Holding Corporation since then.

Hence, Gaintech Co. Limited reclassified Amobile Intelligent Holding Corporation from equity instrument investments measured at fair value through other comprehensive income- noncurrent to investments accounted for using the equity method.

Note 22: For the purpose of reorganization, the 7% ownership of Airoha Technology Corp., which was previously owned by Media Tek Inc., was transferred to Hsu-Si Investment Corp. in August 2019.

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)**  
As of December 31, 2019

(Continued)

Note 23: For the purpose of reorganization, the 100% ownership of MStar Semiconductor UK Ltd., which was previously owned by MediaTek Inc., was transferred to MTK Wireless Limited (UK) in August 2019.

Note 24: For the purpose of reorganization, the 100% ownership of Sigmasstar Technology Inc., which was previously owned by MediaTek Inc., was transferred to Gaintech Co. Limited in August 2019.

Note 25: For the purpose of reorganization, the 100% ownership of MStar Semiconductor India Private Limited, which was previously owned by MStar Technology Pte. Ltd., was transferred to MediaTek Investment Singapore Pte. Ltd. in December 2018.

Moreover, the 100% ownership of MStar Semiconductor India Private Limited was transferred to MediaTek India Technology Pvt. Ltd. in November 2019.

Note 26: For the purpose of reorganization, Valocenet Inc. has been liquidated in December 2019.

Note 27: For the purpose of reorganization, Nephos (Taiwan) Inc. has been liquidated in December 2019.

Note 28: For the purpose of reorganization, Digital Lord Limited has been liquidated in December 2019. The 100% ownership of Lepower (HK) Limited, which was previously owned by Digital Lord Limited, was transferred to Gaintech Co. Limited.

Note 29: For the purpose of reorganization, the 100% ownership of Nephos Inc., which was previously owned by Gaintech Co. Limited, was transferred to MTK Wireless Limited (UK) in September 2019. Moreover, Nephos Inc. was dissolved due to merger with MediaTek USA Inc. in October 2019.

Note 30: The Company has controlled over Mountain Capital Fund, L.P. and the Company included it in consolidation.

Note 31: For the purpose of reorganization, Richtek Global Marketing Co., Ltd. has been liquidated in November 2019. The 100% ownership of Richtek Korea LLC, which was previously owned by Richtek Global Marketing Co., Ltd., was transferred to Richtek Technology Corp.

**MEDIA TEK INC. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
For the year ended December 31, 2019

Attachment 10

Mainland China Investee Company	Main Business	Total Amount of Paid-in Capital	Method of Investment (Note 5, B)	Accumulated Outflow of Investment From Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
MediaTek (Shenzhen) Inc.	Note 2	\$ 2,709,540 USD 90,000,000	MediaTek China Limited	\$ 2,709,540 USD 90,000,000	- -	- -	\$ 2,709,540 USD 90,000,000	\$ 106,971 USD 3,459,331	100%	\$ 106,971 USD 3,459,331	\$ 3,104,442 USD 103,117,038	-
MediaTek (Hefei) Inc.	Note 2	\$ 511,802 USD 17,000,000	MediaTek China Limited	\$ 511,802 USD 17,000,000	- -	- -	\$ 511,802 USD 17,000,000	\$ 93,123 USD 3,011,510	100%	\$ 93,123 USD 3,011,510	\$ 1,256,069 USD 41,721,536	-
MediaTek (Beijing) Inc.	Note 2	\$ 3,010,600 USD 100,000,000	MediaTek China Limited	\$ 3,010,600 USD 100,000,000	- -	- -	\$ 3,010,600 USD 100,000,000	\$ 179,551 USD 5,806,489	100%	\$ 179,551 USD 5,806,489	\$ 4,728,209 USD 157,052,058	-
MediaTek (Chengdu) Inc.	Note 2	\$ 1,499,279 USD 49,800,000	MediaTek China Limited	\$ 1,499,279 USD 49,800,000	- -	- -	\$ 1,499,279 USD 49,800,000	\$ 102,620 USD 3,318,623	100%	\$ 102,620 USD 3,318,623	\$ 1,993,100 USD 66,202,742	-
MediaTek (Wuhan) Inc.	Note 2	\$ 499,966 USD 16,606,858	MediaTek China Limited	\$ 499,966 USD 4,800,000	\$ 355,457 USD 11,806,858	- -	\$ 499,966 USD 16,606,858	\$ 44,250 USD 1,430,991	100%	\$ 44,250 USD 1,430,991	\$ 756,864 USD 25,139,983	-
Xuxin Investment (Shanghai) Inc.	Note 4	\$ 1,101,880 USD 36,600,000	MediaTek China Limited	\$ 304,071 USD 10,100,000	\$ 797,809 USD 26,500,000	- -	\$ 1,101,880 USD 36,600,000	\$ 18,397 USD 594,935	100%	\$ 18,397 USD 594,935	\$ 1,431,540 USD 47,549,995	-
MediaTek (Shanghai) Inc.	Note 2	\$ 1,284,106 CNY 297,000,000	MediaTek China Limited	\$ 1,459,214 USD 48,469,221	- -	- -	\$ 1,459,214 USD 48,469,221	\$ 76,666 USD 2,479,302	100%	\$ 76,666 USD 2,479,302	\$ 1,504,556 USD 49,975,273	-
Nephos (Beijing) Co., Ltd.	Note 2	\$ 903,318 USD 3,000,000	Nephos (Hefei) Co., Ltd.	\$ 72,881 USD 2,420,803	- -	- -	\$ 72,881 USD 2,420,803	\$ 2,223 CNY 496,394	100%	\$ 1,909 CNY 426,237	\$ 6,104 CNY 1,411,884	-
MStar Software R&D (Shenzhen), Ltd.	Note 2	\$ 903,180 USD 30,000,000	MStar Co., Ltd.	\$ 903,180 USD 30,000,000	- -	- -	\$ 903,180 USD 30,000,000	\$ (41,486) USD (1,341,613)	100%	\$ (41,486) USD (1,341,613)	\$ 453,420 USD 15,060,771	-
MStar Chen Xi Software Shanghai Ltd.	Note 2	\$ 38,912 CNY 9,000,000	MStar Software R&D (Shenzhen), Ltd.	- -	- -	- -	- -	\$ (4,571) CNY (1,020,855)	100%	\$ (4,571) CNY (1,020,855)	\$ 41,316 CNY 9,555,847	-
EcoNet (Suzhou) Limited	Note 3	\$ 301,060 USD 10,000,000	EcoNet (HK) Limited	\$ 282,439 USD 9,381,500	- -	- -	\$ 282,439 USD 9,381,500	\$ 821,320 USD 26,560,596	75%	\$ 821,320 USD 26,560,596	\$ 3,390,202 USD 112,608,837	-
Richpower Microelectronics Co., Ltd.	Note 2	\$ 96,339 USD 3,200,000	Richpower Microelectronics Corp.	\$ 96,339 USD 3,200,000	- -	- -	\$ 96,339 USD 3,200,000	\$ 3,054 USD 98,772	100%	\$ 3,054 USD 98,772	\$ 19,442 USD 645,780	-
Li-We Technology Corp.	Note 2	\$ 75,265 USD 2,500,000	Cosmic-Ray Technology Limited	\$ 75,265 USD 2,500,000	- -	- -	\$ 75,265 USD 2,500,000	\$ 3,383 USD 109,411	100%	\$ 3,383 USD 109,411	\$ 38,372 USD 1,274,552	-
Yuan Ke (Pingtan) Investment Fund Limited Partnership	Note 4	\$ 4,813,233 USD 159,876,218	Giantech Co. Limited	\$ 3,901,738 USD 129,600,000	- -	- -	\$ 3,901,738 USD 129,600,000	\$ 146,636 USD 4,742,062	81%	\$ 111,965 USD 3,889,259	\$ 11,360,790 USD 377,359,670	-
Zelus Technology (Hangzhou) Ltd.	Note 3	\$ 155,046 USD 5,150,000	Giantech Co. Limited	\$ 155,046 USD 5,150,000	- -	- -	\$ 155,046 USD 5,150,000	\$ (24,319) USD (786,460)	90%	\$ (24,319) USD (786,460)	\$ 99,709 USD 3,311,936	-
ILI Technology (SZ) Ltd.	Note 2	\$ 391,378 USD 13,000,000	ILITEK Holding Inc.	\$ 391,378 USD 13,000,000	- -	- -	\$ 391,378 USD 13,000,000	\$ 7,984 CNY 1,783,025	100%	\$ 7,984 CNY 1,783,025	\$ 386,153 CNY 89,312,947	-

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**For the year ended December 31, 2019**

(Continued)

Mainland China Investee Company	Main Business	Total Amount of Paid-in Capital	Method of Investment (Note 5. B)	Accumulated Outflow of Investment From Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Beijing Iitek Technology Co., Ltd.	Note 2	\$ 90,318 USD 3,000,000	ISlar Technology Ltd.	\$ 90,318 USD 3,000,000	-	-	\$ 90,318 USD 3,000,000	\$ 1,519 CNY 339,320	100%	\$ 1,519 CNY 339,320	\$ 763,884 CNY 17,666,722	-
ShenZhen ZhongChen Semiconductor Ltd.	Note 2	\$ 150,530 USD 5,000,000	ISlar Technology Ltd.	\$ 150,530 USD 5,000,000	-	-	\$ 150,530 USD 5,000,000	\$ 4,792 USD 154,968	100%	\$ 4,792 USD 154,968	\$ 151,389 USD 5,028,516	-
Nephos (Hefei) Co., Ltd.	Note 3	\$ 1,241,873 USD 41,250,000	Nephos Cayman Co. Limited	\$ 2,424,386 USD 80,528,321	\$ 961,443 USD 31,935,274	-	\$ 3,385,829 USD 112,463,595	\$ (284,137) USD (9,188,678)	100%	\$ (246,015) USD (7,955,844)	\$ (136,445) USD (4,532,138)	-
Airotek (Shenzhen) Inc.	Note 2	\$ 28,601 USD 950,000	Airotek (Cayman) Inc.	\$ 28,601 USD 950,000	-	-	\$ 28,601 USD 950,000	\$ 8,707 USD 281,582	100%	\$ 8,707 USD 281,582	\$ 24,368 USD 809,397	-
Airotek (Chengdu) Inc.	Note 2	\$ 28,601 USD 950,000	Airotek (Cayman) Inc.	\$ 28,601 USD 950,000	-	-	\$ 28,601 USD 950,000	\$ 6,235 USD 201,628	100%	\$ 6,235 USD 201,628	\$ 29,350 USD 974,900	-
Xiamen Sigmastar Technology Inc.	Note 3	\$ 60,212 USD 2,000,000	Sigmastar Technology Inc.	\$ 60,212 USD 2,000,000	-	-	\$ 60,212 USD 2,000,000	\$ 152,308 USD 4,925,466	80%	\$ 137,241 USD 4,438,226	\$ 411,492 USD 13,668,099	-
Shenzhen Sing Chen Technology Inc.	Note 2	\$ 12,971 CNY 3,000,000	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ 8,956 CNY 2,000,174	80%	\$ 7,040 CNY 1,572,242	\$ 21,619 CNY 5,000,174	-
SigmaStar Technology Inc. (Shanghai)	Note 2	\$ 4,324 CNY 1,000,000	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ 9,512 CNY 2,124,393	80%	\$ 7,040 CNY 1,572,242	\$ 13,612 CNY 3,148,323	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505 CNY 85,000,000	Xuxin Investment (Shanghai) Inc.	-	-	-	-	\$ (71,304) CNY (15,924,518)	10%	\$ (5,843) CNY (1,304,930)	\$ 35,035 CNY 8,105,954	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505 CNY 85,000,000	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ (71,304) CNY (15,924,518)	16%	\$ (19,250) CNY (4,299,250)	\$ 67,773 CNY 15,700,750	-
Xuxi (Shanghai) Management Consulting Co., Ltd.	Note 4	\$ 724,201 CNY 167,500,000	Xuxin Investment (Shanghai) Inc.	-	-	-	-	\$ 16,937 CNY 3,782,514	100%	\$ 16,937 CNY 3,782,514	\$ 740,555 CNY 171,282,514	-
Hefei Xuhui Management Consulting Co., Ltd.	Note 4	\$ 724,201 CNY 167,500,000	Xuxi (Shanghai) Management Consulting Co., Ltd.	-	-	-	-	\$ 16,821 CNY 3,756,686	100%	\$ 16,821 CNY 3,756,686	\$ 740,444 CNY 171,256,686	-
Accumulated Investment in Mainland China as of December 31, 2019				Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment						
\$ 20,542,387				\$ 27,698,888		\$ 187,650,206						
USD 682,335,325				USD 920,045,448								

Note 1: Based on Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China promulgated by Investment Commission, MOEA.

Note 2: Development of consumer electronics products and software and related technology consulting services.

Note 3: Development, manufacture, and marketing of consumer electronics products and software.

Note 4: General investing.

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
For the year ended December 31, 2019

(Continued)

Note 5: The methods for engaging in investment in Mainland China include the following:

- A. Direct investment in Mainland China.
- B. Indirect investment in Mainland China through companies registered in a third region.
- C. Other method.

Note 6: Recognized in financial statements audited by the auditors of the parent company in Taiwan.

Note 7: Amounts are listed in New Taiwan Dollars. For foreign currency conversion, net income (loss) of investee and investment income (loss) are converted by the average exchange rate during financial statement period (1 USD=30,922.49 NTD; 1 CNY=4,477.62 NTD). Other amounts are converted by the exchange rate at reporting date. (1 USD=30,106 NTD; 1 CNY=4,323.59 NTD)

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, 2019 AND 2018**

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.

English Translation of a Report Originally Issued in Chinese

**Independent Auditors' Report**

To the Board of Directors and Shareholders  
of MediaTek Inc.

**Opinion**

We have audited the accompanying parent company only balance sheets of MediaTek Inc. as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of MediaTek Inc. as of December 31, 2019 and 2018, and the parent company only financial performance and the parent company only cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of MediaTek Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

MediaTek Inc. recognized NT\$136,467,915 thousand as net sales, which includes sale of goods in the amount of NT\$131,729,250 thousand and services and other operating revenues in the amount of NT\$4,738,665 thousand for the year ended December 31, 2019. Main source of revenue comes from sales of chips. Due to the fact that the product portfolio and the pricing methods are varied and sales discounts are usually directly included or indirectly implied in purchase orders or in practice, it is necessary for the Company to judge and determine the performance obligation of a contract, the timing of its satisfaction, and the estimate of the variable considerations. As a result, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control which is related to the timing of revenue recognition; performing test of details on samples selected from details of sales, reviewing the significant terms of sales agreements, testing five steps of revenue recognition and tracing to relevant documentation of transactions; performing test for contract modification, test for contract consolidation and test for principal and agent; adopting audit sampling on trade receivables and performing confirmation procedures on final balance and key terms of sales agreements; and reviewing transactions for certain period before and after the reporting date, analyzing the reasonableness of fluctuations and selecting samples to perform cutoff procedures, tracing to relevant documentation to verify that revenue has been recorded in the correct accounting period; besides, we also review if there is condition of significant reversals in subsequent periods.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4, Note 5 and Note 6 in notes to the parent company only financial statements.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of MediaTek Inc., disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MediaTek Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of MediaTek Inc.

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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



1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of MediaTek Inc.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of MediaTek Inc. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MediaTek Inc. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within MediaTek Inc. and its subsidiaries to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 20, 2020

#### Notice to Readers

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 103,679,288	25	\$ 60,204,772	18
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	782,571	-	779,574	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	-	-	418,691	-
Financial assets measured at amortized cost-current	4, 6(4), 8	-	-	9,705	-
Trade receivables, net	4, 6(5), 6(20)	13,182,615	4	9,128,184	3
Trade receivables from related parties, net	4, 6(5), 6(20), 7	673,955	-	452,446	-
Other receivables	6(6)	4,205,208	1	3,226,167	1
Other receivables from related parties	7	687,669	-	7,661,565	3
Current tax assets	4, 5, 6(27)	423,785	-	473,886	-
Inventories, net	4, 5, 6(7)	12,916,017	3	8,999,711	3
Prepayments	6(8)	670,675	-	504,129	-
Other current assets		554,248	-	595,604	-
Total current assets		137,776,031	33	92,454,434	28
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss-noncurrent	4, 6(2)	192,990	-	-	-
Financial assets at fair value through other comprehensive income-noncurrent	4, 5, 6(3)	2,998,636	1	2,707,975	1
Financial assets measured at amortized cost-noncurrent	4, 6(4), 8	563,244	-	435,789	-
Investments accounted for using the equity method	4, 6(9)	192,782,688	47	191,249,878	57
Property, plant and equipment	4, 6(10)	20,003,889	5	12,988,180	4
Right-of-use assets	4, 6(21)	1,655,739	-	-	-
Intangible assets	4, 6(11), 6(12)	54,646,668	13	28,975,722	9
Deferred tax assets	4, 5, 6(27)	3,501,079	1	3,164,112	1
Refundable deposits		72,152	-	62,262	-
Total non-current assets		276,417,085	67	239,583,918	72
<b>Total assets</b>		\$ 414,193,116	100	\$ 332,038,352	100

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

**MEDIA TEK INC.**

**PARENT COMPANY ONLY BALANCE SHEETS**

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>		Notes	December 31, 2019	%	December 31, 2018	%
<b>Current liabilities</b>			\$		\$	
Short-term borrowings	6(13)		51,601,684	13	24,555,667	8
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)		-	-	4,520	-
Contract liabilities-current	4, 5, 6(19)		1,783,144	-	1,004,412	1
Trade payables			11,040,313	3	3,776,187	1
Trade payables to related parties	7		1,371,870	-	730,252	-
Other payables	6(14), 7		17,907,377	4	15,915,872	5
Current tax liabilities	4, 5, 6(27)		641,347	-	983,457	-
Lease liabilities-current	4, 6(21)		90,418	-	-	-
Other current liabilities	4, 6(15)		10,205,088	3	9,514,546	3
Current portion of long-term liabilities			661,680	-	750,394	-
Total current liabilities			95,302,921	23	57,235,307	18
<b>Non-current liabilities</b>						
Long-term payables			818,950	-	307,330	-
Net defined benefit liabilities-noncurrent	4, 6(16)		657,843	-	607,132	-
Deposits received	7		425,644	-	54,061	-
Deferred tax liabilities	4, 5, 6(27)		2,200,929	1	571,064	-
Lease liabilities-noncurrent	4, 6(21)		1,567,901	-	-	-
Non-current liabilities-others			468,584	-	317,237	-
Total non-current liabilities			6,139,851	1	1,856,824	-
Total liabilities			101,442,772	24	59,092,131	18
<b>Equity</b>						
Share capital	6(17)					
Common stock			15,896,473	4	15,915,070	5
Capital collected in advance			3,780	-	-	-
Capital surplus	6(17), 6(18)		82,392,203	20	85,237,214	25
Retained earnings	6(17)					
Legal reserve			41,507,689	10	39,431,639	12
Undistributed earnings			127,729,843	31	108,577,764	33
Other equity	6(18)		45,276,326	11	23,840,504	7
Treasury shares	4, 6(17)		(55,970)	-	(55,970)	-
Total equity			312,750,344	76	272,946,221	82
<b>Total liabilities and equity</b>			\$	100	\$	100
			414,193,116		332,038,352	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku



## MEDIATEK INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

Description	Notes	2019	%	2018	%
<b>Net sales</b>	4, 5, 6(19), 7	\$ 136,467,915	100	\$ 88,795,775	100
<b>Operating costs</b>	4, 5, 6(7), 6(22), 7	(80,852,750)	(59)	(52,423,845)	(59)
<b>Gross profit</b>		55,615,165	41	36,371,930	41
<b>Unrealized gross profit on sales</b>		(150,628)	-	-	-
<b>Realized gross profit on sales</b>		84,166	-	81,656	-
<b>Gross profit, net</b>		55,548,703	41	36,453,586	41
<b>Operating expenses</b>	6(20), 6(22), 7				
Selling expenses		(6,286,976)	(5)	(4,762,776)	(5)
Administrative expenses		(2,937,472)	(2)	(2,505,329)	(3)
Research and development expenses		(36,868,477)	(27)	(26,437,628)	(30)
Expected credit gains		3,527	-	124,657	-
Total operating expenses		(46,089,398)	(34)	(33,581,076)	(38)
<b>Operating income</b>		9,459,305	7	2,872,510	3
<b>Non-operating income and expenses</b>					
Other income	4, 6(23), 7	1,911,630	2	1,647,868	2
Other gains and losses	4, 6(24), 7	185,783	-	83,713	-
Finance costs	6(25)	(980,383)	(1)	(947,792)	(1)
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	4	14,762,669	11	17,197,361	19
Total non-operating income and expenses		15,879,699	12	17,981,150	20
<b>Net income before income tax</b>		25,339,004	19	20,853,660	23
<b>Income tax expense</b>	4, 5, 6(27)	(2,306,283)	(2)	(93,162)	-
<b>Net income</b>		23,032,721	17	20,760,498	23
<b>Other comprehensive income</b>	4, 6(9), 6(16), 6(26), 6(27)				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of the defined benefit plan		(66,098)	-	(125,966)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		1,743,040	1	161,495	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method which may not be reclassified to profit or loss		30,863,517	23	(964,473)	(1)
Income tax relating to those items not to be reclassified to profit or loss		13,220	-	20,189	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		(2,727,299)	(2)	1,027,946	1
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		351	-	(1,665)	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method which may be reclassified to profit or loss		36,783	-	(17,234)	-
<b>Other comprehensive income, net of tax</b>		29,863,514	22	100,292	-
<b>Total comprehensive income</b>		\$ 52,896,235	39	\$ 20,860,790	23
Basic Earnings Per Share (in New Taiwan Dollars)	6(28)	\$ 14.69		\$ 13.26	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(28)	\$ 14.57		\$ 13.18	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

## MEDIATEK INC.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Share capital		Retained earnings		Exchange differences resulting from translating the financial statements of foreign operations	Other equity		Treasury shares	Equity attributable to owners of the parent
	Common stock	Capital collected in advance	Capital surplus	Legal reserve		Undistributed earnings	Unrealized gains (losses) from assets measured at fair value through other comprehensive income		
Balance as of January 1, 2018	\$ 15,814,140	\$ 231	\$ 88,210,819	\$ 36,998,379	\$ 100,629,197	\$ (2,250,288)	\$ 21,062,930	\$ (55,970)	\$ 259,811,643
Effects of retrospective application and restatement	-	-	-	-	2,221,085	-	(21,062,930)	-	9,103,526
Restated balance as of January 1, 2018	15,814,140	231	88,210,819	36,998,379	102,850,282	(2,250,288)	-	(55,970)	268,915,169
Appropriation and distribution of 2017 earnings:	-	-	-	2,433,260	(2,433,260)	-	-	-	-
Legal reserve	-	-	-	(11,844,548)	(11,844,548)	-	-	-	(11,844,548)
Cash dividends	-	-	-	2,433,260	(14,277,808)	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Cash dividends distributed from capital surplus	-	-	(3,948,182)	-	-	-	-	-	(3,948,182)
Profit for the year ended December 31, 2018	-	-	-	-	20,760,498	-	-	-	20,760,498
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(137,225)	1,027,946	(790,429)	-	100,292
Total comprehensive income	-	-	-	-	20,623,273	1,027,946	(790,429)	-	20,860,790
Share-based payment transactions	447	(231)	30,648	-	-	-	-	-	30,864
Adjustments due to dividends that subsidiaries received from parent company	-	-	77,941	-	-	-	-	-	77,941
Changes in associates and joint ventures accounted for using Equity Method	-	-	(4,327)	-	(31,091)	-	-	-	(35,418)
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	-	(1,379,861)	-	-	-	(1,379,861)
Changes in ownership interests in subsidiaries	-	-	38,318	-	-	-	-	-	38,318
Issuance of restricted stock for employees	100,483	-	837,359	-	66,351	-	-	-	236,510
Changes in other capital surplus	-	-	(5,362)	-	-	-	-	-	(5,362)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	726,618	-	(726,618)	-	-
Balance as of December 31, 2018	15,915,070	-	85,237,214	39,431,639	108,577,764	(1,222,342)	-	(55,970)	272,946,221
Appropriation and distribution of 2018 earnings:	-	-	-	2,076,050	(2,076,050)	-	-	-	-
Legal reserve	-	-	-	(9,525,233)	(9,525,233)	-	-	-	(9,525,233)
Cash dividends	-	-	-	2,076,050	(11,601,283)	-	-	-	(9,525,233)
Total	-	-	-	-	-	-	-	-	-
Cash dividends distributed from capital surplus	-	-	(4,762,617)	-	-	-	-	-	(4,762,617)
Profit for the year ended December 31, 2019	-	-	-	-	23,032,721	-	-	-	23,032,721
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(58,130)	(2,727,299)	32,648,943	-	29,863,514
Total comprehensive income	-	-	-	-	22,974,591	(2,727,299)	32,648,943	-	52,896,235
Share-based payment transactions	1,744	3,780	26,686	-	-	-	-	-	32,210
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,147	-	-	-	-	-	70,147
Changes in associates and joint ventures accounted for using the equity method	-	-	9,810	-	-	-	-	-	9,810
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	992	-	(997,074)	-	-	-	(996,082)
Changes in ownership interests in subsidiaries	(20,341)	-	(11,520)	-	-	-	-	-	(11,520)
Issuance of restricted stock for employees	-	-	1,692,596	-	37,237	-	-	-	1,978,277
Changes in other capital surplus	-	-	128,895	-	-	-	-	-	128,895
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	8,758,608	-	(8,754,607)	-	-
Balance as of December 31, 2019	\$ 15,896,473	\$ 3,780	\$ 82,392,203	\$ 41,507,689	\$ 127,729,843	\$ (3,949,641)	\$ 50,322,680	\$ (55,970)	\$ 312,750,344

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku



## MEDIATEK INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018
<b>Cash flows from operating activities :</b>		
Profit before tax from continuing operations	\$ 25,339,004	\$ 20,853,660
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	2,129,051	1,580,054
Amortization	2,326,828	974,765
Excepted credit gains	(3,527)	(124,657)
(Gains) losses on financial assets and liabilities at fair value through profit or loss	(41,507)	7,028
Interest expenses	980,383	947,792
Interest income	(1,729,211)	(1,571,875)
Share-based payment expenses	1,922,383	151,151
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	(14,762,669)	(17,197,361)
(Gains) losses on disposal of property, plant and equipment	(2,087)	1,062
Property, plant and equipment transferred to expenses	-	1,200
Losses on disposal of investments	-	611
Realized gains on sales	(84,166)	(81,656)
Others	23,740	-
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	(159,000)	160,000
Trade receivables	3,383,759	(1,272,599)
Trade receivables from related parties	(137,085)	147,712
Other receivables	(80,601)	(689,099)
Other receivables from related parties	(82,836)	(13,404)
Inventories	1,706,253	(2,156,824)
Prepayments	(109,026)	(288,684)
Other current assets	69,368	875,350
Contract liabilities	778,732	181,164
Trade payables	3,489,486	(1,115,170)
Trade payables to related parties	522,768	361,189
Other payables	(1,166,166)	(1,358,205)
Other current liabilities	177,539	5,426,936
Long-term payables	(6,270)	13,275
Net defined benefit liabilities	(15,387)	(796)
Non-current liabilities-others	(2,318)	317,237
Cash generated from operating activities:		
Interest received	1,054,608	1,738,080
Dividend received	4,710,846	4,858,901
Interest paid	(970,905)	(952,823)
Income tax paid	(1,501,512)	(1,023,002)
Net cash provided by operating activities	<u>27,760,475</u>	<u>10,751,012</u>
<b>Cash flows from investing activities :</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	524,246	902,095
Acquisition of financial assets measured at amortized cost	(217,047)	(113,591)
Proceeds from redemption of financial assets measured at amortized cost	99,297	39,000
Acquisition of investments accounted for using the equity method	(2,199,986)	-
Proceeds from disposal of investments accounted for using the equity method	5,627,036	-
Proceeds from capital return of investments accounted for using the equity method	-	5,600,000
Cash received through merger	3,945,737	-
Acquisition of property, plant and equipment	(4,346,815)	(1,989,035)
Proceeds from disposal of property, plant and equipment	16,924	3,272
Decrease in refundable deposits	2,650	16,064
Acquisition of intangible assets	(996,511)	(805,527)
Net cash provided by investing activities	<u>2,455,531</u>	<u>3,652,278</u>
<b>Cash flows from financing activities :</b>		
Increase (decrease) in short-term borrowings	27,046,017	(15,649,589)
Increase in deposits received	371,583	4,802
Cash payment for the principal portion of the lease liabilities	(94,523)	-
Proceeds from exercise of employee stock options	167,389	6,052
Cash dividends	(14,231,956)	(15,708,319)
Net cash provided by (used in) financing activities	<u>13,258,510</u>	<u>(31,347,054)</u>
Net increase (decrease) in cash and cash equivalents	43,474,516	(16,943,764)
Cash and cash equivalents at the beginning of the year	60,204,772	77,148,536
Cash and cash equivalents at the end of the year	<u>\$ 103,679,288</u>	<u>\$ 60,204,772</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

**MEDIATEK INC.**

**NOTES TO PARENT COMPANY ONLY 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 20, 2020.

**3. Newly Issued or Revised Standards and Interpretations**

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company follows the transition provision of IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- b. For the definition of a lease, the Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases. The new definition has no significant impact on the Company.
- c. The Company as lessee: The Company elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.
- (a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company's right-of-use asset increased by NT\$1,692,464 thousand, lease liability-current increased by NT\$78,481 thousand and lease liability-noncurrent increased NT\$1,613,983 thousand.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
- iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
- v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4 and Note 6. (21) for additional disclosure of lessees required by IFRS 16.

(c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

- i. The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.12%.
- ii. The difference of the amount NT\$1,483,099 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019 is presented as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	<u>\$ 514,980</u>
Discounted using the incremental borrowing rate on January 1, 2019	\$ 209,365
Less: adjustment to leases that meet and elect to be accounted in the same way as short-term leases	(7,595)
Add: adjustments to the options to extend or terminate the lease that is reasonably certain to exercise	<u>1,490,694</u>
The carrying value of lease liabilities recognized as at January 1, 2019	<u>\$ 1,692,464</u>

(d) The Company as lessor: The Company has not made any adjustments. Please refer to Note 4 for the information relating to the lessor.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") and endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

<u>Standards or Interpretations Numbers</u>	<u>The Projects of Standards or Interpretations</u>	<u>Effective Dates</u>
IFRS 3	Amendment to “Business Combinations” -Definition of a Business	January 1, 2020
IAS 1 and IAS 8	“Presentation of Financial Statements” and “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of material (Amendment)	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	“Interest Rate Benchmark Reform” (Amendment)	January 1, 2020

The abovementioned standards and interpretations issued by IASB and have been endorsed by FSC will become effective for annual periods beginning on or after January 1, 2020 and have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC and not yet adopted by the Company as at the end of the reporting period are listed below:

<u>Standards or Interpretations Numbers</u>	<u>The Projects of Standards or Interpretations</u>	<u>Effective Dates</u>
IFRS 10 and IAS 28	“Consolidated Financial Statements” and “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)	To be determined by IASB
IFRS 17	“Insurance Contracts”	January 1, 2021
IAS 1	“Classification of Liabilities as Current or Non-current” (Amendment)	January 1, 2022

- A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in Associates and Joint Ventures” (IAS 28), in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 “Business Combinations” (IFRS 3) between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

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 currently determining the potential impact of the standards and interpretations listed under A, it is not practicable to estimate the 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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 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 IFRS 9 “Financial Instruments” 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.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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 adjusted 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- 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 IFRS 9 Financial Instruments 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 instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of:

- I. the Company's business model for managing the financial assets and
- II. the contractual cash flow characteristics of the financial asset.

a. Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

**b. Financial asset measured at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- (i) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (ii) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

c. Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivables.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

**C. 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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.

**D. 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 IFRS 9 Financial Instruments 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 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 the near 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 (combined) 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

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

ii. a group of financial liabilities or financial assets and financial liabilities 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 company is provided internally on that basis to the key management personnel.

(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.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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 instrument

The Company uses derivative 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 except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative 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. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, 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 designated at fair value through profit or loss.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

*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*

Inventory costs include 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.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

*Investments accounted for using the equity method*

The Company's investment in its associates 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. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Under the equity method, the investment in the associate or an investment in a joint venture 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 or joint venture. After the interest in the associate or joint venture 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 or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, 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 or joint venture on a pro rata basis.

When the associate or joint venture issues new shares, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture 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 or joint venture.

The financial statements of the associate or joint venture 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 or an investment in a joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture 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 recognizes 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Leases

The accounting policy from January 1, 2019 is as follows:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset;
- and
- (b) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associate with those leases in the consolidated income statement.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

**B. The Company as a lessor**

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 is as follows:

**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**

The Company recognizes assets held under finance leases as lease receivables at an amount equal to the net investment in the lease. Direct costs incurred in connection with arranging a finance lease is included in net investment in the lease. The recognition of finance income is allocated over the lease term based on a pattern reflecting a constant periodic rate of return on net investment in the finance lease.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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

Intangible assets

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

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

The Company's intangible assets mainly include trademarks, patents, software, IPs and 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:

<u>Trademarks</u>	<u>Patents</u>	<u>Software</u>	<u>IPs and others</u>
6 years	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.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

*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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Sales returns and allowances (Refund liabilities)

The Company estimates sales returns and allowances based on past experience and other known factors in accordance with IFRS 15, which are recognized as deduction of operating revenue and refund liabilities.

Revenue recognition

The Company's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Company's types of revenue are explained as follows:

Sale of goods

The Company manufactures and sells merchandise. Sales are recognized when goods have been shipped and customers have obtained the control (the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits from the goods). The main product of the Company is multimedia integrated circuit chip and revenue is recognized based on the consideration stated in the contract. However, sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Based on previous experience, the Company uses the expected value method to estimate volume discounts. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Refund liability is also recognized during the period specified in the contract.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

The credit period of the Company's sale of goods is from 45 to 60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Company transfers the goods to customers and when the customers pay for that goods is usually short and there is no significant financing component to the contract. For a small part of the contracts, the Company has the right to transfer the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Company provides non-recurring engineering services. Revenues are recognized based on the stage of completion of the contracts. Besides, if there are sales transactions included in the services contracts, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contracts, net of the estimated volume discounts. Based on previous experience, the Company uses the expected value method to estimate volume discounts. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Contract liabilities are also recognized during the period specified in the contract.

The contractual considerations of the Company are received in accordance with the payment schedule set by the contracts. When the Company has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently and it should be recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

*Silicon intellectual property license*

Licensing is to provide customers the right to use intellectual properties. The amount allocated to performance obligation-licenses of intellectual property is recognized as revenue at a point in time in which the licence is granted.

*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: the date of the plan amendment or curtailment; and 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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 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 recognizes 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.

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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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

**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.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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 IFRS 9 "Financial Instruments" 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.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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 requires 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 Level 3 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- estimation of obsolescence provision

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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

**(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 allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (15) for more details.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## 6. Contents of Significant Accounts

## (1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Checking and savings accounts	\$ 5,400,368	\$ 3,290,697
Time deposits	98,278,920	56,914,075
Total	<u>\$ 103,679,288</u>	<u>\$ 60,204,772</u>

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.

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

	December 31, 2019	December 31, 2018
<u>Current</u>		
<u>Financial assets mandatorily</u>		
<u>measured at fair value through</u>		
<u>profit or loss</u>		
Funds	\$ 782,571	\$ 750,297
Linked deposits	-	29,277
Total	<u>\$ 782,571</u>	<u>\$ 779,574</u>
<u>Held for trading financial liabilities</u>		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 4,520</u>
<u>Noncurrent</u>		
<u>Financial assets mandatorily</u>		
<u>measured at fair value through</u>		
<u>profit or loss</u>		
Stocks	<u>\$ 192,990</u>	<u>\$ -</u>

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

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## (3) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
<u>Current</u>		
<u>Debt instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Bonds	\$ -	\$ 149,994
<u>Equity instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Listed company stocks	-	268,697
Total	<u>\$ -</u>	<u>\$ 418,691</u>
<u>Noncurrent</u>		
<u>Equity instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Funds	2,993,489	2,707,975
Stocks	5,147	-
Total	<u>\$ 2,998,636</u>	<u>\$ 2,707,975</u>

Financial assets at fair value through other comprehensive income were not pledged.

Please refer to Note 6. (20) for more details on accumulated impairment of debt instrument investments measured at fair value through other comprehensive income and Note 12 for more details on credit risk.

In consideration of disposition according to the Company's investment strategy or liquidation of certain investments, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the years ended December 31, 2019 and 2018 are as follows:

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

	For the years ended	
	December 31	
	2019	2018
The fair value of the investments at the date of derecognition	\$ 374,246	\$ 2,153
The cumulative loss on disposal	\$ 676,395	\$ 205

**(4) Financial assets measured at amortized cost**

	December 31, 2019	December 31, 2018
<u>Current</u>		
Time deposits	\$ -	\$ 9,705
<u>Noncurrent</u>		
Bonds	290,000	290,000
Time deposits	273,244	145,789
Subtotal	563,244	435,789
Total	\$ 563,244	\$ 445,494

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6. (20) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

**(5) Trade receivables and trade receivables from related parties**

	December 31, 2019	December 31, 2018
Trade receivables	\$ 13,191,292	\$ 9,136,663
Less: allowance for doubtful debts	(8,677)	(8,479)
Subtotal	13,182,615	9,128,184
Trade receivables from related parties	673,955	452,446
Less: allowance for doubtful debts	-	-
Subtotal	673,955	452,446
Total	\$ 13,856,570	\$ 9,580,630

Trade receivables and trade receivables from related parties were not pledged.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Trade receivables are generally on 45 to 60 day terms. The total carrying amount were NT\$13,865,247 thousand and NT\$9,589,109 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6. (20) for more details on impairment of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

Trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring without recourse were NT\$1,823,530 thousand and NT\$1,715,915 thousand as of December 31, 2019 and 2018, respectively.

## (6) Other receivables

	December 31, 2019	December 31, 2018
Factoring receivables	\$ 2,588,179	\$ 1,457,977
Others	1,617,029	1,768,190
Total	<u>\$ 4,205,208</u>	<u>\$ 3,226,167</u>

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\$2,588,179 thousand and NT\$1,457,977 thousand as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, trade receivables derecognized were summarized (by the transferee) as follows:

## A. As of December 31, 2019:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin					
International Bank	-	\$ 50,727	\$ -	\$ 50,727	\$ 108,000
BNP Paribas	-	35,089	-	35,089	155,000
CHB	-	153	-	153	1,200
CTBC	-	-	-	-	1,675
SKCB	-	-	-	-	2,500
Total		<u>\$ 85,969</u>	<u>\$ -</u>	<u>\$ 85,969</u>	<u>\$ 268,375</u>

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

B. As of December 31, 2018:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin					
International Bank	-	\$ 24,898	\$ -	\$ 24,898	\$ 76,000
BNP Paribas	-	22,542	-	22,542	157,000
HSBC	-	-	-	-	350
Total		<u>\$ 47,440</u>	<u>\$ -</u>	<u>\$ 47,440</u>	<u>\$ 233,350</u>

## (7) Inventories

	December 31, 2019	December 31, 2018
Raw materials	\$ 534,157	\$ 273,945
Work in progress	8,351,228	5,100,353
Finished goods	4,030,632	3,625,413
Net amount	<u>\$ 12,916,017</u>	<u>\$ 8,999,711</u>

For the years ended December 31, 2019 and 2018, the cost of inventories recognized in expenses amounted to NT\$80,852,750 thousand and NT\$52,423,845 thousand, including the write-down of inventories of NT\$616,714 thousand and NT\$1,615,715 thousand for the years ended December 31, 2019 and 2018, respectively.

Inventories were not pledged.

## (8) Prepayments

	December 31, 2019	December 31, 2018
Prepaid expenses	\$ 598,229	\$ 389,137
Others	72,446	114,992
Total	<u>\$ 670,675</u>	<u>\$ 504,129</u>

## (9) Investments accounted for using the equity method

Investees	December 31, 2019		December 31, 2018	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
MediaTek Investment Singapore Pte. Ltd.	\$ 146,880,648	100	\$ 112,353,105	100
MStar Semiconductor, Inc.	-	-	41,057,508	100

(To be continued)



## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(Continued)	December 31, 2019		December 31, 2018	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investees				
Hsu-Ta Investment Corp.	37,014,570	100	32,357,133	100
MediaTek Singapore Pte. Ltd.	6,365,067	100	4,966,591	100
MStar France SAS	823,679	100	-	-
MShining International Corporation	666,836	100	-	-
MStar Co., Ltd.	448,484	100	-	-
HFI Innovation Inc.	440,782	100	228,192	100
MStar International Technology Inc.	83,140	100	82,845	100
Digimoc Holdings Limited	55,809	100	-	-
Spidcom Technologies	3,673	100	-	-
Airoha Technology Corp.	-	-	204,504	7
Total	<u>\$ 192,782,688</u>		<u>\$ 191,249,878</u>	

MStar Semiconductor, Inc. was dissolved due to the merger with the Company on January 1, 2019. Subsidiaries previously owned by MStar Semiconductor, Inc., were transferred to the Company.

Hsu-Ta Investment Corp. returned NT\$5,600,000 thousand in July 2018 due to capital reduction.

The Company increased its investment in HFI Innovation Inc. by cash in the amount of NT\$180,000 thousand in March 2019 and by intellectual property in the amount of NT\$150,628 thousand in December 2019, respectively.

Hsu- Chuang Investment Corp. was renamed Hsu- Chuang Communication Corp. in February 2018 and renamed MStar International Technology Inc. again in September 2018.

The 7% ownership of Airoha Technology Corp., which was previously owned by the Company, was transferred to Hsu-Si Investment Corp. in August 2019.

Investments in subsidiaries were not pledged.

## (10) Property, plant and equipment

	December 31, 2019	December 31, 2018 (Note)
Owner-occupied property, plant and equipment	<u>\$ 20,003,889</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## MEDIATEK INC.

## NOTES TO 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
				telecommunication equipment	equipment	equipment				
A. Owner - occupied property, plant and equipment (after the application of IFRS 16)										
Cost:										
As of January 1, 2019	\$ 1,540,249	\$ 9,701,894	\$ 8,502	\$ 3,234,182	\$ 5,406,479	\$ 258,497	\$ 1,382,836	\$ 21,532,639		
Additions-acquired separately	116,430	363,622	89,098	1,431,598	1,115,627	7,181	1,159,268	4,282,824		
Additions-acquired through business combinations	2,313,056	2,390,034	78,363	-	480,202	374,668	-	5,636,323		
Disposals	(3,223)	(107,310)	-	(51,044)	(19,432)	(25,328)	-	(206,337)		
Transfers	-	2,006,439	(78,363)	399,159	397,166	(359,412)	(2,317,103)	47,886		
As of December 31, 2019	\$ 3,966,512	\$ 14,354,679	\$ 97,600	\$ 5,013,895	\$ 7,380,042	\$ 255,606	\$ 225,001	\$ 31,293,335		
Depreciation and impairment:										
As of January 1, 2019	\$ -	\$ 2,864,130	\$ 5,269	\$ 2,276,645	\$ 3,223,456	\$ 174,959	\$ -	\$ 8,544,459		
Depreciation-acquired separately	-	402,030	3,496	731,263	867,275	27,873	-	2,031,937		
Depreciation-acquired through business combinations	-	387,794	64,318	-	157,069	240,149	-	849,330		
Disposals	-	(101,626)	-	(47,232)	(17,313)	(25,329)	-	(191,500)		
Transfers	-	(11,751)	(64,318)	251,655	116,963	(237,329)	-	55,220		
As of December 31, 2019	\$ -	\$ 3,540,577	\$ 8,765	\$ 3,212,331	\$ 4,347,450	\$ 180,323	\$ -	\$ 11,289,446		
Net carrying amount as of:										
December 31, 2019	\$ 3,966,512	\$ 10,814,102	\$ 88,835	\$ 1,801,564	\$ 3,032,592	\$ 75,283	\$ 225,001	\$ 20,003,889		

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## B. Property, plant and equipment (prior to the application of IFRS 16)

	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, 2018	\$ 1,459,149	\$ 9,441,539	\$ 15,137	\$ 3,126,431	\$ 4,662,161	\$ 275,087	\$ 582,719	\$ 19,562,223							
Additions-acquired separately	-	24,260	-	189,855	804,447	105	1,132,494	2,151,161							
Disposals	-	-	(6,635)	(82,104)	(72,321)	(16,695)	-	(177,755)							
Transfers	81,100	236,095	-	-	12,192	-	(332,377)	(2,990)							
As of December 31, 2018	\$ 1,540,249	\$ 9,701,894	\$ 8,502	\$ 3,234,182	\$ 5,406,479	\$ 258,497	\$ 1,382,836	\$ 21,532,639							
Depreciation and impairment:															
As of January 1, 2018	\$ -	\$ 2,578,699	\$ 10,641	\$ 1,707,252	\$ 2,668,947	\$ 171,087	\$ -	\$ 7,136,626							
Depreciation	-	285,431	1,263	650,240	622,553	20,567	-	1,580,054							
Disposals	-	-	(6,635)	(80,847)	(68,044)	(16,695)	-	(172,221)							
As of December 31, 2018	\$ -	\$ 2,864,130	\$ 5,269	\$ 2,276,645	\$ 3,223,456	\$ 174,959	\$ -	\$ 8,544,459							
Net carrying amount as of:															
December 31, 2018	\$ 1,540,249	\$ 6,837,764	\$ 3,233	\$ 957,537	\$ 2,183,023	\$ 83,538	\$ 1,382,836	\$ 12,988,180							

Property, plant and equipment were not pledged.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

(11) Intangible assets	Patents, IPs and others				Goodwill	Total
	Trademarks	Software				
Cost:						
As of January 1, 2019	\$ -	\$ 938,831	\$ 3,586,699	\$ 27,712,833	\$	\$ 32,238,363
Additions-acquired separately	-	114,883	533,630	-		648,513
Additions-acquired through business combinations	390,512	3,047,077	5,460,846	24,891,620		33,790,055
Disposals	-	-	(27,570)	-		(27,570)
Transfers	-	(3,047,009)	3,024,382	-		(22,627)
As of December 31, 2019	\$ 390,512	\$ 1,053,782	\$ 12,577,987	\$ 52,604,453	\$	\$ 66,626,734
As of January 1, 2018	\$ -	\$ 752,869	\$ 3,206,509	\$ 27,712,833	\$	\$ 31,672,211
Additions-acquired separately	-	196,906	137,915	-		334,821
Disposals	-	(13,934)	-	-		(13,934)
Transfers	-	2,990	242,275	-		245,265
As of December 31, 2018	\$ -	\$ 938,831	\$ 3,586,699	\$ 27,712,833	\$	\$ 32,238,363

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

	Trademarks	Software	Patents, IPs and others	Goodwill	Total
Amortization and impairment:					
As of January 1, 2019	\$ -	\$ 703,857	\$ 2,558,784	\$ -	\$ 3,262,641
Amortization-acquired separately	65,085	128,487	2,133,256	-	2,326,828
Amortization-acquired through business combinations	320,003	2,501,585	3,619,206	-	6,440,794
Disposals	-	-	(27,570)	-	(27,570)
Transfers	-	(2,501,564)	2,478,937	-	(22,627)
As of December 31, 2019	\$ 385,088	\$ 832,365	\$ 10,762,613	\$ -	\$ 11,980,066
As of January 1, 2018					
As of January 1, 2018	\$ -	\$ 613,150	\$ 1,609,487	\$ -	\$ 2,222,637
Amortization	-	104,641	870,124	-	974,765
Disposals	-	(13,934)	-	-	(13,934)
Transfers	-	-	79,173	-	79,173
As of December 31, 2018	\$ -	\$ 703,857	\$ 2,558,784	\$ -	\$ 3,262,641
Net carrying amount as of:					
December 31, 2019	\$ 5,424	\$ 221,417	\$ 1,815,374	\$ 52,604,453	\$ 54,646,668
December 31, 2018	\$ -	\$ 234,974	\$ 1,027,915	\$ 27,712,833	\$ 28,975,722

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

(12) Impairment testing of goodwill

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

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a five-year period. The projected cash flows reflect the change in demand for products and services. As a result of the analysis, the Company did not identify any impairment for goodwill of NT\$52,604,453 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 rates 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

(13) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	\$ 51,601,684	\$ 24,555,667
Interest rates	2.05%-2.55%	2.81%-3.20%

(14) Other payables

	December 31, 2019	December 31, 2018
Accrued salaries and bonuses	\$ 11,845,141	\$ 9,494,126
Accrued royalties	1,753,034	1,187,949
Other payables to related parties	16,312	-
Others	4,292,890	5,233,797
Total	\$ 17,907,377	\$ 15,915,872

(15) Other current liabilities

	December 31, 2019	December 31, 2018
Refund liabilities	\$ 9,815,557	\$ 9,414,815
Others	389,531	99,731
Total	\$ 10,205,088	\$ 9,514,546

(16) Post-employment benefits plans

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, 2019 and 2018 were NT\$734,067 thousand and NT\$552,328 thousand, respectively.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Defined benefits 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.

The funds are operated and managed by the government's designated authorities. 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\$1,808 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The weighted average duration of the defined benefit obligation was 18 years and 19 years as of December 31, 2019 and 2018, respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31	
	2019	2018
Current service cost	\$ 1,355	\$ 1,280
Net interest on the net defined benefit liabilities	8,135	7,711
Subtotal	9,490	8,991
Underestimate on book	(1,141)	-
Total	<u>\$ 8,349</u>	<u>\$ 8,991</u>

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

	December 31, 2019	December 31, 2018
Defined benefit obligation	\$ 812,974	\$ 693,977
Plan assets at fair value	(155,131)	(86,845)
Net defined benefit liabilities	<u>\$ 657,843</u>	<u>\$ 607,132</u>

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

**(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, 2019	\$ 693,977	\$ (86,845)	\$ 607,132
Current service cost	1,355	-	1,355
Interest expenses (income)	9,299	(1,164)	8,135
Subtotal	<u>10,654</u>	<u>(1,164)</u>	<u>9,490</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	22,457	-	22,457
Actuarial gains and losses arising from changes in financial assumptions	68,411	-	68,411
Experience adjustments	(19,319)	-	(19,319)
Remeasurements of the defined benefit assets	-	(5,451)	(5,451)
Subtotal	<u>71,549</u>	<u>(5,451)</u>	<u>66,098</u>
Payment of benefit obligation	(17,091)	17,091	-
Contributions by employer	-	(8,911)	(8,911)
Acquired through business combinations	53,885	(69,851)	(15,966)
As of December 31, 2019	<u>\$ 812,974</u>	<u>\$ (155,131)</u>	<u>\$ 657,843</u>
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2018	\$ 558,277	\$ (76,315)	\$ 481,962
Current service cost	1,280	-	1,280
Interest expenses (income)	8,932	(1,221)	7,711
Subtotal	<u>10,212</u>	<u>(1,221)</u>	<u>8,991</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(6,957)	-	(6,957)
Actuarial gains and losses arising from changes in financial assumptions	147,477	-	147,477
Experience adjustments	(12,420)	-	(12,420)
Remeasurements of the defined benefit assets	-	(2,134)	(2,134)
Subtotal	<u>128,100</u>	<u>(2,134)</u>	<u>125,966</u>
Payment of benefit obligation	(2,612)	2,612	-
Contributions by employer	-	(9,787)	(9,787)
As of December 31, 2018	<u>\$ 693,977</u>	<u>\$ (86,845)</u>	<u>\$ 607,132</u>

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

(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, 2019	December 31, 2018
Discount rate	0.85%	1.34%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended December 31			
	2019		2018	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	\$ -	\$ (71,298)	\$ -	\$ (63,215)
Discount rate decreases by 0.5%	78,935	-	70,244	-
Rate of future salary increases by 0.5%	76,811	-	68,700	-
Rate of future salary decreases by 0.5%	-	(70,206)	-	(62,536)

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

The Company's authorized capital as of December 31, 2019 and 2018 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\$15,896,473 thousand and NT\$15,915,070 thousand divided into 1,589,647,349 shares and 1,591,506,977 shares, as of December 31, 2019 and 2018, respectively. Each share has one voting right and a right to receive dividends.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

On June 15, 2018, the general shareholders' meeting approved to issue restricted stocks for employees. As of December 31, 2019, 16,666,214 shares of restricted stocks for employees were issued. Relevant regulators' approvals have been obtained and related registration processes have been completed.

The Company has redeemed and cancelled 6,440,764 shares and 2,211,278 shares of issued restricted stocks for employees during the years ended December 31, 2019 and 2018, respectively Relevant regulators' approvals have been obtained and related registration processes have been completed.

The Company issued 174,472 shares and 21,590 shares at par value of NT\$10 for exercising employee stock options for the years ended December 31, 2019 and 2018. Relevant regulators' approvals have been obtained and related registration processes have been completed.

The Company issued 377,973 new shares for the year ended December 31, 2019 at par value of NT\$10 for exercising employee stock options. The aforementioned new issued shares (NT\$3,780 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance of December 31, 2019.

**B. Capital surplus**

	December 31, 2019	December 31, 2018
Additional paid-in capital	\$ 76,646,751	\$ 80,196,101
Treasury share transactions	1,677,838	1,607,691
The difference between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	992	-
Changes in ownership interests in subsidiaries	1,173,605	1,185,125
Donated assets	1,261	1,261
From share of changes in net assets of associates	9,810	-
Employee stock options	353,275	444,505
Restricted stocks for employees	2,127,089	1,600,453
Others	401,582	202,078
<b>Total</b>	<b>\$ 82,392,203</b>	<b>\$ 85,237,214</b>

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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, 2019 and 2018, 7,794,085 shares of the Company's common shares amounting to NT\$55,970 thousand were held by the subsidiary, MediaTek Capital Co. These shares held by MediaTek Capital Co. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2019 and 2018, the Company did not hold any other treasury shares.

**D. Retained earnings and dividend policy**

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

- a. reserve for tax payments;
- b. offset accumulated losses in previous years, if any;
- c. legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock;
- d. allocation or reverse of special reserves as required by law or government authorities;
- e. the remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

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, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in 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.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

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 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.

Details of the 2018 and 2017 earnings distribution and dividends per share as resolved by general shareholders' meeting on June 14, 2019 and June 15, 2018, respectively, are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 2,076,050	\$ 2,433,260	-	-
Cash dividends-common stock	9,525,233	11,844,548	\$ 6.00	\$ 7.50
Total	<u>\$ 11,601,283</u>	<u>\$ 14,277,808</u>		

In addition, the general shareholders' meeting on June 14, 2019 and June 15, 2018 resolved to distribute the additional paid-in capital by cash in the amount of NT\$4,762,617 thousand and NT\$3,948,182 thousand, or NT\$3.0 per share and NT\$2.5 per share, respectively.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

**(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.

In July 2009, May 2010, August 2011, August 2012 and August 2013, the Company was authorized by the FSC, Executive Yuan, to issue employee stock options of 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 Taiwan Stock Exchange Corporation ("TWSE") on the grant date.

Detail information relevant to the share-based payment plan as of December 31, 2019 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)
2009.08.18	1,382,630	-	-	\$ 422.0
2010.08.27	1,605,757	533,596	533,596	397.8
2010.11.04	65,839	8,134	8,134	370.5
2011.08.24	2,109,871	729,599	729,599	272.6
2012.08.14	1,346,795	610,309	610,309	281.9
2013.08.22	1,436,343	839,825	839,825	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.



## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

(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%-6.57%
Expected volatility (%)	32.9%-42.99%
Risk free interest rate (%)	0.93%-1.65%
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:

Employee Stock Option	For the years ended December 31			
	2019		2018	
	Options (Unit)	Weighted- average Exercise Price per Share (NT\$)	Options (Unit)	Weighted- average Exercise Price per Share (NT\$)
Outstanding at beginning of period	3,883,721	\$ 337.5	4,673,059	\$ 340.4
Granted	-	-	-	-
Exercised (Note)	(552,445)	303.0	(21,590)	278.2
Forfeited (Expired)	(609,813)	402.4	(767,748)	347.0
Outstanding at end of period	<u>2,721,463</u>	329.0	<u>3,883,721</u>	337.5
Exercisable at end of period	<u>2,721,463</u>		<u>3,883,721</u>	
Weighted-average fair value of options granted during the period (in NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Note: The weighted average share price at the date of exercise of those options were NT\$408.2 and NT\$329.1 for the years ended December 31, 2019 and 2018, respectively.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

(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, 2019 and 2018 is as follows:

	December 31, 2019			December 31, 2018	
	Outstanding stock options	Weighted-		Outstanding stock options	Weighted-
	Weighted-	average	Exercise	Weighted-	Weighted-
	average	Price per	Share	average	average
	Expected	Expected	Remaining	Expected	Exercise Price
	Remaining	Share	Years	Remaining	per Share
Date of grant	Range of Exercise Price (NT\$)	Expected Remaining Years	Price per Share (NT\$)	Expected Remaining Years	Exercise Price (NT\$)
2009.07.27	\$ 422.0	-	\$ -	-	\$ 423.2
2010.05.10	370.5-397.8	-	397.4	-	398.5
2011.08.09	272.6	-	272.6	-	273.4
2012.08.09	281.9	-	281.9	0.13	282.6
2013.08.09	368.0	0.17	368.0	1.17	368.0

Restricted stocks plan for employees

On June 24, 2016 and June 15, 2018, the shareholders' meeting approved to issue gratuitous restricted stocks for employees, at a total of 17,500,000 and 19,200,000 common shares. The Company shall set up the actual issuance date(s) in one tranche or in installments within one year from the date of receipt of the effective registration of the competent authority. The issuance process was granted effective registration by the securities authority.

The Company has issued 10,528,505, 300,000, 12,259,550, 2,205,888, 17,818 and 2,182,958 gratuitous restricted stocks on September 6, 2016, July 17, 2017, September 6, 2018, February 27, 2019, April 12, 2019, and July 15, 2019, respectively. The issuance process was granted effective registration by the securities authority.

The fair value of the restricted stocks issued was NT\$254.5, NT\$254.5, NT\$255, NT\$280, NT\$293.5 and NT\$314.5 per share, respectively. The estimated compensation expenses amounted to NT\$4,065,720 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of December 31, 2019, the Company had recognized NT\$2,969,007 thousand as compensation expense and NT\$1,096,713 thousand as unearned employee compensation, which were recorded under salary expense and other equity, respectively.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Restrictions on the rights and vesting conditions of restricted stocks for employees of 2016 and 2018 are as follows:

- A. To issue common shares of the Company with gratuitous issue price.
- B. Employee's continuous employment with the Company through the vesting dates, with no violation on any terms of the Company's employment agreement, employee handbook, or policies and achievement of both personal performance criterion and the Company's operation objectives during the vesting period, are eligible to receive the vested shares. For restricted stocks for employees of 2016, the maximum portions of the vesting shares of each year are 15%, 35%, and 50% for the years ended 2017, 2018, and 2019, respectively. For restricted stocks for employees of 2018, the maximum portion of the vesting shares of each year are 34%, 33%, 33%, for the years ended 2019, 2020, 2021, respectively. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives.
- C. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.
- D. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting right, etc., and other rights of restricted stock plan for employees, including but not limited to, dividends, bonuses, the distribution rights of legal reserve and capital surplus, the right to subscription of new shares, etc., are the same as the common shares issued by the Company.

Share-based compensation expenses recognized for employee services received for the years ended December 31, 2019 and 2018, are shown in the following table:

	For the years ended	
	December 31	
	2019	2018
Restricted stocks for employees	\$ 1,922,383	\$ 151,151

The Company did not modify or cancel any share-based payment plans for the years ended December 31, 2019 and 2018.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (19) Sales

Analysis of revenue from contracts with customers for the years ended December 31, 2019 and 2018 is as follows:

## A. Disaggregation of revenue

	For the years ended December 31	
	2019	2018
Sale of goods	\$ 131,729,250	\$ 85,785,636
Services and other operating revenues	4,738,665	3,010,139
Total	<u>\$ 136,467,915</u>	<u>\$ 88,795,775</u>
Revenue recognition point:		
At a point in time	\$ 133,252,758	\$ 87,001,071
Satisfies the performance obligation over time	3,215,157	1,794,704
Total	<u>\$ 136,467,915</u>	<u>\$ 88,795,775</u>

## B. Contract balances

## Contract liabilities – current

	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	\$ 1,468,620	\$ 771,684	\$ 462,012
Services and other operating revenues	314,524	232,728	361,236
Total	<u>\$ 1,783,144</u>	<u>\$ 1,004,412</u>	<u>\$ 823,248</u>

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31	
	2019	2018
Revenue recognized during the period that was included in the beginning balance	<u>\$ 533,979</u>	<u>\$ 414,671</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$ 1,040,495</u>	<u>\$ 595,835</u>

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2019, and 2018, no disclosure of the unsatisfied performance obligations is needed as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of services are NT\$3,471,523 thousand and NT\$771,398 thousand. The Company recognizes revenues in accordance with the stage of completion of the contracts. Those contracts are expected to be completed within the next 1 to 2 years.

## (20) Expected credit gains (losses)

	For the years ended December 31	
	2019	2018
Operating expense – Expected credit gains (losses)		
Trade receivables	\$ 3,527	\$ 124,657

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its receivables (including trade receivables and trade receivables from related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2019 and 2018 is as follow:

The Company considers the grouping of receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

2019.12.31

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 12,291,255	\$ 799,318	\$ 77,898	\$ 3,176	\$ 19,645	\$ 13,191,292
Loss ratio	0%	0%	0%	10%	50%	
Lifetime expected credit losses	-	-	-	(259)	(8,418)	(8,677)
Carrying amount of trade receivables	\$ 12,291,255	\$ 799,318	\$ 77,898	\$ 2,917	\$ 11,227	\$ 13,182,615

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**2018.12.31

	Neither past due		Past due			Total
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 8,682,142	\$ 308,155	\$ 122,747	\$ 8,327	\$ 15,292	\$ 9,136,663
Loss ratio	0%	0%	0%	10%	50%	
Lifetime expected credit losses	-	-	-	(833)	(7,646)	(8,479)
Carrying amount of trade receivables	\$ 8,682,142	\$ 308,155	\$ 122,747	\$ 7,494	\$ 7,646	\$ 9,128,184

Note: The Company's trade receivables from related parties were not overdue.

The movements in the provision for impairment of receivables for the years ended December 31, 2019 and 2018 are as follows:

	Note receivables	Trade receivables
As of January 1, 2019	\$ -	\$ 8,479
Acquired through business combinations	-	3,725
Reversal for the current period	-	(3,527)
As of December 31, 2019	\$ -	\$ 8,677
	Note receivables	Trade receivables
As of January 1, 2018 (in accordance with IAS 39)	\$ -	\$ 133,136
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	133,136
Reversal for the current period	-	(124,657)
As of December 31, 2018	\$ -	\$ 8,479

**(21) Leases****A. The Company as lessee (applicable to IFRS 16)**

The Company leases various property (land and buildings), transportation equipment and office equipment. These leases have terms between 1 and 50 years.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	December 31, 2019	December 31, 2018 (Note)
Land	\$ 1,512,529	-
Buildings and facilities	115,677	
Machinery equipment	24,209	
Transportation equipment	3,191	
Office equipment	133	
Total	<u>\$ 1,655,739</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the additions to right-of-use assets of the Company amounted to NT\$64,417 thousand.

(b) Lease liability

	December 31, 2019	December 31, 2018 (Note)
Lease liability-current	\$ 90,418	
Lease liability-noncurrent	1,567,901	
Total	<u>\$ 1,658,319</u>	

Please refer to Note 6. (25) for the interest on lease liability recognized during 2019 and refer to Note 12. (2) C. for the maturity analysis of lease liabilities as of December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.



**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## b. Amounts recognized in the statement of profit or loss

## Depreciation charge for right-of-use assets

	For the years ended	
	December 31	
	2019	2018(Note)
Land	\$ 37,934	
Buildings and facilities	53,705	
Machinery equipment	3,026	
Transportation equipment	2,130	
Office equipment	319	
Total	<u>\$ 97,114</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## c. Income and costs relating to leasing activities

	For the years ended	
	December 31	
	2019	2018 (Note)
The expense relating to short-term leases	<u>\$ 32,431</u>	
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	<u>\$ 2,169</u>	
Income from subleasing right-of-use assets	<u>\$ 19,360</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT\$152,952 thousand.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## B. Operating lease commitments - The Company as lessee (applicable to IAS 17)

The Company has entered into commercial leases. These leases have an average life of fourteen to twenty years.

Future minimum rentals payable under non-cancellable operating leases as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$ 50,546
Later than one year and not later than five years		196,353
Later than five years		190,532
Total		<u>\$ 437,431</u>

Operating lease expenses recognized are as follows:

	For the years ended December 31	
	2019(Note)	2018
Minimum lease payments		<u>\$ 108,328</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## (22) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2019 and 2018:

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 24,301	\$ 718,115	\$ 742,416	\$ 15,598	\$ 545,721	\$ 561,319
Others	\$ 622,907	\$ 26,028,683	\$ 26,651,590	\$ 371,818	\$ 18,487,025	\$ 18,858,843
Depreciation	\$ 8,234	\$ 2,120,817	\$ 2,129,051	\$ 2,490	\$ 1,577,564	\$ 1,580,054
Amortization	\$ 960	\$ 2,325,868	\$ 2,326,828	\$ 960	\$ 973,805	\$ 974,765

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

According to the 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. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company accrued employees' compensation and remuneration to directors based on a specific rate of profit of the year ended December 31, 2019. 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. If the Board of Directors resolves to distribute employees' compensation in stock, 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 Board of Directors' meeting. A resolution was approved in a meeting of the Board of Directors held on March 20, 2020 to distribute NT\$317,139 thousand and NT\$32,110 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2019.

A resolution was approved in a meeting of the Board of Directors held on March 22, 2019 to distribute NT\$261,021 thousand and NT\$31,624 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2018.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

## (23) Other income

	For the years ended December 31	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$ 1,631,251	\$ 1,407,416
Financial assets at fair value through other comprehensive income	78,904	83,440
Subtotal	1,710,155	1,490,856
Financial assets at fair value through profit or loss	19,056	81,019
Subtotal	1,729,211	1,571,875
Rental income	86,884	53,431
Others	95,535	22,562
Total	\$ 1,911,630	\$ 1,647,868

## (24) Other gains and losses

	For the years ended December 31	
	2019	2018
Gains (losses) on disposal of property, plant and equipment	\$ 2,087	\$ (1,062)
Losses on disposal of investments		
Debt instruments measured at fair value through other comprehensive income	-	(611)
Foreign exchange gains	207,592	14,134
Gains on financial assets at fair value through profit or loss	1,318	75,772
Losses on financial liabilities at fair value through profit or loss	-	(4,520)
Others	(25,214)	-
Total	\$ 185,783	\$ 83,713

## (25) Finance costs

	For the years ended December 31	
	2019	2018
Interest expenses on borrowings	\$ 956,554	\$ 947,792
Interest expenses on lease liabilities	23,829	(Note)
Total	\$ 980,383	\$ 947,792

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## (26) Components of other comprehensive income

For the year ended December 31, 2019 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (66,098)	\$ -	\$ (66,098)	\$ 13,220	\$ (52,878)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	1,743,040	-	1,743,040	-	1,743,040
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	30,863,517	-	30,863,517	-	30,863,517
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(2,727,299)	-	(2,727,299)	-	(2,727,299)
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	351	-	351	-	351
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	36,783	-	36,783	-	36,783
Total	\$ 29,850,294	\$ -	\$ 29,850,294	\$ 13,220	\$ 29,863,514

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2018 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (125,966)	\$ -	\$ (125,966)	\$ 20,189	\$ (105,777)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	161,495	-	161,495	-	161,495
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(964,473)	-	(964,473)	-	(964,473)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	1,027,946	-	1,027,946	-	1,027,946
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(2,276)	611	(1,665)	-	(1,665)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(17,234)	-	(17,234)	-	(17,234)
Total	\$ 79,492	\$ 611	\$ 80,103	\$ 20,189	\$ 100,292

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of NT\$0 thousand and NT\$(611) thousand for the years ended December 31, 2019 and 2018, respectively, which were recognized in other comprehensive income, were reclassified to profit or loss.

(27) Income Tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

	For the years ended	
	December 31	
	2019	2018
Current income tax	\$ 517,997	\$ 1,233,206
Deferred tax expense (income):	1,750,868	(1,159,802)
Others	37,418	19,758
Income tax expense recognized in loss	<u>\$ 2,306,283</u>	<u>\$ 93,162</u>

Income tax recognized in other comprehensive income

	For the years ended	
	December 31	
	2019	2018
Deferred tax income		
Remeasurements of defined benefit plan	<u>\$ (13,220)</u>	<u>\$ (20,189)</u>



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended	
	December 31	
	2019	2018
Accounting profit before tax from continuing operations	\$ 25,339,004	\$ 20,853,660
Tax at the domestic rates applicable to profits in the country concerned	5,067,801	4,170,732
Tax effect of revenues exempt from taxation	(10,428)	(831,241)
Investment tax credits	(887,177)	(546,380)
Tax effect of deferred tax assets/liabilities	(1,717,911)	(3,030,869)
Corporate income surtax on undistributed retained earnings	598,485	1,022,742
Adjustments in respect of current income tax of prior periods	-	(236,253)
Others	(744,487)	(455,569)
Total income tax expense recognized in loss	\$ 2,306,283	\$ 93,162

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Acquired thought business combinations	Ending balance
Temporary differences					
Unrealized allowance for inventory obsolescence	\$ 1,561,304	\$ 53,743	\$ -	\$ 207,466	\$ 1,822,513
Allowance for sales returns and discounts	1,288,664	33,889	-	83,550	1,406,103
Amortization of difference for tax purpose	258,157	(43,200)	-	-	214,957
Amortization of goodwill difference for tax purpose	(464,556)	(1,492,875)	-	-	(1,957,431)
Others	(50,521)	(302,425)	13,220	153,734	(185,992)
Deferred tax income (expense)		<u>\$ (1,750,868)</u>	<u>\$ 13,220</u>	<u>\$ 444,750</u>	
Net deferred tax assets	<u>\$ 2,593,048</u>				<u>\$ 1,300,150</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 3,164,112</u>				<u>\$ 3,501,079</u>
Deferred tax liabilities	<u>\$ (571,064)</u>				<u>\$ (2,200,929)</u>

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized allowance for inventory obsolescence	\$ 1,144,374	\$ 416,930	\$ -	\$ 1,561,304
Allowance for sales returns and discounts	479,152	809,512	-	1,288,664
Amortization of difference for tax purpose	125,362	132,795	-	258,157
Amortization of goodwill difference for tax purpose	(363,183)	(101,373)	-	(464,556)
Others	27,352	(98,062)	20,189	(50,521)
Deferred tax income		\$ 1,159,802	\$ 20,189	
Net deferred tax assets	\$ 1,413,057			\$ 2,593,048
Reflected in balance sheet as follows:				
Deferred tax assets	\$ 1,847,927			\$ 3,164,112
Deferred tax liabilities	\$ (434,870)			\$ (571,064)

The assessment of income tax returns

The tax authorities have assessed income tax returns of the Company through 2017. The Company has applied for administrative appeals of the tax returns of 2017, 2016, 2015, 2014, 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.

MStar Semiconductor, Inc. has paid in full the additional taxes of 2017 assessed by the tax authorities and applied for administrative appeals.

## (28) 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.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

	For the years ended	
	December 31	
	2019	2018
A. Basic earnings per share		
Profit (in thousand NT\$)	\$ 23,032,721	\$ 20,760,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,567,873,703	1,565,368,402
Basic earnings per share (NT\$)	\$ 14.69	\$ 13.26
B. Diluted earnings per share		
Profit (in thousand NT\$)	\$ 23,032,721	\$ 20,760,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,567,873,703	1,565,368,402
Effect of dilution:		
Employees' compensation-stock (share)	921,244	1,334,384
Employee stock options (share)	683,822	27,389
Restricted stocks for employees (share)	11,241,268	8,751,258
Weighted average number of ordinary shares outstanding after dilution (share)	1,580,720,037	1,575,481,433
Diluted earnings per share (NT\$)	\$ 14.57	\$ 13.18

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.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****7. Related Party Transactions**

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
EcoNet (HK) Limited	Subsidiary
EcoNet Limited	Subsidiary
MediaTek Singapore Pte. Ltd.	Subsidiary
MediaTek USA Inc.	Subsidiary
MediaTek Wireless Finland Oy	Subsidiary
MTK Wireless Limited (UK)	Subsidiary
Nephos Inc.	Subsidiary
Nephos Pte. Ltd.	Subsidiary
ILI Technology Holding Corporation	Subsidiary
Richtek Technology Corp.	Subsidiary
Zelus Technology (HangZhou) Ltd.	Subsidiary
ILI Technology Corporation	Subsidiary
MStar Semiconductor, Inc.	Subsidiary (Note 2)
EcoNet (Suzhou) Limited	Subsidiary
Velocenet Inc.	Subsidiary (Note 3)
Sigmastar Technology Corp.	Subsidiary
HFI Innovation Inc.	Subsidiary
Nephos (Hefei) Co., Ltd.	Subsidiary
Nephos (Taiwan) Inc.	Subsidiary (Note 4)
MediaTek China Limited	Subsidiary
E-Vehicle Semiconductor Technology Co., Ltd.	Subsidiary (Note 1)
Airoha Technology Corp.	Subsidiary
Hsu-Si Investment Corp.	Subsidiary
E-Vehicle Semiconductor Technology Co., Ltd.	Associate (Note 1)
Intelligo Technology Inc.	Associate
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
Andes Technology Corp.	Substantive related party

Note 1: The Company lost control over E-Vehicle Semiconductor Technology Co., Ltd. (E-Vehicle) on December 27, 2018, and the Company adopted the equity method for the investment. As a result, E-Vehicle became an associate of the Company after that date.

Note 2: MStar Semiconductor, Inc. was dissolved due to the merger with the Company on January 1, 2019. As a result, MStar Semiconductor, Inc. was no longer a subsidiary.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

Note 3: Velocenet Inc. was dissolved due to the merger with Mediatek Capital Co. in December 2019. As a result, Velocenet Inc. was no longer a subsidiary.

Note 4: Nephos (Taiwan) Inc. was dissolved due to the merger with Mediatek Capital Co. in December 2019. As a result, Nephos (Taiwan) Inc. was no longer a subsidiary.

Significant transactions with the related parties

## (1) Sales

	For the years ended December 31	
	2019	2018
Subsidiaries	\$ 1,712,118	\$ 927,566
Associates	12,095	12,944
Total	<u>\$ 1,724,213</u>	<u>\$ 940,510</u>

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 and collected with certain period.

## (2) Purchases

	For the years ended December 31	
	2019	2018
Subsidiaries	<u>\$ 64,282</u>	<u>\$ -</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The trade credit terms for related parties and third-party suppliers were both 30 days.

## (3) IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2019	2018
Other related parties	<u>\$ 2,009,316</u>	<u>\$ 1,755,668</u>

The trade credit terms for related parties and third-party suppliers were both 60 to 75 days.

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## (4) Consign research and development expenses and license expenses

	For the years ended December 31	
	2019	2018
Subsidiaries	\$ 116,353	\$ 137,734
Associate	28,557	-
Other related parties	14,187	26,231
Total	\$ 159,097	\$ 163,965

## (5) Rental expenditure

	For the years ended December 31	
	2019	2018
Subsidiaries		
MStar Semiconductor, Inc.	\$ -	\$ 41,056

## (6) Rental income

	For the years ended December 31	
	2019	2018
Subsidiaries		
Airoha Technology Corp.	\$ 18,297	\$ 16,728
Nephos (Taiwan) Inc.	5,961	8,937
Velocenet Inc.	5,114	7,817
ILI Technology Corporation	25,644	7,797
Others	1,988	1,293
Subtotal	57,004	42,572
Other related parties	-	790
Total	\$ 57,004	\$ 43,362

## (7) Other income due to technology service

	For the years ended December 31	
	2019	2018
Subsidiaries		
EcoNet (Suzhou) Limited	\$ 24,929	\$ 25,685
Others	3,000	324
Total	\$ 27,929	\$ 26,009



## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

## (8) Endorsement amount for office lease, bank financing and IP purchasing

	December 31, 2019		December 31, 2018	
	Endorsement limit	Actual amount	Endorsement limit	Actual amount
Subsidiaries				
Gaintech Co. Limited	\$ 24,000,000	\$ -	\$ 24,000,000	\$ -
MediaTek China Limited	9,000,000	2,980,313	9,000,000	4,004,033
Others	17,356	17,356	17,445	17,445
Total	\$ 33,017,356	\$ 2,997,669	\$ 33,017,445	\$ 4,021,478

## (9) Acquired property, plant and equipment

	For the years ended	
	December 31	
	2019	2018
Subsidiaries	\$ 56,022	\$ -

## (10) Disposals property, plant and equipment

	For the years ended			
	December 31			
	2019		2018	
	Carrying amount	Proceeds	Carrying amount	Proceeds
Subsidiaries	\$ 1,949	\$ 2,173	\$ -	\$ -

## (11) Trade receivables from related parties

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 668,955	\$ 445,841
Associates	5,000	6,605
Total	\$ 673,955	\$ 452,446

## (12) Other receivables from related parties

	December 31, 2019	December 31, 2018
Subsidiaries		
MStar Semiconductor, Inc.	\$ -	\$ 7,229,149
Nephos (Hefei) Co., Ltd.	298,154	401,137
Others	389,515	31,279
Total	\$ 687,669	\$ 7,661,565

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Other receivables from related parties were composed mainly of dividends income, rental income and technology service revenue.

## (13) Trade payables to related parties

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 897,491	\$ 353,678
Other related parties	474,379	376,574
Total	<u>\$ 1,371,870</u>	<u>\$ 730,252</u>

## (14) Other payables to related parties

	December 31, 2019	December 31, 2018
Associates	<u>\$ 16,312</u>	<u>\$ -</u>

(15) The Company sold 343,617,200 shares of ILI Technology Corporation to ILI Technology Holding Corporation in the amount of NT\$3,576,931 thousand for the year ended December 31, 2019.

(16) The Company sold 4,106,000 shares of Airoha Technology Corp. to Hsu-Si Investment Corp. in the amount of NT\$160,267 thousand for the year ended December 31, 2019.

(17) The Company sold 915,000 shares of MStar Semiconductor UK Ltd. to MTK Wireless Limited (UK) in the amount of NT\$101,112 thousand for the year ended December 31, 2019.

(18) The Company sold 52,031,546 shares of Sigmastar Technology Inc. to MediaTek Investment Singapore Pte. in the amount of NT\$1,788,726 thousand for the year ended December 31, 2019.

## (19) Key management personnel compensation

	For the years ended December 31	
	2019	2018
Short-term employee benefits (Note)	\$ 655,637	\$ 541,995
Share-based payment	325,540	-
Post-employment benefits	1,620	1,512
Total	<u>\$ 982,797</u>	<u>\$ 543,507</u>

Note: The compensation (including remuneration to directors) to key management personnel was determined by the Compensation Committee of the Company in accordance with individual performance and the market trends.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(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:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2019	December 31, 2018	
Financial assets measured at amortized cost-current	\$ -	\$ 9,705	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	9,180	9,180	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	24,000	24,000	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	23,017	23,017	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	101,132	-	Performance bond
Financial assets measured at amortized cost-noncurrent	115,915	89,592	Performance bond
Total	<u>\$ 273,244</u>	<u>\$ 155,494</u>	

**9. Contingencies and Off Balance Sheet Commitments**

## Legal claim contingency

(1) Advanced Micro Devices, Inc. and ATI Technologies ULC (collectively “AMD”) filed a complaint with the U.S. International Trade Commission (the “Commission”) against the Company and subsidiary MediaTek USA Inc. on January 24, 2017, alleging infringement of United States Patent Nos. 7,633,506, 7,796,133, 8,760,454 and 9,582,846. On October 31, 2017, AMD’s motion to withdraw its claims relating to U.S. Patent Nos. 8,760,454 and 9,582,846 was granted. On August 22, 2018, the Commission issued a final determination, finding that the accused the Company and subsidiary MediaTek USA Inc., and VIZIO’s products infringe U.S. Patent No. 7,633,506, but do not infringe U.S. Patent No. 7,796,133, and issued a limited exclusion order for the relevant products. Based on agreement between AMD and the Company, the Commission entered a modified limited exclusion order on October 15, 2019 which lifts all limitations on the Company products from the previous limited exclusion order. Appeal of the original final determination was also dismissed by the Federal Circuit Court of Appeals pursuant to parties’ joint motion.

On January 10, 2019, AMD filed a complaint in the United States District Court for the District of Delaware against the Company and subsidiary MediaTek USA Inc., alleging infringement of United States Patent Nos. 7,633,506 and 7,796,133. The court dismissed the case on September 23, 2019 based on joint stipulation of the parties.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- (2) American Patents LLC (“American Patents”) filed a complaint in the United States District Court for the Western District of Texas against the Company and subsidiary MediaTek USA Inc. on November 14, 2018, alleging infringement of United States Patent Nos. 6,964,001, 7,836,371, 8,239,716 and 8,996,938.

On December 6, 2018, American Patents filed another complaint in the United States District Court for the Western District of Texas against the Company and subsidiary MediaTek USA Inc., alleging infringement of United States Patent Nos. 6,507,293, 6,587,058 and 7,262,720.

In December 2019, the court dismissed the claims in both American Patents actions against the Company and subsidiary MediaTek USA Inc. with prejudice.

- (3) Dynamic Data Technologies, LLC (“Dynamic Data”) filed a complaint in the United States District Court for the District of Delaware against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on November 30, 2018, alleging infringement of United States Patent Nos. 7,058,227, 6,639,944, 6,760,376 and 6,782,054. On March 6, 2019, Dynamic Data filed an amended complaint in this matter, alleging infringement by the Company and subsidiary MediaTek USA Inc. of United States Patent Nos. 6,639,944, 6,760,376, 6,774,918, 6,996,175, 6,996,177, 7,010,039, 7,894,529, 7,929,609, 7,982,799, 8,073,054, 8,135,073, 8,189,105 and 8,311,112. On July 10, 2019, the court dismissed the claims against the Company and subsidiary MediaTek USA Inc. with prejudice pursuant to the parties’ joint stipulation.

- (4) Innovative Foundry Technologies LLC (“IFT”) filed a complaint with the Commission against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on February 15, 2019, alleging infringement of United States Patent Nos. 6,583,012, 6,797,572, 7,009,226, 7,880,236 and 9,373,548. On September 27, 2019, the Administrative Law Judge entered an initial determination to terminate the investigation based on parties’ agreement.

IFT filed a complaint in the United States District Court for the District of Delaware against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on February 13, 2019, alleging infringement of the above referenced patents. Given the termination of the corresponding Commission’s investigation, the parties have jointly moved for dismissal of this case.

- (5) GlobalFoundries U.S. Inc. (“GF”) filed a complaint with the Commission against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of United States Patent Nos. 7,750,418, 8,912,603 and 8,936,986.

GF also filed a complaint in the United States District Court for the Western District of Texas against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of the above referenced patents.

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

GF also filed a separate complaint in the United States District Court for the Western District of Texas against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of United States Patent Nos. 6,518,167, 7,425,497, 8,039,966, 8,581,348, 8,598,633 and 9,355,910.

On November 8, 2019, GF voluntarily dismissed the District Court actions against the Company, subsidiary MediaTek USA Inc. and subsidiary MStar Semiconductor, Inc. with prejudice. On November 25, 2019, the Administrative Law Judge entered an initial determination to terminate the investigation based on parties' agreement. All litigations filed by GF against the Company, subsidiary MediaTek USA Inc. and MStar Semiconductor, Inc. have now been dismissed.

- (6) Vantage Micro LLC ("VM") filed a complaint in the United States District Court for the Western District of Texas against the Company and subsidiary MediaTek USA Inc. on October 8, 2018, alleging infringement of United States Patent Nos. 6,678,838, 7,414,606, and 9,959,593. The operations of the Company and subsidiary MediaTek USA Inc., will not be materially affected by these cases
- (7) M-Red Inc. ("M-Red") filed a complaint in the United States District Court for the Eastern District of Texas against the Company on April 29, 2019, alleging infringement of United States Patent Nos. 6,853,259, 7,068,557, and 7,209,401. The complaint was not served on the Company until February 2020. The operations of the Company will 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

**12. Others**

- (1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss (Note 1)	\$ 2,799,091	\$ 2,495,489
Financial assets at fair value through other comprehensive income	2,998,636	3,126,666
Financial assets measured at amortized cost (Note 2)	121,168,449	79,402,713
Total	<u>\$ 126,966,176</u>	<u>\$ 85,024,868</u>

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

	December 31, 2019	December 31, 2018
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	\$ -	\$ 4,520
Financial liabilities at amortized cost:		
Short-term borrowings	51,601,684	24,555,667
Trade payables (including related parties)	12,412,183	4,506,439
Other payables (including related parties)	17,907,377	15,915,872
Long-term payables (including current portion)	1,480,630	1,057,724
Lease liabilities	1,658,319	(Note 3)
Subtotal	85,060,193	46,035,702
Total	\$ 85,060,193	\$ 46,040,222

## Notes:

- Includes trade receivables classified as financial assets measured at fair value through profit or loss for December 31, 2019 and 2018 which were in the amount of NT\$1,823,530 thousand and NT\$1,715,915 thousand, respectively. Please refer to Note 6. (5) for further explanation.
- Includes cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, trade receivables (excluding financial assets measured at fair value through profit or loss for December 31, 2019 and 2018 which were in the amount of NT\$1,823,530 thousand and NT\$1,715,915 thousand, respectively. Please refer to Note 6. (5) for further explanation.) and other receivables.
- The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

## B. Fair values of financial instruments

- 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:

- The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables (including related parties), short-term borrowings, trade payables (including related parties) and other payables (including related parties) approximate their fair value due to their short maturities.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- (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) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) 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.
- (e) 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

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

c. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets 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.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets measured at fair value:</u>				
Financial assets at fair value through profit or loss				
Stocks	\$ 192,990	\$ -	\$ -	\$ 192,990
Funds	782,571	-	-	782,571
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	2,993,489	-	5,147	2,998,636
Total	<u>\$ 3,969,050</u>	<u>\$ -</u>	<u>\$ 5,147</u>	<u>\$ 3,974,197</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

As of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets measured at fair</u>				
<u>value:</u>				
Financial assets at fair value				
through profit or loss				
Linked deposits	\$ -	\$ -	\$ 29,277	\$ 29,277
Funds	750,297	-	-	750,297
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	2,976,672	-	-	2,976,672
Debt instruments measured				
at fair value through other				
comprehensive income	149,994	-	-	149,994
Total	<u>\$ 3,876,963</u>	<u>\$ -</u>	<u>\$ 29,277</u>	<u>\$ 3,906,240</u>

Liabilities measured at fair

value:

Financial liabilities at fair

value through profit or

loss

Forward exchange

contracts

\$ -	\$ 4,520	\$ -	\$ 4,520
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For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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		Total
	mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
	Link deposits	Stocks	
As of January 1, 2019	\$ 29,277	\$ -	\$ 29,277
Amount recognized in profit or loss	723	-	723
Amount recognized in OCI	-	(814)	(814)
Acquired through business combinations	-	5,961	5,961
Settlements	(30,000)	-	(30,000)
As of December 31, 2019	\$ -	\$ 5,147	\$ 5,147

Financial assets mandatorily measured at fair  
value through profit or loss

	Link deposits
As of January 1, 2018	\$ 190,211
Amount recognized in profit or loss	(934)
Settlements	(160,000)
As of December 31, 2018	\$ 29,277

Total gains (losses) related to assets recognized for the years ended December 31, 2019 and 2018 amounted to NT\$0 dollar and NT\$(687) thousand, respectively.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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.

- 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, 2019:

None

As of December 31, 2018:

None

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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, 2018	TWD to USD	Sell USD 95,000	January 2019

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 and policies

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 and Audit Committee 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

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, 2019 and 2018 increases / decreases by NT\$1,255 thousand and decreases / increases by NT\$4,735 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 investment of debt instruments at variable interest rates and bank borrowings with fixed 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 following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, there is no significant impact of the related rate increase/ decrease on the Company.

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 equity securities are classified under the category of equity instrument investments measured at fair value through profit or loss and equity instrument investments measured at fair value through other comprehensive income. 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 companies stocks classified under equity instrument investments measured at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$1,930 thousand and NT\$0 dollar, respectively.

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through other comprehensive income could cause the other comprehensive income for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$29,935 thousand and NT\$29,767 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.



**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

**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.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2019 and 2018, receivables from top ten customers represented 39.93%, and 51.96% 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.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables which is measured at lifetime expected credit losses, for debt instrument investments which are not measured at fair value through profit or loss and are at low credit risk upon acquisition, an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio. The measurement indicators of the Company are described as follows:

## MEDIATEK INC.

## NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			December 31, 2019	December 31, 2018
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 290,000	\$ 439,994
	Counter parties with investment grade credit rating			
Credit risk significantly increased	Credit risk measure reduced from IG category to HY category	Lifetime expected credit losses	\$ -	\$ -
	Contract payment overdue 30 days			
Credit-impaired	Credit risk measure belongs to DS category or above	Lifetime expected credit losses	\$ -	\$ -
	Contract payment overdue 90 days			
	Other impaired evidence			
Simplified method (Note)	(Note)	Lifetime expected credit losses	\$ 13,865,247	\$ 9,589,109

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes notes receivables and trade receivables.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When the credit risk on debt instrument investment has increased, the Company will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (which available without undue cost and effort), it is mainly based on the macroeconomic information and industrial information and further adjusts the credit loss ratio if there is significant impact from forward-looking information.

### 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.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of December 31, 2019</u>			
Short-term borrowings	\$ 51,672,232	\$ -	\$ 51,672,232
Trade payables (including related parties)	12,412,183	-	12,412,183
Other payables (including related parties)	17,863,458	-	17,863,458
Lease liabilities	90,418	1,567,901	1,658,319
Long-term payables	661,680	818,950	1,480,630
Total	<u>\$ 82,699,971</u>	<u>\$ 2,386,851</u>	<u>\$ 85,086,822</u>
	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of December 31, 2018</u>			
Short-term borrowings	\$ 24,608,214	\$ -	\$ 24,608,214
Trade payables (including related parties)	4,506,439	-	4,506,439
Other payables	15,881,431	-	15,881,431
Long-term payables	750,394	307,330	1,057,724
Total	<u>\$ 45,746,478</u>	<u>\$ 307,330</u>	<u>\$ 46,053,808</u>

Derivative financial instruments

As of December 31, 2019

None

As of December 31, 2018

Net settlement

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
Forward exchange contracts	\$ (7,262)	\$ -	\$ (7,262)

The table above contains the undiscounted net cash flows of derivative financial instruments.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

D. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Lease Liabilities	Deposits received	Total liabilities from financing activities
As of January 1, 2019	\$ 24,555,667	\$ 1,692,464	\$ 54,061	\$ 26,302,192
Cash flows	27,046,017	(94,523)	371,583	27,323,077
Non-cash movement	-	60,378	-	60,378
As of December 31, 2019	<u>\$ 51,601,684</u>	<u>\$ 1,658,319</u>	<u>\$ 425,644</u>	<u>\$ 53,685,647</u>

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term borrowings	Deposits received	Total liabilities from financing activities
As of January 1, 2018	\$ 40,205,256	\$ 49,259	\$ 40,254,515
Cash flows	(15,649,589)	4,802	(15,644,787)
As of December 31, 2018	<u>\$ 24,555,667</u>	<u>\$ 54,061</u>	<u>\$ 24,609,728</u>

(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, 2019		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 2,482,244	30.106	\$ 74,730,451
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,523,921	30.106	\$ 75,985,154

**MEDIATEK INC.****NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 1,533,996	30.733	\$ 47,144,296
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 1,285,090	30.733	\$ 39,494,677

Functional currencies of entities of the Company are varied. Accordingly, the Company 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 gains were NT\$207,592 thousand and NT\$14,134 thousand for the years ended December 31, 2019 and 2018, 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.

**13. Additional Disclosures****(1) The following are additional disclosures for the Company and its affiliates:**

- A. Financing provided to others for the year ended December 31, 2019: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2019: Please refer to Attachment 2.
- C. Securities held as of December 31, 2019: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 4.

**MEDIATEK INC.**

**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 5.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 6.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2019: Please refer to Attachment 7.
- I. Financial instruments and derivative transactions: Please refer to Note 12.

(2) Information on investees

Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control (excluding investees in Mainland China). Please refer to Attachment 8.

(3) Investment in Mainland China

- A. Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control, which discloses investee company name, main business and products, total amount of capital, method of investment, accumulated inflows and outflows of investments from Taiwan, percentage of ownership, net income (loss), investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 9.
- B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 1.

**MEDIA TEK INC.**  
**FINANCING PROVIDED TO OTHERS**  
**For the year ended December 31, 2019**

Attachment 1

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	Hsu Chia (Samoa) Investment Ltd. (Note 1)	Media Tek (Shanghai) Inc.	Other receivables from related party	Yes	\$ 2,298,870 CNY 500,000,000	\$ 2,161,795 CNY 500,000,000	2,161,795 CNY 500,000,000	3.00%	Short-term financing	-	Operating Capital	-	NA	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490	
		Gaintech Co. Limited	Other receivables from related party	Yes	\$ 597,706 CNY 130,000,000	\$ - -	-	NA	Short-term financing	-	Operating Capital	-	NA	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490	
		Media Tek China Limited	Other receivables from related party	Yes	\$ 587,228 CNY 130,000,000	\$ 562,067 CNY 130,000,000	-	0.65%	Short-term financing	-	Operating Capital	-	NA	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490	
2	Hsu Kang (Samoa) Investment Ltd. (Note 1)	Media Tek (Shenzhen) Inc.	Other receivables from related party	Yes	\$ 3,215,269 CNY 699,315,000	\$ 3,023,551 CNY 699,315,000	3,023,551 CNY 699,315,000	3.00%	Short-term financing	-	Operating Capital	-	NA	\$ 4,931,904 CNY 1,135,663,917	\$ 4,931,904 CNY 1,135,663,917	
		Media Tek (Hebei) Inc.	Other receivables from related party	Yes	\$ 953,571 CNY 207,400,000	\$ 753,010 CNY 170,000,000	753,010 CNY 170,000,000	3.00%	Short-term financing	-	Operating Capital	-	NA	\$ 4,919,994 CNY 1,132,921,285	\$ 4,919,994 CNY 1,132,921,285	
3	Hsu Fa (Samoa) Investment Ltd. (Note 1)	Gaintech Co. Limited	Other receivables from related party	Yes	\$ 390,435 CNY 84,919,000	\$ - -	-	NA	Short-term financing	-	Operating Capital	-	NA	\$ 4,919,994 CNY 1,132,921,285	\$ 4,919,994 CNY 1,132,921,285	

Note 1: The operating procedures of financing provided to others of Hsu Chia (Samoa) Investment Ltd., Hsu Kang (Samoa) Investment Ltd. and Hsu Fa (Samoa) Investment Ltd. required:

- A. the total amount for lending shall not exceed 20% of the lender's net worth,
- B. the maximum amount lendable to a single company is 10% of the lender's net worth or 30% of the borrower's net worth, whichever is lower; and
- C. fund lending between foreign subsidiaries held directly or indirectly by the lender with 100% of voting stocks shall be excluded from the above limitations. However, total financing amount limits and financing limits for each borrowing company shall not exceed the lender's net worth.

Note 2: Maximum accumulated balance of financing amount as of the declaration month for the period.



**MEDIA TEK INC.**  
**ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS**  
**For the year ended December 31, 2019**

Attachment 2

No.	Endorsor/Guarantor	Guaranteed Party		Limits on Endorsement/Guarantee to Each Guaranteed Party	Maximum Balance for the Period (Note 3)	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee Amount to Net Equity per Latest Financial Statement	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company Name	Relationship (Note 2)										
0	Media Tek Inc.	Media Tek USA Inc.	A	\$ 62,255,020 (Note 1)	\$ 10,838 USD 342,857	\$ 10,322 USD 342,857	\$ 10,322 USD 342,857	\$ -	0.00%	\$155,637,551 (Note 1)	Y	-	-
		MTK Wireless Limited (UK)	A	\$ 62,255,020 (Note 1)	\$ 7,194 GBP 176,250	\$ 7,034 GBP 176,250	\$ 7,034 GBP 176,250	\$ -	0.00%		Y	-	-
		Gaintech Co. Limited	A	\$ 62,255,020 (Note 1)	\$ 24,000,000	\$ 24,000,000	\$ -	\$ -	7.71%		Y	-	-
		MediaTek China Limited	A	\$ 62,255,020 (Note 1)	\$ 9,000,000	\$ 9,000,000	\$ 2,980,313	\$ -	2.89%		Y	-	-

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Note 1: Based on the rules of operating procedures of endorsement/guarantee of Media Tek Inc., the limiting amount of endorsement/guarantee rendered to any single company shall not exceed 20% of Media Tek Inc.'s net worth as stated in the latest financial statements.

The total amount of guarantee shall not exceed 50% of the Company's net worth from the latest financial statements.

Note 2: The nature of relationship between endorser/guarantor and guaranteed party is as follows:

- A. The Company directly and indirectly holds more than 50% of the voting shares.
- B. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

Note 3: Amounts converted at the highest exchange rate.

**MEDIATEK INC.**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Held Company Name	Securities Type	Securities Name	Financial Statement Account			December 31, 2019		Note
			Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair Value		
Mediatek Inc.	Funds	KGI Fengli Fund	37,806,950	\$ 377,830	-	\$ 377,830	-	
		KGI Full Strategic Fund	22,609,875	\$ 404,741	-	\$ 404,741	-	
		Equity instrument investments measured at fair value through profit or loss - current	81,200,000	\$ 1,437,240	-	\$ 1,437,240	-	
		Equity instrument investments measured at fair value through other comprehensive income - noncurrent	64,503,800	\$ 1,103,001	-	\$ 1,103,001	-	
		Equity instrument investments measured at fair value through profit or loss - current	16,744,000	\$ 267,904	-	\$ 267,904	-	
		Equity instrument investments measured at fair value through other comprehensive income - noncurrent	13,421,000	\$ 185,344	-	\$ 185,344	-	
		Equity instrument investments measured at fair value through profit or loss - noncurrent	640,000	\$ 5,146	6%	\$ 5,146	-	
		Financial assets mandatorily measured at fair value through profit or loss - noncurrent	4,200,000	\$ 192,990	-	\$ 192,990	-	
		Financial assets measured at amortized cost - noncurrent	-	\$ 290,000	-	\$ -	-	
		Equity instrument investments measured at fair value through other comprehensive income - noncurrent	1,857,008	\$ 19,499	7%	\$ 19,499	-	
Mediatek Capital Co.	Stocks	ACSP TECHNOLOGY CORP.	5,657,324	\$ 746,767	13%	\$ 746,767	1	
		ANDES TECHNOLOGY CORPORATION	363,000	\$ 373,890	1%	\$ 373,890	-	
		CHUNGHWA PRECISION TEST TECH. CO., LTD.	7,794,085	\$ 3,456,677	6%	\$ 3,456,677	2	
		MEDIATEK INC.	1,000,000	\$ 10,000	4%	\$ 10,000	-	
		ESTNET TECHNOLOGIES INCORPORATION	1,662,249	\$ 35,131	7%	\$ 35,131	-	
		Mits. Semiconductive Corp.	250,000,000	\$ 240,468	5%	\$ 240,468	-	
		Taiwanese Capital Buffalo Fund Co., Ltd.	12,000,000	\$ 75,000	15%	\$ 75,000	-	
		FeedHeart Inc.	327,707	\$ 3,441	1%	\$ 3,441	-	
		ACSP TECHNOLOGY CORP.	37,275	\$ 4,903	0%	\$ 4,903	1	
		Equity instrument investments measured at fair value through profit or loss - noncurrent	-	\$ 8,827,206	-	\$ 8,827,206	-	
Hui-Tai Investment Corp.	Stocks	SY USD CALLABLE STEPPED NOTE DUE 1 DECEMBER 2021	-	\$ 4,283,230	-	\$ 4,283,230	-	
		HYBRID CAPITAL RETURN NOTES DUE 23 FEBRUARY 2021	-	\$ 8,832,600	-	\$ 8,832,600	-	
		Morgan Stanley Finance LLC Callable Range Accrual Note	-	\$ 8,795,070	-	\$ 8,795,070	-	
		Callable Credit Linked Dual Range due 2023	-	\$ -	-	\$ -	-	
		Beijing Xiaomi Technology Co., Ltd.	3,400,000	\$ 4,704,161	0%	\$ 4,704,161	-	
		WI HARPER INC FUND Y1 LTD.	3,000	\$ 2,395,487	2%	\$ 2,395,487	-	
		MCUBE, INC.	3,114,984	\$ 5,963,637	6%	\$ 5,963,637	-	
		INNOVATION WORKS LIMITED	2,040,800	\$ 327,806	4%	\$ 327,806	-	
		CHINA ALPHA TECHNOLOGIES COMPANY LIMITED	1,990	\$ 9,131	20%	\$ 9,131	-	
		GENERAL MOBILE CORPORATION	5,000,000	\$ 1,225,000	18%	\$ 1,225,000	-	
Core Tech Resources Inc.	Linked Deposits	Mapbar Technology Limited	28,504,992	USD 75,770,848	28%	USD 75,770,848	-	
		AutoX, Inc.	682,176	USD 25,969,648	7%	USD 25,969,648	-	
		CFO Tech Ltd.	6,000,000	USD 250,330	12%	USD 250,330	-	
		Bee Computing (HK) Limited	1,266,667	USD 9,500,003	3%	USD 9,500,003	-	
		Easy4 Logic Technology Limited	842,734	USD 700,000	8%	USD 700,000	-	
		Innovz Technology Ltd.	761,322	USD 4,000,000	1%	USD 4,000,000	-	
		UnimakerHear Co., Ltd.	666,667	USD 21,986	2%	USD 21,986	-	
		Oneview Space LTD	334,919	USD 500,000	7%	USD 500,000	-	
		DPS Concepts, Inc.	1,132,118	USD 2,000,000	3%	USD 2,000,000	-	
		JAE CO (S-B) FUND	-	USD 64,124	-	USD 64,124	-	
Gaintech Co. Limited	Capital	Chim Wai-ten Venture Investments II, L.P.	-	USD 7,894,927	-	USD 7,894,927	-	
		ALL-STAR INVESTMENT FUND	-	USD 26,519,739	-	USD 26,519,739	-	
		NOZOMI FUND	-	USD 570,695	-	USD 570,695	-	
		INNOVATION WORKS DEVELOPMENT FUND	-	USD 18,257,331	-	USD 18,257,331	-	
		Shanghai Walden Venture Capital Enterprise	-	USD 16,686,645	-	USD 16,686,645	-	
		CHINA BROADBAND CAPITAL PARTNERS II, L.P.	-	USD 12,643,893	-	USD 12,643,893	-	
		CHINA BROADBAND CAPITAL PARTNERS III, L.P.	-	USD 15,500,017	-	USD 15,500,017	-	
		SOFTBANK PRINCETON INVESTMENTS L.P.	-	USD 11,453,279	-	USD 11,453,279	-	

(To be continued)

**MEDIA TEK INC.**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
 As of December 31, 2019

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019				Note	
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair Value		
Gannach Co. Limited	Capital	WALDEN RIVERWOOD VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	9,159,539	-	USD	9,159,539
		RYG-CCN VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	6,557,835	-	USD	6,557,835
		KEBOU FUND L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	2,380,734	-	USD	2,380,734
		WRV III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	9,834,300	-	USD	9,834,300
		Shanghai ShunmaView (CMA) AND A Investment Limited Partnership	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	88,818,624	-	USD	88,818,624
		AMTIFUND II, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	5,970,197	-	USD	5,970,197
		Beijing Integrated C-Fuel Industry International Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	4,496,345	-	USD	4,496,345
		China Prosperity Capital Mobile Internet Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	6,851,895	-	USD	6,851,895
		AI-Sians SP VI Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	39,341,210	-	USD	39,341,210
		LOPU USD Master Fund III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	23,796,731	-	USD	23,796,731
		China Walden Venture Investments III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	13,336,699	-	USD	13,336,699
		WRV III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	9,764,328	-	USD	9,764,328
		Innovo Ventures II, LP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	600,000	-	USD	600,000
		Phi Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	2,841,018	-	USD	2,841,018
		North III, LP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	250,000	-	USD	250,000
		Expedito, Inc.	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD	2,400,000	-	USD	2,400,000
		AMobile Intelligent Corp. Limited convertible bonds	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	700,000	-	USD	700,000
		DB SYR CNY SENIOR BULLET NOTE	Debt instrument investments measured at fair value through other comprehensive income- current	-	USD	7,195,686	-	USD	7,195,686
		China International Capital Corporation Limited unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	9,036,000	-	USD	9,036,000
		SoftBank Group Corp unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD	8,951,020	-	USD	8,951,020
Royal Bank Canada London 0% 20 Dec20	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD	7,965,528	-	USD	7,965,528		
5 Year USD Denominated Credit Linked Notes linked to Bank of Communications	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,590,400	-	USD	9,590,400		
4 Year USD Denominated Credit Linked Notes linked to Alibaba	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,113,400	-	USD	9,113,400		
3 Year USD Denominated MAB192E Linked Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,873,800	-	USD	8,873,800		
5 Year USD Denominated MAB192E Linked Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,038,700	-	USD	9,038,700		
USD 3y Auto-callable Range Accrual Notes linked to USD17WD	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,187,200	-	USD	9,187,200		
Morgan Stanley USD Auto-callable Range Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,095,130	-	USD	9,095,130		
3.5 Year USD Auto-callable Step-upper Credit Linked Note on the obligation of Alibaba Group Holding Ltd.	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,965,800	-	USD	8,965,800		
HYBRID CAPITAL RETURN NOTES DUE 23 FEBRUARY 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,954,100	-	USD	8,954,100		
24 Months Note Linked to a fund due 26 April 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,298,800	-	USD	9,298,800		
USD 3y Notes Linked to a bond due 05-May-2022	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,767,700	-	USD	9,767,700		
Bacley Bank PLC 3.25% ECLEAR DUE 31 OCT 2019 USD REGS	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	9,000,000	-	USD	9,000,000		
Callable Credit Linked Dual Range due 2023	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD	8,795,070	-	USD	8,795,070		
Industrial and Commercial Bank of China-3y chiyi No2, RMB Bond	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	40,000,000	-	CNY	40,000,000		
Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	30,000,000	-	CNY	30,000,000		
Industrial and Commercial Bank of China- jiyi yuehui biao III plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	13,000,000	-	CNY	13,000,000		
Industrial and Commercial Bank of China- Erling RMB Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	50,000,000	-	CNY	50,000,000		
Industrial and Commercial Bank of China- ian I bua No2, Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	50,000,000	-	CNY	50,000,000		
Industrial and Commercial Bank of China- ian I bua Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	50,000,000	-	CNY	50,000,000		
Industrial and Commercial Bank of China- ian I bua No2, Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	33,000,000	-	CNY	33,000,000		
Industrial and Commercial Bank of China- gang jin tong II Free E RMB 2016 no. 1 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY	36,000,000	-	CNY	36,000,000		
GIGA FORCE/ELECTRONICS CO., LTD	Financial assets mandatorily measured at fair value through profit or loss- current	1,683,000	CNY	17,671,500	8%	CNY	17,671,500		
Hebei Changliang Ni new energy industry investment fund partnership firm (limited partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	207,156,222	-	CNY	207,156,222		
Shanghai Intense Of Things VC Fund II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	18,858,020	-	CNY	18,858,020		
AI Speech Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	55,309,498	-	CNY	55,309,498		
Adap Technology Co., Ltd	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	1,539,011	CNY	24,810,181	8%	CNY	24,810,181		
Shenzhen ORVBO Technology Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	14,435,594	-	CNY	14,435,594		
Shenzhen Faiba Robotics Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY	2,089,692	-	CNY	2,089,692		

(Continued)

(To be continued)

**MEDIA TEK INC.**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Continued)

Hold Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019			Note
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	
Xiaoh Investment (Shanghai) Inc.	Capital	ORBEC CO., LTD	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 55,081,961	-	CNY 55,081,961
		Shanghai Yijia Information Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 8,559,276	-	CNY 8,559,276
		Wuxi Mianhuo Information Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 97,905	-	CNY 97,905
		Shanghai KQC Financial Management Consulting Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 4,539,197	-	CNY 4,539,197
		Shingbo ABAX Sensing	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 14,256,007	-	CNY 14,256,007
		Hainan zhidai e-commerce partnership	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 992,900	-	CNY 992,900
		Industrial and Commercial Bank of China: jiyi yue hsin III plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 8,000,000	-	CNY 8,000,000
		Industrial and Commercial Bank of China: principal guaranteed Five F orientation 2017 no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 4,150,000	-	CNY 4,150,000
		Industrial and Commercial Bank of China: jiyi sheng zhuo hong RMB Fund	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 13,000,000	-	CNY 13,000,000
		PEM-INSURANCE POLICY TRUST	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 10,809,909	-	USD 10,809,909
MediaTek (Taiwan) Inc.	Funds	Trust fund	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 19,160,561	-	USD 19,160,561
		Fubon Bank of China - yue de ying no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 18,000,000	-	CNY 18,000,000
		Fubon Bank of China - yue de ying no.1 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 16,480,000	-	CNY 16,480,000
		One Mobbank Systems Private Limited	Financial assets mandatorily measured at fair value through other comprehensive income- current	36,201	USD 4,558,301	1%	USD 4,558,301
		Appier Holding, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	103,573	USD 8,458,139	1%	USD 8,458,139
		ScaleFlux Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,497,076	USD 5,549,212	4%	USD 5,549,212
		Volans Semiconductor Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,276,935	USD 4,871,762	1%	USD 4,871,762
		Ambiq Micro, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,809,900	USD 3,938,675	3%	USD 3,938,675
		Transnet Technology, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,820,000	USD 3,257,800	9%	USD 3,257,800
		EZConnect Entertainment Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	910	USD 598,352	9%	USD 598,352
Cloud Ronger Limited	Bonds	SHYREC LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 75,188	-	USD 75,188
		ScaleFlux Inc. convertible bonds	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 2,000,000	-	USD 2,000,000
		BEHINA 4.88%	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 5,028,000	-	CNY 5,028,000
		GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000
		BACR 3.95 05/30/25	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,375,000	-	CNY 50,375,000
		BOC 3.30 04/17/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		BOC 3.15 10/16/21	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		ADBCH3 4 11/06/24	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		ADBCH3 1.8 11/06/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		GS Four 03/27/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 51,460,000	-	CNY 51,460,000
Hsu Chia (Samoa) Investment Ltd.	Linked Deposits	GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000
		BACR 3.95 05/30/25	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,375,000	-	CNY 50,375,000
		ADBCH3 0.8 05/29/20	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 50,000,000	-	CNY 50,000,000
		BOC 3.30 04/17/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		BOC 3.15 10/16/21	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		BAC 4.5 06/27/21	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 7,029,120	-	CNY 7,029,120
		GS Four 03/27/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 51,460,000	-	CNY 51,460,000
		3Yx1CY CNY Dual Range Accrual Notes link TWD-29 LIBOR < 5%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 48,575,000	-	CNY 48,575,000
		3Yx1CY CNY Dual Range Accrual Notes link TWD-29 LIBOR < 5.25%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 38,856,000	-	CNY 38,856,000
		3Yx1CY CNY Denominated Range Accrual Notes linked TWD-29 4	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 28,101,000	-	CNY 28,101,000
Hsu Fu (Samoa) Investment Ltd.	Bonds	GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000
		ADBCH3 0.8 05/29/20	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 10,000,000	-	CNY 10,000,000
		BOC 3.15 10/16/21	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		ADBCH3 4 11/06/24	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		ADBCH3 1.8 11/06/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 47,000,000	-	CNY 47,000,000
		Shanghai Shansheng Changqin Investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 10,051,200	-	CNY 10,051,200
		Shanghai Summit View ICM AND A Investment Limited Partnership II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 11,302,661	-	CNY 11,302,661
		GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000
		ADBCH3 0.8 05/29/20	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 10,000,000	-	CNY 10,000,000
		BOC 3.15 10/16/21	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
Hsu Kang (Samoa) Investment Ltd.	Bonds	ADBCH3 4 11/06/24	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		ADBCH3 1.8 11/06/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 47,000,000	-	CNY 47,000,000
		Shanghai Shansheng Changqin Investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 10,051,200	-	CNY 10,051,200
		Shanghai Summit View ICM AND A Investment Limited Partnership II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 11,302,661	-	CNY 11,302,661
		GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000
		ADBCH3 0.8 05/29/20	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 10,000,000	-	CNY 10,000,000
		BOC 3.15 10/16/21	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		ADBCH3 4 11/06/24	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,000,000	-	CNY 50,000,000
		ADBCH3 1.8 11/06/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 47,000,000	-	CNY 47,000,000
		Shanghai Shansheng Changqin Investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 10,051,200	-	CNY 10,051,200
MediaTek (Shenzhen) Inc.	Capital	Shanghai Summit View ICM AND A Investment Limited Partnership II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 11,302,661	-	CNY 11,302,661

(To be continued)

**MEDIATEK INC.**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Continued)

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019				Note
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair Value	
MediaTek (Shenzhen) Inc.	Funds	Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 22,540,000	-	CNY 22,540,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 43,380,000	-	CNY 43,380,000	-
		Industrial and Commercial Bank of China- jib yi yuehsin plan A	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 31,000,000	-	CNY 31,000,000	-
		Industrial and Commercial Bank of China- jib yi yuehsin V guaranteed 24 weeks Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 27,830,000	-	CNY 27,830,000	-
Reitek Technology Corp.	Stocks	DYNA RECH CO., LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	16,000,000	\$ 116,800	9%	\$ 116,800	-
	Stocks	Li-Yu Investment Corp.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,000,000	\$ 24,247	10%	\$ 24,247	-
Gold Rich International (HK) Limited	Stocks	Shenzhen Goodx Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	20,475,772	USD 575,518,810	4%	USD 575,518,810	-
	Stocks	Shenzhen Goodx Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,121,6205	USD 877,403,457	7%	USD 877,403,457	-
MediaTek (Shanghai) Inc.	Capital	Shanghai Shansheng Changqin Investment Partnerships (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 10,051,200	-	CNY 10,051,200	-
		Zhu Hai City Yuan Tan Information Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 200,000	-	CNY 200,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 12,000,000	-	CNY 12,000,000	-
		Industrial and Commercial Bank of China- jib yi yuehsin V guaranteed 24 weeks Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
MediaTek India Technology Pvt. Ltd.	Stocks	Industrial and Commercial Bank of China- jib yi yuehsin III plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 9,000,000	-	CNY 9,000,000	-
		Industrial and Commercial Bank of China- jib sheng yuehsin	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 33,000,000	-	CNY 33,000,000	-
		SPICE Mobility Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	19,868,439	INR 81,347,444	9%	INR 81,347,444	-
		Callible Range Aecual Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,820,000	-	USD 8,820,000	-
MStar Software R&D (Shenzhen), Ltd.	Funds	Citibank Structured Deposit	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 41,700,000	-	CNY 41,700,000	-
		Fubon Bank of China - yue de ying no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
MTK Wireless Limited(UK)	Capital	HEVC Advance LLC	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	GBP 881,693	-	GBP 881,693	-
		Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 25,000,000	-	CNY 25,000,000	-
MediaTek (Hefei) Inc.	Funds	Industrial and Commercial Bank of China- principal guaranteed Free E orientation 2017 no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Yue de ying 0110431	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 46,000,000	-	CNY 46,000,000	-
		Yue de ying 012063	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 10,000,000	-	CNY 10,000,000	-
		Yue de ying no.2 1912076	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
EcoNet (Suzhou) Limited	Funds	Industrial and Commercial Bank of China- principal guaranteed 182 days Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 15,000,000	-	CNY 15,000,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
		Yue de ying 19050340	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
MOUNTAIN CAPITAL FUND L.P.	Capital	Yue de ying 19060065	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Yue de ying no.2 (Guaranteed) 19030337	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Yue de ying no.2 (Guaranteed) 19040389	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
		Yue de ying no.3 (Redemption) 19010685	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
MStar Chen Xi Software Shanghai Ltd.	Funds	Yue de ying no.3 (Redemption) 19020158	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Shanghai Pudong Development Bank- Liked Structured Deposit	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
MStar Chen Xi Software Shanghai Ltd.	Capital	One 97 Communications Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	115,271	USD 56,865,840	0%	USD 56,865,840	-
		Mountain SP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,805,792	-	USD 9,805,792	-
MStar Chen Xi Software Shanghai Ltd.	Funds	China Merchants Bank- ju yi shen giben 63 days plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 9,500,000	-	CNY 9,500,000	-

Note 1: The chairman of the company is the same as the ultimate parent company's.

Note 2: Ultimate parent entity.

**MEDIA TEK INC.**  
**INDIVIDUAL SECURITIES ACQUIRED OR DISPOSED OF WHICH ACCUMULATED AMOUNT EXCEEDING THE LOWER OF NT\$300 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
**For the year ended December 31, 2019**

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Units/Shares	Amounts	Units/Shares	Amount	Units/Shares	Amount	Units/Shares	Amount (Note 5)
Gaintech Co. Limited	MediaTek China Limited	Investments accounted for using the equity method	Note 1	Subsidiary	2,445,564,020	USD 443,661,255	284,538,880	USD 36,306,858	-	USD -	2,730,102,500	USD 500,303,378
Gaintech Co. Limited	ILL Technology Holding Corporation	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD -	344,243,782	USD 113,600,448	-	USD -	344,243,782	USD 123,695,507
Gaintech Co. Limited	Nephos Cayman Co. Limited	Investments accounted for using the equity method	Note 1	Subsidiary	82,164,964	USD 8,598,582	30,945,462	USD 30,945,462	-	USD -	113,110,426	USD (2,969,954) (Note 8)
Gaintech Co. Limited	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	USD -	52,031,546	USD 57,522,701	-	USD -	52,031,546	USD 62,182,991
Gaintech Co. Limited	HOPU USD Master Fund III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	-	-	USD 11,907,531	-	USD 14,456,039	4,713,765 (Note 9)	USD 4,713,765 (Note 9)	-	USD 23,796,731
MediaTek Investment Singapore Pte. Ltd.	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	USD -	52,031,546	USD 57,522,701	-	USD -	-	USD -
MediaTek Inc.	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	\$ -	1,900,745	\$ 1,788,726	-	\$ -	-	\$ -
MediaTek Inc.	ILL Technology Corporation	Investments accounted for using the equity method	Note 4	Subsidiary	-	\$ -	3,798,727 (Note 4)	\$ 3,576,931	-	\$ -	-	\$ -
ILL Technology Holding Corporation	ILL Technology Corporation	Investments accounted for using the equity method	Note 3	Subsidiary	-	USD -	343,617,000	USD 113,600,448	-	USD -	343,617,000	USD 123,863,282
Nephos Cayman Co. Limited	Nephos (Hefei) Co., Ltd.	Investments accounted for using the equity method	Note 2	Subsidiary	-	USD -	3,475,148	USD 3,193,5274	-	USD -	-	USD (4,532,138) (Note 8)
MediaTek China Limited	Xixin Investment (Shanghai) Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD -	183,73,937	USD 26,500,000	-	USD -	-	USD 47,549,995
MediaTek China Limited	MediaTek (Wuhan) Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD -	11,754,149	USD 11,806,858	-	USD -	-	USD 25,159,983
Xixin Investment (Shanghai) Inc.	Xixi (Shanghai) Management Consulting Co., Ltd.	Investments accounted for using the equity method	Note 1	Subsidiary	-	CNY -	-	CNY 167,500,000	-	CNY -	-	CNY 171,282,314
Xixi (Shanghai) Management Consulting Co., Ltd.	Hefei Xuhui Management Consulting Co., Ltd.	Investments accounted for using the equity method	Note 1	Subsidiary	-	CNY -	-	CNY 167,500,000	-	CNY -	-	CNY 171,256,686
MediaTek Inc.	HPI Innovation Inc.	Investments accounted for using the equity method	Note 10	Subsidiary	80,828,122	\$ 228,192	33,062,830	\$ 330,628 (Note 10)	-	\$ -	113,890,952	\$ 440,782
Gold Rich International (HK) Limited	Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income-current	-	-	31,903,483	USD 346,561,042	6,770,195 (Note 6)	USD 5,867,348 (Note 6)	-	USD -	18,197,906	USD 15,771,104
												USD 344,795,234 (Note 6)

(To be continued)

(Continued)

Note 1: Subscribed to the new shares issued.

Note 2: Acquired from outside shareholders.

Note 3: For the purpose of reorganization, the 100% ownership of ILLI Technology Corporation, which was previously owned by MediaTek Inc., was transferred to ILLI Technology Holding Corporation in May 2019.

Note 4: For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with MediaTek Inc. on January 1, 2019. ILLI Technology Corporation transferred its ownership of shares of MStar Semiconductor, Inc. to MediaTek Inc.

The difference between the proceeds from disposal of subsidiaries and the carrying amounts of the subsidiaries of NT\$48,485 thousand was credited as deduction of additional paid-in capital.

Note 5: Investments accounted for using equity method includes investment income (loss) recognized by the equity method, adjustment for foreign exchange, and unrealized gains (losses) from investments measured at fair value through other comprehensive income.

Equity instrument investments measured at fair value through other comprehensive income includes unrealized gains (losses) from investments measured at fair value through other comprehensive income.

Note 6: Include the reclassification of USD\$ 867,348 from equity instrument investments measured at fair value through other comprehensive income- noncurrent.

Note 7: For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with MediaTek Inc. on January 1, 2019. Sigmastar Technology Inc. which was previously owned by MStar Semiconductor, Inc., was transferred to MediaTek Inc.

Moreover, MediaTek Inc. transferred its ownership of Sigmastar Technology Inc. to MediaTek Investment Singapore Pte. Ltd. After that, MediaTek Investment Singapore Pte. Ltd. transferred its ownership of Sigmastar Technology Inc. to Gaintech Co. Limited on August 1, 2019.

Note 8: Include the adjustment of changes in ownership interest.

Note 9: Proceeds from capital return.

Note 10: Include the new shares issued in cash and in intellectual property (IP).



**MEDIA TEK INC.**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE WITH AMOUNT EXCEEDING THE LOWER OF NT\$300 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
**For the year ended December 31, 2019**

Attachment 5

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party		Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer			
MediaTek Inc.	Land and building	2019.03.22	\$ 339,000	\$ 339,000	Winsome Development Co., Ltd.	None	-	-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Chengdu) Inc.	Construction in progress	2018.08.31	CNY 295,000,000	CNY 83,384,323	Horizon Design (Xiamen) Co., Ltd., Sichuan Chuanjian Geotechnical Survey And Design Institute, Sichuan Hareal Consultina Co.,Ltd., Sichuan Linda Safety Consulting Technology Service Co., Ltd., Shanghai Zhennan Engineering Supervision Co., Ltd., Jiangsu Wamianda Construction Group Co., Ltd., Nantong Installation Group Co., Ltd., Shanghai Delong Power Engineering Co., Ltd., The it electronics eleventh design & research institute scientific and technological engineering Corporation limited, Shanghai zhen nan engineering Supervision Co.,Ltd., etc.	None	-	-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Wuhan) Inc.	Construction in progress	2019.10.25	CNY 371,000,000	CNY 2,057,693	Jiangsu Wamianda Construction Group Co., Ltd., Lianxing Construction Hubei Co.,Ltd.	None	-	-	Not applicable	Space requirements for staff expansion	None

**MEDIA TEK INC.**  
**RELATED PARTY TRANSACTIONS FOR PURCHASES AND SALES AMOUNTS EXCEEDING THE LOWER OF NT\$100 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
**For the year ended December 31, 2019**

Attachment 6

Company Name	Counter-party	Relationship	Transaction Details				Details of Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales	Payment Term	-	-	Ending Balance	Percentage of Total Notes/Trade Receivables (Payables)	
MediaTek Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	Sales (Note 1)	\$ 1,039,170	0.76%	Charged by a certain period	-	-	\$ 107,110	0.75%	-
MediaTek Inc.	HFI Innovation Inc.	Subsidiary	Sales	\$ 150,628	0.11%	30 days	-	-	\$ 8,531	0.06%	-
MediaTek Inc.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 1,901,840	-	75 days	-	-	\$ (443,785)	3.58%	-
MediaTek Singapore Pte. Ltd.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	USD 30,257,281	-	75 days	-	-	USD (10,347,357)	4.61%	-
MediaTek Singapore Pte. Ltd.	Airoha Technology Corp.	Subsidiary	Sales	USD 5,044,007	0.25%	30 days	-	-	USD 268,191	0.11%	-
Airoha Technology Corp.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 265,936	-	90 days	-	-	\$ (89,529)	5.33%	-
EcoNet Limited	EcoNet (Suzhou) Limited	Subsidiary	Purchases	\$ 1,651,086	100.00%	Charged by a certain period	-	-	\$ (228,567)	100.00%	-
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	Sales	\$ 307,813	70.42%	30 days	-	-	\$ 304,798	100.00%	-

Note 1: License revenues mainly

**MEDIA TEK INC.**  
**RECEIVABLES FROM RELATED PARTIES WITH AMOUNTS EXCEEDING THE LOWER OF NT\$100 MILLION OR 20 PERCENT OF THE CAPITAL STOCK**  
**As of December 31, 2019**

Attachment 7

Company Name	Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
					Amount	Action Taken		
					(Amounts in Thousands of New Taiwan Dollars)			
MediaTek Inc.	Airoha Technology Corp.	Subsidiary	\$ 389,346	-	\$ -	-	\$ 1,273	\$ -
MediaTek Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 107,110	-	\$ -	-	\$ 107,110	\$ -
MediaTek Inc.	Sigmastar Technology Corp.	Subsidiary	\$ 113,752	-	\$ -	-	\$ 113,752	\$ -
MediaTek Inc.	ILLI Technology Corporation	Subsidiary	\$ 261,532	-	\$ -	-	\$ -	\$ -
MediaTek Inc.	Nephos (Hefei) Co., Ltd.	Subsidiary	\$ 468,432	-	\$ -	-	\$ -	\$ -
MediaTek USA Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 451,865	-	\$ -	-	\$ 451,865	\$ -
MediaTek (Shenzhen) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 283,719	-	\$ -	-	\$ 283,719	\$ -
MediaTek (Chengdu) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 101,210	-	\$ -	-	\$ 101,210	\$ -
MediaTek Wireless Finland Oy	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 144,166	-	\$ -	-	\$ 144,166	\$ -
MediaTek Bangalore Private Limited	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 113,284	-	\$ -	-	\$ 113,284	\$ -
MediaTek (Shanghai) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 133,042	-	\$ -	-	\$ 133,042	\$ -
EcoNet (Suzhou) Limited	EcoNet Limited	Subsidiary	\$ 228,567	-	\$ -	-	\$ 100,383	\$ -
Hsu Chia (Samoa) Investment Ltd.	MediaTek (Shanghai) Inc.	Subsidiary	\$ 2,161,795	-	\$ -	-	\$ -	\$ -
Hsu Fa (Samoa) Investment Ltd.	MediaTek (Hefei) Inc.	Subsidiary	\$ 735,010	-	\$ -	-	\$ -	\$ -
Hsu Kang (Samoa) Investment Ltd.	MediaTek (Shenzhen) Inc.	Subsidiary	\$ 3,023,551	-	\$ -	-	\$ -	\$ -
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	\$ 304,798	-	\$ -	-	\$ -	\$ -
Richtek Technology Corp.	MediaTek Inc.	Subsidiary	\$ 757,291	-	\$ -	-	\$ 757,291	\$ -
Airoha Technology Corp.	MediaTek Inc.	Subsidiary	\$ 101,537	-	\$ -	-	\$ 101,537	\$ -

Note 1: Trade receivables and other receivables arising from technical services, sales of chips and software usage mainly.

Note 2: Loans and their interests (recorded in other receivables) mainly.

Note 3: Dividend revenues (recorded in other receivables) mainly.

**MEDIA TEK INC.**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE'S IN MAINLAND CHINA)**  
 As of December 31, 2019

Attachment 8

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2019		Carrying amount	Net Income (Loss) of Investee		Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership		Net Income (Loss) of Investee	Investment Income (Loss) Recognized		
MediaTek Inc.	MStar International Technology Inc.	Note 1	Research	\$ 300,000	\$ 300,000	30,000,000	100%	\$ 83,140	\$ 295	\$ 295	Note 18	
	HFI Innovation Inc.	Note 1	Intellectual property right management	\$ 1,138,910	\$ 808,281	113,890,952	100%	\$ 440,782	\$ (77,349)	\$ (51,576)	Note 18	
	Hsu-Ta Investment Corp.	Note 1	General investing	\$ 35,264,009	\$ 35,264,009	3,398,981,889	100%	\$ 37,014,570	\$ 4,278,173	\$ 4,216,431	Note 18	
	MediaTek Investment Singapore Pte. Ltd.	Note 7	General investing	\$ 53,067,384	\$ 51,278,658	2,251,157,978	100%	\$ 146,880,648	\$ 4,226,299	\$ 4,288,183	Note 18	
	MediaTek Singapore Pte. Ltd.	Note 7	Research, manufacturing and sales	\$ 2,745,519	\$ 2,745,519	111,993,960	100%	\$ 6,365,067	\$ 6,214,071	\$ 6,189,711	Note 18	
	MStar Semiconductor, Inc.	Note 1	Research, manufacturing and sales	\$ -	\$ 85,302,953	-	-	\$ -	\$ -	\$ -	Note 19	
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ -	\$ 451,660	-	-	\$ -	\$ 1,558,185	\$ 61,225	Note 18 and Note 22	
	MStar France SAS	Note 13	Research	\$ 868,611	\$ -	458,900	100%	\$ 823,679	\$ (8,519)	\$ (8,519)	Note 18 and Note 19	
	MStar Co., Ltd.	Note 15	General investing	\$ 526,142	\$ -	13,350,000	100%	\$ 448,484	\$ (56,056)	\$ (56,056)	Note 18 and Note 19	
	Digimac Holdings Limited	Note 3	General investing	\$ 36,603	\$ -	3,905	100%	\$ 55,809	\$ (57)	\$ (57)	Note 18 and Note 19	
	MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ -	\$ -	-	-	\$ -	\$ -	\$ (130)	\$ (57)	Note 18, Note 19 and Note 23
	ILL Technology Corporation	Note 1	Research, manufacturing and sales	\$ -	\$ -	-	-	\$ -	\$ -	\$ 255,387	\$ 116,293	Note 19 and Note 20
	MShing International Corporation	Note 1	Sales	\$ 682,336	\$ -	63,138,811	100%	\$ 666,856	\$ 20,214	\$ 20,214	Note 18, Note 19 and Note 24	
Sigmastar Technology Inc.	Note 2	General investing	\$ -	\$ -	-	-	\$ 3,673	\$ (1,050)	\$ (1,050)	Note 18 and Note 19		
Spidoom Technologies	Note 13	Research	\$ 4,722	\$ -	14,620	100%	\$ -	\$ -	\$ -	Note 19		
MStar France SAS	Note 13	Research	\$ -	\$ 202,148	-	-	\$ -	\$ -	\$ (8,519)	-	Note 19	
MStar Co., Ltd.	Note 15	General investing	\$ -	\$ 933,852	-	-	\$ -	\$ -	\$ (56,056)	-	Note 19	
Digimac Holdings Limited	Note 3	General investing	\$ -	\$ 428,193	-	-	\$ -	\$ -	\$ (57)	-	Note 19	
MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ -	\$ 133,057	-	-	\$ -	\$ -	\$ (130)	-	Note 19	
ILL Technology Corporation	Note 1	Research, manufacturing and sales	\$ -	\$ 3,697,702	-	-	\$ -	\$ -	\$ 255,387	-	Note 19	
MShing International Corporation	Note 1	Sales	\$ -	\$ 631,888	-	-	\$ -	\$ -	\$ 20,214	-	Note 19	
Sigmastar Technology Inc.	Note 2	General investing	\$ -	\$ 61,838	-	-	\$ -	\$ -	\$ 26,116	-	Note 19	
Spidoom Technologies	Note 13	Research	\$ -	\$ 5,247	-	-	\$ -	\$ -	\$ (1,050)	-	Note 19	
Gaintech Co. Limited	Note 2	General investing	USD 1,921,541,067	USD 1,864,018,366	383,813,383	100%	USD 4,787,399,559	USD 130,318,383	-	-	Note 18	
Cloud Ranger Limited	Note 5	General investing	USD 23,139,000	USD 23,139,000	23,139,000	100%	USD 37,207,187	USD (87,508)	-	-	Note 18	
MediaTek Bangalore Private Limited	Note 4	Research	USD 339,847	USD 339,847	1,999,999	100%	USD 19,810,005	USD 5,596,169	-	-	Note 18	
MStar Semiconductor India Private Limited	Note 4	Research and technical services	USD -	USD 454,000	-	-	USD -	USD (125,307)	-	-	Note 18 and Note 25	
Core Tech Resources Inc.	Note 3	General investing	\$ 3,357,608	\$ 3,357,608	102,200,000	100%	\$ 4,748,743	\$ 140,893	-	-	Note 18	
MediaTek Capital Co.	Note 1	General investing	\$ 3,915,188	\$ 3,765,188	146,411,975	100%	\$ 6,268,673	\$ 73,771	-	-	Note 18	
MediaTek Bangalore Private Limited	Note 4	Research	\$ -	\$ -	1	-	\$ -	USD 5,596,169	-	-	Note 18	
Hsu-Si Investment Corp.	Note 1	General investing	\$ 273,000,000	\$ 30,700,000	2,730,000,000	100%	\$ 27,280,365	\$ 4,065,347	-	-	Note 18	
MediaTek India Technology Pvt. Ltd.	Note 4	Research	\$ -	\$ -	-	-	\$ -	USD 2,201,236	-	-	Note 18	
RollTech Technology Co., Ltd.	Note 1	Research	\$ 140,020	\$ 138,268	5,262,000	100%	\$ 54,138	\$ 2,965	-	-	Note 18	
E-Vehicle Semiconductor Technology Co., Ltd.	Note 1	Research, manufacturing and sales	\$ 16,796	\$ 16,796	7,600,000	30%	\$ 16,770	\$ (18,962)	-	-	-	
Chungis Technology Corporation	Note 1	Research	\$ 887,932	\$ 887,932	116,936,991	100%	\$ 615,555	\$ (36,643)	-	-	Note 18	
Velocenet Inc.	Note 1	Research	\$ -	\$ 154,286	-	-	\$ -	\$ -	\$ 6,025	-	Note 18 and Note 26	
Nephos (Taiwan) Inc.	Note 1	Research	\$ -	\$ 136,794	-	-	\$ -	\$ -	\$ 10,542	-	Note 18 and Note 27	
CMOS-Crystal Ltd.	Note 1	Research	\$ 18,189	\$ 18,189	25,001	20%	\$ 17,153	\$ (2,291)	-	-	-	

(To be continued)

**MEDIA TEK INC.**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)**

As of December 31, 2019

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
				\$	\$			\$			
MediaTek Capital Co.	Cyberon Corp.	Note 1	Research	250,737	250,737	80,000	30%	255,304	35,003	-	
	MediaTek Research Corp.	Note 1	Research	800	-	-	100%	1,088	288	Note 18	
	MediaTek India Technology Pvt. Ltd.	Note 4	Research	1,797,222	1,797,222	5,499,999	100%	12,703,489	2,201,236	Note 18	
	MediaTek Korea Inc.	Note 9	Research	2,074,740	2,074,740	200,000	100%	6,750,535	1,037,407	Note 18	
	MediaTek China Limited	Note 11	General investing	351,444,293	315,137,435	2,730,102,300	100%	500,303,378	21,130,119	Note 18	
	MediaTek Japan Inc.	Note 10	Technical services	61,978	61,978	7,100	100%	2,099,752	155,176	Note 18	
	ZENA TECHNOLOGIES INTERNATIONAL, INC.	Note 3	General investing	3,200,000	3,200,000	600,000	33%	USD	-	-	
	CMC CAPITAL INVESTMENTS, L.P.	Note 2	General investing	7,215,598	9,692,083	-	67%	4,548,486	(2,272,598)	-	
	Smarthead Limited	Note 15	General investing	700,000	700,000	700,000	100%	1,835,761	(98,038)	Note 18	
	Gold Rich International (Samoa) Limited	Note 5	General investing	4,290,000	4,290,000	4,290,000	100%	1,385,175,073	5,851,637	Note 18	
	Belink Technology (Samoa) Corp.	Note 5	General investing	5,626,623	5,626,623	7,150,000	100%	23,125,359	19,011,497	Note 18	
	MTK Wireless Limited (UK)	Note 12	Research	111,688,604	110,610,756	66,394,826	100%	156,609,622	18,614,865	Note 18	
Gaintech Co. Limited	IconNet (Cayman) Inc.	Note 2	General investing	55,952,726	55,952,726	14,362,660	75%	110,283,158	24,314,109	Note 18	
	FONTAINE CAPITAL FUND, L.P.	Note 2	General investing	17,142,857	20,000,000	17,142,857	57%	39,220,539	(391,350)	-	
	MediaTek Wireless FZ-LLC	Note 14	Technical services	13,753	13,753	50	100%	325,076	50,380	Note 18	
	Digital Lord Limited	Note 5	General investing	-	3,100,000	-	-	USD	(47,789)	Note 18 and Note 28	
	Hsu Chia (Samoa) Investment Ltd.	Note 5	General investing	156,422,064	156,422,064	1,000,000,000	100%	164,649,698	5,010,762	Note 18	
	Hsu Fa (Samoa) Investment Ltd.	Note 5	General investing	156,422,064	156,422,064	1,000,000,000	100%	163,569,347	4,722,560	Note 18	
	Hsu Kang (Samoa) Investment Ltd.	Note 5	General investing	156,422,064	156,422,064	1,000,000,000	100%	163,740,978	4,942,981	Note 18	
	Nephos Pre. Ltd.	Note 7	Research	2,197,493	2,197,493	3,039,240	100%	3,425,839	613,848	Note 18	
	Nephos Inc.	Note 6	Research	-	4,200,000	-	-	USD	252,058	Note 18 and Note 29	
	Nephos Cayman Co. Limited	Note 2	General investing	113,110,426	82,164,964	113,110,426	100%	(2,969,954)	(7,974,788)	Note 18	
	MOUNTAIN CAPITAL FUND, L.P.	Note 2	General investing	27,200,000	27,200,000	27,200,000	90%	66,796,722	(32,230)	Note 18 and Note 30	
	White Dwarf Limited	Note 3	General investing	-	15,853,000	-	-	USD	(5,359)	Note 18	
CSV VENTURES, L.P.	Note 2	General investing	12,000,000	7,500,000	12,000,000	39%	10,113,415	(2,175,457)	-		
INTELLEGO TECHNOLOGY INC.	Note 2	General investing	8,000,000	8,000,000	8,938,270	24%	4,250,419	(4,829,310)	-		
IStar Technology Ltd.	Note 2	General investing	7,737,673	7,737,673	50,000	100%	7,780,468	198,032	Note 18		
MediaTek Research UK Limited	Note 12	Research	358,340	USD	280,000	100%	447,677	73,570	Note 18		
ILI Technology Holding Corporation	Note 2	General investing	113,600,448	USD	344,243,782	100%	123,695,507	3,962,999	Note 18		
Amobile Intelligent Corp. Limited	Note 11	General investing	1,884,921	1,193,783	1,884,921	22%	2,128,419	1,446,788	Note 21		
Sigamstar Technology Inc.	Note 2	General investing	57,522,701	USD	52,031,546	100%	62,182,991	2,842,160	Note 18 and Note 24		
Lepower (HK) Limited.	Note 11	General investing	26,851	USD	3,050,000	100%	USD	25,763	Note 18 and Note 28		
MediaTek Sweden AB	Note 8	Research	19,361,957	GBP	1,008,271	100%	GBP	11,938,238	159,535	Note 18	
MediaTek USA Inc.	Note 6	Research	36,696,645	GBP	111,815	100%	GBP	84,388,427	12,614,850	Note 18	
MediaTek Wireless Finland Oy	Note 17	Research	4,733,036	GBP	1,000	100%	GBP	8,832,710	1,096,136	Note 18	
Mstar Semiconductor UK Ltd.	Note 12	Research and technical services	1,759,253	GBP	1	100%	GBP	1,754,249	(3,101)	Note 18 and Note 23	
Nephos Inc.	Note 6	Research	-	GBP	-	-	GBP	-	199,825	Note 18 and Note 29	
Gold Rich International (HK) Limited	Note 11	General investing	4,190,000	USD	4,190,000	100%	USD	1,385,089,667	5,852,824	Note 18	

(To be continued)

**MEDIA TEK INC.**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)**

As of December 31, 2019

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2019		Units and Shares	Percentage of ownership	Carrying amount	Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Ending balance	Beginning balance						
Smarthead Limited	MOMAGIC TECHNOLOGIES PRIVATE LIMITED	Note 4	Software development	USD 500,000	USD 500,000	USD 2,385,927	23%	USD 1,643,314	23%	USD 134,028	-	-	-
EcoNet (Cayman) Inc.	Shadow Investment Limited	Note 5	General investing	USD 1,491,120	USD 1,491,120	USD 15,000,000	100%	USD 2,569,631	100%	USD 43,732	-	-	Note 18
EcoNet (Shenzhen) Limited	EcoNet (HK) Limited	Note 11	General investing and research	USD 67,534,520	USD 67,534,520	USD 67,534,520	100%	USD 139,384,711	100%	USD 24,162,944	-	-	Note 18
Digital Lord Limited	Leopower (HK) Limited	Note 3	General investing and sales	CNY 2,639,504	CNY 2,639,504	400,000	100%	CNY 25,872,136	100%	CNY 8,882,606	-	-	Note 18
Signasur Technology Inc.	Signasur Technology Corp.	Note 11	General investing	USD -	USD 3,050,000	-	-	USD -	-	USD (3,714)	-	-	Note 18 and Note 28
ILI Technology Corporation	ILIITEK Holding Inc.	Note 1	Research, manufacturing and sales	USD 53,474,665	USD 53,474,665	152,795,000	100%	USD 48,615,243	100%	USD (1,480,511)	-	-	Note 18
	Li-Yu Investment Corp	Note 3	General investing	\$ 399,927	\$ 399,927	13,050	100%	\$ 387,440	100%	\$ 7,898	-	-	Note 18
	Li-Yu Investment Corp	Note 1	General investing	\$ 884,779	\$ 884,779	31,275,100	100%	\$ 336,463	100%	\$ 1,522	-	-	Note 18
	Innan Overseas Co., Ltd.	Note 3	General investing	\$ 373,359	\$ 373,359	8,930,000	100%	\$ 148,136	100%	\$ 49,471	-	-	Note 18
	Richtur Group Co., Ltd.	Note 3	General investing	\$ 619,110	\$ 619,110	10,765,000	100%	\$ 243,932	100%	\$ 108,530	-	-	Note 18
	Richnex Microelectronics Corp.	Note 1	Research, manufacturing and sales	\$ 278,032	\$ 278,032	26,963,153	82%	\$ 23,160	82%	\$ (3,099)	-	-	Note 18
	Richtek Europe Holding B.V.	Note 16	General investing	\$ 84,724	\$ 84,724	2,000,000	100%	\$ 51,718	100%	\$ 2,403	-	-	Note 18
	Richtek Holding International Limited	Note 3	General investing	\$ 292,264	\$ 292,264	30,000	100%	\$ 46,790	100%	\$ (1,629)	-	-	Note 18
	Richpower Microelectronics Corp.	Note 2	Manufacturing and sales	\$ 263,830	\$ 263,830	12,600,000	100%	\$ 367,813	100%	\$ (185,118)	-	-	Note 18
	Richtek Global Marketing Co., Ltd.	Note 3	General investing	\$ -	\$ 29,935	-	-	\$ -	-	\$ 6,123	-	-	Note 18 and Note 31
	Richtek Korea LLC.	Note 9	Sales and technical services	\$ 26,696	\$ -	10,000	100%	\$ 24,105	100%	\$ 9,979	-	-	Note 18 and Note 31
	Corporate Event Limited	Note 3	Technical services	\$ 1,537	\$ 1,537	52,000	51%	\$ 1,606	51%	\$ 68	-	-	Note 18
	Richtek Europe B.V.	Note 16	Marketing	EUR 1,500,000	EUR 1,500,000	1,500,000	100%	EUR 1,034,383	100%	EUR 70,450	-	-	Note 18
	Richpower Microelectronics Corporation	Note 1	Administrative services	USD 3,114,373	USD 3,114,373	10,000,000	100%	USD 2,253,992	100%	USD 6,663	-	-	Note 18
	Richtek USA Inc.	Note 6	Sales and technical services	USD 4,500,000	USD 4,500,000	1,000,000	100%	USD 4,846,075	100%	USD 495,975	-	-	Note 18
	Innan Overseas Co., Ltd.	Note 5	General investing	USD 5,530,000	USD 5,530,000	5,530,000	100%	USD 2,384,145	100%	USD 114,393	-	-	Note 18
	Richtek Global Marketing Co., Ltd.	Note 9	Sales and technical services	USD -	USD 1,000,000	-	-	USD -	-	USD 320,278	-	-	Note 18 and Note 31
	Richtek Technology Corp.	Note 1	Research, manufacturing and sales	\$ 28,954,147	\$ 28,954,147	148,482,806	100%	\$ 19,938,339	100%	\$ 3,307,104	-	-	Note 18
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ 6,428,827	\$ 6,266,560	61,092,908	100%	\$ 5,906,443	100%	\$ 1,538,185	-	-	Note 18
	Airoha (Cayman) Inc.	Note 2	General investing	\$ 59,579	\$ 59,579	1,248,583	100%	\$ 49,592	100%	\$ 14,560	-	-	Note 18
	Airoha Technology (Samoa) Corp.	Note 5	General investing	\$ 68,580	\$ 68,580	1,762,000	100%	\$ 5,171	100%	\$ 27	-	-	Note 18
	ILI Technology Corporation	Note 1	Research, manufacturing and sales	USD 113,600,448	USD -	343,617,000	100%	USD 123,863,282	100%	USD 3,962,999	-	-	Note 18 and Note 20
	MediaTek India Technology Pvt. Ltd.	Note 4	Research and technical services	INR 26,422,200	INR -	1,500	100%	INR 24,404,198	100%	INR (8,792,816)	-	-	Note 18 and Note 25

Note 1: Taiwan

Note 5: Western Samoa

Note 9: Korea

Note 13: France

Note 17: Finland

Note 19: For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with MediaTek Inc. on January 1, 2019. Subsidiaries previously owned by MStar Semiconductor, Inc., were transferred to MediaTek Inc.

Note 20: For the purpose of reorganization, the 100% ownership of ILLI Technology Corporation, which was previously owned by MediaTek Inc., was transferred to ILLI Technology Holding Corporation in May 2019.

Note 21: Amobee Intelligent Holding Corporation issued new shares in June 2019. Gaintech Co. Limited subscribed 22% ownership in total of Amobee Intelligent Holding Corporation, therefore Gaintech Co. Limited has significant influence over Amobee Intelligent Holding Corporation since then.

Note 22: For the purpose of reorganization, the 7% ownership of Airoha Technology Corp., which was previously owned by MediaTek Inc., was transferred to Hsu-Si Investment Corp. in August 2019.

Hence, Gaintech Co. Limited reclassified Amobee Intelligent Holding Corporation from equity instrument investments measured at fair value through other comprehensive income- noncurrent to investments accounted for using the equity method.

Note 3: Cayman Islands

Note 4: India

Note 6: United States

Note 7: Singapore

Note 8: Sweden

Note 10: Japan

Note 11: Hong Kong

Note 12: United Kingdom

Note 15: Seychelles

Note 16: Netherlands

Note 18: Investee is a subsidiary in consolidated group.

Note 18: Investee is a subsidiary in consolidated group.

Note 18: Investee is a subsidiary in consolidated group.

Note 18: Investee is a subsidiary in consolidated group.

Note 18: Investee is a subsidiary in consolidated group.

Note 18: Investee is a subsidiary in consolidated group.

Note 18: Investee is a subsidiary in consolidated group.

Note 18: Investee is a subsidiary in consolidated group.

**MEDIA TEK INC.**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)**  
**As of December 31, 2019**

(Continued)

Note 23: For the purpose of reorganization, the 100% ownership of MStar Semiconductor UK Ltd., which was previously owned by MediaTek Inc., was transferred to MTK Wireless Limited (UK) in August 2019.

Note 24: For the purpose of reorganization, the 100% ownership of Sigmasar Technology Inc., which was previously owned by MediaTek Inc., was transferred to Gaintech Co. Limited in August 2019.

Note 25: For the purpose of reorganization, the 100% ownership of MStar Semiconductor India Private Limited, which was previously owned by MStar Technology Pte. Ltd., was transferred to MediaTek Investment Singapore Pte. Ltd. in December 2018.

Moreover, the 100% ownership of MStar Semiconductor India Private Limited was transferred to MediaTek India Technology Pvt. Ltd. in November 2019.

Note 26: For the purpose of reorganization, Velocent Inc. has been liquidated in December 2019.

Note 27: For the purpose of reorganization, Nephos (Taiwan) Inc. has been liquidated in December 2019.

Note 28: For the purpose of reorganization, Digital Lord Limited has been liquidated in December 2019. The 100% ownership of Lepower (HK) Limited, which was previously owned by Digital Lord Limited, was transferred to Gaintech Co. Limited.

Note 29: For the purpose of reorganization, the 100% ownership of Nephos Inc., which was previously owned by Gaintech Co. Limited, was transferred to MTK Wireless Limited (UK) in September 2019. Moreover, Nephos Inc. was dissolved due to merger with MediaTek USA Inc. in October 2019.

Note 30: The Company has controlled over Mountain Capital Fund, L.P. and the Company included it in consolidation.

Note 31: For the purpose of reorganization, Richtek Global Marketing Co., Ltd. has been liquidated in November 2019. The 100% ownership of Richtek Korea LLC., which was previously owned by Richtek Global Marketing Co., Ltd., was transferred to Richtek Technology Corp.

**MEDIA TEK INC.**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**For the year ended December 31, 2019**

Attachment 9

Mainland China Investee Company	Main Business	Total Amount of Paid-in Capital	Method of Investment (Note 5. B)	Accumulated Outflow of Investment From Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
MediaTek (Shenzhen) Inc.	Note 2	\$ 2,709,540 USD 90,000,000	MediaTek China Limited	\$ 2,709,540 USD 90,000,000	-	-	\$ 2,709,540 USD 90,000,000	\$ 106,971 USD 3,459,331	100%	\$ 106,971 USD 3,459,331	\$ 3,104,442 USD 103,117,038	-
MediaTek (Hefei) Inc.	Note 2	\$ 511,802 USD 17,000,000	MediaTek China Limited	\$ 511,802 USD 17,000,000	-	-	\$ 511,802 USD 17,000,000	\$ 93,123 USD 3,011,510	100%	\$ 93,123 USD 3,011,510	\$ 1,256,069 USD 41,721,536	-
MediaTek (Beijing) Inc.	Note 2	\$ 3,010,600 USD 100,000,000	MediaTek China Limited	\$ 3,010,600 USD 100,000,000	-	-	\$ 3,010,600 USD 100,000,000	\$ 179,551 USD 5,806,489	100%	\$ 179,551 USD 5,806,489	\$ 4,728,209 USD 157,052,058	-
MediaTek (Chengdu) Inc.	Note 2	\$ 1,499,279 USD 49,800,000	MediaTek China Limited	\$ 1,499,279 USD 49,800,000	-	-	\$ 1,499,279 USD 49,800,000	\$ 102,620 USD 3,318,623	100%	\$ 102,620 USD 3,318,623	\$ 1,993,100 USD 66,202,742	-
MediaTek (Wuhan) Inc.	Note 2	\$ 499,966 USD 16,606,858	MediaTek China Limited	\$ 499,966 USD 4,800,000	\$ 355,457 USD 11,806,858	-	\$ 499,966 USD 16,606,858	\$ 44,250 USD 1,430,991	100%	\$ 44,250 USD 1,430,991	\$ 756,864 USD 25,139,983	-
Xuxin Investment (Shanghai) Inc.	Note 4	\$ 1,101,880 USD 36,600,000	MediaTek China Limited	\$ 304,071 USD 10,100,000	\$ 797,809 USD 26,500,000	-	\$ 1,101,880 USD 36,600,000	\$ 18,397 USD 594,935	100%	\$ 18,397 USD 594,935	\$ 1,431,540 USD 47,549,995	-
MediaTek (Shanghai) Inc.	Note 2	\$ 1,284,106 CNY 297,000,000	MediaTek China Limited	\$ 1,459,214 USD 48,469,221	-	-	\$ 1,459,214 USD 48,469,221	\$ 76,666 USD 2,479,302	100%	\$ 76,666 USD 2,479,302	\$ 1,504,556 USD 49,975,273	-
Nephos (Beijing) Co., Ltd.	Note 2	\$ 90,318 USD 3,000,000	Nephos (Hefei) Co., Ltd.	\$ 72,881 USD 2,420,803	-	-	\$ 72,881 USD 2,420,803	\$ 2,223 CNY 496,394	100%	\$ 1,909 CNY 426,237	\$ 6,104 CNY 1,411,884	-
MStar Software R&D (Shenzhen), Ltd.	Note 2	\$ 903,180 USD 30,000,000	MStar Co., Ltd.	\$ 903,180 USD 30,000,000	-	-	\$ 903,180 USD 30,000,000	\$ (41,486) USD (1,341,613)	100%	\$ (41,486) USD (1,341,613)	\$ 453,420 USD 15,060,771	-
MStar Chen Xi Software Shanghai Ltd.	Note 2	\$ 38,912 CNY 9,000,000	MStar Software R&D (Shenzhen), Ltd.	-	-	-	\$ - CNY (4,571)	\$ - CNY (1,020,855)	100%	\$ - CNY (1,020,855)	\$ 41,316 CNY 9,555,847	-
EcoNet (Suzhou) Limited	Note 3	\$ 301,060 USD 10,000,000	EcoNet (HK) Limited	\$ 282,439 USD 9,381,500	-	-	\$ 282,439 USD 9,381,500	\$ 821,320 USD 26,560,596	75%	\$ 821,320 USD 26,560,596	\$ 3,390,202 USD 112,608,837	-
Richpower Microelectronics Co., Ltd.	Note 2	\$ 96,339 USD 3,200,000	Richpower Microelectronics Corp.	\$ 96,339 USD 3,200,000	-	-	\$ 96,339 USD 3,200,000	\$ 3,054 USD 98,772	100%	\$ 3,054 USD 98,772	\$ 19,442 USD 645,780	-
Li-We Technology Corp.	Note 2	\$ 75,265 USD 2,500,000	Cosmic-Ray Technology Limited	\$ 75,265 USD 2,500,000	-	-	\$ 75,265 USD 2,500,000	\$ 3,383 USD 109,411	100%	\$ 3,383 USD 109,411	\$ 38,372 USD 1,274,552	-
Yuan Ke (Pingtan) Investment Fund Limited Partnership	Note 4	\$ 4,813,233 USD 159,876,218	Gaintech Co. Limited	\$ 3,901,738 USD 129,600,000	-	-	\$ 3,901,738 USD 129,600,000	\$ 146,636 USD 4,742,062	81%	\$ 111,965 USD 3,889,259	\$ 11,360,790 USD 377,359,670	-
Zelus Technology (Hangzhou) Ltd.	Note 3	\$ 155,046 USD 5,150,000	Gaintech Co. Limited	\$ 155,046 USD 5,150,000	-	-	\$ 155,046 USD 5,150,000	\$ (24,319) USD (786,460)	90%	\$ (23,339) USD (754,762)	\$ 99,709 USD 3,311,936	-
ILI Technology (SZ) Ltd.	Note 2	\$ 391,378 USD 13,000,000	ILIITEK Holding Inc.	\$ 391,378 USD 13,000,000	-	-	\$ 391,378 USD 13,000,000	\$ 7,984 CNY 1,783,025	100%	\$ 7,984 CNY 1,783,025	\$ 386,153 CNY 89,312,947	-

(To be continued)



**MEDIA TEK INC.**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**For the year ended December 31, 2019**

(Continued)

Mainland China Investee Company	Main Business	Total Amount of Paid-in Capital	Method of Investment (Note 5. B)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Beijing Iitek Technology Co., Ltd.	Note 2	\$ 90,318 USD 3,000,000	IStar Technology Ltd.	\$ 90,318 USD 3,000,000	-	-	\$ 90,318 USD 3,000,000	\$ 1,519 CNY 339,320	100%	\$ 1,519 CNY 339,320	\$ 76,384 CNY 17,666,722	-
ShenZhen ZhongChen Semiconductor Ltd.	Note 2	\$ 150,530 USD 5,000,000	IStar Technology Ltd.	\$ 150,530 USD 5,000,000	-	-	\$ 150,530 USD 5,000,000	\$ 4,792 USD 154,968	100%	\$ 4,792 USD 154,968	\$ 151,389 USD 5,028,516	-
Nephos (Hefei) Co., Ltd.	Note 3	\$ 1,241,873 USD 41,250,000	Nephos Cayman Co. Limited	\$ 2,424,386 USD 80,528,321	\$ 961,443 USD 31,935,274	-	\$ 3,385,829 USD 112,463,595	\$ (284,137) USD (9,188,678)	100%	\$ (246,015) USD (7,955,844)	\$ (136,445) USD (4,532,138)	-
Airotek (Shenzhen) Inc.	Note 2	\$ 28,601 USD 950,000	Airoha (Cayman) Inc.	\$ 28,601 USD 950,000	-	-	\$ 28,601 USD 950,000	\$ 8,707 USD 281,582	100%	\$ 8,707 USD 281,582	\$ 24,368 USD 809,397	-
Airotek (Chengdu) Inc.	Note 2	\$ 28,601 USD 950,000	Airoha (Cayman) Inc.	\$ 28,601 USD 950,000	-	-	\$ 28,601 USD 950,000	\$ 6,235 USD 201,628	100%	\$ 6,235 USD 201,628	\$ 29,350 USD 974,900	-
Xiamen Sigmastar Technology Inc.	Note 3	\$ 60,212 USD 2,000,000	Sigmastar Technology Inc.	\$ 60,212 USD 2,000,000	-	-	\$ 60,212 USD 2,000,000	\$ 152,308 USD 4,925,466	80%	\$ 137,241 USD 4,438,226	\$ 411,492 USD 13,668,099	-
Shenzhen Sing Chen Technology Inc.	Note 2	\$ 12,971 CNY 3,000,000	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ 8,956 CNY 2,000,174	80%	\$ 7,040 CNY 1,572,242	\$ 21,619 CNY 5,000,174	-
SigmaStar Technology Inc. (Shanghai)	Note 2	\$ 4,324 CNY 1,000,000	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ 9,512 CNY 2,124,393	80%	\$ 7,040 CNY 1,572,242	\$ 13,612 CNY 3,148,323	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505 CNY 85,000,000	Xuxin Investment (Shanghai) Inc.	-	-	-	-	\$ (71,304) CNY (15,924,518)	10%	\$ (5,843) CNY (1,304,930)	\$ 35,035 CNY 8,105,954	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505 CNY 85,000,000	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ (71,304) CNY (15,924,518)	16%	\$ (19,250) CNY (4,299,250)	\$ 67,773 CNY 15,700,750	-
Xuxi (Shanghai) Management Consulting Co., Ltd.	Note 4	\$ 724,201 CNY 167,500,000	Xuxin Investment (Shanghai) Inc.	-	-	-	-	\$ 16,937 CNY 3,782,514	100%	\$ 16,937 CNY 3,782,514	\$ 740,555 CNY 171,282,514	-
Hefei Xuhui Management Consulting Co., Ltd.	Note 4	\$ 724,201 CNY 167,500,000	Xuxi (Shanghai) Management Consulting Co., Ltd.	-	-	-	-	\$ 16,821 CNY 3,756,686	100%	\$ 16,821 CNY 3,756,686	\$ 740,444 CNY 171,256,686	-
Accumulated Investment in Mainland China as of December 31, 2019				Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment						
\$ 20,542,387				\$ 27,698,888		\$ 187,650,206						
USD 682,335,325				USD 920,045,448								

Note 1: Based on Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China promulgated by Investment Commission, MOEA.

Note 2: Development of consumer electronics products and software and related technology consulting services.

Note 3: Development, manufacture, and marketing of consumer electronics products and software.

Note 4: General investing.

(To be continued)

MEDIATEK INC.  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
For the year ended December 31, 2019

(Continued)

Note 5: The methods for engaging in investment in Mainland China include the following:

- A. Direct investment in Mainland China.
- B. Indirect investment in Mainland China through companies registered in a third region.
- C. Other method.

Note 6: Recognized in financial statements audited by the auditors of the parent company in Taiwan.

Note 7: Amounts are listed in New Taiwan Dollars. For foreign currency conversion, net income (loss) of investee and investment income (loss) are converted by the average exchange rate during financial statement period (1 USD=30.92249 NTD; 1 CNY=4.47762 NTD). Other amounts are converted by the exchange rate at reporting date. (1 USD=30.106 NTD; 1 CNY=4.32359 NTD)

MEDIATEK INC.  
1. STATEMENT OF CASH AND CASH EQUIVALENTS  
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Item	Description	Amount	Amount in Foreign Currencies	Note
Bank Deposits				1. Cash and cash equivalents were not pledged.
Foreign currency deposits		\$ 2,143,982	USD 70,756 CNY 1,725 EUR 188 KRW 1	2. USD1=NTD30.106 CNY1=NTD4.324 EUR1=NTD33.758 KRW1=NTD0.026
Savings and checking deposits		<u>3,256,386</u>		
Subtotal		<u>5,400,368</u>		
Time Deposits				
Time Deposits - NT Dollars		41,544,500		
Time Deposits - US Dollars		<u>56,734,420</u>	USD 1,884,489	
Subtotal		<u>98,278,920</u>		
Total		<u>\$ 103,679,288</u>		

MEDIA TEK INC.

2. STATEMENT FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Financial Instruments	Units	Contract Amount/ Acquisition Cost	Contract Period	Fair Value	Note
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
KGI Fengli Fund	27,806,950	\$ 310,097		\$ 377,830	
KGI Fuli Strategic Fund	32,069,875	\$ 354,184		\$ 404,741	
Total		\$ 664,281		\$ 782,571	

MEDIATEK INC.

3. STATEMENT OF TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED PARTIES

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
Trade receivables			
Client A		\$ 1,408,626	
Client B		1,117,679	
Client C		1,050,816	
Client D		999,176	
Client E		983,650	
Client F		702,287	
Others	The amount of individual client in others does not exceed 5% of the account balance.	6,929,058	
Subtotal		<u>13,191,292</u>	
Less: Allowance for doubtful debts		<u>(8,677)</u>	
Net amount		<u>13,182,615</u>	
Trade receivables from related parties			
Airoha Technology Corp.		388,072	
Nephos (Hefei) Co., Ltd.		170,278	
MediaTek Singapore Pte. Ltd.		107,110	
Other		8,495	
Subtotal		<u>673,955</u>	
Total		<u>\$ 13,856,570</u>	

MEDIATEK INC.  
 4. STATEMENT OF OTHER RECEIVABLES AND OTHER RECEIVABLES FROM  
 RELATED PARTIES  
 As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Factoring receivables		\$ 2,588,179	
VAT deductibles		721,685	
Interest receivables		887,441	
Others	The amount of individual item in others does not exceed 5% of the account balance.	7,903	
Total		<u>\$ 4,205,208</u>	
Other receivables from related parties			
ILI Technology Corporation	Capital reduction and return of shares	\$ 261,532	
Nephos (Hefei) Co., Ltd.	Technical service revenue	298,154	
Sigmastar Technology Corp.		113,752	
Others	The amount of individual item in others does not exceed 5% of the account balance.	14,231	
Total		<u>\$ 687,669</u>	

MEDIATEK INC.  
5. STATEMENT OF INVENTORIES  
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 867,198	\$ 766,304	Inventories were not pledged.
Work in process		18,407,915	33,500,428	
Finished goods		<u>6,658,856</u>	<u>13,139,166</u>	
Total		25,933,969	<u>\$ 47,405,898</u>	
Less : Allowance for inventory valuation losses		<u>(13,017,952)</u>		
Net Amount		<u>\$ 12,916,017</u>		

MEDIATEK INC.

6. STATEMENT OF PREPAYMENTS AND OTHER CURRENT ASSETS

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayments			
Prepaid expenses		\$ 598,229	
Others	The amount of individual item in others does not exceed 5% of the account balance.	72,446	
Subtotal		<u>670,675</u>	
Other Current Assets			
Temporary payments of tax	Sales tax and withholding income tax	355,394	
Others	The amount of individual item in others does not exceed 5% of the account balance.	198,854	
Subtotal		<u>554,248</u>	
Total		<u>\$ 1,224,923</u>	



MEDIATEK INC.

7. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NONCURRENT

For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance		Acquisition		Disposal		Adjustments	Ending Balance		Collateral	Note
	Units	Fair Value	Units	Amount	Units	Amount		Units	Fair Value		
Financial assets mandatorily measured at fair value through profit or loss											
Shin Kong Financial Holding Co., Ltd.											
Preferred Stock A	-	\$ -	4,200,000	\$ 189,000	-	\$ -	\$ 3,990	4,200,000	\$ 192,990	None	

MEDIATEK INC.  
8. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT  
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance		Acquisition		Disposal		Reclassified		Acquired in a business combination		Amortization	Adjustments	Ending Balance		Accumulated Impairment	Collateral	Note
	Units	Fair Value	Units	Amount	Units	Amount	Units	Amount	Units	Amount			Units	Fair Value			
Equity instrument investments measured at fair value through other comprehensive income																	
Cathay No.1 Real Estate Investment Trust	81,200,000	\$ 1,206,632	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 230,608	81,200,000	\$ 1,437,240	Not applicable	None	
Cathay No.2 Real Estate Investment Trust	64,503,000	969,480	-	-	-	-	-	-	-	-	-	133,521	64,503,000	1,103,001	Not applicable	None	
Fubon No.1 Real Estate Investment Trust	18,188,000	267,364	-	-	(1,444,000)	(21,639)	-	-	-	-	-	22,179	16,744,000	267,904	Not applicable	None	
Fubon No.2 Real Estate Investment Trust	20,992,000	264,499	-	-	(7,371,000)	(99,975)	-	-	-	-	-	20,820	13,421,000	185,344	Not applicable	None	
EosTek Limited (Cayman)	-	-	-	-	-	-	-	-	640,000	5,961	-	(814)	640,000	5,147	Not applicable	None	
Total		\$ 2,707,975		\$ -		\$ (121,614)		\$ -		\$ 5,961		\$ 406,314		\$ 2,998,636			

MEDIA TEK INC.

9. STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST - NONCURRENT

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Interest Rate	Period	Note
Time deposits					
Taiwan Cooperative Bank	Science Park Administration				
	Lease execution deposits	\$ 23,017	0.110%-1.035%	2019/05/12-2023/08/07	
	Customs clearance deposits	9,180	0.640%-1.035%	2019/05/12-2023/05/12	
Mega Bank	Customs clearance deposits	24,000	0.59%	2019/12/28-2020/01/28	
First Commercial Bank	Performance bond	217,047	0.09%-0.66%	2019/12/24-2020/07/24	
	Subtotal	<u>273,244</u>			
Financial assets measured at amortized cost - noncurrent	Cathay Life Insurance Co., Ltd. Cumulative Perpetual Subordinated bond-106-1	\$ 290,000			
	Total	<u>\$ 563,244</u>			Please refer to Note 8 of the notes to the financial statement.

MEDIATEK INC.  
10. STATEMENT OF CHANGED IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Acquisition (Note 1)		Disposal (Note 2)		Acquired in a business combination		Investment Income (Loss)	Ending Balance		Net Assets Value/Fair Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		Shares	%	Amount	Unit price		
MediaTek Investment Singapore Pte. Ltd.	2,193,635,278	\$ 112,353,105	57,522,700	\$ 33,628,848	-	\$ (3,389,488)	-	\$ -	\$ -4,288,183	2,251,157,978	100%	\$ 65.25	146,880,648	None	
MStar Semiconductor, Inc.	145,253,238	41,057,508	-	-	(145,257,238)	(41,057,508)	-	-	-	-	-	-	-	None	
Hsu-Ta Investment Corp.	3,398,981,889	32,357,133	-	580,443	-	(139,437)	-	-	4,216,431	3,398,981,889	100%	10.89	37,014,570	None	
MStar International Technology Inc.	30,000,000	82,845	-	-	-	-	-	-	295	30,000,000	100%	2.77	83,140	None	
HFI Innovation Inc.	80,828,122	228,192	33,062,830	330,628	-	(66,462)	-	-	(51,576)	113,890,952	100%	3.87	440,782	None	
MediaTek Singapore Pte. Ltd.	111,993,960	4,966,591	-	-	-	(4,791,235)	-	-	6,189,711	111,993,960	100%	56.83	6,365,067	None	
Airoha Technology Corp.	4,106,000	204,504	-	634	(4,106,000)	(266,363)	-	-	61,225	-	-	-	-	None	
MStar France SAS	-	-	-	-	-	(36,413)	458,900	868,611	(8,519)	458,900	100%	1,794.90	823,679	None	
Digmoc Holdings Limited	-	-	-	20,108	-	(844)	50,000	36,602	(57)	50,000	100%	1,116.18	55,809	None	
MStar Co., Ltd.	-	-	7,500,000	231,260	-	(21,602)	5,850,000	294,882	(56,056)	13,350,000	100%	33.59	448,484	None	
Spidecom Technologies	-	-	-	-	-	-	14,620	4,723	(1,050)	14,620	100%	251.23	3,673	None	
MStar Semiconductor UK Ltd.	-	-	-	-	(915,000)	(104,823)	915,000	104,758	65	-	-	-	-	None	
ILI Technology Corporation	-	-	-	-	(369,770,200)	(3,915,020)	369,770,200	3,798,727	116,293	-	-	-	-	None	
MShining International Corporation	-	-	-	-	-	(35,714)	63,138,811	682,336	20,214	63,138,811	100%	10.56	666,836	None	
Sigmastar Technology Inc.	-	-	-	-	(52,031,546)	(1,778,255)	52,031,546	1,790,745	(12,490)	-	-	-	-	None	
<b>Total</b>		<b>\$ 191,249,878</b>		<b>\$ 34,791,921</b>		<b>\$ (55,603,164)</b>		<b>\$ 7,581,384</b>					<b>\$ 192,782,688</b>		

Note 1: The increase in the current period include changes in the net value of the equity of the invested company, unrealized gains from financial assets measured at fair value through other comprehensive income, unrealized gross profit on sales, exchange differences resulting from translating the financial statements of foreign operations, profit or loss of the defined benefit plan, income tax related to other comprehensive income's components, etc.

Note 2: The decrease in the current period include changes in the net value of the equity of the invested company, unrealized profit or loss of financial assets measured at fair value through other comprehensive income, cash dividends distribution, capital reduction and return of shares, exchange differences resulting from translating the financial statements of foreign operations, profit or loss of the defined benefit plan, income tax related to other comprehensive income, etc.

MEDIATEK INC.

11. STATEMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS  
AND OTHER NONCURRENT ASSETS

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Property, plant and equipment		<u>\$ 20,003,889</u>	Please refer to Note 6(10) of the notes to the financial statement.
Intangible assets		<u>\$ 54,646,668</u>	
Other noncurrent assets			Please refer to Note 6(11) of the notes to the financial statement.
Deferred tax assets		\$ 3,501,079	
Refundable deposits		<u>72,152</u>	
Total		<u>\$ 3,573,231</u>	

MEDIATEK INC.  
12. RIGHT-OF-USE ASSET  
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance (Note)	Acquisition	Disposal	Ending Balance	Note
Cost					
Land	\$ 1,550,463	\$ -	\$ -	\$ 1,550,463	
Buildings and facilities	136,228	37,182	(4,795)	168,615	
Machinery equipment	-	27,235	-	27,235	
Transportation equipment	5,321	-	-	5,321	
Office equipment	452	-	-	452	
Total	\$ 1,692,464	\$ 64,417	\$ (4,795)	\$ 1,752,086	
Amortization and impairment					
Land	\$ -	\$ 37,934	\$ -	\$ 37,934	
Buildings and facilities	-	53,705	(767)	52,938	
Machinery equipment	-	3,026	-	3,026	
Transportation equipment	-	2,130	-	2,130	
Office equipment	-	319	-	319	
Total	\$ -	\$ 97,114	\$ (767)	\$ 96,347	

Note: In accordance with IFRS16, the Company chose, on a lease-by lease basis, to measure the right-of-use asset at an amount equal to the lease liability.

MEDIA TEK INC.

13. STATEMENT OF SHORT-TERM BORROWINGS

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Type	Description	Amount	Contract Period	Interest Rate	Loan Commitments	Collateral	Note
Unsecured loans							
	Crédit Agricole Corporate and Investment Bank	\$ 9,031,800	2019/12/26-2020/1/02	2.28%	USD 300,000	None	
	First Commercial Bank	2,829,964	2019/12/30-2020/1/30	2.25%	TWD 3,000,000	None	
	HSBC Bank	3,010,600	2019/12/16-2020/01/16	2.15%	USD 150,000	None	
	Land Bank of Taiwan	2,107,420	2019/12/24-2020/01/07	2.55%	TWD 3,900,000	None	
	MUFG Bank	3,010,600	2019/12/13-2020/01/03	2.25%	USD 100,000	None	
	Standard Chartered Bank	1,806,360	2019/11/27-2020/01/03	2.05%	USD 160,000	None	
	SMBC Bank	4,214,840	2019/12/09-2020/01/09	2.08%	USD 140,000	None	
	Mega Bank	3,010,600	2019/12/30-2020/01/30	2.25%	USD 150,000	None	
	MHCB Bank	1,505,300	2019/12/26-2020/01/09	2.46%	USD 200,000	None	
	Citibank	9,031,800	2019/12/06-2020/01/03	2.13%	USD 350,000	None	
	Standard Chartered Bank	3,010,600	2019/12/09-2020/01/09	2.08%	USD 160,000	None	
	China Construction Bank	6,021,200	2019/12/27-2020/01/03	2.20%	USD 250,000	None	
	BNP Paribas	3,010,600	2019/12/13-2020/01/13	2.16%	USD 100,000	None	
Total		<u>\$ 51,601,684</u>					

MEDIATEK INC.

14. STATEMENT OF TRADE PAYABLES AND TRADE PAYABLES TO RELATED PARTIES

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
Trade payables			
Vendor A		\$ 2,624,398	
Vendor B		1,357,802	
Vendor C		1,309,452	
Vendor D		954,048	
Vendor E		682,150	
Vendor F		585,073	
Vendor G		552,295	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	3,041,715	
Subtotal		<u>11,106,933</u>	
Trade payables to related parties			
Richtek Technology Corp.		757,291	
King Yuan Electronics Co., Ltd.		443,785	
Airoha Technology Corp.		101,537	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	69,257	
Subtotal		<u>1,371,870</u>	
Total		<u>\$ 12,478,803</u>	



MEDIATEK INC.  
15. STATEMENT OF OTHER PAYABLES  
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other Payables			
Accrued salaries and bonuses		\$ 11,845,141	
Accrued royalties		1,753,034	
Other payables to related parties		16,312	
Others	The amount of individual item in others does not exceed 5% of the account balance.	4,292,890	
Total		<u>\$ 17,907,377</u>	

MEDIATEK INC.  
 16. STATEMENT OF OTHER CURRENT LIABILITIES  
 As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other current liabilities			
Refund liabilities		\$ 9,815,557	
Others	The amount of individual item in others does not exceed 5% of the account balance.	389,531	
Total		<u>\$ 10,205,088</u>	

MEDIATEK INC.  
17. STATEMENT OF LEASE LIABILITIES  
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Lease term	Discount rates (annual)	Ending Balance	Note
Land	2019/01/01-2068/04/30	1.480%	\$ 1,522,614	
Buildings and facilities	2019/01/01-2024/03/31	0.775%	116,328	
Machinery equipment	2019/09/09-2022/09/08	0.775%	16,041	
Transportation equipment	2019/01/01-2021/12/02	0.775%	3,203	
Office equipment	2019/01/01-2020/06/04	0.575%	133	
Total			1,658,319	
			(90,418)	
Less: current portion			<u>\$ 1,567,901</u>	
Noncurrent portion				

MEDIATEK INC.  
 18. STATEMENT OF NONCURRENT LIABILITIES  
 As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Long-term payables		\$ 818,950	
Net defined benefit liabilities - noncurrent		657,843	
Deposits received		425,644	
Deferred tax liabilities		2,200,929	
Lease liability - noncurrent		1,567,901	
Accrued unused vacation		452,413	
Others		16,171	
Total		<u>\$ 6,139,851</u>	

MEDIATEK INC.  
 19. STATEMENT OF NET SALES  
 For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Units (Die)	Amount	Note
Sales of goods - multimedia chip and mobile phone chip	2,699,207,292	\$ 131,729,250	
Services and other revenues		<u>4,738,665</u>	
Net operating revenues		<u>\$ 136,467,915</u>	

MEDIATEK INC.  
20. STATEMENT OF OPERATING COSTS  
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Amount		Note
	Subtotal	Total	
Cost of Goods Sold of Self-made Product			
Direct material			
Beginning of year	\$ 1,012,704		
Add: Raw material purchased	47,264,917		
Less: Raw material, end of year	(867,198)		
Direct material used		\$ 47,410,423	
Manufacturing Expenses	22,140,919	22,140,919	
Manufacturing Costs		69,551,342	
Add: Work in process, beginning of year	11,495,361		
Work in process purchased	11,724,485		
Less: Work in process, end of year	(18,407,915)	4,811,931	
Cost of Finished Goods		74,363,273	
Add: Finished goods, beginning of year	7,643,817		
Finished goods purchased	3,317,527		
Less: Finished goods, ending of year	(6,658,856)		
Transferred to operating expenses	(540,345)	3,762,143	
Subtotal		78,125,416	
Other Operating Costs			
Loss as a result of the net realized value of inventory being lower than its cost		616,714	
Gain on sales of scrap		(5,860)	
Others		2,116,480	
Total Operating Costs		<u>\$ 80,852,750</u>	

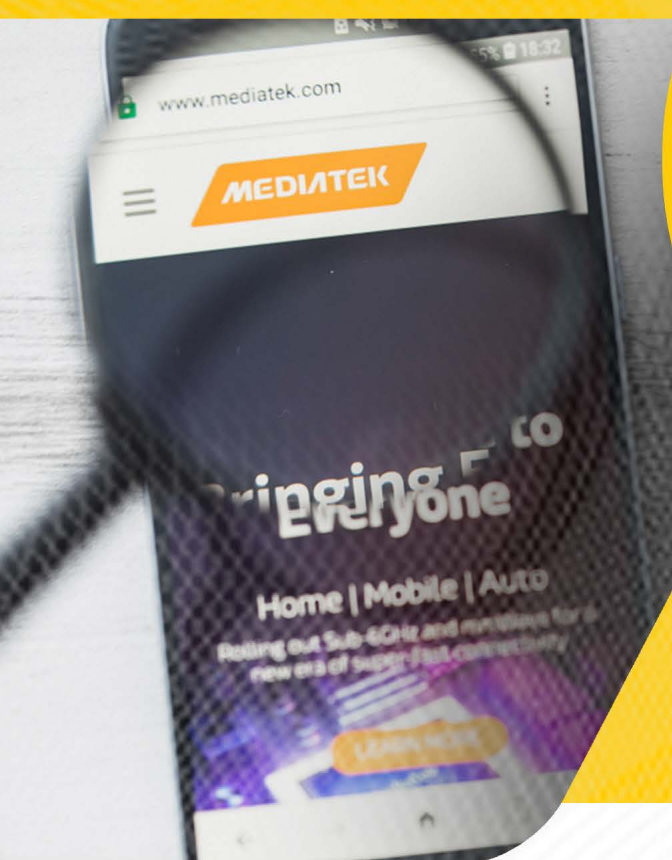
MEDIATEK INC.  
21. STATEMENT OF OPERATING EXPENSES  
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Research and Development Expenses	Administrative Expenses	Selling Expenses
Payroll expenses	\$ 22,580,746	\$ 1,401,421	\$ 434,857
Depreciation	1,632,165	487,696	956
Amortization	2,300,407	25,461	-
Service fee and advertisement expenses	1,220,355	165,387	1,672,259
License fee	1,721,293	-	3,784,646
Design and experiment expenses	1,800,587	6,941	-
Others	5,612,924	850,566	394,258
Total	<u>\$ 36,868,477</u>	<u>\$ 2,937,472</u>	<u>\$ 6,286,976</u>







**MEDIATEK**

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