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Annual Report 2018

MEDIATEK

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2018 MediaTek Annual Report

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I. Letter to Shareholders

Dear Shareholders:

MediaTek steadily expanded global market and significantly improved profit structure in 2018. We delivered full year consolidated net revenues of NT \$238.1 billion and increased consolidated gross margin from 35.6% in 2017 to 38.5% in 2018. With prudent resource reallocation, we substantially strengthened our product roadmap and made notable progress in new market expansion. We achieved more than 60% of operating profit dollar growth with revenue level similar to last year and increased consolidated operating margin by 2.7 percentage points, on track of reaching our goal of building a healthy profit structure.

MediaTek's healthy business structure is also reflected in the revenue mix. We are committed to pursuing the best consumer experience and reached a more balanced portfolio in 2018 with the three product segments - mobile computing, growth and harvest platforms accounted for about 35%, 30% and 35% of total revenue, respectively. MediaTek has market leading positions in various fields, for example, mobile phone, voice assistant, digital TV and connectivity. The growth segment demonstrated robust momentum with its double-digit revenue growth. In addition to the booming IoT applications, group synergy from PMIC and the expansion of ASIC business are both strong growth drivers.

More diversified product lines are the competition advantage of MediaTek in developing 5G and AI as well. We widely apply new technologies in various applications to enhance product value and user experience. For instance, on the mobile computing platform, the multimedia functions of Helio P60, P70 and P90 were enhanced through exceptional AI technology to provide high-performance and low-power capabilities on the chipsets. In 5G development, we actively participate among the industry leading group to master key technologies and develop products to launch 5G multimode modem chip, integrate it into next generation 5G SoC and work closely with global 5G ecosystem to drive the next mobile phone upgrade opportunities. In IoT, as the voice ecosystem is becoming more matured, MediaTek is tightly cooperating with international companies such as Amazon and Alibaba to gradually move AI from the cloud to the edge. 5G is also expected to drive more new applications and make smart life applications more accessible. On the TV platform, MediaTek brings AI into living rooms to largely improve audio and video quality, and to further drive the paradigm shift of TV industry.

MediaTek is constantly embracing new technologies. Our R&D investment is at the top amongst the global semiconductor companies. It is about 24% of total revenue in 2018, and the accumulated amount in the past four years is approximately NT\$220 billion. MediaTek continues to invest in Taiwan's semiconductor industry, building a solid foundation for future market opportunities.

Thanks to the relentless efforts from our employees, MediaTek received the "Outstanding Asia-Pacific Semiconductor Company" award from Global Semiconductor Alliance and was selected by Interbrand for its "Top 20 Best Taiwanese Global Brands" award for four consecutive years. Our CEO, Mr. Ming-Kai Tsai, was ranked the 8th of the "Top 50 the Best CEOs in Taiwan" by Harvard Business Review. MediaTek also 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.

In terms of corporate social responsibility implementation, MediaTek believes in "global reach and local presence". We participated in giveback actions circling the business philosophy of "talent and innovation" and integrated sustainability strategies into business philosophy. Over the years, we have invested more than NT\$1.5 billion in related fields, including academia and industry research and development alliance, international recruitment of university professors, domestic and international scholarship programs for doctoral students, systematically fostering programming education and maker seed teachers, launching programs to promote digital

innovation competition for local society - “Genius for Home”, to create a solid ground for local innovation talents and to further pass on the energy of technological innovation in Taiwan.

Moreover, MediaTek’s efforts in sustainable operation, environmental protection and energy conservation were widely recognized. In 2018, we not only won the “Top 50 Corporate Sustainability Platinum Award”, but also received the “Corporate Sustainability Report Award”, the “Growth through Innovation Award”, the “People Development Award”, the “Supply Chain Management Award”, and the “Social Inclusion Award”. For a fabless company, low power consumption is one of the key core technology. MediaTek continues to focus on green IC innovation and develop high performance, low power consumption chips to contribute to global energy conservation and environmental protection. The exceptional results were also well recognized by being rewarded the “Energy Saving Leadership Award” by the Ministry of Economic Affairs and “Enterprise Environmental Protection Award” by the Environmental Protection Administration.

Looking forward, albeit higher market uncertainty, 2019 will be a year that some of MediaTek’s long-term technology investments start generating revenue streams such as 5G, WiFi 6, enterprise ASIC, automotive electronics and etc. It is expected that the revenue from 5G, overall ASIC and AIoT (including automotive electronics) could exceed 10% of total revenue in 2020. MediaTek will continue to focus on global reach, the structural optimization of product business, and profit structure improvement. We will keep investing in cutting-edge technologies and potential markets to further drive the positive cycle of MediaTek operations. We will continue to provide a high-quality work environment that enables semiconductor talents to excel on an international stage to make sure our industry leading position and create higher shareholder value. Lastly but not the least, we would like to deliver 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
2019	<ul style="list-style-type: none"> ■ Won IoT Breakthrough "IoT Semiconductor Company of the Year" Award ■ MediaTek Helio P90 honored as Winner of "Compass Intelligence Tech Awards" given by Compass Intelligence ■ MediaTek Helio P60 honored as Gold Winner of "Golden Mousetrap Award" given by Design News ■ MediaTek Helio P60 chosen as the Finalist of "Electronic Products Product of the Year Award" given by Digital ICs ■ MediaTek NB-IoT chipset MT2625 chosen as the Finalist of "Best IoT Connectivity Solution Award" given by IoT World ■ 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 4×4 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"
2018	<ul style="list-style-type: none"> ■ Received "Outstanding Asia-Pacific Semiconductor Company" Award from Global Semiconductor Alliance (GSA) ■ Selected as "Taiwan Top 10 Global Brands", hosted by Ministry of Economic Affairs and Interbrand for the fourth consecutive year ■ 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 ■ Ming-Kai Tsai, MediaTek Chairman, chosen as one of Harvard Business Review's "Top 50 the Best CEOs in Taiwan" ■ MediaTek Helio P60, awarded by Android Authority, as the best of MWC 2018 ■ 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% (-10BdB) 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" ■ 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"

Year	Milestones
2017	<ul style="list-style-type: none"> ■ Selected as “Taiwan Top 10 Global Brands”, hosted by Ministry of Economic Affairs and Interbrand for the third consecutive year ■ 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” ■ Rated by Forbes as one of “Top Multinational Performers” and “Growth Champions” as well as “Asia’s Fab 50 Companies” ■ Awarded “Top 100 Applicants” by European Patent Office (EPO) for the third consecutive year. ■ Received award of “Foreign Direct Investment Company of the Year 2017” from City of Oulu, Finland ■ Listed in PwC’s “The 2017 Global Innovation 1000 Study” as one of the world’s top corporate R&D investors ■ Selected as FTSE4Good Index component ■ MediaTek HEVC codec won 2017 Primetime Emmy Engineering Award ■ MediaTek Helio X30 honored as “Innovation Product Award and R&D Accomplishment Award (Integrated Circuit)” by Hsinchu Science Park Bureau ■ 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 0.1531Jm 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 Four VHTBO Spatial Streams with 116f5 JitterRMS Frequency Synthesizer & 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 Ac. 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” ■ Acquired Airoha Technology Corp.
2016	<ul style="list-style-type: none"> ■ Awarded “Top 100 Global Innovators 2016” by Clarivate Analytics (formerly Thomson Reuters) for the third consecutive year ■ Received “Outstanding Asia-Pacific Semiconductor Company Award” from Global Semiconductor Alliance (GSA) for the fifth consecutive year ■ Selected as “Taiwan Top 10 Global Brands 2016”, hosted by Ministry of Economic Affairs and Interbrand for the second consecutive year ■ Mr. Ming-Kai Tsai, MediaTek Chairman and CEO, was honored by Harvard Business Review as one of “100 Best-Performing CEOs in the World” ■ 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 ■ 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” ■ 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-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” ■ Acquired ILI Technology Corp. ■ MediaTek MT7615, MU-MIMO 4x4 802.11ac Wave 2 enterprise-class SoC for Wi-Fi connectivity, honored as “Innovation Product Award and R&D Accomplishment Award (Integrated Circuit)” given by Hsinchu Science Park Bureau
2015	<ul style="list-style-type: none"> ■ Once again selected by “Thomson Reuters’ Top 100 Global Innovators 2015” (the only Greater China company won the prize for second consecutive year) ■ Awarded “Outstanding Asia Pacific Semiconductor Company Award” by the GSA for the fourth consecutive year ■ Mr. Ming-Kai Tsai, MediaTek Chairman and CEO, winner of “Dr. Morris Chang Exemplary Leadership Award” awarded by GSA ■ Selected as “Taiwan Top 10 Global Brands 2015”, hosted by Ministry of Economic Affairs and Interbrand for the first time ■ MediaTek MT6795 (MediaTek Helio X10), Highly-integrated 64-bit True Octa-Core SoC, honored as “Innovation Product Award and R&D Accomplishment Award (Integrated Circuit)” given by Hsinchu Science Park Bureau ■ MediaTek Helio Chinese naming campaign received Bronze prize in “MAwards - Best Use of Social Media Promotion & Innovation Awards” ■ MediaTek Helio Chinese naming campaign won Bronze prize in “GOLDEN AWARDS - Best Use of Social Media Promotion & Innovation Awards”

Year	Milestones
	<ul style="list-style-type: none"> ■ Won “Taiwan Corporate Sustainability Awards 2015 – Electronics Industry” Silver Medal by TAISE ■ Ranked sixth in “Top 20 Most Innovative Taiwanese Companies 2015” by Ministry of Economic Affairs, China Productivity Center and Boston Consulting Group (BCG) ■ 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” ■ Acquired Alpha Imaging Technology Corp. ■ Acquired Chingis Technology Corp. ■ Acquired Richtek Technology Corp.
2014	<ul style="list-style-type: none"> ■ Named “Outstanding Asia Pacific Semiconductor Company Award” by the GSA for the third consecutive year ■ MediaTek MT6592, High Performance and Low Power True Octa-Core Heterogeneous Computing SoC, honored as “Innovation Product Award and R&D Accomplishment Award (Integrated Circuit)” given by Hsinchu Science Park Bureau ■ Selected by Thomson Reuters in “The World’s 100 Most Innovative Companies in 2014” ■ Mr. Ming-Kai Tsai, Chairman of MediaTek Inc., is honored by Harvard Business Review as one of “The Best-Performing CEOs in the World” for second consecutive years, and is the only leader from Taiwan on this list ■ Awarded “2014 Most Admired Company in Taiwan Top 3” by Commonwealth Magazine ■ Awarded seventh place in the “2014 Top 20 Taiwan Innovative Corporations” by the Ministry of Economic Affairs, China Productivity Center and BCG ■ 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 0.29mm² Frequency Synthesizer in 40nm CMOS with 0.19ps RMS Jitter and <-100dBc Reference Spur for 802.11ac”, and “Cloud 2.0 Clients and Connectivity 40nm CMOS with 0.19ps RMges” ■ Acquired MStar Semiconductor, Inc. (Cayman)
2013	<ul style="list-style-type: none"> ■ Once again won “Outstanding Asia-Pacific Semiconductor Company Award” selected by GSA ■ Selected by Forbes Magazine in “The World’s 100 Most Innovative Companies”, and the only company in Taiwan in this list ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTek Inc., was named in “The Best-Performing CEOs in the World” by Harvard Business Review ■ Selected as a test bed for the Wi-Fi Alliance’s Wi-Fi CERTIFIED™ ac certification program ■ Awarded “2013 Most Admired Company in Taiwan Top 3” by Commonwealth Magazine ■ Published 6 papers in ISSCC, the most among Taiwan technology companies – “A Wideband Fractional-N Ring PLL with Fractional Suppression using Spectrally Shaped Segmentation”, “A 0.27mm², 13.5dBm, 2.4GHz All-digital Polar Transmitter with 34%-Efficiency Class-D DPA in 40nm CMOS”, “An AC-Coupled Hybrid Envelope Modulator for HSUPA Transmitters with 80% Modulator Efficiency”, “A 24.7dBm All-Digital RF Transmitter for Multimode Broadband Applications in 40nm CMOS”, “A 28fj/conv-step CT Modulator with 78dB DR and 18MHz BW in 28nm CMOS Using a Highly Digital Multibit Quantizer”, and “A Universal GNSS (GPS/Galileo/Glonass/Beidou) SoC 10:15 AM with a 0.25mm² Radio in 40nm CMOS”
2012	<ul style="list-style-type: none"> ■ MediaTek Android smartphone platform included in the Wi-Fi CERTIFIED Passpoint™ test bed as the first and only mobile benchmark platform ■ Ralink Technology, a wholly owned subsidiary of MediaTek Inc., was selected to be in the Wi-Fi CERTIFIED WMM® -Admission Control test bed as the benchmark for advanced Wi-Fi performance and interoperability ■ MT6620, highly integrated WiFi/BT/FM/GPS 4-in-1 SoC, honored as “2012 Innovative Product Award” by Science-based Industrial Park Administration (SIPA) ■ The winner of “Outstanding Asia-Pacific Semiconductor Company Award” selected by GSA ■ Awarded “2012 Top 10 Taiwan Innovative Corporations” by Ministry of Economic Affairs, China Productivity Center and BCG ■ Won “2012 Thomson Reuters Taiwan Innovation Awards - Top 5 Corporate Innovators in Taiwan” ■ Awarded “2012 Most Admired Company in Taiwan Top 3” by Commonwealth Magazine ■ Awarded “2012 INFO TECH TOP 100 in Asia” by Business Next magazine ■ Awarded 6th National Telecom Award 2012 – “Best Innovation in Mobile Video Technology” by CMAI Association of India ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTek Inc., awarded as “Academician of Industrial Technology Research Institute (ITRI), R.O.C.” ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTek Inc., awarded as “The Best-Performing CEOs in the World” by Harvard Business

Year	Milestones
	<p>Review</p> <ul style="list-style-type: none"> ■ MediaTek papers selected for presentation at 2012 Symposium on VLSI Circuits- the only fabless semiconductor company to have more than two papers selected for presentation at the 2012 Symposium ■ Published papers in ISSCC – “A 4-in-1 (WiFi/BT/FM/GPS) Connectivity SoC with Enhanced Co-Existence Performance in 65nm CMOS”, and “Near Independently Regulated 5-Output Single-Inductor DC-DC Buck Converter Delivering 1.2W/mm² in 65 nm CMOS”
2011	<ul style="list-style-type: none"> ■ MT5395, highly-integrated 3D/Internet TV SoC, honored as “2011 The Most Innovative Product” by SIPA ■ Awarded “2011 The Best Telecommunication Technology” by CMAI Association of India ■ Awarded “The Boldness in Business” by UK Financial Times ■ Awarded Top 10 Most Admired Companies in Taiwan” by Commonwealth Magazine for ninth continuous years ■ Published five research papers in the ISSCC – “An Injection-Locked Ring PLL with Self-Aligned Injection Window”, “A 70Mb/s - 100.5dBm Sensitivity 65nm IP MIMO Chipset for WiMAX Portable Router (Industrial Demo)”, “A Saw-Less GSM/GPRS/EDGE Receiver Embedded in a 65nm CMOS SOC (Industrial Demo)”, “A Receiver for WCDMA/EDGE Mobile Phones with Inductorless Front-End in 65nm CMOS”, and “A GPS/Galileo SOC with Adaptive in-Band Blocker Cancellation in 65nm CMOS” ■ Acquired Ralink Technology Corp.
2010	<ul style="list-style-type: none"> ■ MediaTek’s “WiMAX 802.16e device chipset project” awarded “Outstanding Contribution Award” by Ministry of Economic Affairs ■ Awarded “Top 50 Corporate Citizens” by Commonwealth Magazine for four continuous years ■ Awarded “Top 10 Most Admired Companies in Taiwan” by Commonwealth Magazine for 8 continuous years ■ Ranked Top 10 of “2010 Asia’s 200 most-admired companies” by The Wall Street Journal ■ Awarded #12 of “Global Top 100 High-Tech Companies” by Bloomberg Business Week ■ Awarded “2010 Corporate Social Responsibility Top 65” by Global Views Monthly ■ Awarded “Best Annual Report in Taiwan” and “Best One-on-One Meetings in Taiwan” by IR Magazine ■ Published research papers in the ISSCC – “23.6 A 1V 17.9dBm 60GHz Power Amplifier”
2009	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s High Sensitivity GPS SoC by SIPA ■ Awarded “Asia Pacific Leadership Council Award” by GSA ■ Awarded “Best Investor Relations by a CEO Award” and “Best Investor Relations for a Corporate Transaction” by IR Magazine ■ Awarded “Best Corporate Governance in Taiwan and in Asia” by Asiamoney Magazine ■ Awarded the third annual “Top 50 Corporate Citizens” by Commonwealth Magazine ■ Published four research papers in the ISSCC, the most among Taiwan technology companies – “A Multi-Format Blu-ray Player SOC in 90nm CMOS”, “A 1.2V 2MHz BW 0.084mm² CT $\Delta\Sigma$ 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”
2008	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s Full-HD ATSC DTV SoC, by SIPA ■ Launched Blu-ray DVD player chipset, GSM/GPRS/EDGE handset baseband chip, and next-generation ATSC and DVB-T digital TV single-chip ■ Awarded “Best Financially Managed Company” by Fabless Semiconductor Association (FSA) for the third consecutive year ■ Awarded “Corporate Social Responsibility Award” by Global View Magazine ■ Awarded the second annual “Top 50 Corporate Citizens” by Commonwealth Magazine ■ Published seven research papers in the ISSCC, 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”
2007	<ul style="list-style-type: none"> ■ Awarded “Distinguished Innovation Accomplishment” at the 15th ITA Award by the Ministry of Economic Affairs ■ Launched high-performance GPS signal receiver single-chip, first generation Bluetooth chip, and next-generation 120Hz video processing chip ■ Awarded “Best Financially Managed Company” by FSA for the second consecutive years ■ Awarded “The Asian Top 50” by Forbes Asia ■ Awarded “Corporate Social Responsibility Award” by Global View Magazine ■ Awarded the 12th annual “Most Admired Company in Taiwan” by Commonwealth Magazine ■ Awarded “Top 50 Corporate Citizens” by Commonwealth Magazine ■ Published research paper in the ISSCC – “RTL-based Clock recovery architecture with all-digital duty-cycle correction” ■ Published research paper in the IEEE IRPS (International Reliability Physics Symposium) “A New Device Reliability Evaluation Method for Overdrive Voltage Circuit Application”

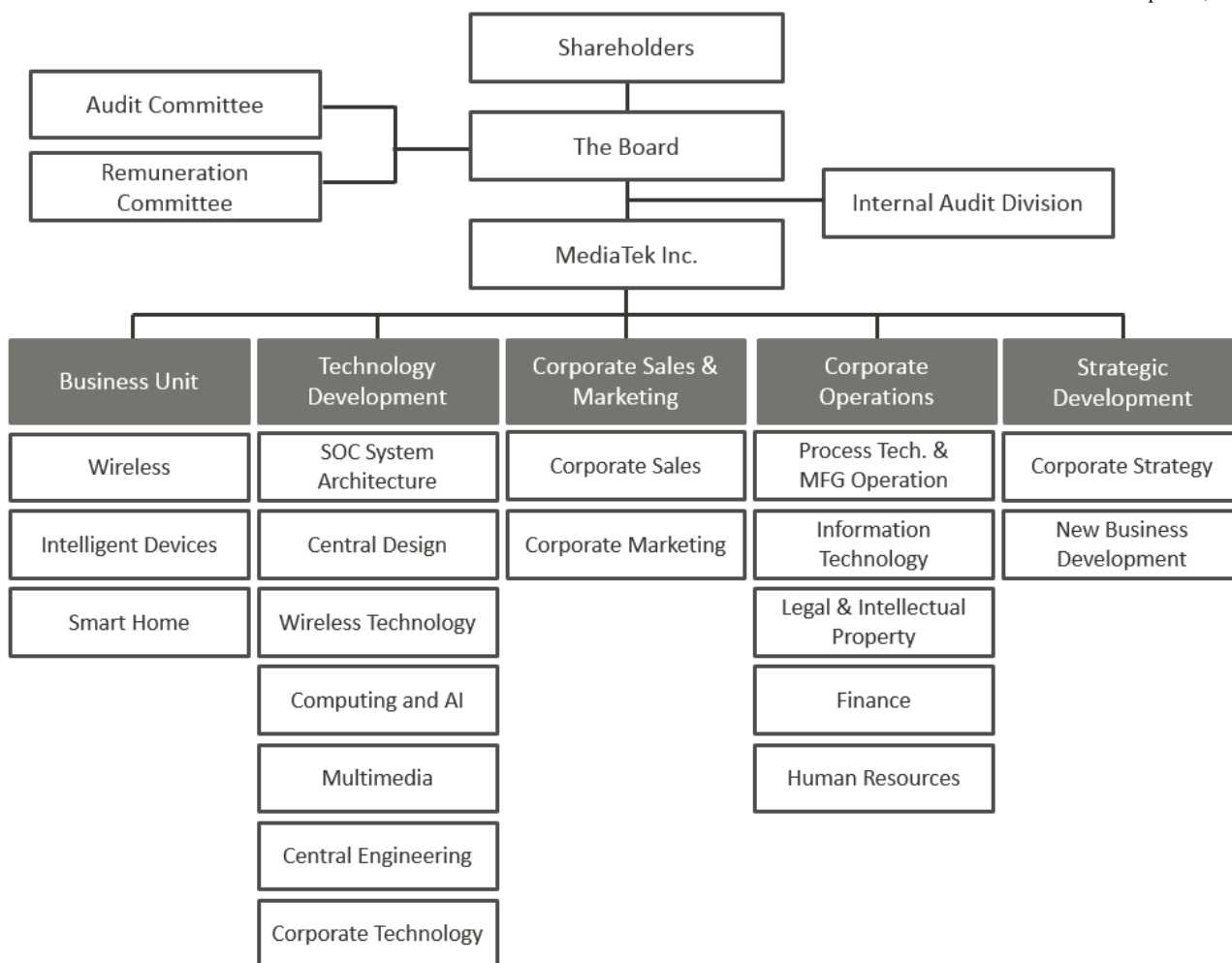
Year	Milestones
2006	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s Blu-ray DVD player chipset, by SIPA ■ Launched GSM/GPRS/EDGE high-resolution camcorder chipset for mobile phones ■ Awarded “The Asian Top 50” by Forbes Asia ■ Published research paper in the ISSCC – “Fully Integrated CMOS SoC for 56/18/16 CD/DVD-dual/RAM Applications” ■ Awarded “Best Financially Managed Company” by FSA
2005	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s multimedia GSM/GPRS mobile phone chipset, by SIPA ■ Launched ATSC and DVB-T high-resolution LCD TV chipset ■ Awarded “The Asian Top 50” by Forbes Asia ■ Awarded the 10th annual “Most Admired Company in Taiwan” by CommonWealth Magazine ■ Published research papers in the ISSCC – “Multi-Format Read/Write SoC for 7x Blu-ray/16x DVD/56x CD” and “DLL-Based Clock Recovery in a PRML Channel”
2004	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s DVD-Recorder Backend single-chip, by SIPA ■ Launched GSM/GPRS baseband handset chips ■ Ranked no.3 in the high-tech industry in Taiwan as part of Euromoney’s “Best Corporate Governance” survey in 2004 ■ Awarded the ninth annual “Most Admired Company in Taiwan” by CommonWealth Magazine
2003	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s 8x DVD-read/write (DVD-R/W) optical storage chipset, by SIPA ■ Awarded “National Quality Award” by the Executive Yuan of Taiwan R.O.C. ■ Launched DVD-Dual chipset ■ Awarded Top High-Tech Company in Taiwan by “Business Next Magazine”
2002	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the company’s high-speed COMBI optical storage chipset by SIPA ■ Launched 48x CD-R/W chipset ■ Launched CD/DVD COMBI chipset
2001	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s high-integration DVD-Player chipset by SIPA ■ Awarded the ninth annual MOEA Award for Industrial Technology Advancement ■ Listed on the Taiwan Stock Exchange (TSE) under the ticker of “2454”
2000	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s high-speed CD-R/RW chipset by SIPA ■ Launched 12x DVD-ROM chipset
1999	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s 12x DVD-ROM chipset by SIPA ■ Launched 12-x DVD-ROM chipset
1998	<ul style="list-style-type: none"> ■ Awarded “Innovative Product Award” for the Company’s CD-ROM digital data/servo processor by SIPA ■ Launched the highest performance 48x CD-ROM chipset in the world
1997	<ul style="list-style-type: none"> ■ Founded on May 28th

III. Corporate Governance

1. Organization

1.1. Organization Chart

As of April 30, 2019



1.2. Major Corporate Functions

Department	Functions
Wireless	Research, design and promote mobile communication chips
Intelligent Devices	Research, design and promote intelligent entertainment, intelligent connectivity, intelligent display, ASIC and intelligent automotive chips
Smart Home	Research, design and promote TV business and monitor/TCON products
SOC System Architecture	Construct and plan competitive and technology-leading chips
Central Design	Integrate and implement technologies into chips, including wireless communication, computing and artificial intelligence, multimedia, analog, circuit and RF
Wireless Technology	Develop and design wireless communication core technologies, system, software, wireless communication technologies and communication system
Computing and AI	Research and develop high-efficiency computing platforms and artificial intelligence technologies
Multimedia	Research and develop video and image multimedia technologies
Central Engineering	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
Corporate Technology	Research and develop advanced technologies and manage industry-academia collaboration
Corporate Sales	Sell products, develop customers, maintain customer relationship and manage sales operation
Corporate Marketing	Manage corporate image and promote market position
Process Tech. & MFG Operation	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
Information Technology	Manage information system architecture, e-commerce strategy, information system development and operation and information security
Legal & Intellectual Property	Manage corporate legal affairs, contracts, patents, and other intellectual property
Finance	Manage finance and accounting, tax, treasury and asset, strategic investments and investor relations
Human Resources	Manage human resource, organization development, general affairs, plant administration, and labor safety
Corporate Strategy	Analyze, plan and execute corporate strategies
New Business Development	Assess and assure new market opportunities
Internal Audit Division	Manage internal audit, operational procedure and information security

2. Directors

2.1. Information Regarding Board Members

As of April 30, 2019/ 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	%		
Chairman Ming-Kai Tsai	R.O.C	Male	June 15, 2018	3	May 21, 1997	41,062,592	2.59%	41,137,798	2.59%	45,111,145	2.84%	-	-	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Chairman, Andes Technology Corp.
Vice Chairman Ching-Jiang Hsieh	R.O.C	Male	June 15, 2018	3	June 13, 2005	4,052,648	0.26%	4,116,284	0.26%	856,051	0.05%	-	-	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- Chairman / Director, MediaTek affiliates.
Director Lih-Shyng Tsai	R.O.C	Male	June 15, 2018	3	June 15, 2017	31,500	0.00%	192,500	0.01%	-	-	-	-	- 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.
Director Cheng-Yaw Sun	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.
Director Kenneth Kin	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 - Professor, Department of Economics, National Tsing Hua University.	- Independent Director, eMemory Technology Inc. - Independent Director, Vanguard International Semiconductor Corp. - Independent Director, Global Unichip Corp.
Director Gon-Wei Liang	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 - Director, Winbond Electronics Corp.	- 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	%		
Independent Director Chung-Yu Wu	R.O.C	Male	June 15, 2018	3	June 13, 2012	236,000	0.01%	236,000	0.01%	728,118	0.05%	-	-	- 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
Independent Director Peng-Heng Chang	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.	None.
Independent Director Ming-Je Tang	R.O.C	Male	June 15, 2018	3	June 15, 2017	-	-	-	-	-	-	-	-	- Ph.D., Business Management, MIT, USA - Vice President, National Taiwan University - Visiting Associate Professor, Hong Kong University of Science and Technology - Associate Professor with tenure, University of Illinois at Urbana-Champaign - Professor and Chair of Industrial and Business Management Department, Chang Gung University	- Professor, National Taiwan University - Independent Director, Fubon Financial Holding Co., Ltd., and Fubon Insurance Co., Ltd. - Director, Vsense Limited

Note1: No member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at MediaTek.

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													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	Independence Criteria (Note)										
				1	2	3	4	5	6	7	8	9	10	
Ming-Kai Tsai			√		√		√	√	√	√	√	√	√	0
Ching-Jiang Hsieh			√			√	√	√	√	√	√	√	√	0
Lih-Shyng Tsai			√			√	√	√	√	√	√	√	√	0
Cheng-Yaw Sun			√	√	√	√	√	√	√	√	√	√	√	0
Kenneth Kin	√		√	√	√	√	√	√	√	√	√	√	√	3
Gon-Wei Liang			√	√		√	√	√	√	√	√	√	√	0
Chung-Yu Wu	√		√	√	√	√	√	√	√	√	√	√	√	3
Peng-Heng Chang			√	√	√	√	√	√	√	√	√	√	√	0
Ming-Tze Tang	√		√	√	√	√	√	√	√	√	√	√	√	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'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 persons in the preceding three subparagraphs.

(5). Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6). Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7). Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".

(8). Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9). Not been a person of any conditions defined in Article 30 of the Company Law.

(10). Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.3. 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)		The Company	Consolidated Entities	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	Cash	Stock			Cash	Stock	
Chairman Ming-Kai Tsai	0	0	0	0	3,766	3,766	0	0	0.21	0.21	124,805	145,206	216	292	0	0	0	0	0.81	0.91	None
Vice Chairman Ching-Jiang Hsieh	0	0	0	0	3,766	3,766	0	0													
Director Lih-Shyng Tsai	0	0	0	0	3,766	3,766	0	0													
Director Cheng-Yaw Sun	1,500	1,500	0	0	3,766	3,766	90	90													
Director Kenneth Kin	1,500	1,500	0	0	3,766	3,766	105	105													
Director Gon-Wei Liang (Note4)	0	0	0	0	1,497	1,497	0	0													
Independent Director Chung-Yu Wu	2,800	2,800	0	0	3,766	3,766	105	105													
Independent Director Peng-Heng Chang	2,800	2,800	0	0	3,766	3,766	105	105													
Independent Director Ming-Tze Tang	2,150	2,150	0	0	3,766	3,766	105	105													
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 its consolidated entities paid to Directors in 2017, including their employee compensation, totaled NT\$305,510 thousand, which was 1.26% of 2017 net profit.

Note4: The appointment of Director, Mr. Gon-Wei Liang, took effect on June 15, 2018.

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\$2 million	Gon-Wei Liang		Gon-Wei Liang	-
NT\$2 million ~ \$5 million	Ming-Kai Tsai, Ching-Jiang Hsieh, Lih-Shyng Tsai		-	-
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	
NT\$10 million ~ \$15 million	-	-	-	-
NT\$15 million ~ \$30 million	-	-	-	Gon-Wei Liang
NT\$30 million ~ \$50 million	-	-	Ching-Jiang Hsieh, Lih-Shyng Tsai	
NT\$50 million ~ \$100 million	-	-	Ming-Kai Tsai	
Above NT\$100 million	-	-	-	-
Total	9		9	9

3. Management Team

3.1. Profiles of Key Managers

As of April 30, 2019 / 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
Chairman Ming-Kai Tsai	R.O.C.	Male	May 21, 1997	41,137,798	2.59%	45,111,145	2.84%	-	-	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Chairman, Andes Technology Corp.	None		
Vice Chairman Ching-Jiang Hsieh	R.O.C.	Male	Sep. 15, 2005	4,116,284	0.26%	856,051	0.05%	-	-	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- Chairman / Director, MediaTek's affiliates	None		
CEO Lih-Shyng Tsai	R.O.C.	Male	Jun. 1, 2017	192,500	0.01%	-	-	-	-	- 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		
President Joe Chen	R.O.C.	Male	Jul. 1, 2012	261,815	0.02%	30,414	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, SiS Corp.	None	None		
Executive Vice President & CFO & Spokesman David Ku	R.O.C.	Male	Jan. 1, 2011	103,141	0.01%	-	-	-	-	- MBA, University of Illinois at Urbana Champaign - Vice President of JPMorgan Investment bank	- Chairman / Director, MediaTek's affiliates and invested companies	None		
Senior Vice President Kou-Hung Loh	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		
Senior Vice President Cheng-Te Chuang	R.O.C.	Male	Apr. 7, 2009	885,506	0.06%	254,077	0.02%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, UMC	- Director, MediaTek's affiliates	None		
Senior Vice President & CTO Kevin Jou	R.O.C.	Male	May 30, 2011	-	-	-	-	-	-	- Ph.D, Electrical Engineering, University of Southern California - Vice President, Qualcomm Inc.	- Director, MediaTek's affiliates	None		
Senior Vice President Jerry Yu	R.O.C.	Male	Feb. 16, 2015	45,560	0.00%	-	-	-	-	- Master, Electrical Engineering, National Taiwan University - Technical Director, Afreey Inc.	- Director, MediaTek's affiliates	None		
Vice President Rolly Chang	R.O.C.	Male	Aug. 1, 2015	48,677	0.00%	-	-	-	-	- Master, Communications Engineering, National Chiao Tung University - Technical Specialist, NCSIST	None	None		

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
Vice President JC Hsu	R.O.C.	Male	Aug. 1, 2015	96,266	0.01%	-	-	-	-	- Ph.D., Power Mechanical Engineering, National Tsing Hua University	- Director, MediaTek's invested companies	None		
Vice President Jasper Yang	R.O.C.	Male	Jun. 1, 2016	45,558	0.00%	-	-	-	-	- Bachelor, Electrical Engineering, National Tsing Hua University - Shanghai Chief Representative, UMC	None	None		
Vice President & CHRO Sherry Lin	R.O.C.	Female	Jun. 1, 2016	42,520	0.00%	-	-	-	-	- Master, Industrial Relations and HRM, Rutgers University - HR Director, TSMC	None	None		
Vice President & General Counsel David Su	R.O.C.	Male	Nov. 1, 2016	38,470	0.00%	-	-	-	-	- SJD, University of Wisconsin Law School - Senior Program Director, TSMC	None	None		
Vice President SR Tsai	R.O.C.	Male	Dec. 1, 2017	322,356	0.02%	13,910	0.00%	-	-	- Master, Mechanical Engineering, National Taiwan University - Section Chief, KTC	None	None		
Vice President HW Kao	R.O.C.	Male	Dec. 1, 2017	36,803	0.00%	-	-	-	-	- Master, Electronics Engineering, National Chiao Tung University - Section Manager, ITRI	None	None		
Vice President Mike Chang (Note 1)	R.O.C.	Male	Jan. 1, 2019	826	0.00%	-	-	-	-	- Ph.D., Electrical Engineering, National Tsing Hua University - Executive Vice President of MStar Semiconductor, Inc.	None	None		

Note1: Mr. Mike Chang was appointed as vice president on January 1, 2019.

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			
Chairman – Ming-Kai Tsai													
Vice Chairman – Ching-Jiang Hsieh													
CEO – Lih-Shyng Tsai													
President – Joe Chen													
Executive Vice President & CFO & Spokesman – David Ku													
Senior Vice President – Kou-Hung Loh													
Senior Vice President – Cheng-Te Chuang													
Senior Vice President & CTO – Kevin Jou	49,131	55,045	1,512	1,981	453,230	478,064	-	-	-	-	2.43	2.58	None
Senior Vice President – Jerry Yu													
Vice President – Rolly Chang													
Vice President – JC Hsu													
Vice President – Jasper Yang													
Vice President & CHRO– Sherry Lin													
Vice President & General Counsel – David Su													
Vice President – SR Tsai													
Vice President – HW Kao													

Note1: The policies, standards, combinations, decision procedures and performance linkage of remunerations paid to managers: The compensations are determined in accordance with managers' position, responsibility, contribution, performance and uncertainties and risks of the Company. The Compensation Committee determines each manager's remuneration and submits to the Board meetings for final approval.

Note2: Pensions funded/paid according to applicable law.

Note3: Remunerations and bonus of the Company and its consolidated entities paid to key managers in 2017 were NT\$883,320 thousand and NT\$987,976 thousand respectively which were 3.63% and 4.06% of 2017 net income, respectively.

Note4: Mr. Mike Chang was appointed as vice president on January 1, 2019 and was therefore not included in 2018 remuneration calculations.

3.3. Key Managers Remunerations Scale

Remuneration scale for individual key managers	Compensation Paid to Key Managers	
	The Company	Consolidated Entities
Less than NT\$2 million	-	-
NT\$2 million ~ \$5 million	-	-
NT\$5 million ~ \$10 million	-	-
NT\$10 million ~ \$15 million	-	-
NT\$15 million ~ \$30 million	Rolly Chang, JC Hsu, Jasper Yang, Sherry Lin, David Su, SR Tsai, HW Kao	
NT\$30 million ~ \$50 million	Ching-Jiang Hsieh, Lih-Shyng Tsai, Joe Chen, David Ku, Cheng-Te Chuang, Kuo-Hung Loh, Kevin Jou, Jerry Yu	
NT\$50 million ~ \$100 million	Ming-Kai Tsai	
Above NT\$100 million	-	-
Total	16	

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 7th Board of Directors in Annual General Meeting on June 12, 2015, effective immediately. (From June 12, 2015 to June 11, 2018) The 7th Board of Directors held 3 sessions in 2018. 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	3	0	100%	None
Vice Chairman: Ching-Jiang Hsieh	3	0	100%	None
Director: Lih-Shyng Tsai	3	0	100%	None
Director: Cheng-Yaw Sun	3	0	100%	None
Director: Kenneth Kin	3	0	100%	None
Independent Director: Chung-Yu Wu	3	0	100%	None
Independent Director: Peng-Heng Chang	3	0	100%	None
Independent Director: Ming-Tze Tang	3	0	100%	None

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 4 sessions in 2018. 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	4	0	100%	None
Vice Chairman: Ching-Jiang Hsieh	4	0	100%	None
Director: Lih-Shyng Tsai	4	0	100%	None
Director: Cheng-Yaw Sun	4	0	100%	None
Director: Kenneth Kin	4	0	100%	None
Director: Gon-Wei Liang	4	0	100%	None
Independent Director: Chung-Yu Wu	4	0	100%	None
Independent Director: Peng-Heng Chang	4	0	100%	None
Independent Director: Ming-Tze Tang	4	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 31, 2018	The 20 th meeting of the 7 th Board	Matter of disposal of assets and increasing capital of HFI Innovation Inc. Matter of 2017 fourth quarter new common stock issuance for employee stock option	All independent directors had no dissenting opinion or qualified opinion
Mar 23, 2018	The 21 th meeting of the 7 th Board	Matter of Director compensation Amend Operating Procedures for Endorsement and Guarantee	
Apr 27, 2018	The 22 th meeting of the 7 th Board	Matter of building construction budget adjustment Matter of 2018 first quarter new common stock issuance for employee stock option Proposal of the issuance of restricted stock awards	
Jul 31, 2018	The 2 nd meeting of the 8 th Board	Matter of 2018 second quarter new common stock issuance for employee stock option	
Aug 22, 2018	The 3 rd meeting of the 8 th Board	Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards	
Oct 31, 2018	The 4 th meeting of the 8 th Board	Matter of 2018 CPA compensation Matter of amending internal control system Matter of the appointment and dismissal of the Company's auditing supervisor	

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".

4.2. 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. Annual financial report and semi-annual financial report

Review annual financial report:

The Board of Directors prepared the Company's 2018 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 2018. 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 30, 2018	The 18 th meeting of the 1 st Committee	Matter of disposal of assets and increasing capital of HFI Innovation Inc.	All independent directors had no dissenting opinion or qualified opinion
Mar 22, 2018	The 19 th meeting of the 1 st Committee	Matter of the Company's 2017 business report Matter of the Company's 2017 financial statements Matter of the Company's 2017 internal control statement and self-assessment report Amendment of the Company's Operating Procedures of Endorsement and Guarantee	
Apr 26, 2018	The 20 th meeting of the 1 st Committee	Matter of the Company's proposal for distribution of 2017 profits Matter of building construction budget adjustment Proposal of the issuance of restricted stock awards	
Aug 22, 2018	The 2 nd meeting of the 2 nd Committee	Issuance of restricted stock awards in accordance with principles of issuance of 2018 restricted stock awards	
Oct 30, 2018	The 3 rd meeting of the 2 nd Committee	Matter of 2018 CPA compensation Matter of amending the Company's internal audit system Matter of the appointment and dismissal of the Company's auditing supervisor	

- 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
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/ Listed Companies”?	✓		The Company has 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
2. Equity structure and shareholders’ equity				
(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?	✓		The Company has designated relevant departments, such as Investor Relations, Public Relations, Legal, etc. to handle shareholders’ suggestions or disputes.	None
(2) Does the company keep track of the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company tracks the shareholdings of directors, officers and shareholders’ holding more than 10% of the Company’s outstanding shares.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		When designing the structure of its subsidiaries, the Company has implemented a firewall mechanism. The Company and its subsidiaries have established appropriate internal control systems.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		The Company published “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
3. Composition and Responsibilities of the Board of Directors				
(1). Does the Board develop and implement a diversification policy for the composition of its members?	✓		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, and enjoy outstanding achievements and experience 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. Currently, the board of directors of the Company includes science and engineering, financial background and work experience, in line with the above nomination considerations.	None
(2). Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		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
(3). Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		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 resolutions 3. Board composition and structure 4. Internal control The measurement items for the performance evaluation of directors include the following: 1. Knowledge and understanding of the Company 2. Level of participation in Company operations 3. Director’s professional and continuing education 4. Internal control The assessment is carried out by the corporate governance unit and is conducted by internal questionnaire. According to the operation of the board of directors and the level of participation of the directors, the directors evaluate the operation of the board	None

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
			<p>of directors and the directors evaluate the participation of the directors. The results of the performance evaluation will be used as a reference for determining their individual salary.</p> <p>Every year, after questionnaires are returned, 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 (2018) Board performance evaluation:</p> <p>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 January 31, 2018.</p>
(4). Does the company regularly evaluate the independence of CPAs?	✓		<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. 23, 2018 and Mar. 22, 2019.</p>
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 (or record?) minutes of board meetings and shareholders meetings, etc.	✓		<p>The Company's board of directors resolved to appoint General Counsel David Su as the supervisor for corporate governance and the Legal & 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 2018:</p> <ol style="list-style-type: none"> 1. Conducted matters relating to Board Meetings and Shareholder Meetings 2. Recorded minutes of Board Meetings and Shareholder Meetings 3. Assisted in the matters of director appointment and profession enhancement 4. Provided directors with related information required in conducting business 5. Assist directors in compliance with laws 6. Handle matters relating to company registration and change of company registration 7. Regularly conduct performance evaluation pursuant to the rules for "Board of Directors Self-Assessment of Performance"
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?	✓		<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>
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		<p>The Company has engaged CTBC Bank's agency department to handle matters relating to Shareholder Meetings.</p>
7. Information Disclosure			
(1). Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		<p>1. The Company discloses financial information and corporate governance items on its company website: http://www.mediatek.com</p>
(2). Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and	✓		<p>2. 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</p> <p>3. The Company has established a Spokesperson policy. Spokesman: David Ku; Acting Spokesperson: Jessie Wang.</p>

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
disclosure, creating a spokesman system, webcasting investor conferences)?			<p>4. The Company provides investor conferences webcasts and presentation materials on its website in a timely manner.</p> <p>5. The Company discloses real-time information to shareholders and stakeholders on both Company website and MOPS website.</p>
<p>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)?</p>	✓	<p>1. The Company discloses its financial statements and corporate governance information on its Chinese and English websites (http://www.mediatek.com). The Company aims to provide free access to transparent information for employees, investors, suppliers and stakeholders.</p> <p>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.</p> <p>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.</p> <p>4. All Directors of the Company avoid issues when there are conflicts of interests.</p> <p>5. The Company maintains D&O insurance for its Directors and key officers.</p> <p>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.</p>	None
<p>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange</p> <p>This year's annual report will disclose the individual emoluments of the directors. The directors' remuneration of the Company is based on Articles 14 and 24 of the Articles of Incorporation and the "Measures for the Remuneration of Directors". The remuneration of directors shall be determined in accordance with the conditions and standards of the industry in accordance with Article 14 of the Articles of Incorporation. In accordance with the provisions of Article 24 of the Articles of Incorporation, the directors' remuneration shall not exceed 0.5% of the profit of the current year; in addition to the performance of the company's overall operating results, and the directors' contribution to the company's performance is considered, including the consideration of the company's operational participation and actual employment time reviewed by the remuneration committee and the board of directors; the relevant performance evaluation and remuneration rationality are reviewed by the remuneration committee and the board of directors, and the remuneration system should be reviewed anytime for the Company's actual operation status and related laws to balance the Company's sustainable management with risk control.</p>			

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

Note: Directors or Supervisors with a "✓" sign meet the following criteria:

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

4.4.3 Remuneration Committee Meeting Status

The tenure of the Company's 3rd remuneration committee is from June 23, 2015 to June 11, 2018. The convener, Mr. Peng-Heng Chang held 3 sessions in 2018 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	3	100%	None
Member	Chung-Yu Wu	3	100%	None
Member	Ji-Ren Lee	3	100%	None

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 1 session in 2018 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	1	100%	None
Member	Chung-Yu Wu	1	100%	None
Member	Ji-Ren Lee	1	100%	None

The Company's remuneration committee's resolutions in 2018 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 30, 2018	The 9 th meeting of the 3 rd Committee	Key management's 2017 performance evaluation and remuneration proposal for 2018	Approved by all attending members of the committee	Approved by all attending directors in the board of director meetings
Mar 22, 2018	The 10 th meeting of the 3 rd Committee	Directors' 2017 performance evaluation and remuneration Compensation and remuneration structure of directors		
Apr 26, 2018	The 11 th meeting of the 3 rd Committee	Principles of issuance of restricted stock awards		
Aug 22, 2018	The 1 st meeting of the 4 th Committee	Proposal of management stock compensation		

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

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
1. Implementation of corporate governance			
(1) Does the company establish its corporate social responsibility policy and examine the results of the implementation?	✓		The Company has set up a corporate social responsibility policy in written form. The company's implementation of corporate governance, environmental sustainability, social responsibility and information disclosure has been in accordance with corporate social responsibility policy principles. In addition, the Company set up internal performance targets and regularly reviews the implement results. Please refer to "Section VI, Corporate Social Responsibility" for more details.
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The Company arranges external and internal corporate social responsibility trainings for working team and core personnel in charge of corporate social responsibility implementation. Frequency of trainings is subject to team's turnover and frequency of standard updates.
(3) 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?	✓		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 committees. 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 year, 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.
(4) Does the company establish a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		The Company reviews the remuneration standard in accordance to market rates and stipulates a reasonable remuneration policy according to macroeconomic indices to ensure a competitive level of remuneration. According to the Articles of Incorporation of the Company, if there is any profit for a specific fiscal year, the Company shall allocate no lower than 1% of profit of the current year is distributable as employees' compensation to align the Company's operational performance and employees' compensation. Also, by offering a platform of two-way communication through regular performance evaluations and future plan developments, we achieve individual and organization development by rewarding based on performance and encourage employees to grow with the Company.
2. Sustainable Environment Development			
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The process to optimize utilization of raw materials: Waste management and recycling: in order to manage waste efficiently and maximize the benefits of recycling, the Company prioritizes waste reduction, classification for reuse, adherence to recycling and reutilization. The Company also handles and disposes waste properly and continually improves waste storage, transport and processes and evaluates the impact on the environment. We choose only qualified partners for waste disposal and recycling, and also audit the waste processes randomly to ensure the legal disposal of our waste and fulfill our responsibility in waste management supervision.
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The Company has received ISO 14001 certification and the system is managed by a dedicated person and regularly reviewed annually by SGS.
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		The Company implements the greenhouse gas examination and makes continuous efforts to reduce CO2 creation and save energy including the reducing, reusing and recycling resources. Dedicated personnel are assigned to take responsibility for environmental management. Please see "Section VI, Corporate Social Responsibility" section in this report.
3. Preserving Public Welfare			

Assessment Item	Implementation Status		Summary Description	Reason for Non-implementation
	Yes	No		
(1). Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company abides by the rules, policies, and procedures of the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees. Please refer to “Section VI, Corporate Social Responsibility – 1. Corporate Promise – 1.1 Employee Relations” for more details.	None
(2). Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		The Company established an employee suggestion mailbox and assigned dedicated personnel to solve employee issues. We adhered to “Complaint and Punishment of Sexual Harassment in the Workplace”, to establish complaint and punishment measures. For workplace or corporate sexual harassment issues, a dedicated mailbox was set up and employee suggestions can directly go to CHRO and President, the management can provide instant response and handle related issues.	None
(3). Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		The Company aims to offer a safe and healthy working environment and promote a health life. The Company also regularly holds safety and health training sessions to employees. The Company has acquired OHSAS 18001 qualification and designated a person for system management as well as regular SGS review every year.	None
(4). Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		Labor Management conferences are convened periodically to ensure labor harmony. Employee suggestion mailbox was set up and dedicated personnel were assigned to solve employee issues. If significant impacts to operating activities are expected, it will be announced early to employees.	None
(5). Does the company provide its employees with career development and training sessions?	✓		The Company offers a comprehensive career development training program, a challenging learning environment to develop employee’s potential to continuously enhance the organization’s capabilities.	None
(6). Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		The Company established standards of the employee ethical behaviors and a reporting system. For further information, please refer to the Company’s web page at http://www.mediatek.com/corporate-social-responsibility	None
(7). Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		Products of the Company comply with requirements of relevant regulations and international standards.	None
(8). Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	✓		Past record of any harming behavior on environment and the society is one of the key items in vendors’ qualification evaluation process.	None
(9). Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		If a supplier acts against the standards of the Company, rights to terminate cooperation will be carried out.	None
4. Enhancing Information Disclosure				
Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		The Company discloses CSR information on its company website or on the TSE “MOPS”. The Company publishes CSR report from 2015 according to the GRI standard on an annual basis.	None
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has set up a corporate social responsibility policy in written form and the practices are in accordance with “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : Please refer to the Company’s web page at http://www.mediatek.com/corporate-social-responsibility .				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company’s CSR report has been verified by SGS Taiwan, an independent and credible third-party assurance company, according to the Type 1 medium assurance standard of AA1000 AS (2008) and GRI G4 Core. We have adequately communicated the evaluation results upon the completion of the assurance process and provided the Independent Assurance Report in our CSR report.				

4.6. Ethical Corporate Management

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
1. Establishment of ethical corporate management policies and programs			
(1). Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The Company strictly follows the six core values: integrity, conviction inspired by deep thinking, customer focus, constant renewal, innovation and inclusiveness as the guidance of business operation and sets up various internal guidelines based on the core values as well as all related laws and standards. Also, The Company has set up many internal guidelines to ensure ethical corporate management and compliance.
(2). Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		The Company has the following corporate governance guidelines and regulations in place: 1. 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 Access Link: http://www.mediatek.com
(3). Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		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.
2. Fulfill operations integrity policy			
(1). Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		Maximizing shareholders and employees' values has been the Company's major management principle. The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence on counterparties' integrity records and includes ethical principles in relevant contracts before trading with upstream and downstream companies to minimize the risks.
(2). Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		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 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

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
			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, trade secret infringement prevention, internal and customer communication principles, etc. In 2018, 15,412 personnel received such training for an aggregate total of 6,795 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.
(4). Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		The Company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system's design and execution remains effective. Internal auditors audit the system referred in the prior paragraph.
(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.
3. Operation of the integrity channel			
(1). Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company's "Code of Business Conduct" is 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.
(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" clearly states that the personal data and reporting information of the informant should be kept confidential.
(3). Does the company provide proper whistleblower protection?	✓		The Company established precautions in order to protect whistleblowers.
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.
5. If the company has established the ethical corporate management policies based on "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and their implementation.			
The Company has set up 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.			
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies).			
Please refer to the "Corporate Governance" section for more details.			

4.7. Corporate Governance Guidelines and Regulations

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

- (1) 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

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
Chairman Ming-Kai Tsai	May 4, 2018	Taiwan Corporate Governance Association	Update for Tax Law and Statute for Industrial Innovation	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
Vice Chairman Ching-Jiang Hsieh	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
Director Lih-Shyng Tsai	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
Director Cheng-Yaw Sun	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
Director Kenneth Kin	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
	Aug 02, 2018	Taiwan Corporate Governance Association	AI and the Future	3
	Dec 03, 2018	Taiwan Corporate Governance Association	Game Theory for Taiwan Corporates	3
Director Gon-Wei Liang	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
Independent Director Chung-Yu Wu	Mar 21, 2018	Taiwan Corporate Governance Association	M&A Related Insider Trading and Director and Supervisor Responsibilities in Practice	3
	May 04, 2018	Taiwan Corporate Governance Association	Trend and Analysis of Corporate Law Amendment	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3

Title/Name	Date	Host by	Training / Speech title	Hours
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
Independent Director Peng-Hen Chang	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3
Independent Director Ming-Tze Tang	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-1	3
	Jun 15, 2018	Taiwan Corporate Governance Association	Trade Secret Protection and Fraud Investigation and Prevention-2	3

4.8.2 Key Management Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
Executive Vice President & CFO & Spokesman David Ku	May 17, 2018	Accounting Research and Development Foundation	Analysis of IFRS 16 “Lease”	3
	May 17, 2018	Accounting Research and Development Foundation	Corporate Government in Practice: Supply Chain Management and IoT Application Trend	3
	August 31, 2018	Accounting Research and Development Foundation	Related Matters on “Financial Statement Review” Seminar	3
	August 31, 2018	Accounting Research and Development Foundation	Case Study and Related Responsibilities in Law for Special Breach in Trust in Economic Crimes	3
Assistant General Manager, Internal Audit Kirin Liu (Note)	February 22, 2019	Accounting Research and Development Foundation	IFRS 15“Customer Contract Revenue” Case Study	3
	February 22, 2019	Accounting Research and Development Foundation	Investigation on the Fund Flows for Financial Reports and Related Legal Cases	3
	February 26, 2019	Accounting Research and Development Foundation	Information Security and Privacy Law Compliance for Internal Auditors	6

Note: Mr. Kirin Liu was appointed as internal audit supervisor on Dec 1, 2018 and was required to complete 12 hours of enhancement session

4.8.3 Supervisor for Corporate Governance Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
Vice President & General Counsel David Su	March 22, 2019	Taiwan Corporate Governance Association	Understanding Global Economic Status and Technology Changes	3
	March 22, 2019	Taiwan Corporate Governance Association	Global Anti-Tax Evasion - the Impact and Response of Enterprises	3
	April 18, 2019	Securities and Futures Institute Education Center	Responsibility of Directors and Supervisors from the Illegal Cases in the Securities Market	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 22nd, 2019

MediaTek Inc. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31, 2018, 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 22, 2019 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: from 2018 to the printing date of this annual report, the Company is completely in compliance with relevant laws, except for one overtime violation. The overtime application and approval verification were not processed in accordance with the procedures and thus was fined NT\$70,000. The Company has enhanced the promotion and internal communication on overtime application procedures.

4.11. Major Resolutions of Shareholders' Meeting and Board Meetings

4.11.1 Major Resolutions of Shareholders' Meeting and Implementation Status

The Company held 2018 Annual General Meeting on June 15, 2018 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
Acknowledgement Items:	
1. Adoption of the 2017 business report and financial statements	Approved.
2. Adoption of the proposal for distribution of 2017 profits	Approved a cash dividend per share of NT\$7.5, and distribution base date was set at July 15, 2018. Cash dividend distribution was completed by August 2, 2018.
Discussion Items:	
1. Discussion of cash distribution from additional paid-in capital	Resolution passed – July 15, 2018 designated as distribution base date, and payments completed by August 2, 2018 (NT\$2.5 per share)
2. Amendments to the Company's "Operating Procedures of Endorsement and Guarantee"	Resolution passed – announced on website and proceeded as the amended procedures by June 30, 2018
3. Discussion of the new share issuance of restricted stock award	Resolution passed – Issued on September 6, 2018, February 27, 2019, April 12, 2019.
4. Election of Directors (including Independent Directors)	Elected list: Ming-Kai Tsai (Director), Lih-Shyng Tsai (Director), Ching-Jiang Hsieh (Director), Gon-Wei Liang (Director), Cheng-Yaw Sun (Director), Kenneth Kin (Director), Chung-Yu Wu (Independent Director), Peng-Hen Chang (Independent Director), Ming-Tze Tang (Independent Director). Obtained registration approval from Hsinchu Science Park Administration and announced on website on June 29, 2018.
5. Lifting the non-competition restriction on the Company's Directors	Resolution passed

4.11.2 Major Resolutions of Board Meetings

During the 2018 calendar year and as of the printing date of this annual report, 10 Board meetings were convened. Major resolutions approved at these meetings are summarized below:

Date	Meeting	Major Approvals
Jan 31, 2018	The 20 th meeting of the 7 th board	Matter of disposal of assets and increasing capital of HFI Innovation Inc. 2018 first quarter financial forecasts Matter of 2017 fourth quarter new common stock issuance for employee stock option Cancellation of 2017 fourth quarter restricted stock award 2017 performance evaluation of management and 2018 proposal for compensation pending approval Matter of changing job titles of management
Mar 23, 2018	The 21 st meeting of the 7 th board	Matter of Director compensation 2018 general shareholders' meeting date, location, and agenda Matter of electing the 8 th Board (including independent directors) Matter of nominating directors Matter of handling timing and nomination of director candidates for the 8 th Board Amend Operating Procedures for Endorsement and Guarantee 2017 business operating report 2018 operating plans and operating budget forecast Matter of 2017 employee compensation 2017 financial statement Assess CPA's independence 2017 internal control statement and internal control self-assessment report
Apr 27, 2018	The 22 nd meeting of the 7 th board	2018 second quarter financial forecasts Matter of merging with a fully-owned subsidiary Matter of adjusting budget for construction of building Matter of 2018 first quarter new common stock issuance for employee stock option Cancellation of 2018 first quarter restricted stock awards Matter of issuing restricted stock for employees Matter of 2017 profit distribution Matter of cash distribution from additional paid-in capital Review list of nominated directors (including independent directors) Lifting non-competition restriction on directors
Jun 15, 2018	The 1 st meeting of the 8 th board	Election of chairman and vice chairman
Jul 31, 2018	The 2 nd meeting of the 8 th board	2018 third quarter financial forecasts Approving authority hierarchy table Cancellation of 2018 second quarter restricted stock awards Matter of 2018 second quarter new common stock issuance for employee stock option Election of the members of the remuneration committee
Aug 22, 2018	The 3 rd meeting of the 8 th board	Matter of request for approving issuance of restricted stock for employees under the 2018 Rules for Issuing Restricted Stock for Employees Proposal of management stock compensation
Oct 31, 2018	The 4 th meeting of the 8 th board	2018 fourth quarter financial forecasts 2018 CPA compensation Matter of amending internal auditing operating procedures 2019 audit plan Cancellation of 2018 third quarter restricted stock awards Matter of appointing and changing management personnel Matter of appointing and changing internal auditing supervisor
Jan 30, 2019	The 5 th meeting of the 8 th 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 th meeting of the 8 th 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

Date	Meeting	Major Approvals
Apr 30, 2019	The 7 th meeting of the 8 th board	2019 second quarter financial forecasts Cancellation of 2019 first quarter restricted stock awards Proposed resolutions for annual meeting of shareholders Amend 2019 agenda of 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

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

None.

4.13. Resignation of Personnel Related to Financial Statement Preparation in 2017 to the Printing Date of this Report

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
CEO	Ming-Kai Tsai	Jul. 1, 1997	Feb. 1, 2018	Position adjustment (Note1)
Director, Internal Audit	Perry Nien	Apr. 1, 2016	Dec. 1, 2018	Position adjustment (Note2)

Note1: Because of an internal realignment, the position of CEO and Chairman Mr. Ming-Kai Tsai has been adjusted to Chairman as of Feb. 1, 2018, and Mr. Lih-Shyng Tsai will serve as CEO.

Note2: Because of an internal realignment, the position of internal audit supervisor Mr. Perry Nien has been adjusted as of Dec. 1, 2018, and Mr. Kirin Liu is the successor.

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	2018	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	System of Design	Non-audit Fee			Subtotal	Period Covered by CPA's Audit	Remarks
				Company Registration	Human Resource	Others			
Ernst & Young	Shau-Pin Kuo	12,892	-	665	-	1,764	2,429	2018	(Note)
	Wen-Fun Fuh								

Note: non-audit fee – other includes financial and tax consulting services of NT\$1,034 thousand and corporate consulting fee of NT\$730 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 15% year over year:

None.

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

5.3.1 Regarding the former CPA

Replacement Date		March 22, 2017		
Replacement reasons and explanations	Accounting firm's job rotation in accordance with relevant regulations			
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	CPA	The Company
		Termination of appointment	Not applicable	Not applicable
		No longer accepted (continued) appointment	Not applicable	Not applicable
Other issues (except for unqualified issues) in the audit reports within the last two years	None			
Differences with the company	Yes		Accounting principles or practices	
			Disclosure of Financial Statements	
			Audit scope or steps	
			Others	
	None	V		
Remarks/specify details: Not applicable.				
Other Revealed Matters	None			

5.3.2 Regarding the successor CPA

Name of accounting firm	Ernst & Young
Name of CPA	Shau-Pin Kuo, Wen-Fun Fuh
Date of appointment	March 22, 2017
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	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 2018:

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	2018		Jan. 1 to April 30, 2019	
	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman Ming-Kai Tsai	75,206	-	-	-
Vice Chairman Ching-Jiang Hsieh	63,636	-	-	-
Director & CEO Lih-Shyng Tsai	161,000	-	-	-
Director Cheng-Yaw Sun	-	-	-	-
Director Kenneth Kin	-	-	-	-
Director Gon-Wei Liang (Note1)	-	-	-	-
Independent Director Chung-Yu Wu	-	-	-	-
Independent Director Peng-Heng Chang	-	-	-	-
Independent Director Ming-Tze Tang	-	-	-	-
President Joe Chen	48,016	-	-	-
Executive Vice President & CFO & Spokesman David Ku	37,314	-	-	-
Senior Vice President Kou-Hung Loh	-	-	-	-
Senior Vice President Cheng-Te Chuang	(96,686)	-	(19,000)	-
Senior Vice President & CTO Kevin Jou	-	-	-	-
Senior Vice President Jerry Yu	26,033	-	-	-
Vice President Rolly Chang	27,768	-	-	-
Vice President JC Hsu	24,297	-	-	-
Vice President Jasper Yang	26,033	-	-	-
Vice President & CHRO Sherry Lin	24,297	-	-	-
Vice President & General Counsel David Su	21,983	-	-	-
Vice President SR Tsai	21,983	-	-	-
Vice President HW Kao	19,090	-	-	-
Vice President Mike Chang (Note2)	-	-	-	-

Note1: Mr. Gon-Wei Liang was elected as director on June 15, 2018 so his share information disclosure started from June 15, 2018.

Note2: Mr. Mike Chang was elected as director on January 1, 2019 so his share information disclosure started from January 1, 2019.

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 16, 2019. Unit: Share / %

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3 rd Party		Top 10 Shareholders Who are Related Parties to Each Other	
	Shares	Proportion	Shares	Proportion	Shares	Proportion	Name	Relationship
Government of Singapore	83,313,157	5.23%	-	-	-	-	-	-
Cathay Life Insurance	64,125,168	4.02%	-	-	-	-	-	-
Chui-Hsing Lee	45,111,145	2.83%	41,137,798	2.58%	-	-	Ming-Kai Tsai	Spouse
Ming-Kai Tsai	41,137,798	2.58%	45,111,145	2.83%	-	-	Chui-Hsing Lee	Spouse
Jyh-Jer Cho	29,104,222	1.83%	10,698,414	0.67%	-	-	-	-
New Perspective Fund	25,719,000	1.61%	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	23,083,858	1.45%	-	-	-	-	-	-
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard	22,796,504	1.43%	-	-	-	-	-	-
MAS - GIC Private Limited	21,226,561	1.33%	-	-	-	-	-	-
Tin-Ren Liu	20,581,763	1.29%	3,539,879	0.22%	-	-	-	-

8. Long-Term Investment Ownership

As of December 31, 2018. 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.	2,193,635,278	100%	-	-	2,193,635,278	100%
MediaTek Singapore Pte. Ltd.	111,993,960	100%	-	-	111,993,960	100%
MStar Semiconductor, Inc.	145,253,238	100%	-	-	145,253,238	100%
MStar International Technology Inc.	30,000,000	100%	-	-	30,000,000	100%
HFI Innovation Inc.	80,828,122	100%	-	-	80,828,122	100%
Airoha Technology Corp.	4,106,000	7%	56,986,908	93%	61,092,908	100%

IV. Capital and Shares

1. Capital and Shares

1.1. Capitalization

As of April 30, 2019, Unit: shares / NT\$

Month/ Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Sources of Capital (shares)	Remarks Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
		Shares	Amount	Shares	Amount			
Jan 2018	10	2,000,000,000	20,000,000,000	1,581,437,115	15,814,371,150	Restricted stock award cancellation: 45,310 Employee stock options exercised: 23,142	-	Feb 22, 2018 Yuan-Shang-Tze No. 1070006008
Apr 2018	10	2,000,000,000	20,000,000,000	1,579,269,032	15,792,690,320	Restricted stock award cancellation: 2,185,716 Employee stock options exercised: 17,633	-	May 11, 2018 Yuan-Shang-Tze No. 1070013716
Jul 2018	10	2,000,000,000	20,000,000,000	1,579,260,031	15,792,600,310	Restricted stock award cancellation: 12,958 Employee stock options exercised: 3,957	-	Aug 15, 2018 Yuan-Shang-Tze No. 1070023798
Sep 2018	10	2,000,000,000	20,000,000,000	1,591,519,581	15,915,195,810	Restricted stock award issuance: 12,259,550	-	Sep 21, 2018 Yuan-Shang-Tze No. 1070027842
Oct 2018	10	2,000,000,000	20,000,000,000	1,591,506,977	15,915,069,770	Restricted stock award cancellation: 12,604	-	Nov 16, 2018 Yuan-Shang-Tze No. 1070033500
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 Restricted stock award issuance: 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	-	Currently under amendment registration

As of April 30, 2019; Unit: shares

Type of Stock	Authorized Capital			Remark
	Outstanding	Un-Issued	Total	
Common Stock	1,587,538,871	412,461,129	2,000,000,000	Listed on TSE

Shelf Registration: None.

1.2. Composition of Shareholders

As of April 17, 2018; Unit: shares / %

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Persons	Individuals	Total
Number of Shareholders	1	75	486	1,423	79,198	81,183
Shareholding	2	156,808,382	110,788,836	921,593,848	404,502,515	1,593,693,583
Holding Percentage	0.00%	9.84%	6.95%	57.83%	25.38%	100.00%

1.3. Distribution of Shareholding

1.3.1 Distribution of Common Stock

As of April 16, 2019, Unit: shares / %

Common Share Shareholder Ownership	Number of Shareholders	Number of Shares held	Ownership
1 ~ 999	28,429	3,780,427	0.24%
1,000 ~ 5,000	43,778	78,076,305	4.90%
5,001 ~ 10,000	4,261	31,487,710	1.98%
10,001 ~ 15,000	1,336	16,544,223	1.04%
15,001 ~ 20,000	744	13,342,992	0.84%
20,001 ~ 30,000	705	17,480,025	1.10%
30,001 ~ 40,000	323	11,358,643	0.71%
40,001 ~ 50,000	237	10,815,635	0.68%
50,001 ~ 100,000	460	32,573,867	2.04%
100,001 ~ 200,000	282	39,112,425	2.45%
200,001 ~ 400,000	218	60,359,516	3.79%
400,001 ~ 600,000	99	48,481,393	3.04%
600,001 ~ 800,000	65	46,291,885	2.90%
800,001 ~ 1,000,000	37	33,619,734	2.11%
Over 1,000,001	209	1,150,368,803	72.18%
Total	81,183	1,593,693,583	100.00%

1.3.2 Distribution of Preferred Stock: Not Applicable.

1.4. Major Shareholders

As of April 16, 2019; Unit: shares / %

Top 10 Shareholders	Number of Shares held	Ownership (%)
Government of Singapore	83,313,157	5.23%
Cathay Life Insurance	64,125,168	4.02%
Chui-Hsing Lee	45,111,145	2.83%
Ming-Kai Tsai	41,137,798	2.58%
Jyh-Jer Cho	29,104,222	1.83%
New Perspective Fund	25,719,000	1.61%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	23,083,858	1.45%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard	22,796,504	1.43%
MAS - GIC Private Limited	21,226,561	1.33%
Tin-Ren Liu	20,581,763	1.29%

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

Unit: NT\$ / Shares

Item		2017 (Distributed in 2018)	2018 (Distributed in 2019)	Jan. 1 ~ Mar. 31, 2019	
Market Price Per Share (Note1)	Highest	350.5	374.5	293.0	
	Lowest	203.0	199.5	213.5	
	Average	259.8	279.7	259.9	
Book Value Per Share	Before Distribution	165.10	172.35	180.28	
	After Distribution	155.07	*	*	
Earnings Per Share	Weighted Average Shares	1,564,139,064	1,565,368,402	1,566,378,110	
	EPS	Not-Adjusted	15.56	13.26	2.17
		Adjusted	15.56	*	**
Dividends Per Share	Cash Dividends		10	*	**
	Stock Dividend	Earning Distribution	-	*	**
		Capital Distribution	-	*	**
	Accumulated Undistributed Dividend		-	-	**
Return on Investment	Price/Earnings Ratio (Note2)		16.70	21.09	**
	Price/Dividend Ratio (Note3)		25.98	*	**
	Cash Dividend Yield (Note4)		3.85%	*	**

* : 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 2018 Profits (Approved by the Board and subject to Shareholders' approval)

The Board adopted a proposal for 2018 profit distribution as follows:

Cash dividends to common shareholders from retained earnings is NT\$9,525,233 thousand and cash distributed from additional paid-in capital in capital surplus to common shareholders is NT\$4,762,617 thousand, which totals NT\$14,287,850, or NT\$9 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 2018 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 22, 2019 to distribute employees' compensation and remuneration to directors. The details of discrepancy between the aforementioned approved amounts and the estimated amounts in 2018 are as follows.

Unit: shares / NT\$ thousands

Items	Board resolution	Estimate	Difference	Reason of difference
Employee Compensation – Cash	261,021	261,021	-	-
Remuneration to Directors	31,624	30,748	876	(Note1)

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\$261,021 thousand, the Company also expects to distribute employee bonus of NT\$4,959,396 thousand.

1.8.3 Earnings Retained in Previous Period (2017) Allocated as Employee Compensation and Directors Remuneration

Unit: shares / NT\$ thousands

Items	AGM resolution	Estimate	Difference	Reason of difference
Employee Compensation – Cash	298,331	298,331	-	-
Remuneration to Directors	43,799	40,275	3,524	(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 2018.

1.9. Repurchase of Company Shares:

None.

2. Status of Corporate Bonds

None.

3. Status of Preferred Stocks

None.

4. Status of GDR/ADR

None.

5. Status of Employee Stock Option Plan

5.1. Issuance of Employee Stock Options

As of April 30, 2019 / Unit: shares and NT\$ thousands

Employee Stock Options Granted	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant
Approval Date by the Securities & Futures Bureau	Dec. 19, 2007	Dec. 19, 2007	Jul. 27, 2009	May 10, 2010
Issue (Grant) Date	Mar. 31, 2008	Aug. 28, 2008	Aug. 18, 2009	August 27, 2010
Number of Options Granted	1,134,119	1,640,285	1,382,630	1,605,757
Percentage of Shares Exercisable to Outstanding Common Shares	0.07%	0.10%	0.09%	0.10%
Option Duration	10 years	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	280,882	300,817	80,853	147,841
Value of Shares Exercised	103,376	104,859	34,726	59,846
Shares Unexercised (Note)	-	-	473,411	602,981
Adjusted Exercise Price Per Share (NT\$)	-	-	422.6	398.4
Percentage of Shares Unexercised to Outstanding Common Shares	-	-	0.03%	0.04%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

Employee Stock Options Granted	5 th Grant	6 th Grant	15 th Grant	16 th Grant
Approval Date by the Securities & Futures Bureau	May 10, 2010	Aug. 9, 2011	Aug. 9, 2012	Aug. 9, 2013
Issue (Grant) Date	Nov. 4, 2010	Aug. 24, 2011	Aug. 14, 2012	Aug. 22, 2013
Number of Options Granted	65,839	2,109,871	1,346,795	1,436,343
Percentage of Shares Exercisable to Outstanding Common Shares	0.00%	0.13%	0.08%	0.09%
Option Duration	10 years	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	923	375,659	82,131	0
Value of Shares Exercised (NT\$)	375	104,158	23,518	0
Shares Unexercised (Note)	8,134	1,012,351	785,398	982,743
Adjusted Exercise Price Per Share (NT\$)	371.0	273.0	282.2	368.0
Percentage of Shares Unexercised to Outstanding Common Shares	0.00%	0.06%	0.05%	0.06%
Impact to Shareholders' Equity	Dilution to original shareholders' holding is limited			

Note: The number of invalid shares due to resignation was deducted. The first and second issuances are terminated in 2018.

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

As of April 30, 2019 / Unit: shares and NT\$ thousands

Title	Name	Number of Option Acquired	Number of Option Acquired / Number of Option Issued	Exercised			Not Exercised				
				Number of Option	Exercise Price (NT\$)	Option amount	Number of Option / Number of Option Issued	Number of Option	Exercise Price (NT\$)	Option amount	Number of Option / Number of Option Issued
Manager and employee	Bernard Tenbroek	667,420	0.04%	84,195	338.1	28,467	0.01%	583,225	341.6	199,218	0.04%
	Douglas Remington										
	Henry Vickers										
	James K Farley										
	John Finbarr Moynihan										
	John Lee										
	Jonathan Strange										
	Russell Mestechkin										
	Stacy Ho										
	Vincent Del Vecchio										

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 April 26, 2019.

6. Status of New Employees Restricted Stock Issuance

6.1. Issuance of New Restricted Employee Shares

As of April 30, 2019

Type of New Restricted Employee Shares	2016 1 st Grant	2016 2 nd Grant
Date of Effective Registration	Aug. 19, 2016	
Issue date	Sep. 6, 2016	Jul. 17, 2017
Number of New Restricted Employee Shares Issued	10,528,505	300,000
Issued Price (NT\$)	None	
New Restricted Employee Shares as a Percentage of Shares Issued	0.66%	0.02%
Vesting Conditions of New Restricted Employee Shares	<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</p>	

Type of New Restricted Employee Shares	2016 1 st Grant	2016 2 nd Grant										
	<p>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"> <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%								
Restricted Rights of New Restricted Employee Shares	<ol style="list-style-type: none"> 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. 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. 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. 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. 											
Custody Status of New Restricted Employee Shares	<ol style="list-style-type: none"> 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. 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. 											
Measures to be Taken When Vesting Conditions are not Met	<ol style="list-style-type: none"> 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. 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. 											
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 st Grant	2018 2 nd Grant	2018 3 rd Grant												
Date of Effective Registration	Aug. 13, 2018														
Issue date	Sep. 6, 2018	Feb. 27, 2019	Apr. 12, 2019												
Number of New Restricted Employee Shares Issued	12,259,550	2,205,888	17,818												
Issued Price (NT\$)	None														
New Restricted Employee Shares as a Percentage of Shares Issued	0.77%	0.14%	0.00%												
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="418 1010 1361 1240"> <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 \geq 5% YoY</td> <td rowspan="4">Higher than the average of previous three years</td> </tr> <tr> <td>Gross Margin (%)</td> <td>Increase \geq 1.5ppt YoY</td> </tr> <tr> <td>Operating Margin (dollar)</td> <td>Increase \geq 20% YoY in 2018; Increase \geq 15% YoY in 2019/2020</td> </tr> <tr> <td>Operating Margin (%)</td> <td>Increase \geq 2% 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	Operating Margin (dollar)	Increase \geq 20% YoY in 2018; Increase \geq 15% YoY in 2019/2020	Operating Margin (%)	Increase \geq 2% 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														
Operating Margin (dollar)	Increase \geq 20% YoY in 2018; Increase \geq 15% YoY in 2019/2020														
Operating Margin (%)	Increase \geq 2% YoY														
Restricted Rights of New Restricted Employee Shares	<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>														
Custody Status of New Restricted Employee Shares	<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>														
Measures to be Taken When Vesting Conditions are not Met	<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>														
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	939,496	150,108	0												

Type of New Restricted Employee Shares	2018 1 st Grant	2018 2 nd Grant	2018 3 rd Grant
Number of Released New Restricted Employee Shares	0	0	0
Number of Unreleased New Restricted Shares	11,320,054	2,055,780	17,818
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.71%	0.13%	0.00%
Impact on possible dilution of shareholdings	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, 2019 / Unit: shares and NT\$ thousands

Title	Name	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued (Note)	No. of Shares	Released		Unreleased		Unreleased Restricted Shares as a Percentage of Shares Issued (Note)			
					Issued Price (NT\$)	Amount (NT\$ thousands)	Released Restricted Shares as a Percentage of Shares Issued (Note)	No. of Shares		Strike Price (NT\$)	Amount (NT\$ thousands)	
Manager and employee	Chairman	Ming-Kai Tsai										
	Vice Chairman	Ching-Jiang Hsieh										
	CEO	Lih-Shyng Tsai										
	President	Joe Chen										
	Executive Vice President & CFO & Spokesman	David Ku										
	Senior Vice President	Cheng-Te Chuang										
	Senior Vice President	Jerry Yu										
	Vice President	Rolly Chang										
	Vice President	JC Hsu										
	Vice President	Jasper Yang										
	Vice President & CHRO	Sherry Lin										
	Vice President & General Counsel	David Su										
	Vice President	SR Tsai	4,865,287	0.31%	1,225,588	0	0	0.08%	3,639,699	0	0	0.23%
	Vice President	HW Kao										
	Vice President	Mike Chang										
	Employee	Ching San Wu										
	Employee	TL 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: The share issued is calculated based on the amended number of total share issued approved by Ministry of Economic Affairs on April 26, 2019.

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 (2018)

Product Category	Multimedia Chipsets	Others (Note)
Revenue Mix	98.81%	1.19%

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. Multimode wireless charging chips;
- I. Artificial Intelligence of Things (AIoT) device SoCs;
- J. Smart home connectivity chips;
- K. Bio-sensing analog front-end chips;
- L. Optical storage chipsets;
- M. DVD player SoCs;
- N. Blu-ray DVD player chipsets;
- O. Highly-integrated digital TV controller chips;
- P. ATSC and DVB-T TV decoder and demodulator chipsets;
- Q. xDSL chipsets;
- R. Automotive chipsets;
- S. Power management and controller chips for various electronics;
- T. USB PD Type-C controller chips; and
- U. 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, 8K60Hz smart TV chips;

- G. Next generation terabyte (10G) passive optical network (xPON) chipsets;
- H. New generation terabyte (Multi-giga) 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.

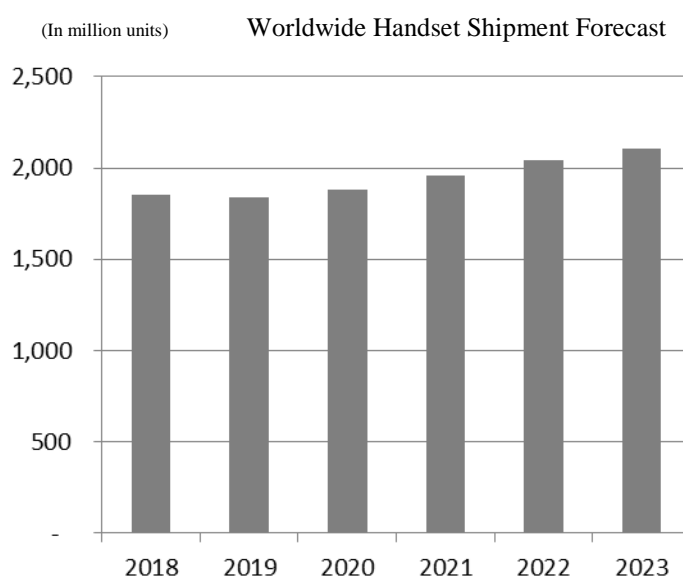
In the semiconductor supply chain, the IC design industry is a knowledge-intensive industry with a relatively high return on investment. Coupled with complete semiconductor industry ecosystem and ample talents, IC design is a thriving industry in Taiwan.

1.2.2 Industry Outlook, Trends and Competition

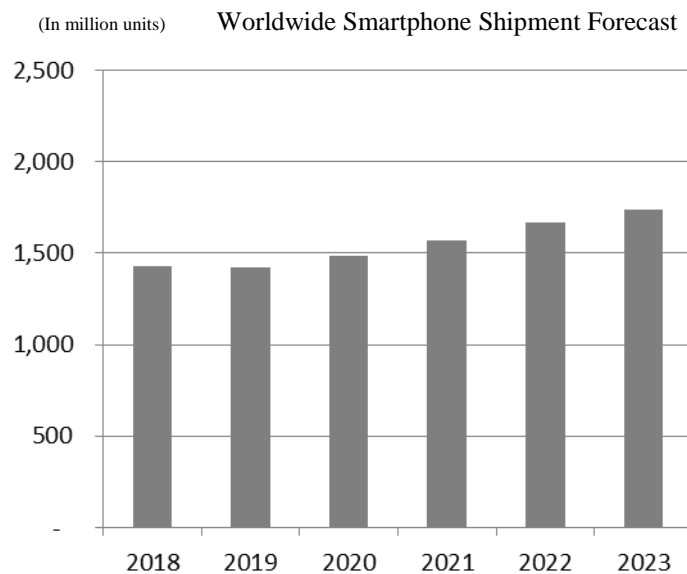
A. Wireless Communications Products

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 1.9 billion units in 2018 and the number is expected to grow steadily to 2.1 billion units in 2023, thanks to the growth of smartphone shipments. Strategy Analytics estimated that global smartphone shipments was about 1.4 billion units in 2018 and the number is expected to grow to 1.7 billion units in 2023.



Source: Strategy Analytics, December 2018



Source: Strategy Analytics, December 2018

Global communication technologies continue to evolve and upgrade. 4G networks has become pervasive in developed markets as well as Mainland China. In emerging markets, 4G networks has also become more mature. Smartphone penetration rate increases as the demand from emerging market grows. The three pillars of 5G - enhanced mobile broadband (eMBB), massive machine type communication (mMTC), and ultra-reliable low latency communication (URLLC), would facilitate the application development of cloud computing, Internet of Things (IoT), Internet of Vehicles (IoV) and related areas, and push upgrades of hardware specification. The more efficient power consumption and performance requirement would raise end device price and drive the growth of the whole industry.

In addition to mobile communication and transmission functions, consumers also look forward to advanced camera applications and multimedia experiences such as multi-camera function, video streaming, social networking, online gaming, augmented/virtual reality, and etc. and expect these functions can be supported by mainstream phones. In order to meet consumers' need and support more applications, the specifications and features of mobile computing products continue to be upgraded such as AI function integration and enhancement to improve photo quality and related applications, SoCs with higher performance and lower power consumption and faster connectivity technologies. As the industry looks forward to 5G development and launching 5G products, MediaTek is in the industry leading group driving the upgrade demand by proactively mastering 5G technology, launching 5G products and closely working with customers and the ecosystem.

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. Moreover, MediaTek continues to upgrade 4G technologies, participates in the 5G technology leading group, launches 5G multi-mode thin modem and work closely with customers and global ecosystem to enhance product portfolio comprehensiveness. 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, smoke sensor, smart utility meters, game console, TV and other consumer electronics. Audio becomes new human-machine interface through the development of AI voice assistant device. It integrates and facilitates more devices to be connected, enables more smart applications and sets new trends for the future. New developments speed up the integration of high speed transmission and high-performance processing unit. For instance, Wi-Fi spec upgrades from 11ac to 11ax, more applications derived from AI voice assistant, such as smart alarm, smart light bulb, smart plug, smart microwave and etc., voice assistant upgrade to smart assistant with screen, camera and image recognition functions. Low power wide area (LPWA) technologies such as NB-IoT brings up broader IoT applications. As the demand from China grows, global operators continue to build their NB-IoT networks and it has also become one of MediaTek's key focuses.

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. The yield improvement of OLED panels and lower production costs have triggered quarter-to-quarter OLED TV shipment increases from first tier TV makers. Concurrently, Japan announced to launch 8K UHD programs with Tokyo Olympics in 2020. TV makers from different brands are developing 8K UHD products to provide better user experience in more refined picture and audio quality for consumers. In addition, the application of AI more flexibly elevates user experience, for instance, through AI scene detection to automatically select the right picture enhancement scenario to perform picture quality enhancement (AI-PQ, AI-Picture Quality), audio control, search functions and etc.

MediaTek leads the industry by launching multi-core smart TV SoCs, adding AI, enhancing picture quality through automatic scene detection, adding audio functions and connectivity to integrate TV to smart home ecosystem. 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 2018, there are more than 900 million global broadband users, which implies a

steady growth rate of 5%. More than 300 million users are from Mainland China and the mainstream technology is xPON. China xPON users account for 70% of global market, making China the largest xPON market globally. With the trend of FTTH, many countries accelerate the deployment of xPON, from China, Japan and Korea, expanding to emerging markets such as Central and South America, Southeast Asia and India, and also to Europe and North America. The rapid xPON development in China with tens of millions of installation has lowered the equipment cost of xPON. In recent years, the growth of xPON in oversea markets has been heating up, becoming the next market growth momentum.

1.3. Technology and R&D

1.3.1 R&D Spending

The Company's R&D spending in 2018 was NT\$57,548,771 thousand, and from January 1st 2019 to the printing date of this annual report, the R&D spending was NT\$19,763,766 thousand.

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

- A. Highly integrated GSM/GPRS/WCDMA/TD-SCDMA SoCs for multimedia phones;
- B. Highly integrated LTE chipsets;
- C. Highly integrated tablet chipsets;
- D. Highly integrated artificial intelligence of things (AIoT) chipsets;
- E. Highly integrated smart home connectivity chips;
- F. Highly integrated WLAN SoCs;
- G. High performance/cost NFC chips;
- H. High performance/cost multifunction wireless communication SoC;
- I. Multi-mode wireless charging chips;
- J. Highly integrated 8K Ultra HD smart TV chipsets;
- K. Highly integrated UHG chipsets;
- L. Highly integrated terabyte(10G) passive optical network (xPON) chipsets;
- M. Power management and controller chipsets for various electronics;
- N. USB PD Type-C controller chipsets;
- O. Next generation brushless DC motor; and
- P. Consumer and enterprise ASIC chips

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	2018	
	Sales (NT\$ thousands)	Percentage
Export sales	214,148,930	89.96%
Domestic sales	23,908,416	10.04%
Total	238,057,346	100%

2.1.2 Market Share

According to a report Gartner published in December 2018, worldwide semiconductor market revenue was US\$476.7 billion in 2018; MediaTek's market share was 1.7% and ranked No.14 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 rebound of wireless communication market demand, 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 media entertainment. 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 IC Insights, global analog ICs will carry the highest CAGR of 6.6% among all ICs between 2017 and 2022. Specifically, power management IC growth rate is estimated to be 8%. These estimates show that analog IC market has been growing steadily. MediaTek will continue to work with Taiwan foundry vendors and leverage our advantages from accumulated experiences in analog IC design to expand business in the industry.

E. Broadband Networking

Mainland China actively promotes FTTH technology, which results in fast adoption of FTTH. Thus, MediaTek xPON solutions passed China major three operators and provinces drop test and started to deliver with increasing sale. Apart from share gains in China market, MediaTek is expanding in emerging markets, which is expected become our next growth driver.

In the VDSL2 market, after MediaTek made a breakthrough in overseas telecommunication operators, the latest generation of integrated VDSL2 terminal solutions has succeeded in winning procurement projects, which boosted our shipments and contributed strong growth momentum in emerging markets. Going forward, we will expand our exposure to East and South Europe market.

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. Replacement Cycle Driven by 5G Applications; Growth Opportunities Derived from AI Demand in Consumer Electronics

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 stable 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. The superior experience brought by smart home devices extend to more peripheral products. AI voice assistant, as a gateway to connected smart home devices, is building an ecosystem and the ecosystem is nearly complete. 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. 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. AI Picture Quality and Audio Enhancement to Become Trend

AI has been a hot topic recently. MediaTek is the world's leading supplier of TV SoC. AI enhancement on picture and audio quality are being developed and applied to MediaTek products to provide feature differentiations to satisfy customers and consumers, and bring more conveniences to the public.

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

The product cycle of ASICs is significantly higher than other products 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. 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 2018. 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.

E. Analog Products Demand to Continue 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 boost MediaTek's applications sales and developments.

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 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 electronics, 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

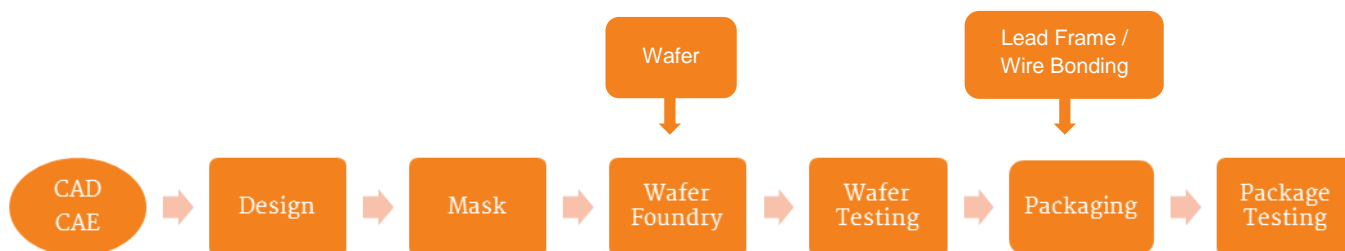
Power management chipsets are core components to provide stable electric current and voltage to electronics. The required functions of power management differ from devices to devices, including voltage detection systems, current protection, power supply for distinct voltages or AC/DC transition, integrated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

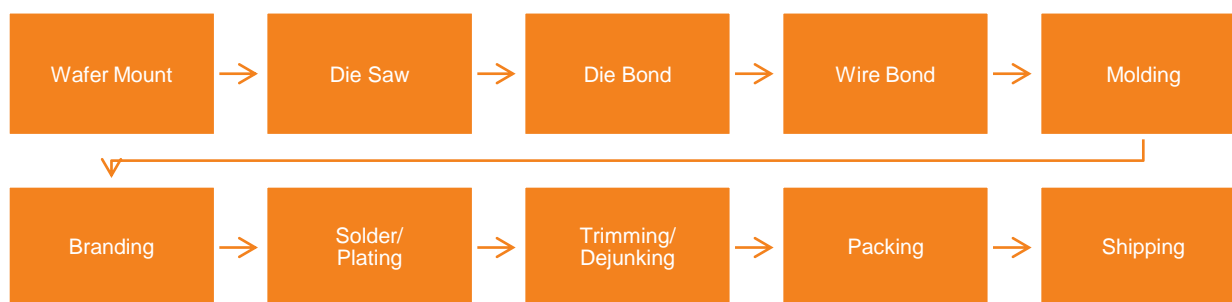
Wafer fabrication is outsourced to foundries. The wafer manufacturing process begins by entering a module and then going through etching, photo, thin film and diffusion with masks. The finished wafers must be tested before shipping to the next stage.

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 / %

2017			2018				2019,Q1				
Supplier	Amount Purchased	% of Total Purchase	Relation	Supplier	Amount Purchased	% of Total Purchase	Relation	Supplier	Amount Purchased	% of Total Purchase	Relation
Supplier A	52,683,095	49.78%	Not Related Parties	Supplier A	42,960,400	39.06%	Not Related Parties	Supplier A	9,414,531	46.17%	Not Related Parties
Supplier C	15,016,591	14.19%	Not Related Parties	Supplier B	14,750,773	13.41%	Not Related Parties	Supplier B	2,677,104	13.13%	Not Related Parties
-	-	-	-	Supplier C	13,127,690	11.93%	-	Supplier C	2,362,063	11.59%	Not Related Parties
Others	38,137,203	36.03%		Others	39,153,282	35.60%		Others	5,935,403	29.11%	
Total	105,836,889	100.00%		Total	109,992,145	100.00%		Total	20,389,101	100.00%	

The key supplier changes primarily due to product mix change

2.4.2 Key Customers

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

Unit: NT\$ thousands / %

2017			2018				2019,Q1				
Customer	Sales	% of Total Revenue	Relation	Customer	Sales	% of Total Revenue	Relation	Customer	Sales	% of Total Revenue	Relation
-	-	-	-	-	-	-	-	-	-	-	-
Others (Note)	238,216,318	100.00%		Others (Note)	238,057,346	100.00%		Others (Note)	52,721,892	100.00%	
Total	238,216,318	100.00%		Total	238,057,346	100.00%		Total	52,721,892	100.00%	

Note: There are not any customers for more than 10% of the total sales in 2017, 2018 and 2019 Q1.

2.5. Production Volume and Value in the Past Two Years

Unit: thousand pieces / NT\$ thousands

	2017			2018		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Multimedia and Handset Chipsets	Not applicable	8,236,227	149,371,086	Not applicable (Note)	8,351,808	145,264,912

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

	2017				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Multimedia and handset Chipsets	1,934,717	24,056,665	6,199,080	212,189,959	2,342,110	23,897,244	6,347,896	211,325,574
Others	Not applicable	7,710	Not applicable	1,961,984	Not applicable	11,172	Not applicable	2,823,356
Total	1,934,717	24,064,375	6,199,080	214,151,943	2,342,110	23,908,416	6,347,896	214,148,930

3. Employees

		2017	2018	2019
				(As of April 30)
Number of Employees	Management	1,083	1,080	938
	R&D	15,051	14,829	14,593
	Sales & Marketing	658	703	737
	Manufacturing	466	446	564
	Total	17,258	17,058	16,832
Average Age		34	35	35
Average Years of Service		5.0	5.5	4.9
Education	Doctoral	5.07%	4.96%	4.94%
	Master	67.03%	67.58%	68.10%
	University & College	27.18%	26.73%	26.31%
	High School	0.72%	0.73%	0.65%
	Total	100.00%	100.00%	100.00%

4. Material Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Licensing	NTT DOCOMO Inc.	From Jul. 2010	The Company licensed NTT DOCOMO's LTE technology.	None
Strategic agreement	NavInfo Co.	From May 13, 2016	The Company signed a strategic cooperation agreement with NavInfo Co., Ltd.	None
Investment and share disposal	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
Real estate	Futsu Construction Co., Ltd.	From Jun. 30, 2016	Phase I of construction process of MediaTek D office in Hsinchu Science Park	None
Patent licensing	Rambus Inc.	From Jan. 1, 2017	Rambus and the Company renewed the patent licensing agreement, effective retrospectively in the beginning of 2017.	None
Patent settlement and licensing	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
Share acquisition	Hefei Venture Capital Fund Ltd.	Permanently effective from Apr. 30, 2018	Nepfos Cayman Co. Limited, a subsidiary of MediaTek Inc., acquired 20.45% ownership of Nepfos (Hefei) Co. Ltd., a subsidiary of MediaTek Inc., from Hefei Venture Capital Fund Ltd.	None
Real estate	Jiangsu Wanniananda 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
Share acquisition	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
Share acquisition	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

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 13 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 2018 for example, there were 5 classes organized, including art class, dance class, kids' dance class, adult yoga class and kids' science experiment 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 stipulated by the Ministry of Labor. 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	2018			Total cost (NT\$)	Jan. 1 to Apr. 30, 2019			Total cost (NT\$)
	Number of classes	Numbers of attendees	Hours		Number of classes	Numbers of attendees	Hours	
Management Training System	122	2,935	18,486	34,227 thousand	17	578	3,332	10,271 thousand
General Training	125	2,293	9,406		65	841	3,489	
Professional Knowledge Training	164	7,730	25,762		23	1,242	2,376	
Personal effectiveness	93	2,388	12,145		7	232	1,194	
Language training	72	2,452	22,528		4	148	4,558	
External training	563	892	16,547		159	213	11,014	
Total	1139	18,690	104,874		275	3,254	25,963	

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. 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 123 projects were received in 2018, among which, 40 projects were selected after initial screening process and 40% were reserved for students in remote or disadvantaged schools. 33 Projects won the County Science and Technology Exhibition Awards, 12 projects competed in the National Science and Technology Exhibition, and 5 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, 4 schools passed city/municipal science competition and national science competition with our support this year, including Dalun Elementary School in Chiayi, Chulai Elementary School in Taitung, Checheng Elementary School – Bao-Li Division in Pingtung, Laiji Elementary School in Chiayi which have 112, 18, 18, and 12 people in the whole school respectively.

For the third stage to promote popular science reading, 50 popular science books were provided for the 38 schools that passed initial screening. Students were able to grow their science knowledge and to be inspired. 1,332 response cards and 8,972 internet votes were received, over 4,500 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.

2.1.2. Local Talent Foster

The “STEM” 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 2018, the cooperation with Taipei City, Nantou County, Hualien County and Pingtung County in total incubated 88 seed teachers, 168 hours of training, and 1,400 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.

However, there are many remote areas in Taiwan that are unable to join the project in the first stage. MediaTek Foundation works with private organizations such as Program the World Association to promote scientific education and hope the disadvantages due to geographic reasons can be eliminated.

2.1.3. AaPaTo Honor Society

To advocate for scientific education in high school, MediaTek Foundation established the AaPaTo Honor Society in 2016 to enhance young students' interests and understanding in the technology field and promote scientific education, through which we can foster international technology talents. Currently, AaPaTo Honor Society has established chapters in Jianguo High School, HsinChu Senior High School, HsinChu Girls’ Senior High School, Taichung First Senior High School and Experimental High School at Hsinchu Science Park and its primary obligations include teaching technological applications, hosting science advocacy seminars and high school

campus and promoting exchanges of science clubs in high schools in order to promote knowledge in technology fields.

AaPaTo Honor Society is primarily facilitated and led by multiple professors from NCTU's Department of Electronic Engineering. The backbone of the society are full-time assistants, while students in the Electronic Engineering major and MediaTek volunteers serve as seed teachers to undertake thematic teaching projects in various schools. In terms of promoting technological applications, MediaTek nurtures students' interest in technology by providing the IoT platform, MediaTek LinkIt™ to guide students in realizing their innovative capability while attempting to develop and bring to life all kinds of creations and possible applications of IoT and wearable technologies.

In 2018, AaPaTo Honor Society was held in the form of maker courses, weekend workshops and winter camps, to promote scientific education for high school students. The total training hour reached 256 hours, 466 students participated in the training, 21 teachers were trained and eventually 24 students filed application for honorary membership and 13 were approved.

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 2018, 12 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

MediaTek published 8 papers in International Solid-State Circuit Conference (ISSCC) in 2019. Two 5G related researches were invited to the publication in Forum and the Company is the only company that published papers in 16 consecutive years in Taiwan. ISSCC is the best forum for technology exchanges between industry and academia in semiconductor industry. The Company has not been interrupted for 16 consecutive years, several papers have been selected and published in this top forum every year. The Company has demonstrated strong research and development capabilities. The recognition from IEEE ISSCC fully shows MediaTek's persistency for R&D internally. 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 17 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, and Peking University in different technology development, continue to riding on the global tide.

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 8 patents and published 61 papers, and 13 of the alumni participated in the researches joined MediaTek. In response to Ministry of Science and Technology's project to enhance industry-academia collaboration, the Company formed two alliance with universities:

- A. Since 2014, the Company collaborated with NTU, NTHU, NCTU, and Taiwan University of Science and Technology on the "Key Technology Research for Next-Generation Mobile Communication Terminal Devices" project for 3 years and invested NT\$180 million. The project is completed by the end of 2017, applied over 30 patents and published over 200 papers. The universities also participated in the standard

proposal meeting for the first time. The number of proposals in the three years period reached 36 and the number of joint proposals with major domestic and foreign companies reached 19. The results of various programs such as image-based voice annotation technology and image processing based on deep learning are also referenced by the product design of MediaTek R&D units; 5G technology development trends such as high spectral efficiency, high speed, low latency, high efficiency communication, etc., the results of related programs also had good feedback.

- B. At the end of 2016, the Company collaborated with NCTU, China Telecom, Quanta Computer and Hermes-Epitek on the “Next-Generation Technology Industry-University Cooperation Project - 3D Communication Network Technology and Its Application in Smart Campus” project, focusing on key low-latency communication technology research, planning smart campus, providing total funding of NT\$24 million in the three-year period, with the hope to achieve smart cities and smart countries.

MediaTek invested in higher education industry-academia collaboration for more than NT\$70 million. In addition to the collaboration with universities, the Company also involved in many research institutions, such as MIT CSAIL Lab, Khronos Group, Taiwan Semiconductor Association, Taiwan IC Industry and Academia Research Alliance, Taiwan Electromagnetic Industry Academia Consortium, NTU SoC Center, Micro Sensors and Actuators Technology Consortium.

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 2018, 380 teams registered for the competition, 1,382 people joined the competition, eventually 323 township improvement proposals were made and the topics were around 180 townships in Taiwan. The proposals included five major aspects: new agriculture, disaster prevention and risk management, environmental protection and food safety, land and cultural education, social welfare and community assistance that fully reflect current social challenges.

The composition of the participating teams is quite diverse, including students, farmers, university professors, start-ups, house-wives. The youngest participant is only 13 years old. It is obvious that “Genius at Home” has successfully called on people who are willing to contribute to improve their hometown.

“Genius at Home” focuses on local presence, demanding participating teams to work with at least one local organization to deeply understand local needs and further develop adequate solutions. The local organizations collaborated in 2018 included local governments, medical institutions, local agricultural and fisheries associations, community organizations, school, local businesses, non-profit organizations, all demonstrated strong local presence.

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 2018, six workshops were held in Taipei, Hsinchu, Taichung, Tainan and other places 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 three special prizes. The first prize team cooperated with the Taipei Municipal Government Social Affairs Bureau to use big data and AI to assess the needs of families in poverty and make program recommendations. In addition to reducing the paperwork and labor costs of traditional social welfare operations, the accuracy can be greatly improved to 81% from the original accuracy of 40%, in which was assessed by human. This program has been initially tested and is reproducible. In the future, it will be able to provide a basis for the re-making of social welfare process and more effectively assist the families in poverty to turn the future.

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.”

3. Environmental Efforts

3.1. Long-Term and Short-Term Goals

3.1.1. Short-Term Environmental Goals

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

3.1.2. Mid-Term Environmental Goals

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

3.1.3. Long-Term Environmental Goals

Long-term environmental goals are to fully comply with regulatory environmental rules 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 2018 was approximately NT\$8.18 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\$3.93 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\$4.25 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 2018 was approximately NT\$11.27 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\$5.29 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\$1.76 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 2018 was approximately NT\$2.95 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\$2.27 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\$680 thousand.

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\$3.4 million.

- 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\$980 thousand.

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 2018 was approximately NT\$4.12 million.

The Company reduced 4,947 tons and 4,385 tons of carbon dioxide emissions in 2018 and 2017, respectively (a savings of 8,930,000 kWh and 8,290,000 kWh). The calculating standard of the aforementioned carbon dioxide emissions is based on the release of Bureau of Energy, Ministry of Economic Affairs. The 2018 statistics was based on 2017 electricity emission coefficient that 1 kWh of electricity emission is equal to 0.554 kilogram

carbon dioxide and the 2017 statistics was based on 2016 electricity emission coefficient that stated 1 kWh of electricity emission is equal to 0.529 kilogram carbon dioxide.

3.2.2. Efforts in water saving

- A. The Company replaced traditional faucets with water-saving faucets. Usage of water was reduced by approximately 2,480 ton in 2018 and carbon emission was reduced by 712 kg/CO₂e.
- B. The Company implemented a rainwater collection storage tank. Approximately 402 ton of rainwater was collected in 2018 for cooling water towers and watering plants. Carbon emission was reduced by 78 kg/CO₂e.
- C. Approximately 15 ton of condensed water from the Company's air conditioners is reused for plant watering. Approximately 3,720 ton of condensed water is recycled each year and approximately 725 kg kg/CO₂e 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 fifteen minutes.
- C. Set up six 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	2017	2018	Change	% of Change
Current Assets	238,664,496	236,037,524	(2,626,972)	(1)
Funds and Investments	38,124,359	49,261,788	11,137,429	29
Property, Plant and Equipment	36,938,640	37,603,586	664,946	2
Intangible Assets	76,029,080	73,788,598	(2,240,482)	(3)
Other Assets	5,409,633	6,144,548	734,915	14
Total Assets	395,166,208	402,836,044	7,669,836	2
Current Liabilities	127,257,383	122,592,079	(4,665,304)	(4)
Non-current Liabilities	6,709,812	5,918,058	(791,754)	(12)
Total Liabilities	133,967,195	128,510,137	(5,457,058)	(4)
Common Stock	15,814,371	15,915,070	100,699	1
Capital Surplus	88,210,819	85,237,214	(2,973,605)	(3)
Retained Earnings	137,627,576	148,009,403	10,381,827	8
Other Equity	18,214,847	23,840,504	5,625,657	31
Treasury Shares	(55,970)	(55,970)	-	-
Non-controlling Interest	1,387,370	1,379,686	(7,684)	(1)
Total Equity	261,199,013	274,325,907	13,126,894	5
Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:				
(1) Increase in funds and investments and other equity: Mainly due to the change in financial assets at fair value through profit or loss.				

1.2. Parent Company

Unit: NT\$ thousands

Item	2017	2018	Change	% of Change
Current Assets	96,561,558	92,454,434	(4,107,124)	(4)
Funds and Investments	186,823,137	194,393,642	7,570,505	4
Property, Plant and Equipment	12,425,597	12,988,180	562,583	5
Intangible Assets	29,449,574	28,975,722	(473,852)	(2)
Other Assets	1,897,443	3,226,374	1,328,931	70
Total Assets	327,157,309	332,038,352	4,881,043	1
Current Liabilities	65,335,126	57,235,307	(8,099,819)	(12)
Non-current Liabilities	2,010,540	1,856,824	(153,716)	(8)
Total Liabilities	67,345,666	59,092,131	(8,253,535)	(12)
Common Stock	15,814,371	15,915,070	100,699	1
Capital Surplus	88,210,819	85,237,214	(2,973,605)	(3)
Retained Earnings	137,627,576	148,009,403	10,381,827	8
Other Equity	18,214,847	23,840,504	5,625,657	31
Treasury Shares	(55,970)	(55,970)	-	-
Total Equity	259,811,643	272,946,221	13,134,578	5
Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:				
(1) Increase in other assets: Mainly due to increase in deferred tax assets.				
(2) Increase in other equity: Mainly due the change in financial assets at fair value through profit or loss.				

2. Operating Results

2.1. Consolidated Report

Unit: NT\$ thousands

Item	2017	2018	Change	% of Change
Net Sales	238,216,318	238,057,346	(158,972)	(0)
Operating Costs	153,330,436	146,333,658	(6,996,778)	(5)
Gross Profit	84,885,882	91,723,688	6,837,806	8
Operating Expenses	75,066,740	75,541,212	474,472	1
Operating Income	9,819,142	16,182,476	6,363,334	65
Non-Operating Income and Expenses	17,418,321	7,509,009	(9,909,312)	(57)
Net Income before Income Tax	27,237,463	23,691,485	(3,545,978)	(13)
Income Tax Expense	3,167,365	2,909,089	(258,276)	(8)
Net Income	24,070,098	20,782,396	(3,287,702)	(14)
Other Comprehensive Income, net of tax	5,263,033	78,580	(5,184,453)	(99)
Total Comprehensive Income	29,333,131	20,860,976	(8,472,155)	(29)
Net Income Attributable to Owners of the Parent	24,332,604	20,760,498	(3,572,106)	(15)
Total Comprehensive Income Attributable to Owners of the Parent	29,601,582	20,860,790	(8,740,792)	(30)
Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:				
<ol style="list-style-type: none"> (1) Increase in operating income: Mainly due to increase in gross profit from the decrease of operating costs. (2) Decrease in non-operating income and expenses: Mainly due to gains on disposal of investments from partial holdings of Shenzhen Huiding Technology Co., Ltd. in previous period. (3) Decrease in other comprehensive income, net of tax: Mainly due to the market value increase of available-for-sale financial assets that leads to the increase of unrealized gain in the previous period, and the change in this period is not significant. (4) Decrease in total comprehensive income and total comprehensive income attribute to owners of the parent: Mainly due to aforementioned changes in operating income, non-operating income and expenses, other comprehensive income, net of tax. 				

2.2. Parent Company

Unit: NT\$ thousands

Item	2017	2018	Change	% of Change
Net Sales	92,525,183	88,795,775	(3,729,408)	(4)
Operating Costs	57,747,431	52,423,845	(5,323,586)	(9)
Gross Profit	34,777,752	36,371,930	1,594,178	5
Unrealized Gross Profit on Sales	(167,992)	0	167,992	100
Realized Gross Profit on Sales	73,039	81,656	8,617	12
Net Gross Profit	34,682,799	36,453,586	1,770,787	5
Operating Expenses	34,165,199	33,581,076	(584,123)	(2)
Operating Income	517,600	2,872,510	2,354,910	455
Non-Operating Income and Expenses	23,308,592	17,981,150	(5,327,442)	(23)
Net Income before Income Tax	23,826,192	20,853,660	(2,972,532)	(12)
Income Tax Expense (Income)	(506,412)	93,162	599,574	(118)
Net Income	24,332,604	20,760,498	(3,572,106)	(15)
Other Comprehensive Income, net of tax	5,268,978	100,292	(5,168,686)	(98)
Total Comprehensive Income	29,601,582	20,860,790	(8,740,792)	(30)

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

- (1) Decrease in unrealized gross profit on sales: Mainly due to no sales between affiliate companies this year.
- (2) Increase in operating income: Mainly due to increase in gross profit from the decrease of operating costs.
- (3) Decrease in non-operating income and expenses: Mainly due to lower share in subsidiaries and affiliate companies in equity method.
- (4) Increase in income tax expense: Mainly due to adjustments resulted from tax assessment in 2014 and 2015 in previous period.
- (5) Decrease in other comprehensive income, net of tax: Mainly due to lower share in subsidiaries and affiliate companies in equity method, partly offset by lower loss in exchange differences resulting from translating the financial statements of foreign operations.
- (6) Decrease in total comprehensive income: Mainly due to changes from aforementioned operating income, non-operating income and expenses, income tax expense and total comprehensive income.

3. Cash Flow Analysis

3.1. Consolidated Report

Unit: NT\$ thousands

Cash Balance Dec. 31, 2017	Net Cash Provided by Operating Activities in 2018	Net Cash Outflows from Investing and Financing Activities in 2018	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2018	Remedy for Cash Shortfall (Investment & Financing Plan)
\$145,338,376	\$20,342,839	\$(23,517,415)	\$1,006,445	\$143,170,245	--

3.1.1 Analysis of the Change in Cash Flow in 2018

Operating activities: Net cash inflow of NT\$20,342,839 thousand, mainly from operating profits.

Investing activities: Net cash inflow of NT\$7,069,459 thousand, mainly due to acquisition and disposal of financial assets.

Financing activities: Net cash outflow of NT\$30,586,874 thousand, mainly due to distribution of cash dividend and decrease in short-term borrowings.

3.1.2 Remedial Actions for Cash Shortfall

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

3.1.3 Cash Flow Projection for Next Year

Not applicable.

3.2. Parent Company

Unit: NT\$ thousands

Cash Balance Dec. 31, 2017	Net Cash Provided by Operating Activities in 2018	Net Cash Outflows from Investing and Financing Activities in 2018	Cash Balance Dec. 31, 2018	Remedy for Cash Shortfall (Investment & Financing Plan)
\$77,148,536	\$10,751,012	\$(27,694,776)	\$60,204,772	--

3.2.1 Analysis of the Change in Cash Flow in 2018

Operating activities: Net cash inflow of NT\$10,751,012 thousand, mainly from operating profits

Investing activities: Net cash inflow of NT\$3,652,278 thousand, mainly due to the divestments in subsidiaries and partially offset by the purchase of fixed assets.

Financing activities: Net cash outflow of NT\$31,347,054 thousand, mainly due to the distribution of cash dividend and the decrease 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 (2018 and 2017)	Status of Actual or Projected Use of Capital	
			2018	2017
Fixed Assets - Land, Office Building and R&D Equipment	Cash flow generated from operation	\$8,706,205	\$4,652,766	\$4,053,439
Intangible Assets - Software, IPs and Patents	Cash flow generated from operation	\$3,946,355	\$2,150,513	\$1,795,842

4.2. Expected Future Benefits

1. Fixed Assets - Land and office buildings:

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

2. Fixed Assets - R&D equipment:

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

3. Intangible assets: software, IPs and patents:

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

5. Investment Policies

The Company's investments are long-term strategic investments. Investment gain from equity method investment in 2018 was NT\$361,190 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, 2018 and 2017 decreases/increases by NT\$8,905 thousand and NT\$1,662 thousand, while equity decreases/increases by NT\$94,822 thousand and NT\$78,448 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, 2018 and 2017 to increase/decrease by NT\$4,743 thousand and NT\$6,545 thousand, respectively.

Risks associated with inflation:

There was no major impact from inflation on the Company's 2018 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 2019
Next generation tablet chips	End of 2019
Next generation highly-integrated wireless communication chips	End of 2019
Next generation low-power AIoT and smart home connectivity chips	End of 2019
Next generation highly-integrated 8K UltraHD, 8K60Hz smart TV chips	End of 2019
Various electronics' next generation power management and controller chipsets	End of 2019
Next generation terabit passive optical network (xPON) chipsets	Mid of 2019
New generation ten megabyte passive optical network (xPON) chipsets	Mid of 2019
Next generation ten megabyte NBASE-T Ethernet physical chipsets	End of 2019
Next generation brushless DC motor	End of 2019

The Company's R&D projects all follow industry trends and are implemented in a highly integrated and economical way. R&D expenses in 2018 and 2017 were NT\$57,548,771 thousand and NT\$57,170,776 thousand, accounting for 24% 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 2018 total R&D budget which is estimated to be 27% of 2019 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 Company Act was amended on August 1, 2018, and Regulations Governing the Acquisition and Disposal of Assets by Public Companies was amended on November 26, 2018, and Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies was amended On March 7, 2019, the Company will amend the Company's Articles of Incorporation, Procedures Governing the Acquisition or Disposition of Assets, and Operating Procedures of Endorsement/Guarantee accordingly. The changes in the aforementioned laws and regulations have no significant impact on the Company's business.

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

6.5. Impact of New Technology and Industry Changes

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

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

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

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, 2018 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) 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. This final determination applies only to the Company's chipsets using certain legacy GPUs, and thus it will not have a significant impact on MTK and subsidiary MediaTek USA Inc.'s overall business and operations. MTK and subsidiary MediaTek USA Inc. will continue to pursue relevant legal avenues to protect the company's rights and interests. 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 operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by these cases.
- (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. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by these cases.
- (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. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.
- (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. 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. This case has been stayed pending the conclusion of the aforementioned ITC action. The operations of MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. (merged into MTK as of January 1, 2019) will not be materially affected by these cases.

The Company will handle these cases carefully.

6.13. Other Material Risk:

For the IT risk assessment analysis and related response measures, the Company has established a complete network, computer security protection system and process to control or maintain the Company's operations and IC research and development to avoid the risk of cyber-attack, however, it is not 100% guaranteed to avoid cyber-attach or information-stealing from any third party. For the internal IT security control, the Company established IT security committee to carry out the revision of the security policy and conduct internal security control. In addition, the Company conducts IT security system checks annually to ensure the control system is functioning properly. The Company requires third-party manufacturers and customers to sign no-disclosure agreements and comply with confidentiality obligations when the Company provides sensitive information to them, but cannot guarantee that each third-party manufacturer and customer will comply or strictly abide by these obligations.

7. Other Material Events

7.1. Certificate Holding Status for Personnel Associated with Financial Transparency

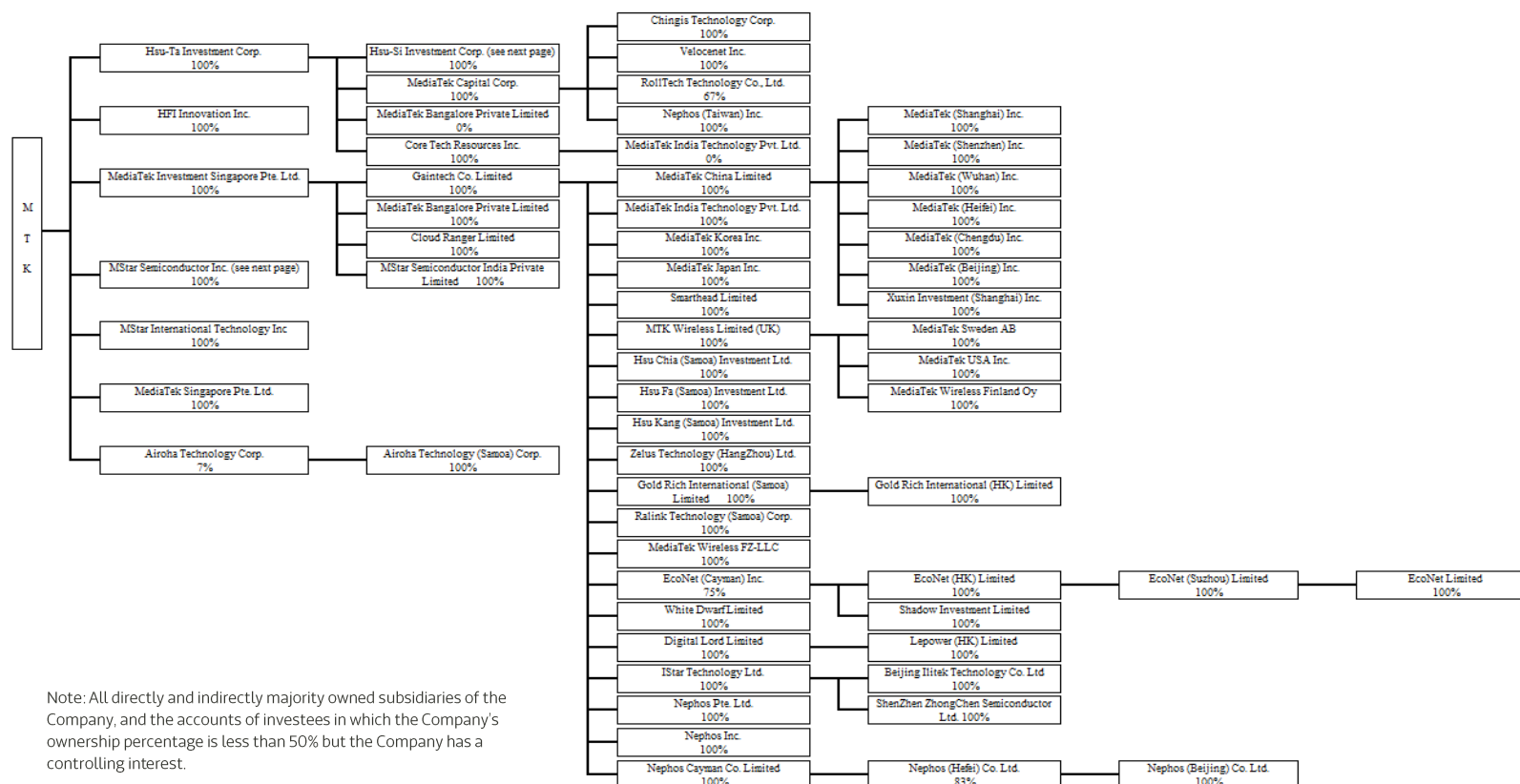
	Certificate	CPA	US CPA	CA	CIA	CFA	CMA	FRM	TA
Headcount									
Finance		15	3	1	4	1	1	1	1
Internal audit		1	-	-	3	-	-	-	-

VIII. Special Disclosure

1. Summary of Affiliated Companies

1.1. The Company's Affiliated Companies Chart

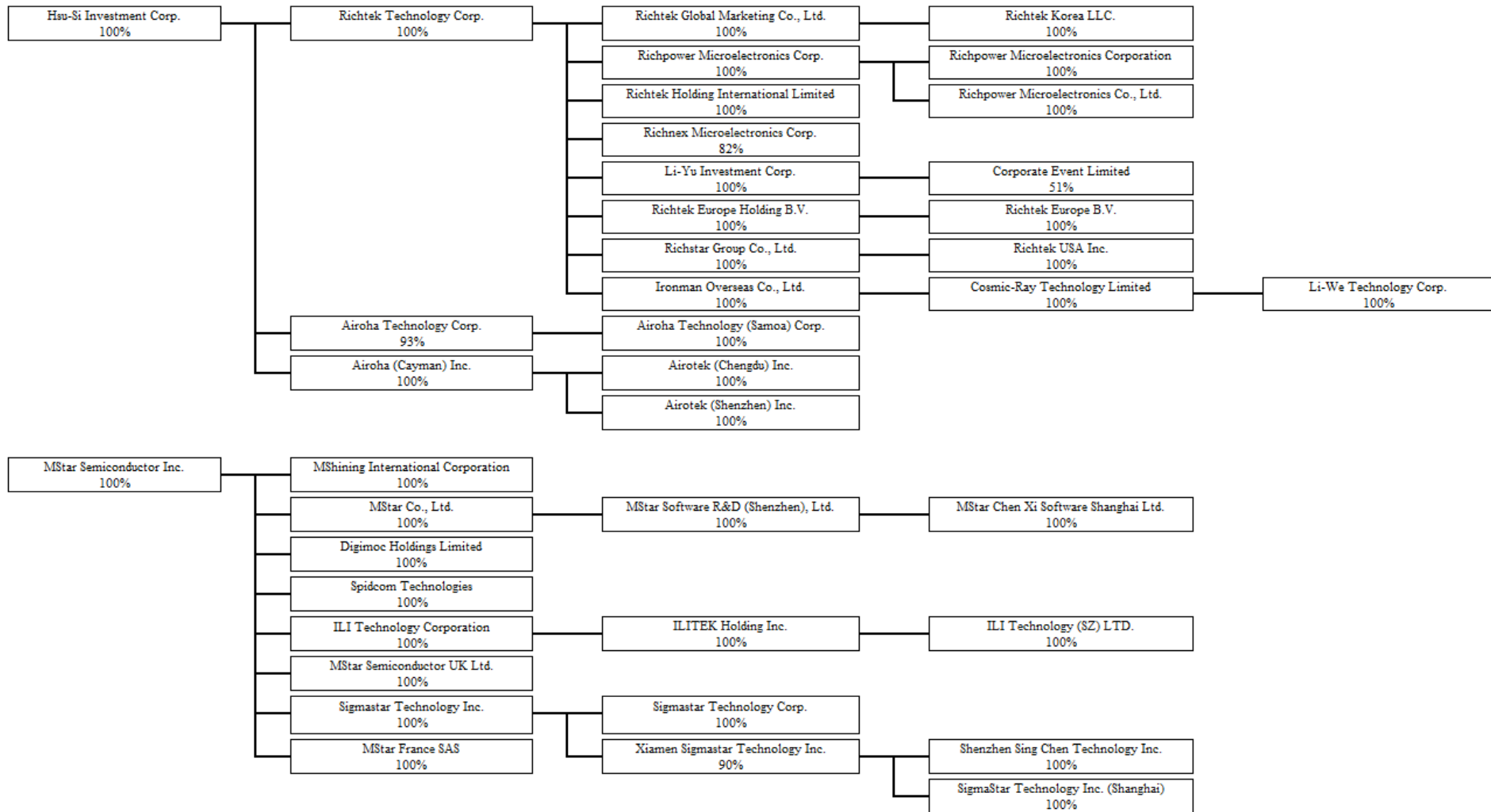
Dec. 31, 2018



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.

(To be continued)

(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, 2018. Unit: NT\$ 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 2,193,635	General investing
Airoha (Cayman) Inc.	Oct 2009	Cayman Islands	USD 624	General investing
MStar Semiconductor, Inc.	Jun 2002	Taiwan	NTD 1,452,532	Research, manufacturing and sales
MStar International Technology Inc.	Jan 2015	Taiwan	NTD 300,000	Research
HFI Innovation Inc.	Feb 2016	Taiwan	NTD 808,281	Intellectual property right management
Core Tech Resources Inc.	Sep 2002	B.V.I.	USD 102,200	General investing
MediaTek Capital Corp.	Sep 2000	Taiwan	NTD 707,450	General investing
Hsu-Si Investment Corp.	Sep 2015	Taiwan	NTD 30,700,000	General investing
RollTech Technology Co., Ltd.	Mar 2007	Taiwan	NTD 52,620	Research
Chingis Technology Corp.	Oct 1998	Taiwan	NTD 1,169,370	Research
Velocenet Inc.	Nov 2015	Taiwan	NTD 154,286	Research
Nephos (Taiwan) Inc.	Dec 2015	Taiwan	NTD 136,794	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	Holland	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 Global Marketing Co., Ltd.	Dec 2010	B.V.I.	USD 1,000	General investing
Richtek USA Inc.	Mar 2004	USA	USD 1,000	Sales and technical services
Cosmic-Ray Technology Limited	Aug 2003	Samoa	USD 5,530	General investing
Richtek Europe B.V.	Sep 2007	Holland	EUR 1,500	Marketing service
Li-We Technology Corp.	Apr 2004	Mainland China	USD 2,500	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 China Limited	Sep 2007	Hong Kong	HKD 2,445,564	General investing
MTK Wireless Limited (UK)	Aug 2007	UK	GBP 65,508	Research
MediaTek Japan Inc.	Jun 1997	Japan	JPY 100,000	Technical services
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

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
EcoNet (Cayman) Inc.	Mar 2013	Cayman Islands	USD 19,035	General investing
Mediatek Wireless FZ-LLC	Nov 2013	Dubai	AED 50	Technical services
Digital Lord Limited	Aug 2015	Samoa	USD 3,100	General investing
Hsu Chia (Samoa) Investment Ltd.	Aug 2015	Samoa	CNY 1,000,000	General investing
Hsu Fa (Samoa) Investment Ltd.	Aug 2015	Samoa	CNY 1,000,000	General investing
Hsu Kang (Samoa) Investment Ltd.	Aug 2015	Samoa	CNY 1,000,000	General investing
Nephos Pte. Ltd.	Nov 2015	Singapore	SGD 3,039	Research
Nephos Inc.	Nov 2015	USA	USD 0.1	Research
Nephos Cayman Co. Limited	Dec 2015	Cayman Islands	USD 82,165	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 4,800	Research
Xuxin Investment (Shanghai) Inc.	Jan 2011	Mainland China	USD 10,100	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
Gold Rich International (HK) Limited	Mar 2011	Hong Kong	USD 4,190	General investing
Lepower (HK) Limited	Mar 2011	Hong Kong	USD 3,050	General investing
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	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
Gaintech Co. Limited	Jul 2000	Cayman Islands	USD 326,291	General investing
Cloud Ranger Limited	Feb 2015	Samoa	USD 23,139	General investing
White Dwarf Limited	July 2007	B.V.I.	USD 5	General investing
MStar France SAS	Oct 2006	France	EUR 4,589	Research
IStar Technology Ltd.	Aug 2013	Cayman Islands	USD 50	General investing
MStar Co., Ltd.	May 2003	Brunei	USD 5,850	General investing
Digimoc Holdings Limited	Sep 2007	B.V.I.	USD 50	General investing
MStar Semiconductor UK Ltd.	Jun 2007	U.K.	GBP 915	Research and technical services
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
MShining International Corporation	Mar 2016	Taiwan	NTD 631,388	Sales
MStar Semiconductor India Private Limited	Jul 2015	India	INR 150	Research and technical services
ILI Technology Corporation	Jul 2015	Taiwan	NTD 3,697,702	Research, manufacturing and sales
Beijing Ilitek Technology Co. Ltd.	May 2016	Mainland China	USD 3,000	Research and technical services

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
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
Nephos (Hefei) Co. Ltd.	Jul 2016	Mainland China	USD 41,250	Research, manufacturing and sales
Zelus Technology (HangZhou) Ltd.	Oct 2017	Mainland China	USD 5,150	Research and sales
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 Corp.	Sep 2017	Taiwan	NTD 1,527,950	Research, manufacturing and sales
Sigmastar Technology Inc.	Oct 2017	Cayman Islands	USD 55,525	General investing
Spidcom Technologies	Sep 2002	France	EUR 146	Research
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	Technical services
SigmaStar Technology Inc. (Shanghai)	Apr 2018	Mainland China	CNY 1,000	Technical services
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 of 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, 2018; Unit: share / %

Company Name	Title	Name or Representative	Shares	% of Holding
Hsu-Ta Investment Corp.	Chairman	MediaTek Inc. Rep.: Ching-Jiang Hsieh	3,398,981,889	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Iris Chen		
	Supervisor	MediaTek Inc. Rep.: Amy Chung		
MediaTek Singapore Pte. Ltd.	Director	David Ku	MediaTek Inc. 111,993,960	100%
	Director	CC Ku		
MediaTek Investment Singapore Pte. Ltd.	Director	David Ku	MediaTek Inc. 2,193,635,278	100%
	Director	CC Ku		
Airoha (Cayman) Inc.	Director	Ching-Jiang Hsieh	Hsu-Si Investment Corp. 1,248,583	100%
MStar Semiconductor, Inc.	Chairman	MediaTek Inc. Rep.: Gon-Wei Liang	145,253,238	100%
	Director	MediaTek Inc. Rep.: Ching-Jiang Hsieh		
	Director	MediaTek Inc. Rep.: Mei-Hui Lin		
	Supervisor	MediaTek Inc. Rep.: David Ku		
MStar International Technology Inc.	Chairman	MediaTek Inc. Rep.: Gon-Wei Liang	30,000,000	100%
	Director	MediaTek Inc. Rep.: Yong-Yu Lin		
	Director	MediaTek Inc. Rep.: David Ku		
	Supervisor	MediaTek Inc. Rep.: Iris Chen		
HFI Innovation Inc.	Chairman	MediaTek Inc. Rep.: Ching-Jiang Hsieh	80,828,122	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Steven Liu		
	Supervisor	MediaTek Inc. Rep.: Iris Chen		
CoreTech Resources Inc.	Director	David Ku	Hsu-Ta Investment Corp. 102,200,000	100%
MediaTek Capital Corp.	Chairman	Hsu-Ta Investment Corp. Rep.: Ching-Jiang Hsieh	70,745,023	100%
	Director	Hsu-Ta Investment Corp. Rep.: David Ku		
	Director	Hsu-Ta Investment Corp.		

Company Name	Title	Name or Representative	Shares	% of Holding
		Rep.: Iris Chen		
	Supervisor	Hsu-Ta Investment Corp. Rep.: Amy Chung		
Hsu-Si Investment Corp.	Chairman	Hsu-Ta Investment Corp. Rep.: Ching-Jiang Hsieh	3,070,000,000	100%
	Director	Hsu-Ta Investment Corp. Rep.: David Ku		
	Director	Hsu-Ta Investment Corp. Rep.: Iris Chen		
	Supervisor	Hsu-Ta Investment Corp. Rep.: Amy Chung		
RollTech Technology Co. Ltd.	Chairman	MediaTek Capital Corp. Rep: Iris Chen	3,510,000	67%
	Director	MediaTek Capital Corp. Rep.: Benson Tsai	3,510,000	67%
	Director	Trinity investment Corporation	701,000	13%
	Supervisor	Amy Chung	-	-
Chingis Technology Corp.	Chairman	MediaTek Capital Corp. Rep.: Chang-Chiao 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		
Velocenet Inc.	Chairman	MediaTek Capital Corp. Rep.: Ching-Jiang Hsieh	15,428,560	100%
	Director	MediaTek Capital Corp. Rep.: Jerry Yu		
	Director	MediaTek Capital Corp. Rep.: Richard Hsieh		
	Director	MediaTek Capital Corp. Rep.: David Ku		
	Supervisor	MediaTek Capital Corp. Rep.: Amy Chung		
Nephos (Taiwan) Inc.	Chairman	MediaTek Capital Corp. Rep.: Ching-Jiang Hsieh	13,679,360	100%
	Director	MediaTek Capital Corp. Rep.: Jerry Yu		
	Director	MediaTek Capital Corp. Rep.: Richard Hsieh		
	Director	MediaTek Capital Corp. Rep.: David Ku		
	Supervisor	MediaTek Capital Corp. Rep.: Amy Chung		
Richtek Technology Corp.	Chairman	Hsu-Si Investment Corp. Rep.: Luke Hsieh	148,482,806	100%
	Director	Hsu-Si Investment Corp. Rep.: Kou-Hung Loh		
	Director	Hsu-Si Investment Corp.		

Company Name	Title	Name or Representative	Shares	% of Holding
		Rep.: Steve Lai		
	Director	Hsu-Si Investment Corp. Rep.: Chris Yuan		
	Supervisor	Hsu-Si Investment Corp. Rep.: David Ku		
Richstar Group Co., Ltd.	Director	Chris Yuan	Richtek Technology Corp. 10,765,000	100%
Ironman Overseas Co., Ltd.	Director	Chris Yuan	Richtek Technology Corp. 8,930,000	100%
Richtek Europe Holding B.V.	Director	Chris Yuan	Richtek Technology Corp. 2,000,000	100%
	Director	Nick Liu		
Richtek Holding International Limited	Director	Chris Yuan	Richtek Technology Corp. 30,000	100%
Richpower Microelectronics Corp.	Director	Steve Lai	Richtek Technology Corp. 12,600,000	100%
Li-Yu Investment Corp.	Chairman	Richtek Technology Corp. Rep.: Steve Lai	31,275,100	100%
	Director	Richtek Technology Corp. Rep.: Luke Hsieh		
	Director	Richtek Technology Corp. Rep.: Scott Wang		
	Supervisor	Richtek Technology Corp. Rep.: Chris Yuan		
Richnex Microelectronics Corp.	Chairman	Shen Tu	1,481,500	4%
	Director	Richtek Technology Corp. Rep.: Luke Hsieh	26,963,153	82%
	Director	Richtek Technology Corp. Rep.: Steve Lai		
	Supervisor	York Chang	-	-
Richtek Global Marketing Co., Ltd.	Director	Chris Yuan	Richtek Technology Corp. 2,000	100%
Richtek USA, Inc.	Director	James Liu	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.	Chairman	Richpower Microelectronics Corp. Rep.: Steve Lai	10,000,000	100%
	Director	Richpower Microelectronics Corp. Rep.: Chean-Lung Tsai		
	Director	Richpower Microelectronics Corp. Rep.: Chris Yuan		
	Supervisor	Richpower Microelectronics Corp. Rep.: York Chang		

Company Name	Title	Name or Representative	Shares	% of Holding
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 Global Marketing Co., Ltd. 10,000	100%
MediaTek China Limited	Director	David Ku	Gaintech Co. Limited 2,445,564,020	100%
MTK Wireless Limited (UK)	Director	Lawrence Loh	Gaintech Co. Limited 65,508,146	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		
	Director	David Ku		
	Supervisor	Iris Chen		
Gold Rich International (Samoa) Limited	Director	Iris Chen	Gaintech Co. Limited 4,290,000	100%
Smarthead Limited	Director	Iris Chen	Gaintech Co. Limited 700,000	100%
Ralink Technology (Samoa) Corp.	Director	David Ku	Gaintech Co. Limited 7,150,000	100%
EcoNet (Cayman) Inc.	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%
MediaTek Wireless FZ-LLC	Director	CC Ku	Gaintech Co. Limited 50	100%
	Director	Iris Chen		
	Director	David Ku		
Digital Lord Limited	Director	Iris Chen	Gaintech Co. Limited 3,100,000	100%
Hsu Chia (Samoa) Investment Ltd.	Director	Iris Chen	Gaintech Co. Limited 1,000,000,000	100%
Hsu Fa (Samoa) Investment Ltd.	Director	Iris Chen	Gaintech Co. Limited 1,000,000,000	100%
Hsu Kang (Samoa) Investment Ltd.	Director	Iris Chen	Gaintech Co. Limited 1,000,000,000	100%
Nephos Pte. Ltd.	Director	CC Ku	Gaintech Co. Limited 3,039,240	100%
	Director	Ching-Jiang Hsieh		
Nephos Inc.	Director	Ching-Jiang Hsieh	Gaintech Co. Limited 10,000	100%
Nephos Cayman Co. Limited	Director	Jerry Yu	Gaintech Co. Limited	

Company Name	Title	Name or Representative	Shares	% of Holding
	Director	David Ku	82,164,964	100%
	Director	Richard Hsieh		
MediaTek (Hefei) Inc.	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
MediaTek (Beijing) Inc.	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
MediaTek (ShenZhen) Inc.	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
MediaTek (Chengdu) Inc.	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
MediaTek (Wuhan) Inc.	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
Xuxin Investment (Shanghai) Inc.	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
MediaTek (Shanghai) Inc.	Executive director / Legal representative	MediaTek China Limited Hai Wang	Not applicable	100%
	Supervisor	MediaTek China Limited Amy Chung		
MediaTek Sweden AB	Director	David Ku	MTK Wireless Limited (UK) 1,008,371	100%
	Director	Eric Tell		
MediaTek USA Inc.	Director	David Ku	MTK Wireless Limited (UK) 111,815	100%
	Director	Kevin Jou		
MediaTek Wireless Finland Oy	Director	Iris Chen	MTK Wireless Limited (UK) 1,000	100%
	Director	Jeanette Padgett		
	Director	Gemma Noonan		
Gold Rich International (HK) Limited	Director	Iris Chen	Gold Rich International (Samoa) Limited 4,190,000	100%
Lepower (HK) Limited	Director	Iris Chen	Digital Lord Limited 3,050,000	100%
Nepfos (Beijing) Co., Ltd.	Executive director / Legal representative	Nepfos (Hefei) Co., Ltd. Ching-Jiang Hsieh	Not applicable	100%
	Supervisor	Nepfos (Hefei) Co., Ltd. Amy Chung		

Company Name	Title	Name or Representative	Shares	% of Holding
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. 326,291,153	100%
Cloud Ranger Limited	Director	Iris Chen	MediaTek Investment Singapore Pte. Ltd. 23,139,000	100%
White Dwarf Limited	Director	David Ku	Gaintech Co. Limited 5,000	100%
MStar France SAS	Director	David Ku	MStar Semiconductor, Inc. 458,900	100%
IStar Technology Ltd.	Director	David Ku	Gaintech Co. Limited 50,000	100%
MStar Co., Ltd.	Director	Gon-Wei Liang	MStar Semiconductor, Inc. 5,850,000	100%
Digimoc Holdings Limited	Director	David Ku	MStar Semiconductor, Inc. 50,000	100%
MStar Semiconductor UK Ltd.	Director	David Ku	MStar Semiconductor, Inc. 915,000	100%
MStar Software R&D (Shenzhen), Ltd.	Executive director / Legal representative	MStar Co., Ltd. Chin-Men Kao	Not Applicable	100%
	Director	MStar Co., Ltd. Miao-Tzu Tu		
	Director	MStar Co., Ltd. Li-Chiu Mao		
MStar Chen Xi Software Shanghai Ltd.	Executive director / Legal representative	MStar Software R&D (Shenzhen), Ltd. Yong-Yu Lin	Not Applicable	100%
	Supervisor	MStar Software R&D (Shenzhen), Ltd. Mei-Hui Lin		
MShining International Corporation	Chairman	MStar Semiconductor, Inc. Rep.: Mei-Hui Lin	63,138,811	100%
	Director	MStar Semiconductor, Inc. Rep.: Hui-Ting Tsai		
	Director	MStar Semiconductor, Inc. Rep.: Cheng-Chin Chen		
	Supervisor	MStar Semiconductor, Inc. Rep.: Jen-I Liu		

Company Name	Title	Name or Representative	Shares	% of Holding
MStar Semiconductor India Private Limited	Director	Mei-Hui Lin	MediaTek Investment Singapore Pte. Ltd. 1,500	100%
	Director	Hui-Ting Tsai		
	Director	SUSHIL KUMAR AGARWAL		
ILI Technology Corporation	Chairman	MStar Semiconductor, Inc. Rep.: Gon-Wei Liang	369,770,200	100%
	Director	MStar Semiconductor, Inc. Rep.: Luen-Wu Wei		
	Director	MStar Semiconductor, Inc. Rep.: David Ku		
	Supervisor	MStar Semiconductor, Inc. Rep.: Iris Chen		
Beijing Ilitek Technology Co. Ltd.	Executive director / Legal representative	IStar Technology Ltd. Luen-Wu Wei	Not applicable	100%
	Supervisor	IStar Technology Ltd. Sheng-Hsin Chen		
ILITEK Holding Inc.	Director	Luen-Wu Wei	ILI Technology Corporation 13,050	100%
ILI Technology (SZ) LTD.	Executive director / Legal representative	ILITEK Holding Inc. Po-Tau Chen	Not applicable	100%
	Supervisor	ILITEK Holding Inc. Shen-Shin Chen		
Nephos (Hefei) Co. Ltd.	Executive director / Legal representative	Nephos Cayman Co. Limited Ching-Jiang Hsieh	Not applicable	83%
	Director	Nephos Cayman Co. Limited Jerry Yu		
	Director	Nephos Cayman Co. Limited Richard Hsieh		
	Director	Nephos Cayman Co. Limited David Ku		
	Supervisor	Nephos Cayman Co. Limited Amy Chung		
	Supervisor	Hefei Gaoxin Development & Investment Group Company Xue Tin		7%
Zelus Technology (HangZhou) Ltd.	Executive director / Legal representative	Gaintech Co. Limited Hai Wang	Not applicable	100%
	Director	Gaintech Co. Limited DW Tseng		
	Director	Gaintech Co. Limited David Ku		
	Supervisor	Gaintech Co. Limited Amy Chung		
Airoha Technology Corp.	Chairman	Hsu-Si Investment Corp. Rep.: Ching-Jiang Hsieh	56,986,908	93%
	Director	Hsu-Si Investment Corp. Rep.: David Chang		

Company Name	Title	Name or Representative	Shares	% of Holding
	Director	Hsu-Si Investment Corp. Rep.: Yuchuan Yang		
	Supervisor	MediaTek Inc. Rep.: David Ku	4,106,000	7%
Airoha Technology (Samoa) Corp.	Chairman	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 Corp.	Chairman	Sigmastar Technology Inc. Rep.: Yong-Yu Lin	152,795,000	100%
	Director	Sigmastar Technology Inc. Rep.: Gon-Wei Liang		
	Director	Sigmastar Technology Inc. Rep.: Mei-Hui Lin		
	Supervisor	Sigmastar Technology Inc. Rep.: David Ku		
Sigmastar Technology Inc.	Director	Yong-Yu Lin	MStar Semiconductor, Inc. 1,000	100%
	Director	David Ku		
Spidcom Technologies	Director	Ching-Jiang Hsieh	MStar Semiconductor, Inc. 14,620	100%
	Director	David Ku		
	Director	Steven Liu		
Xiamen Sigmastar Technology Inc.	Executive director / Legal representative	Sigmastar Technology Inc. Yong-Yu Lin	Not applicable	100%
	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.	Executive director / Legal representative	Xiamen Sigmastar Technology Inc. Yong-Yu Lin	Not applicable	100%
	Supervisor	Xiamen Sigmastar Technology Inc. Ben Chen		
SigmaStar Technology Inc. (Shanghai)	Executive director / Legal representative	Xiamen Sigmastar Technology Inc. Yong-Yu Lin	Not applicable	100%
	Supervisor	Xiamen Sigmastar Technology Inc. Bo-I Lin		
ShenZhen ZhongChen Semiconductor Ltd.	Executive director / Legal representative	IStar Technology Ltd. Brian Song	Not applicable	100%
	Supervisor	IStar Technology Ltd. Tony Huang		

1.6. Operation Highlights of the Company's Affiliated Companies

Dec. 31, 2018; 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	35,537,044	1,387,403	34,149,641	3,617,422	3,617,103	3,616,553	1.06
MediaTek Singapore Pte. Ltd.	2,396,640	24,498,283	18,442,905	5,055,378	58,533,015	2,356,288	2,602,392	23.24
MediaTek Investment Singapore Pte. Ltd.	67,416,993	111,988,517	14,095	111,974,422	-	(385)	6,337,790	2.89
Airoha (Cayman) Inc.	19,186	181,142	-	181,142	-	(199)	8,417	6.74
MStar Semiconductor, Inc.	1,452,532	29,274,536	15,989,950	13,284,586	46,932,770	7,907,585	5,549,091	38.20
MStar International Technology Inc.	300,000	82,824	-	82,824	-	(956)	(620)	(0.02)
HFI Innovation Inc.	808,281	434,435	6,107	428,328	34,444	(175,734)	(183,004)	(2.26)
Core Tech Resources Inc.	3,140,913	4,708,795	55	4,708,740	-	(75)	71,536	0.70
MediaTek Capital Corp.	707,450	4,192,721	72,170	4,120,551	457,070	430,250	405,274	5.73
Hsu-Si Investment Corp.	30,700,000	26,642,925	1,108	26,641,817	3,139,248	3,139,017	3,137,899	1.02
RollTech Technology Co., Ltd.	52,620	14,456	9,201	5,255	9,201	2,964	2,938	0.56
Chingis Technology Corp.	1,169,370	1,038,197	271,617	766,580	609,203	(55,414)	(36,297)	(0.31)
Velocenet Inc.	154,286	96,522	21,136	75,386	291,462	19,068	19,793	1.28
Nephos (Taiwan) Inc.	136,794	149,917	69,456	89,461	132,736	8,684	6,963	0.51
Richtek Technology Corp.	1,484,828	11,932,456	3,816,333	8,116,123	14,672,767	2,258,386	2,149,140	14.47
Richstar Group Co., Ltd.	330,841	155,385	15,468	139,917	-	(909)	10,198	0.95
Ironman Overseas Co., Ltd.	274,446	101,977	-	101,977	-	(588)	926	0.10
Richtek Europe Holding B.V.	70,483	51,667	72	51,595	-	(75)	4,034	2.02
Richtek Holding International Limited	92,199	75,643	27,076	48,567	60,316	(4,017)	(4,127)	(137.57)
Richpower Microelectronics Corp.	89,064	666,176	105,178	560,998	1,075,617	203,474	208,650	16.56
Li-Yu Investment Corp.	312,751	337,493	230	337,263	3,012	2,941	2,606	0.08
Richnex Microelectronics Corp.	330,000	47,414	15,974	31,440	42,212	(6,256)	(6,442)	(0.20)
Richtek Global Marketing Co., Ltd.	30,733	38,773	13,003	25,770	132,195	-	1,703	851.50
Richtek USA, Inc.	30,733	148,242	14,550	133,692	97,791	11,308	11,405	11.41
Cosmic-Ray Technology Limited	169,953	70,282	-	70,282	-	-	1,457	0.26
Richtek Europe B.V.	52,862	36,658	2,681	33,977	20,013	4,106	4,106	2.74
Li-We Technology Corp.	76,833	95,706	59,372	36,334	137,070	4,198	1,341	Not applicable
Richpower Microelectronics Corp.	100,000	68,740	1,084	67,656	-	(3,399)	3,923	0.39
Richpower Microelectronics Co., Ltd.	98,346	40,635	23,593	17,042	64,672	3,018	2,575	Not applicable
Corporate Event Limited	3,135	15,746	12,597	3,149	134,373	-	5	0.05
Richtek Korea LLC.	30,733	46,249	30,821	15,428	132,041	3,131	1,374	137.39
MediaTek China Limited	9,683,354	17,718,232	4,083,190	13,635,041	-	(87)	656,609	0.27
MTK Wireless Limited (UK)	2,567,714	4,400,958	197,461	4,203,497	684,392	44,773	341,122	5.21
MediaTek Japan Inc.	28,018	106,245	28,806	77,439	143,514	8,123	6,230	877.46
MediaTek India Technology Pvt. Ltd.	24,228	638,011	240,909	397,102	556,814	93,079	64,733	11.77
MediaTek Korea Inc.	55,100	345,644	162,327	183,318	379,842	24,850	19,725	98.63
Gold Rich International (Samoa) Limited	131,845	21,871,152	-	21,871,152	-	35	259,596	60.51

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Net Income	EPS (NT\$)
Smarthead Limited	21,513	61,087	-	61,087	-	(25)	(102)	(0.15)
Ralink Technology (Samoa) Corp.	219,741	3,322,611	3,088,319	234,293	-	(39)	2,930,654	409.88
EcoNet (Cayman) Inc.	584,997	3,804,299	-	3,804,299	1,092,765	1,092,554	1,092,554	57.40
Mediatek Wireless FZ-LLC	418	19,193	10,750	8,443	45,765	2,179	2,152	43,040.00
Digital Lord Limited	95,272	2,294	-	2,294	-	(26)	1,402	0.45
Hsu Chia (Samoa) Investment Ltd.	4,471,560	4,951,261	-	4,951,261	-	(10,131)	155,703	0.16
Hsu Fa (Samoa) Investment Ltd.	4,471,560	4,945,472	-	4,945,472	-	(4,514)	165,625	0.17
Hsu Kang (Samoa) Investment Ltd.	4,471,560	4,944,912	-	4,944,912	-	(15,134)	166,615	0.17
Nephos Pte. Ltd.	68,534	135,803	50,746	85,057	369,820	24,173	26,790	8.81
Nephos Inc.	3	41,778	19,563	22,215	145,886	9,544	9,875	987.50
Nephos Cayman Co. Limited	2,525,176	264,277	-	264,277	-	(1,032)	(828,080)	(10.08)
MediaTek (Hefei) Inc.	501,346	2,338,452	1,132,753	1,205,699	1,686,752	126,069	111,687	Not applicable
MediaTek (Beijing) Inc.	3,060,911	4,918,080	245,094	4,672,985	1,802,101	128,921	204,216	Not applicable
MediaTek (Shenzhen) Inc.	2,509,789	6,573,942	3,497,251	3,076,691	1,970,905	78,115	73,640	Not applicable
MediaTek (Chengdu) Inc.	1,423,588	2,158,756	199,954	1,958,802	893,888	65,714	104,478	Not applicable
MediaTek (Wuhan) Inc.	142,200	425,359	64,119	361,241	389,787	28,874	38,614	Not applicable
Xuxin Investment (Shanghai) Inc.	303,319	564,596	90	564,687	-	(610)	18,027	Not applicable
MediaTek (Shanghai) Inc.	1,328,053	3,886,408	2,437,395	1,449,012	1,328,125	92,851	78,261	Not applicable
MediaTek Sweden AB	3,500	71,625	34,584	37,041	120,156	7,861	8,131	8.06
MediaTek USA Inc.	3	4,334,523	1,424,050	2,910,473	3,476,672	227,446	239,641	2,143.19
MediaTek Wireless Finland Oy	88	412,265	177,410	234,855	802,729	52,515	44,026	44,026.00
Gold Rich International (HK) Limited	128,771	24,212,975	2,344,484	21,868,491	-	(43,775)	199,371	47.58
Lepower (HK) Limited	93,736	889	-	889	-	(144)	1,423	0.47
Shadow Investment Limited	460,995	77,628	-	77,628	(521)	(560)	(560)	(0.04)
EcoNet (HK) Limited	2,075,538	3,580,212	1,393	3,578,819	1,129,811	1,111,865	1,111,865	16.46
EcoNet Limited	12,293	83,195	-	83,195	65,917	65,641	65,641	164.10
EcoNet (Suzhou) Limited	307,330	3,854,206	1,164,814	2,689,392	6,017,902	1,249,042	1,186,671	Not applicable
MediaTek Bangalore Private Limited	8,810	677,165	227,944	449,222	889,773	148,418	145,627	72.81
Gaintech Co. Limited	10,027,906	125,179,913	15,271,022	109,908,890	6,898,699	6,762,640	6,141,459	18.82
Cloud Ranger Limited	711,131	998,727	-	998,727	-	(113)	179	0.01
White Dwarf Limited	154	5,103	-	5,103	-	(71)	(35)	(7.00)
MStar France SAS	161,723	935,151	66,540	868,611	129,262	(2,595)	1,883	4.10
MStar Co., Ltd.	179,788	533,109	238,226	294,882	16,473	(27,912)	(28,423)	(4.86)
Digimoc Holdings Limited	1,537	41,477	-	41,477	2,414	(268,701)	(268,701)	(5,374.03)
MStar Semiconductor UK Ltd.	35,865	108,207	3,449	104,758	59,158	2,007	(10,966)	(11.99)
MStar Software R&D (Shenzhen), Ltd.	921,990	1,072,193	562,988	509,205	1,766,839	16,437	16,978	Not applicable
MStar Chen Xi Software Shanghai Ltd.	40,244	153,280	105,986	47,294	287,216	(6,920)	76	Not applicable
MShining International Corporation	631,388	728,246	45,910	682,336	47,320	42,216	39,683	0.63

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Net Income	EPS (NT\$)
MStar Semiconductor India Private Limited	66	16,587	1,963	14,624	33,441	8,095	6,182	4,123.32
ILI Technology Corporation	3,697,702	6,404,602	2,659,623	3,744,979	8,116,359	213,133	209,771	0.57
Beijing Ilitek Technology Co. Ltd.	92,199	78,334	853	77,481	205,049	(2,510)	1,161	Not applicable
ILITEK Holding Inc.	399,927	392,734	-	392,734	-	(23)	6,660	510.34
ILI Technology(SZ) LTD.	399,529	409,867	18,472	391,395	150,716	8,922	6,594	Not applicable
Nephos (Hefei) Co. Ltd.	1,242,042	1,154,545	1,025,838	128,707	34,842	(1,143,446)	(1,059,327)	Not applicable
Nephos (Beijing) Co., Ltd.	84,277	33,558	29,465	4,093	40,274	2,635	2,707	Not applicable
Zelus Technology (HangZhou) Ltd.	154,002	141,879	1,906	139,973	18,226	(17,231)	(13,103)	Not applicable
Airoha Technology Corp.	646,826	5,653,345	2,602,765	3,050,580	9,820,440	1,961,711	1,765,900	28.91
Airoha Technology (Samoa) Corp.	65,580	5,194	23	5,171	-	(2,019)	(2,036)	(1.15)
Airotek (Chengdu) Inc.	29,196	37,690	15,025	22,666	87,692	4,770	4,737	Not applicable
Airotek (Shenzhen) Inc.	28,112	39,335	24,216	15,119	131,683	7,401	6,673	Not applicable
Spidcom Technologies	5,247	4,722	-	4,722	-	(525)	(525)	(35.89)
Sigmastar Technology Corp.	1,527,950	1,851,225	338,484	1,512,740	1,903,205	(17,930)	(17,352)	(0.11)
Xiamen Sigmastar Technology Inc.	62,717	1,066,526	749,735	316,791	1,168,329	78,309	143,130	Not applicable
Shenzhen Sing Chen Technology Inc.	13,415	36,130	19,502	16,628	76,646	3,269	3,279	Not applicable
SigmaStar Technology Inc. (Shanghai)	4,472	33,992	29,252	4,740	31,936	271	274	Not applicable
ShenZhen ZhongChen Semiconductor Ltd.	153,665	151,856	140	151,716	-	(323)	(323)	Not applicable
Sigmastar Technology Inc.	1,706,440	1,790,745	-	1,790,745	10,973	9,896	9,896	0.19
IStar Technology Ltd.	1,537	235,953	-	235,953	-	(185)	766	15.33

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 2018.

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.	707,450	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. 2014-2019Q1 Consolidated Condensed Balance Sheets – the Company & Subsidiaries

Unit: NTS thousands

Item		2014	2015	2016	2017	2018	2019Q1
Current assets		248,554,935	214,873,175	220,277,570	238,664,496	236,037,524	253,504,445
Funds and investments		15,000,614	22,813,731	36,970,720	38,124,359	49,261,788	45,294,292
Property, plant and equipment		23,294,555	34,390,077	36,857,740	36,938,640	37,603,586	38,284,295
Intangible assets		60,757,826	75,430,673	72,014,554	76,029,080	73,788,598	72,929,413
Other assets		3,510,741	3,742,000	4,591,188	5,409,633	6,144,548	8,720,809
Total assets		351,118,671	351,249,656	370,711,772	395,166,208	402,836,044	418,733,254
Current liabilities	Before distribution	101,619,838	101,266,471	119,346,691	127,257,383	122,592,079	121,518,190
	After distribution	136,194,535	118,553,892	131,999,518	139,101,931	(Note1)	(Note2)
Non-current liabilities		1,893,086	2,896,300	4,702,203	6,709,812	5,918,058	9,911,762
Total liabilities	Before distribution	103,512,924	104,162,771	124,048,894	133,967,195	128,510,137	131,429,952
	After distribution	138,087,621	121,450,192	136,701,721	145,811,743	(Note1)	(Note2)
Equity attributable to owners of the parent							
Share capital		15,714,922	15,715,837	15,821,122	15,814,371	15,915,070	15,936,758
Capital surplus		88,047,914	88,354,178	89,815,356	88,210,819	85,237,214	85,572,695
Retained earnings	Before distribution	136,855,169	128,508,763	126,952,601	137,627,576	148,009,403	152,703,909
	After distribution	102,280,472	111,221,342	114,299,774	125,783,028	(Note1)	(Note2)
Other equity		6,606,113	7,904,918	12,245,801	18,214,847	23,840,504	31,737,450
Treasury shares		(55,970)	(55,970)	(55,970)	(55,970)	(55,970)	(55,970)
Total equity attributable to owners of the parent	Before distribution	247,168,148	240,427,726	244,778,910	259,811,643	272,946,221	285,894,842
	After distribution	212,593,451	223,140,305	232,126,083	247,967,095	(Note1)	(Note2)
Non-controlling interests		437,599	6,659,159	1,883,968	1,387,870	1,379,686	1,408,460
Total equity	Before distribution	247,605,747	247,086,885	246,662,878	261,199,013	274,325,907	287,303,302
	After distribution	213,031,050	229,799,464	234,010,051	249,354,465	(Note1)	(Note2)

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

Note2: Not applicable.

1.2. 2014-2018 Condensed Balance Sheets – Parent Company

Unit: NTS thousands

Item		2014	2015	2016	2017	2018
Current assets		149,267,002	94,412,808	90,622,975	96,561,558	92,454,434
Funds and investments		129,656,160	155,319,309	171,773,810	186,823,137	194,393,642
Property, plant and equipment		9,177,068	10,565,034	12,331,165	12,425,597	12,988,180
Intangible assets		28,740,924	29,881,027	28,504,894	29,449,574	28,975,722
Other assets		2,429,791	1,292,315	1,607,902	1,897,443	3,226,374
Total assets		319,270,945	291,470,493	304,840,746	327,157,309	332,038,352
Current liabilities	Before distribution	70,428,396	49,045,380	57,799,284	65,335,126	57,235,307
	After distribution	105,003,093	66,332,801	70,452,111	77,179,674	(Note)
Non-current liabilities		1,674,401	1,997,387	2,262,552	2,010,540	1,856,824
Total liabilities	Before distribution	72,102,797	51,042,767	60,061,836	67,345,666	59,092,131
	After distribution	106,677,494	68,330,188	72,714,663	79,190,214	(Note)
Share capital		15,714,922	15,715,837	15,821,122	15,814,371	15,915,070
Capital surplus		88,047,914	88,354,178	89,815,356	88,210,819	85,237,214
Retained earnings	Before distribution	136,855,169	128,508,763	126,952,601	137,627,576	148,009,403
	After distribution	102,280,472	111,221,342	114,299,774	125,783,028	(Note)
Other equity		6,606,113	7,904,918	12,245,801	18,214,847	23,840,504
Treasury shares		(55,970)	(55,970)	(55,970)	(55,970)	(55,970)
Total equity	Before distribution	247,168,148	240,427,726	244,778,910	259,811,643	272,946,221
	After distribution	212,593,451	223,140,305	232,126,083	247,967,095	(Note)

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

2. Condensed Statements of Comprehensive Income

2.1. 2014-2019Q1 Consolidated Condensed Statements of Comprehensive Income – the Company & Subsidiaries

Unit: NTS thousands

Item	2014	2015	2016	2017	2017	2019Q1
Net sales	213,062,916	213,255,240	275,511,714	238,216,318	238,057,346	52,721,892
Gross profit	103,868,621	92,179,586	98,189,832	84,885,882	91,723,688	21,473,144
Operating income	47,241,310	25,907,970	23,075,775	9,819,142	16,182,476	3,168,672
Non-operating income and expenses	5,108,645	3,460,523	4,137,110	17,418,321	7,509,009	836,059
Net income before income tax	52,349,955	29,368,493	27,212,885	27,237,463	23,691,485	4,004,731
Net income	46,399,073	25,768,732	24,030,532	24,070,098	20,782,396	3,416,022
Other comprehensive Income, net of tax	7,268,758	1,594,830	5,691,418	5,263,033	78,580	9,176,751
Total comprehensive income	53,667,831	27,363,562	29,721,950	29,333,131	20,860,976	12,592,773
Net income (loss) for the periods attributable to:						
Owners of the parent	46,397,892	25,958,429	23,700,598	24,332,604	20,760,498	3,405,702
Non-controlling interests	1,181	(189,697)	329,934	(262,506)	21,898	10,320
Total comprehensive income for the periods attributable to:						
Owners of the parent	53,627,479	27,527,096	29,463,494	29,601,582	20,860,790	12,563,999
Non-controlling interests	40,352	(163,534)	258,456	(268,451)	186	28,774
Earnings per share (NTS)	30.04	16.60	15.16	15.56	13.26	2.17
Earnings per share – adjusted (NTS)	30.04	16.60	15.16	15.56	(Note1)	(Note2)

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

Note2: Not applicable.

2.2. 2014-2018 Condensed Statements of Comprehensive Income – Parent Company

Unit: NTS thousands

Item	2014	2015	2016	2017	2018
Net sales	136,265,018	99,245,700	121,097,722	92,525,183	88,795,775
Gross profit	68,274,360	49,716,650	38,523,096	34,777,752	36,371,930
Operating income	33,867,177	11,447,326	688,585	517,600	2,872,510
Non-operating income and expenses	16,233,126	16,603,855	24,000,115	23,308,592	17,981,150
Net income before income tax	50,100,303	28,051,181	24,688,700	23,826,192	20,853,660
Net income	46,397,892	25,958,429	23,700,598	24,332,604	20,760,498
Other Comprehensive Income, net of tax	7,229,587	1,568,667	5,762,896	5,268,978	100,292
Total comprehensive income	53,627,479	27,527,096	29,463,494	29,601,582	20,860,790
Earnings per share (NTS)	30.04	16.60	15.16	15.56	13.26
Earnings per share – adjusted (NTS)	30.04	16.60	15.16	15.56	(Note)

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

3. Auditors' Opinions from 2014 to 2018

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

4. Five-Year Financial Analysis

4.1. 2014-2019Q1 Consolidated Financial Analysis – the Company & Subsidiaries

Item		2014	2015	2016	2017	2018	2019Q1	
Capital structure analysis	Debt ratio (%)	29.48	29.65	33.46	33.90	31.90	31.38	
	Long-term fund to property, plant and equipment ratio (%)	1,063.17	718.48	670.37	712.69	731.98	752.63	
Liquidity Analysis	Current ratio (%)	244.59	212.19	184.60	187.54	192.53	208.61	
	Quick ratio (%)	220.40	186.19	154.91	165.59	166.02	182.39	
	Times interest earned (Times)	110.34	54.87	49.69	30.00	14.74	9.91	
Operating performance analysis	Average collection turnover (Times)	12.88	10.37	10.89	8.94	8.74	7.74	
	Days sales outstanding	28	35	34	41	42	47	
	Average inventory turnover (Times)	5.07	3.87	4.67	3.57	3.26	2.61	
	Average payment turnover (Times)	8.55	7.87	8.70	6.36	7.09	6.63	
	Average inventory turnover days	72	94	78	102	112	140	
	Property, plant and equipment turnover (Times)	12.31	7.39	7.73	6.45	6.38	5.55	
	Total assets turnover (Times)	0.70	0.61	0.76	0.62	0.59	0.51	
Profitability analysis	Return on total assets (%)	15.35	7.47	6.79	6.48	5.55	3.67	
	Return on equity attributable to owners of the parent (%)	20.95	10.42	9.73	9.47	7.76	4.86	
	Pre-tax income to paid-in capital (%)	333.12	186.87	172.00	172.23	148.86	25.12	
	Net margin (%)	21.78	12.08	8.72	10.10	8.72	6.47	
	Earnings per share (NT\$)	Before adjustments	30.04	16.60	15.16	15.56	13.26	2.17
		After adjustments	30.04	16.60	15.16	15.56	N/A	N/A
Cash flow	Cash flow ratio (%)	43.62	23.08	27.28	16.77	16.59	1.39	
	Cash flow adequacy ratio (%)	105.66	94.44	98.80	102.91	83.83	79.73	
	Cash flow reinvestment ratio (%)	10.75	(6.21)	8.23	3.21	2.17	0.72	
Leverage	Operating leverage	3.60	6.25	9.21	18.93	11.54	12.62	
	Financial leverage	1.01	1.02	1.02	1.11	1.12	1.17	
Changes that exceed 20% in the past two years and explanation for those changes:								
<ol style="list-style-type: none"> Times interest earned decreased by 51%: Mainly due to increase in interest expenses. Cash flow reinvestment ratio decreased by 32%: Mainly due to decrease in cash provided by operating activities and increase in distribution of cash dividend. Operating leverage decreased by 39%: Mainly due to increase of gross margin resulting in higher operating income. 								

4.2. 2014-2018 Financial Analysis – Parent Company

Item		2014	2015	2016	2017	2018
Capital structure analysis	Debt ratio (%)	22.58	17.51	19.70	20.59	17.79
	Long-term fund to property, plant and equipment ratio (%)	2,693.91	2,275.69	1,985.04	2,099.34	2,103.86
Liquidity Analysis	Current ratio (%)	211.94	192.50	156.79	147.79	161.53
	Quick ratio (%)	198.88	174.50	131.51	136.74	144.92
	Times interest earned (Times)	294.80	96.42	77.05	46.11	23.00
Operating performance analysis	Average collection turnover (Times)	14.15	11.95	14.12	10.14	9.83
	Days sales outstanding	26	31	26	36	37
	Average inventory turnover (Times)	5.94	3.72	5.10	3.17	2.87
	Average payment turnover (Times)	9.43	7.46	10.29	7.59	10.73
	Average inventory turnover days	61.47	98.07	71.52	115.01	127.17
	Property, plant, and equipment turnover (Times)	17.57	10.05	10.58	7.47	6.98
	Total assets turnover (Times)	0.50	0.33	0.41	0.29	0.26
Profitability analysis	Return on total assets (%)	16.93	8.58	8.04	7.84	6.52
	Return on equity attributable to shareholders of the parent (%)	20.97	10.65	9.77	9.64	7.79
	Pre-tax income to paid-in capital (%)	318.81	178.49	156.05	150.66	131.03
	Net margin (%)	34.05	26.16	19.57	26.30	23.38
	Basic earnings per share (NTS)	Before adjustments	30.04	16.60	15.16	15.56
After adjustments		30.04	16.60	15.16	15.56	N/A
Cash flow	Cash flow ratio (%)	101.08	19.29	24.28	40.15	18.78
	Cash flow adequacy ratio (%)	116.95	106.96	107.05	122.29	99.03
	Cash flow reinvestment ratio (%)	21.41	(11.59)	(1.46)	4.73	(1.97)
Leverage	Operating leverage	3.00	5.70	122.95	129.32	21.81
	Financial leverage	1.01	1.03	1.89	(48.75)	1.49
Changes that exceed 20% in the past two years and explanation for those changes:						
<ol style="list-style-type: none"> (1) Times interest earned decreased by 50%: Mainly due to increase in interest expenses. (2) Average payment turnover increased by 41%: Mainly due to decrease of average accounts payable. (3) Cash flow ratio decreased by 53% and cash flow reinvestment ratio decreased: Mainly due to decrease in net cash provided by operating activities. (4) Operating leverage decreased by 83%: Mainly due to increase in operating income. (5) Financial leverage increased: Mainly due to interest expenses were higher than operating income resulting in negative financial leverage in the previous period and operating income is higher than interest expenses in this period. 						

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 2018 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. 2019 Annual General Shareholders' Meeting

MediaTek Inc.

Chairman of the Audit Committee: Chung-Yu Wu

April 30, 2019

- 6. Financial Statements and Independent Auditors' Report –the Company & Subsidiaries (Page F1 – Page F155)**
- 7. Financial Statements and Independent Auditors' Report – Parent Company (Page F156 – Page F282)**
- 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, 2018 AND 2017

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, 2018 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 22, 2019

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, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, 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 2018 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\$238,057,346 thousand as net sales, which includes sale of goods in the amount of NT\$235,222,818 thousand and services and other operating revenues in the amount of NT\$2,834,528 thousand for the year ended December 31, 2018. 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 regarding transaction of some time 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 2018 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, 2018 and 2017.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 22, 2019

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, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

ASSETS		December 31, 2018	%	December 31, 2017	%
Current assets		\$ 143,170,245	36	\$ 145,338,376	37
Cash and cash equivalents	4, 6(1)				
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	5,026,696	1	724,507	-
Financial assets at fair value through other comprehensive income-current	4, 5, 6(3)	13,468,075	3	-	-
Available-for-sale financial assets-current	4, 5, 6(4)	-	-	23,291,828	6
Financial assets measured at amortized cost-current	4, 5, 6(5), 8	3,005,650	1	-	-
Debt instrument investments for which no active market exists-current	4, 5, 6(7), 8	-	-	765,445	-
Notes receivables, net	6(25)	2,950	-	2,811	-
Trade receivables, net	4, 5, 6(8), 6(25)	28,929,826	7	16,892,585	4
Trade receivables from related parties	4, 5, 6(8), 6(25), 7	6,605	-	-	-
Other receivables	6(9)	8,229,716	2	21,251,357	5
Current tax assets	4, 5, 6(31)	910,984	-	866,917	-
Inventories, net	4, 5, 6(10)	30,979,767	8	26,539,614	7
Prepayments	6(11)	1,523,281	1	1,390,432	-
Other current assets		783,729	-	1,600,624	1
Total current assets		236,037,524	59	238,664,496	60
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	3,986,224	1	4,968,429	1
Financial assets at fair value through other comprehensive income-noncurrent	4, 5, 6(3)	32,083,500	8	-	-
Available-for-sale financial assets-noncurrent	4, 5, 6(4)	-	-	14,345,644	4
Financial assets measured at amortized cost-noncurrent	4, 5, 6(5), 8	480,106	-	-	-
Financial assets measured at cost-noncurrent	4, 5, 6(6)	-	-	12,635,302	3
Debt instrument investments for which no active market exists-noncurrent	4, 5, 6(7), 8	-	-	397,880	-
Investments accounted for using the equity method	4, 6(12), 6(33)	12,711,958	3	5,777,104	2
Property, plant and equipment	4, 6(13), 8	37,603,586	10	36,938,640	10
Investment property	4, 6(14), 8	917,343	-	873,651	-
Intangible assets	4, 6(15), 6(16)	73,788,598	18	76,029,080	19
Deferred tax assets	4, 5, 6(31)	4,776,271	1	3,898,877	1
Refundable deposits		288,449	-	319,734	-
Prepayments for investments		-	-	160,340	-
Net defined benefit assets-noncurrent	4, 6(21)	14,825	-	2,080	-
Long-term prepaid rent		147,660	-	154,951	-
Total non-current assets		166,798,520	41	156,501,712	40
Total assets		\$ 402,836,044	100	\$ 395,166,208	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

MEDIATEK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2018	%	December 31, 2017	%
LIABILITIES AND EQUITY					
Current liabilities		\$		\$	
Short-term borrowings	6(17)	51,056,528	13	64,315,682	16
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	4,932	-	18,144	-
Contract liabilities-current	4, 5, 6(24)	1,508,874	-	-	-
Trade payables	7	16,982,909	4	23,012,859	6
Trade payables to related parties	6(18)	704,262	-	571,593	-
Other payables	7	30,481,779	8	35,796,290	9
Other payables to related parties	4, 5, 6(31)	459	-	-	-
Current tax liabilities	4, 6(19)	2,904,187	1	1,980,597	1
Other current liabilities	6(20), 8	17,512,343	4	1,525,368	-
Current portion of long-term liabilities		1,435,806	1	36,850	-
Total current liabilities		122,592,079	31	127,257,383	32
Non-current liabilities					
Long-term borrowings	6(20), 8	244,104	-	336,192	-
Long-term payables	4, 6(21)	681,175	-	1,726,364	1
Net defined benefit liabilities-noncurrent		819,631	-	657,072	-
Deposits received	4, 5, 6(31)	188,534	-	179,472	-
Deferred tax liabilities		2,973,703	1	3,126,723	1
Non-current liabilities-others		1,010,911	-	683,989	-
Total non-current liabilities		5,918,058	1	6,709,812	2
Total liabilities		128,510,137	32	133,967,195	34
Equity attributable to owners of the parent					
Share capital	6(22)	15,915,070	4	15,814,140	4
Common stock		-	-	231	-
Capital collected in advance	6(22), 6(23), 6(34)	85,237,214	21	88,210,819	22
Capital surplus	6(22)				
Retained earnings		39,431,639	10	36,998,379	9
Legal reserve		108,577,764	27	100,629,197	26
Undistributed earnings	6(23)	23,840,504	6	18,214,847	5
Other equity	4, 6(22)	(55,970)	-	(55,970)	-
Treasury shares		272,946,221	68	259,811,643	66
Equity attributable to owners of the parent	4, 6(22), 6(34)	1,379,686	-	1,387,370	-
Non-controlling interests		274,325,907	68	261,199,013	66
Total equity					
Total liabilities and equity		\$ 402,836,044	100	\$ 395,166,208	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, 2018 and 2017
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2018	%	2017	%
Net sales	4, 5, 6(24)	\$ 238,057,346	100	\$ 238,216,318	100
Operating costs	4, 5, 6(10), 6(26), 7	(146,333,658)	(61)	(153,330,436)	(64)
Gross profit		91,723,688	39	84,885,882	36
Operating expenses	6(25), 6(26), 7				
Selling expenses		(11,456,060)	(5)	(10,465,092)	(5)
Administrative expenses		(6,765,538)	(3)	(7,430,872)	(3)
Research and development expenses		(57,548,771)	(24)	(57,170,776)	(24)
Expected credit gains		229,157	-	-	-
Total operating expenses		(75,541,212)	(32)	(75,066,740)	(32)
Operating income		16,182,476	7	9,819,142	4
Non-operating income and expenses					
Other income	4, 6(27), 7	5,009,617	2	3,475,974	1
Other gains and losses	4, 6(28)	3,861,940	2	14,809,523	6
Finance costs	6(29)	(1,723,738)	(1)	(939,344)	-
Share of profit of associates accounted for using the equity method	4, 6(12)	361,190	-	72,168	-
Total non-operating income and expenses		7,509,009	3	17,418,321	7
Net income before income tax		23,691,485	10	27,237,463	11
Income tax expense	4, 5, 6(31)	(2,909,089)	(1)	(3,167,365)	(1)
Net income		20,782,396	9	24,070,098	10
Other comprehensive income	4, 6(12), 6(21), 6(30), 6(31)				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plan		(152,757)	-	207,977	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		314,857	-	-	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(1,232,013)	(1)	-	-
Income tax relating to those items not to be reclassified to profit or loss		161,158	-	(35,356)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		1,012,687	1	(4,439,045)	(2)
Unrealized gains from available-for-sale financial assets		-	-	10,785,999	5
Unrealized losses from debt instrument investments measured at fair value through other comprehensive income		(18,899)	-	-	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(6,453)	-	(7,559)	-
Income tax relating to those items to be reclassified to profit or loss		-	-	(1,248,983)	(1)
Other comprehensive income, net of tax		78,580	-	5,263,033	2
Total comprehensive income		\$ 20,860,976	9	\$ 29,333,131	12
Net income (loss) for the years attributable to :					
Owners of the parent	6(32)	\$ 20,760,498		\$ 24,332,604	
Non-controlling interests	6(22), 6(32)	21,898		(262,506)	
		\$ 20,782,396		\$ 24,070,098	
Total comprehensive income for the years attributable to :					
Owners of the parent		\$ 20,860,790		\$ 29,601,582	
Non-controlling interests		186		(268,451)	
		\$ 20,860,976		\$ 29,333,131	
Basic Earnings Per Share (in New Taiwan Dollars)	6(32)	\$ 13.26		\$ 15.56	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(32)	\$ 13.18		\$ 15.47	

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

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	Share capital		Equity attributable to owners of the parent				Other equity				Treasury shares	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Retained 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					
Balance as of January 1, 2017	\$ 15,821,122	\$ -	\$ 89,815,356	\$ 34,626,319	\$ 92,324,282	\$ 2,195,895	\$ -	\$ 11,525,934	\$ (1,476,028)	\$ (55,970)	\$ 244,776,910	\$ 1,883,968	\$ 246,662,878	
Appropriation and distribution of 2016 earnings:	-	-	-	2,370,060	(2,370,060)	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	(12,652,827)	(12,652,827)	-	-	-	-	-	(12,652,827)	-	(12,652,827)	
Cash dividends	-	-	-	2,370,060	(15,022,887)	-	-	-	-	-	-	-	-	
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends distributed from capital surplus	-	-	(2,372,405)	-	-	-	-	-	-	-	(2,372,405)	-	(2,372,405)	
Profit for the year ended December 31, 2017	-	-	-	-	24,332,604	-	-	-	-	-	24,332,604	(262,506)	24,070,098	
Other comprehensive income for the year ended December 31, 2017	-	-	-	172,621	(172,621)	(4,440,659)	9,537,016	9,537,016	-	-	5,268,978	(5,945)	5,263,033	
Total comprehensive income	-	-	-	-	24,505,225	(4,440,659)	9,537,016	9,537,016	-	-	29,601,592	(268,451)	29,333,141	
Share-based payment transactions	-	231	(14,935)	-	-	-	-	-	-	-	(14,704)	15,072	368	
Adjustments due to dividends that subsidiaries received from parent company	-	-	74,044	-	-	-	-	-	-	-	74,044	-	74,044	
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	-	(1,210,299)	(5,524)	-	-	-	-	(1,215,823)	-	(1,215,823)	
Changes in ownership interests in subsidiaries	-	-	969,913	-	-	-	-	-	-	-	969,913	1,038,273	1,998,186	
Issuance of restricted stock for employees	(6,982)	-	(259,863)	-	32,876	-	-	-	878,213	-	644,244	10,619	644,244	
Changes in other capital surplus	-	-	(1,291)	-	-	-	-	-	-	-	(1,291)	-	(1,291)	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,282,111)	(1,282,111)	
Balance as of December 31, 2017	15,814,140	231	88,210,819	36,998,379	100,629,197	(2,250,288)	27,945,391	21,062,950	(597,815)	(55,970)	259,811,643	1,387,370	261,199,013	
Effects of retrospective application and restatement	-	-	-	-	2,221,085	-	-	(21,062,950)	-	-	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	(21,062,950)	(597,815)	(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	-	-	-	(11,844,548)	(11,844,548)	-	-	-	-	-	(11,844,548)	-	(11,844,548)	
Cash dividends	-	-	-	2,433,260	(14,277,808)	-	-	-	-	-	(11,844,548)	-	(11,844,548)	
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends distributed from capital surplus	-	-	(3,948,182)	-	-	-	-	-	-	-	(3,948,182)	-	(3,948,182)	
Profit for the year ended December 31, 2018	-	447	30,648	-	-	-	-	-	-	-	30,664	-	30,864	
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	20,760,498	-	-	-	-	-	20,760,498	21,898	20,782,396	
Total comprehensive income	-	-	-	-	(137,225)	1,027,946	(790,429)	(790,429)	-	-	100,292	(21,712)	78,580	
Share-based payment transactions	-	-	-	-	20,623,273	-	-	(790,429)	-	-	20,860,790	186	20,860,976	
Adjustments due to dividends that subsidiaries received from parent company	-	(231)	77,941	-	-	-	-	-	-	-	77,941	-	77,941	
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	-	-	33,991	-	-	-	-	-	-	-	2,900	(26,798)	(23,898)	
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)	-	-	-	-	-	-	-	(5,362)	-	(5,362)	
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	726,618	-	(726,618)	-	-	-	-	-	-	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	224,998	224,998	
Balance as of December 31, 2018	\$ 15,915,070	\$ -	\$ 85,237,214	\$ 39,431,639	\$ 108,577,764	\$ (1,222,342)	\$ 26,426,344	\$ -	\$ (1,565,498)	\$ (55,970)	\$ 272,946,221	\$ 1,379,866	\$ 274,325,907	

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, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	2018	2017
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 23,691,485	\$ 27,237,463
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	3,705,288	3,558,022
Amortization	3,865,516	3,652,327
Expected credit (gains) losses	(229,157)	52,612
Gains on financial assets and liabilities at fair value through profit or loss	(307,121)	(96,850)
Interest expenses	1,723,738	939,344
Gains on derecognition of financial assets measured at amortized cost	(26,388)	-
Interest income	(3,900,942)	(2,553,755)
Dividend income	(739,625)	(580,035)
Share-based payment expenses	170,699	618,533
Share of profit of associates accounted for using the equity method	(361,190)	(72,168)
Losses on disposal of property, plant and equipment	18,596	30,714
Property, plant and equipment transferred to expenses	1,738	2,685
Losses on disposal of intangible assets	-	450
Gains on disposal of non-current assets held for sale	(3,460,483)	(5,123,575)
Losses (gains) on disposal of investments	5,653	(8,843,983)
Losses (gains) on disposal of investments accounted for using the equity method	8,825	(1,496,172)
Impairment of financial assets	-	416,414
Impairment of non-financial assets	22,760	-
Others	-	193,093
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	1,018,248	1,293,511
Notes receivables	(139)	-
Trade receivables	(3,486,673)	3,549,518
Trade receivables from related parties	(6,605)	-
Other receivables	(111,701)	(427,367)
Inventories	(4,551,184)	8,626,099
Prepayments	(442,698)	151,070
Other current assets	816,895	(180,889)
Contract liabilities	79,519	-
Trade payables	(2,653,280)	(7,292,580)
Trade payables to related parties	132,669	(351,964)
Other payables	(1,297,737)	739,330
Other payables to related parties	459	-
Other current liabilities	6,000,892	(502,469)
Net defined benefit liabilities	(2,943)	9,460
Non-current liabilities-others	284,328	73,716
Cash generated from operating activities:		
Interest received	3,855,851	2,543,031
Dividend received	1,116,364	671,397
Interest paid	(1,740,309)	(887,340)
Income tax paid	(2,858,509)	(4,601,206)
Net cash provided by operating activities	<u>20,342,839</u>	<u>21,348,436</u>
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(2,568,130)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	13,391,304	-
Proceeds from capital return of financial assets at fair value through other comprehensive income	270,357	-
Acquisition of financial assets measured at amortized cost	(8,550,886)	-
Proceeds from redemption of financial assets measured at amortized cost	7,261,168	-
Acquisition of available-for-sale financial assets	-	(5,988,436)
Proceeds from disposal of available-for-sale financial assets	-	6,458,873
Acquisition of debt instrument investments for which no active market exists	-	(1,612,505)
Proceeds from disposal of debt instrument investments for which no active market exists	-	1,916,353
Acquisition of financial assets measured at cost	-	(7,557,416)
Proceeds from disposal of financial assets measured at cost	-	202,762
Proceeds from capital return of financial assets measured at cost	-	29,373
Acquisition of investments accounted for using the equity method	(686,191)	(925,288)
Proceeds from disposal of investments accounted for using the equity method	715	559
Increase in prepayments for investments	-	(160,340)
Net cash outflow from acquisition of subsidiaries	-	(1,056,531)
Net cash outflow from disposal of subsidiaries	(30,879)	-
Proceeds from disposal of non-current assets held for sale	4,729,801	5,683,619
Acquisition of property, plant and equipment	(4,652,766)	(4,053,439)
Proceeds from disposal of property, plant and equipment	17,547	8,151
Decrease in refundable deposits	30,641	12,474
Acquisition of intangible assets	(2,150,513)	(1,795,842)
Proceeds from disposal of intangible assets	-	137
Acquisition of investment property	-	(1,436)
Decrease in long-term lease receivables	-	211,898
Decrease (increase) in long-term prepaid rent	7,291	(20,225)
Net cash provided by (used in) investing activities	<u>7,069,459</u>	<u>(8,647,259)</u>
Cash flows from financing activities :		
(Decrease) increase in short-term borrowings	(13,568,777)	11,597,859
Repayment of long-term borrowings	(92,088)	(46,044)
Increase in deposits received	9,062	1,960
Proceeds from exercise of employee stock options	6,052	6,444
Cash dividends	(15,630,378)	(14,912,148)
Disposal of ownership interests in subsidiaries (without losing control)	-	80,843
Acquisition of ownership interests in subsidiaries	(1,585,931)	(2,108,605)
Change in non-controlling interests	275,186	1,595,838
Net cash used in financing activities	<u>(30,586,874)</u>	<u>(3,783,853)</u>
Effect of changes in exchange rate on cash and cash equivalents	1,006,445	(4,139,806)
Net (decrease) increase in cash and cash equivalents	(2,168,131)	4,777,518
Cash and cash equivalents at the beginning of the year	145,338,376	140,560,858
Cash and cash equivalents at the end of the year	<u>\$ 143,170,245</u>	<u>\$ 145,338,376</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 22, 2019.

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, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provisions in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

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 principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

- a. Please refer to Note 4 for the accounting policies before or after January 1, 2018.
- b. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition from sale of goods. However, for some contracts, part of the consideration was received from customers before transferring the goods, then the Company has the obligation to transfer the goods subsequently. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contract liabilities of the Company as at the date of initial application was NT\$1,057,970 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$1,265,696 thousand and the contract liabilities increased by NT\$1,265,696 thousand as at December 31, 2018.
- c. Before January 1, 2018, revenue of rendering services was recognized by reference to the stage of completion. Starting from January 1, 2018, in accordance with IFRS 15, the Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion, which had impacts on the revenue recognition from rendering of services. The difference decreased retained earnings by NT\$211,277 thousand, increased contracts liabilities by NT\$240,087 thousand, and increased deferred tax assets by NT\$28,810 thousand as at January 1, 2018. Also, for some service contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before January 1, 2018, the Company recognized the consideration received in advance from customers under other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Company as at the date of initial application was NT\$131,298 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$243,178 thousand and the contract liabilities increased by NT\$243,178 thousand as at December 31, 2018.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- d. Please refer to Note 4, Note 5. (4) and Note 6. (24) for additional disclosure required by IFRS 15.

B. IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provisions of IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

- a. The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.
- b. In accordance with the transition provisions of IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications and carrying amounts of those financial assets as at January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	\$ 5,692,936	Fair value through profit or loss (Note)	\$ 12,247,029
Available-for-sale financial assets (including \$12,635,302 measured at cost)	50,272,774	Fair value through other comprehensive income	48,533,222
At amortized cost			
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables, debt instrument investments for which no active market exists and other receivables)	184,648,454	At amortized cost (including cash and cash equivalents, notes receivables, trade receivables, financial assets measured at amortized cost and other receivables)	181,916,988
Investments accounted for using equity method	5,777,104	Investments accounted for using equity method	13,008,832
Total	<u>\$ 246,391,268</u>	Total	<u>\$ 255,706,071</u>

Note: Includes trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring in the amount of NT\$ 2,731,466 thousand. The amount is presented as trade receivables on balance sheet.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

C. Further information of the classifications of financial assets and financial liabilities for the transition from IAS 39 to IFRS 9 as at January 1, 2018 is as follows:

Class of financial instruments	IAS 39		IFRS 9		Difference	Retained	Other
	Carrying amounts		Carrying amounts			earnings adjusted amounts	components of equity adjusted amounts
Financial assets at fair value through profit or loss							
Financial assets designated at \$ 5,692,909	5,692,909	Measured at fair value through profit or loss	\$ 5,692,909		\$ -	\$ -	\$ -
Held-for-trading 27	27	Measured at fair value through profit or loss	27		-	-	-
Subtotal	5,692,936						
Available-for-sale financial assets (including initial investment cost of \$12,635,302 which was presented separately as investments measured at cost) (Note 1)	3,624,458	Measured at fair value through profit or loss	3,822,627	198,169	329,670	(131,501)	
	40,589,698	Measured at fair value through other comprehensive income (equity instruments)	42,474,604	1,884,906	2,102,692	(217,786)	
	6,058,618	Measured at fair value through other comprehensive income (debt instruments)	6,058,618	-	-	-	
Subtotal	50,272,774						

(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)

IAS 39	Carrying amounts	IFRS 9	Carrying amounts	Difference	Retained	Other
					earnings	components of
Class of financial instruments		Class of financial instruments			Adjusted	Adjusted
					amounts	amounts
Loans and receivables (Note 2)						
Cash and cash equivalents	145,338,376	Cash and cash equivalents	145,338,376	-	-	-
Debt instrument investments for which no active market exists	1,163,325	Financial assets measured at amortized costs	1,163,325	-	-	-
Notes receivables	2,811	Notes receivables	2,811	-	-	-
Trade receivables	16,892,585	Trade receivables Measured at fair value through profit or loss	14,521,119 2,371,466	-	-	-
Other receivables	21,251,357	Other receivables	21,251,357	-	-	-
Subtotal	184,648,454					
Investments accounted for using equity method	5,777,104	Investments accounted for using equity method	13,008,832	7,231,728	-	7,231,728
Total	\$ 246,391,268	Total	\$ 255,706,071	\$ 9,314,803	\$ 2,432,362	\$ 6,882,441

Notes:

(1) In accordance with of IAS 39, available-for-sale financial assets include investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Details are described as follows:

a. Funds

Part of the fund is the Real Estate Investment Trusts (“REITs”). Based on the IFRS Q&A - the accounting treatment of holding Real Estate Investment Trusts (REITs), REITs meet the definition of equity instruments and the Company holds those REITs not for trading purposes. Therefore, the Company designated them as fair value through other comprehensive income in accordance with IFRS 9. As at January 1, 2018, the Company reclassified available-for-sale financial assets of NT\$2,409,272 thousand to the financial assets measured at fair value through other comprehensive income.

For the rest of funds, the cash flow characteristics for those funds are not solely payments of principal and interest on the principal amount outstanding, so those funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. As at January 1, 2018, the Company reclassified available-for-sale financial assets of NT\$3,323,311 thousand to financial assets mandatorily measured at fair value through profit or loss. Besides, changes in fair value of NT\$131,501 thousand previously recognized in other equity was reclassified to retained earnings.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

b. Stocks (including listed and unlisted companies)

The assessment is based on the facts and circumstances that existed as at January 1, 2018, as these equity investments are not held-for-trading, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Company reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income in the amount of NT\$40,589,698 thousand. Other related adjustments are described as follows:

(a) The equity instrument investments previously measured at cost in accordance with IAS 39 had an original carrying amount of NT\$13,620,815 thousand, of which NT\$1,286,660 thousand were impaired. However, in accordance with IFRS 9, equity instrument investments must be measured at fair value but are not required to be assessed for impairment. The fair value of the equity instrument investments was NT\$14,218,906 thousand as at January 1, 2018. The Company adjusted the carrying amount of financial assets measured at fair value through other comprehensive income by NT\$14,218,906 thousand, retained earnings and other equity by NT\$1,286,660 thousand and NT\$598,091 thousand, respectively.

(b) The equity instrument investments measured at cost in accordance with IAS 39 had an original carrying amount of NT\$301,147 thousand. In accordance with IFRS 9, equity instrument investments must be measured at fair value but are not required to be assessed for impairment. The estimated fair value of the stocks of unlisted companies was NT\$499,316 thousand. The Company reclassified financial assets measured at cost of NT\$301,147 thousand to financial assets measured at fair value through profit or loss, and increased its carrying amount to NT\$499,316 thousand. The Company also increased retained earnings by NT\$198,169 thousand at the date of initial application.

(c) The equity instrument investments of NT\$28,255,543 thousand were measured at fair value at the date of initial application that resulted in a difference of NT\$155 thousand. As at January 1, 2018, in addition to the reclassification to financial assets measured at fair value through other comprehensive income, the Company increased other equity by NT\$155 thousand to reflect the fair value changes.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Besides, under IFRS 9, impairment assessment is not required for equity instruments. Therefore, as the Company elected to classify certain equity investments as financial assets measured at fair value through other comprehensive income, the Company reclassified the accumulated impairment loss of NT\$816,032 thousand from retained earnings to other component of equity.

c. Bonds

The cash flow characteristics for bonds investments in the amount of NT\$6,058,618 thousand are solely payments of principal and interest on the principal amount outstanding. In accordance with IFRS 9, the assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. If those financial assets are managed to achieve the business model's objective by both collecting contractual cash flows and selling financial assets, they should be reclassified to financial assets measured at fair value through other comprehensive income. This reclassification did not result in any difference in the carrying amount. In addition, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as at January 1, 2018.

- (2) The cash flow characteristics for held-to-maturity investments and loans and receivables classified in accordance with IAS 39 are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. In addition, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018. As at January 1, 2018, debt instrument investments for which no active market exists of NT\$1,163,325 thousand were reclassified to financial assets measured at amortized cost.

D. Other impact

The Company adopted the requirements of IFRS 9 since January 1, 2018, and reclassified financial assets measured at cost, which were owned by associates, to financial assets measured at fair value through other comprehensive income. The adjustments for investment using equity method and other equity were NT\$7,231,728 thousand.

- E. Please refer to Note 4, Note 5. (1), Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (2) Standards or interpretations issued, revised or amended, which are recognized by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 16	“Leases”	January 1, 2019
IFRIC 23	“Uncertainty Over Income Tax Treatments”	January 1, 2019
IAS 28	“Investments in Associates and Joint Ventures” (Amendment)	January 1, 2019
IFRS 9	“Prepayment Features with Negative Compensation”(Amendment)	January 1, 2019
Improvements to International Financial Reporting Standards (2015-2017 cycle):		
IFRS 3	“Business Combinations”	January 1, 2019
IFRS 11	“Joint Arrangements”	January 1, 2019
IAS 12	“Income Taxes”	January 1, 2019
IAS 23	“Borrowing Costs”	January 1, 2019
IAS 19	“Employee Benefits”- Plan Amendment, Curtailment or Settlement	January 1, 2019

A. IFRS 16 “Leases”

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

C. IAS 28 “Investment in Associates and Joint Ventures” - Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The abovementioned standards and interpretations issued by IASB and have been recognized by FSC will become effective for annual periods beginning on or after January 1, 2019. Except for the standards and interpretations listed under A-C which will have an impact on the Company, the remaining standards and interpretations have no material impact on the Company.

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 impact arising from the adoption of IFRS 16 on the Company is summarized as follows:

- (a) For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, 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.

The Company is a lessee and 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.

Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize 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 and; 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Company expects the right-of-use asset will increase by NT\$2,703,679 thousand and the lease liability will increase by NT\$2,593,779 thousand on January 1, 2019.

- (b) The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

B. IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Company will make an election and disclose properly in financial statement at January 1, 2019.

C. IAS 28 “Investment in Associates and Joint Ventures” - Amendments to IAS 28

The Company will make an election and disclose properly in financial statement on such investment at January 1, 2019.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Company’s financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
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
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

- 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. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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.

B. IFRS 3 Amendment to “Business Combinations” - Definition of a Business

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

C. IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of material (Amendment)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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-C, 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.

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

If loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
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%	100%	-
MTK	MStar International Technology Inc.	Research	100%	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, 2018	December 31, 2017	
MTK	HFI Innovation Inc.	Intellectual property right management	100%	100%	-
MTK	Airoha Technology Corp.	Research, manufacturing and sales	7%	7%	2
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	General investing	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Capital Corp.	General investing	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Bangalore Private Limited	Research	0%	0%	-
Hsu-Ta Investment Corp.	Hsu-Si Investment Corp.	General investing	100%	100%	-
MediaTek Capital Corp.	RollTech Technology Co., Ltd.	Research	67%	67%	-
MediaTek Capital Corp.	E-Vehicle Semiconductor Technology Co., Ltd.	Research, manufacturing and sales	-	47%	3
MediaTek Capital Corp.	Chingis Technology Corp.	Research	100%	100%	-
MediaTek Capital Corp.	Velocenet Inc.	Research	100%	100%	-
MediaTek Capital Corp.	Nepfos (Taiwan) Inc.	Research	100%	100%	-
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%	-

(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, 2018	December 31, 2017	
Hsu-Si Investment Corp.	Airoha Technology Corp.	Research, manufacturing and sales	93%	93%	2
Hsu-Si Investment Corp.	Airoha (Cayman) Inc.	General investing	100%	100%	-
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%	79%	-
Richtek Technology Corp.	Richtek Global Marketing Co., Ltd.	General investing	100%	100%	-
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%	-

(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, 2018	December 31, 2017	
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%	-
Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	Sales and technical services	100%	100%	-
Airoha (Cayman) Inc.	Airotek (Shenzhen) Inc.	Research and technical services	100%	100%	4
Airoha (Cayman) Inc.	Airotek (Chengdu) Inc.	Research	100%	100%	4
Airoha Technology Corp.	Airoha Technology (Samoa) Corp.	General investing	100%	100%	2
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%	77%	-

(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, 2018	December 31, 2017	
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technical services	100%	100%	-
Gaintech Co. Limited	Digital Lord Limited	General investing	100%	100%	-
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%	100%	-
Gaintech Co. Limited	Nephos Cayman Co. Limited	General investing	100%	100%	-
Gaintech Co. Limited	Dynamic Presence Limited	General investing	-	100%	5
Gaintech Co. Limited	White Dwarf Limited	General investing	100%	100%	-
Gaintech Co. Limited	Zelus Technology (HangZhou) Ltd.	Research and sales	100%	100%	6
Gaintech Co. Limited	IStar Technology Ltd.	General investing	100%	-	7
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%	-

(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, 2018	December 31, 2017	
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%	-
MTK Wireless Limited (UK)	MediaTek Wireless Finland Oy	Research	100%	100%	-
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	-
Digital Lord Limited	Lepower (HK) Limited	General investing	100%	100%	-
Lepower (HK) Limited	Nephos (Beijing) Co., Ltd.	Research	-	100%	8
E-Vehicle Semiconductor Technology Co., Ltd.	E-Vehicle Holdings Corp.	General investing	-	100%	3
E-Vehicle Holdings Corp.	E-Vehicle Investment Limited	General investing	-	100%	3
E-Vehicle Investment Limited	E-Vehicle Semiconductor (Shanghai) Co., Ltd.	Research, manufacturing and sales	-	100%	3
EcoNet (Cayman) Inc.	Shadow Investment Limited	General investing	100%	100%	-
EcoNet (Cayman) Inc.	EcoNet (HK) Limited	Research	100%	100%	-
EcoNet (Cayman) Inc.	EcoNet Limited	General investing and sales	-	-	9
EcoNet (HK) Limited	EcoNet (Suzhou) Limited	Research, manufacturing and sales	100%	100%	-
EcoNet (Suzhou) Limited	EcoNet Limited	General investing and sales	100%	100%	9

(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, 2018	December 31, 2017	
Shadow Investment Limited	MediaTek (Nanjing) Inc.	Research	-	100%	10
MediaTek Investment Singapore Pte. Ltd.	Lightup International Corp.	General investing	-	-	11
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	100%	-
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%	-	12
MStar Semiconductor, Inc.	MStar France SAS	Research	100%	100%	-
MStar Semiconductor, Inc.	Shunfonger Investment Holding Limited	General investing	-	100%	13
MStar Semiconductor, Inc.	IStar Technology Ltd.	General investing	-	100%	7
MStar Semiconductor, Inc.	MStar Co., Ltd.	General investing	100%	100%	-
MStar Semiconductor, Inc.	Digimoc Holdings Limited	General investing	100%	100%	-
MStar Semiconductor, Inc.	MStar Semiconductor UK Ltd.	Research and technical services	100%	100%	-
MStar Semiconductor, Inc.	ILI Technology Corporation	Research, manufacturing and sales	100%	100%	-
MStar Semiconductor, Inc.	MStar Technology Pte. Ltd.	Research, manufacturing and sales	-	100%	14
MStar Semiconductor, Inc.	MShining International Corporation	Sales	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, 2018	December 31, 2017	
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Research, manufacturing and sales	-	100%	15
MStar Semiconductor, Inc.	Sigmastar Technology Inc.	General investing	100%	100%	16
MStar Semiconductor, Inc.	Spidcom Technologies	Research	100%	-	17
Sigmastar Technology Inc.	Xiamen Sigmastar Technology Inc.	Research, manufacturing and sales	90%	100%	18
Sigmastar Technology Inc.	Sigmastar Technology Corp.	Research, manufacturing and sales	100%	-	15
Xiamen Sigmastar Technology Inc.	Shenzhen Sing Chen Technology Inc.	Technical services	100%	-	19
Xiamen Sigmastar Technology Inc.	SigmaStar Technology Inc. (Shanghai)	Technical services	100%	-	20
MStar Co., Ltd.	MStar Software R&D (Shenzhen), Ltd.	Technical services	100%	100%	-
Digimoc Holdings Limited	Bubbly Bay Holdings Limited	General investing	-	100%	21
MStar Software R&D (Shenzhen), Ltd.	MStar Chen Xi Software Shanghai Ltd.	Technical services	100%	100%	-
MStar Semiconductor UK Ltd.	MSilicon Technology Corp.	Research and technical services	-	100%	22
MStar Technology Pte. Ltd.	MStar Semiconductor India Private Limited	Research and technical services	-	100%	12
IStar Technology Ltd.	Beijing Ilitek Technology Co. Ltd.	Research and technical services	100%	100%	-
IStar Technology Ltd.	ShenZhen ZhongChen Semiconductor Ltd.	Technical services	100%	-	23

(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, 2018	December 31, 2017	
ILI Technology Corporation	ILITEK Holding Inc.	General investing	100%	100%	-
ILITEK Holding Inc.	ILI Technology (SZ) LTD.	Technical services	100%	100%	-
Nephos Cayman Co. Limited	Nephos (Hefei) Co. Ltd.	Research, manufacturing and sales	83%	63%	-
Nephos (Hefei) Co. Ltd.	Nephos (Beijing) Co. Ltd.	Research	100%	-	8

- Hsu-Chuang Investment Corp. was renamed Hsu-Chuang Communication Corp. in February 2018 and was further renamed MStar International Technology Inc. in September 2018.
- Hsu-Si Investment Corp. (“Hsu-Si Investment”) accomplished the tender offer and acquired 40% shares of Airoha Technology Corp. (“Airoha”) in March 2017. A control over Airoha was obtained and therefore all the subsidiaries of Airoha were included in the consolidated entities thereafter. In July 2017, Hsu-Si Investment acquired the remaining 38% ownership of Airoha. Moreover, Hsu-Si acquire 5% and 17% shares of Airoha from Hsu-Ta Investment Corp. and MediaTek Capital Corp., respectively. Furthermore, MTK spun-off the business unit –Bluetooth related Internet of Things Product Line Business to Airoha, and acquired 7% new shares of the capital increase of Airoha in October 2017.
- 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.
- Airoha (Cayman) Inc. established Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc. in September 2017.
- For the purpose of reorganization, Dynamic Presence Limited has been liquidated in November 2018.
- Gaintech Co. Limited established Zelus Technology (HangZhou) Ltd. in October 2017.
- 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.
- 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.
- For the purpose of reorganization, the 100% ownership of EcoNet Limited, which was previously owned by EcoNet (Cayman) Inc., was transferred to EcoNet (Suzhou) Limited in December 2017.
- For the purpose of reorganization, MediaTek (Nanjing) Inc. has been liquidated and returned its capital in February 2018.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

11. For the purpose of reorganization, the 100% ownership of Light Up International Corp. (“Light Up International”), which was previously owned by MediaTek Investment Singapore Pte. Ltd. was transferred to Hsu-Ta Investment Corp. (“Hsu-Ta Investment”) in November 2017. Moreover, Light Up International was dissolved due to merger with Hsu-Ta Investment in December 2017.
12. 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.
13. For the purpose of reorganization, Shunfonger Investment Holding Limited has been liquidated and returned its capital in August 2018.
14. 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.
15. MStar Semiconductor, Inc. established Sigmastar Technology Corp. in September 2017. 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.
16. MStar Semiconductor, Inc. established Sigmastar Technology Inc. in October 2017.
17. MStar Semiconductor, Inc. accomplished the tender offer and acquired 100% shares of Spidcom Technologies in July 2018.
18. Sigmastar Technology Inc. established Xiamen Sigmastar Technology Inc. in December 2017.
19. Xiamen Sigmastar Technology Inc. established Shenzhen Sing Chen Technology Inc. in January 2018.
20. Xiamen Sigmastar Technology Inc. established SigmaStar Technology Inc. (Shanghai) in April 2018.
21. For the purpose of reorganization, Bubbly Bay Holdings Limited has been liquidated and returned its capital in July 2018.
22. For the purpose of reorganization, MSilicon Technology Corp. has been liquidated and returned its capital in September 2018.
23. IStar Technology Ltd. established ShenZhen ZhongChen Semiconductor Ltd. in June 2018.

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*" (before January 1, 2018: IAS 39 "*Financial Instruments: Recognition and Measurement*") are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Translation of financial statements in foreign currency

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

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

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

Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Company expects to settle the liability in its normal operating cycle.
- B. the Company holds the liability primarily for the purpose of trading.
- C. the liability is due to be settled within twelve months after the reporting period.

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 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 (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 is as follows:

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. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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.

The accounting policy before January 1, 2018 is as follows:

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

a. Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

b. Available-for-sale financial assets

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

c. Held-to-maturity financial assets

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

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

d. Loans and receivables

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

B. Impairment of financial assets

The accounting policy from January 1, 2018 is as follows:

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.

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.

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, 2018 is as follows:

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

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

Other loss events include:

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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.

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* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

(b) Financial liabilities at amortized cost

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative 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. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Before January 1, 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value 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)

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.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Investments accounted for using the equity method

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

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.

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

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

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

Buildings	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.

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

Leases

A. The Company as a lessee

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

B. The Company as a lessor

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Intangible assets

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

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

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

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

Abovementioned intangible assets are amortized on a straight-line basis over the estimated useful life.

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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)

Starting from January 1, 2018, 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. Before January 1, 2018, the Company estimated sales returns and allowances based on past experience and other known factors at the time of sale, which reduced the operating revenue and trades receivables.

Revenue recognition

The accounting policy from January 1, 2018 is as follows:

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 has 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)

The accounting policy before January 1, 2018 is as follows:

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

A. Sale of goods

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

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

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

B. Interest income

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

C. Dividends

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

Post-employment benefits

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

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

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

Share-based payment transactions

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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" (before January 1, 2018: IAS 39 "Financial Instruments: Recognition and Measurement") either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.

5. Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and assumptions

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

A. Fair value of 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. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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

Starting from January 1, 2018:

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. (19) for more details.

Before January 1, 2018:

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. The management periodically reviews the adequacy of the estimation used.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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, 2018	December 31, 2017
Cash on hand and petty cash	\$ 4,653	\$ 5,845
Checking and savings accounts	20,053,199	17,814,718
Time deposits	122,966,588	127,397,008
Cash equivalents - repurchase agreements	145,805	120,805
Total	<u>\$ 143,170,245</u>	<u>\$ 145,338,376</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, 2018	December 31, 2017(Note)
<u>Current</u>		
<u>Financial assets mandatorily measured at fair value</u>		
<u>through profit or loss</u>		
Funds	\$ 3,162,748	
Bonds	997,692	
Credit-linked deposits	529,273	
Interest rate-linked deposits	261,152	
Stocks	74,504	
Forward exchange contracts	1,327	
Total	<u>\$ 5,026,696</u>	
<u>Held for trading financial liabilities</u>		
Forward exchange contracts	<u>\$ 4,932</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)

<u>Noncurrent</u>	December 31, 2018	December 31, 2017(Note)
<u>Financial assets mandatorily measured at fair value</u>		
<u>through profit or loss</u>		
Credit-linked deposits	\$ 1,867,977	
Exchange rate-linked deposits	943,737	
Trust Funds	394,617	
Bonds	384,852	
Interest rate-linked deposits	259,033	
Stocks	136,008	
Total	\$ 3,986,224	
	December 31, 2018(Note)	December 31, 2017
<u>Current</u>		
<u>Held for trading financial assets</u>		
Forward exchange contracts		\$ 27
<u>Financial assets designated upon initial recognition at</u>		
<u>fair value through profit or loss</u>		
Interest rate-linked deposits		269,987
Credit-linked deposits		229,150
Bonds		225,343
Subtotal		724,480
Total		\$ 724,507
<u>Held for trading financial liabilities</u>		
Forward exchange contracts		\$ 18,144
<u>Noncurrent</u>		
<u>Financial assets designated upon initial recognition at</u>		
<u>fair value through profit or loss</u>		
Credit-linked deposits		\$ 3,202,920
Bonds		908,734
Interest rate-linked deposits		504,752
Trust funds		352,023
Total		\$ 4,968,429

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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)

	December 31, 2018	December 31, 2017(Note)
(3) Financial assets at fair value through other comprehensive income		
	<u>December 31,</u>	<u>December 31,</u>
	2018	2017(Note)
<u>Current</u>		
<u>Debt instrument investments measured at fair value</u>		
<u>through other comprehensive income</u>		
Bonds	\$ 1,357,537	
<u>Equity instrument investments measured at fair value</u>		
<u>through other comprehensive income</u>		
Listed companies stocks	12,000,191	
Unlisted companies stocks	110,347	
Subtotal	<u>12,110,538</u>	
Total	<u>\$ 13,468,075</u>	
<u>Noncurrent</u>		
<u>Debt instrument investments measured at fair value</u>		
<u>through other comprehensive income</u>		
Bonds	\$ 787,275	
<u>Equity instrument investments measured at fair value</u>		
<u>through other comprehensive income</u>		
Listed companies stocks	12,047,624	
Capital	11,109,299	
Unlisted companies stocks	5,431,327	
Funds	2,707,975	
Subtotal	<u>31,296,225</u>	
Total	<u>\$ 32,083,500</u>	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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

Please refer to Note 6. (25) 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 and recognized dividends in the amount of NT\$739,625 thousand for the year ended December 31, 2018, all of which related to investments held at the end of the reporting period.

In consideration of the Company's investment strategy and the liquidation of certain investees, the Company disposed of the stocks and funds which were included in equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$1,254,807 thousand and the capital return of liquidation was NT\$23 thousand. The Company transferred the cumulative unrealized gain of NT\$726,618 thousand from other components of equity to retained earnings.

(4) Available-for-sale financial assets

	December 31, 2018(Note)	December 31, 2017
<u>Current</u>		
Stocks		\$ 15,899,578
Bonds		5,695,430
Funds		1,696,820
Subtotal		<u>23,291,828</u>
<u>Noncurrent</u>		
Stocks		9,946,693
Funds		2,409,272
Bonds		1,989,679
Subtotal		<u>14,345,644</u>
Total		<u>\$ 37,637,472</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company assessed and concluded its available-for-sale financial assets were partially impaired, and recorded an impairment loss of NT\$63,520 thousand for the year ended December 31, 2017.

Available-for-sale financial assets 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)

(5) Financial assets measured at amortized cost

	December 31, 2018	December 31, 2017(Note)
<u>Current</u>		
Bonds	\$ 2,995,945	
Time deposits	9,705	
Subtotal	<u>3,005,650</u>	
<u>Noncurrent</u>		
Bonds	290,000	
Time deposits	190,106	
Subtotal	<u>480,106</u>	
Total	<u>\$ 3,485,756</u>	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6. (25) for more details on accumulated impairment and Note 12 for more details on credit risk.

Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

(6) Financial assets measured at cost

	December 31, 2018(Note)	December 31, 2017
<u>Available-for-sale financial assets-noncurrent</u>		
Capital		\$ 7,651,545
Unlisted companies stocks		<u>4,983,757</u>
Total		<u>\$ 12,635,302</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Company adopted IAS 39 before January 1, 2018. The above investments in the equity instruments are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

The Company assessed and concluded its financial assets measured at cost were partially impaired and recorded an impairment loss of NT\$352,894 thousand for the year ended December 31, 2017.

Financial assets measured at cost were not pledged.

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

	December 31, 2018(Note)	December 31, 2017
<u>Current</u>		
Bonds		\$ 746,200
Time deposits		19,245
Subtotal		<u>765,445</u>
<u>Noncurrent</u>		
Bonds		290,000
Time deposits		107,880
Subtotal		<u>397,880</u>
Total		<u>\$ 1,163,325</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt instrument investments for which no active market exists. Please refer to Note 8 for more details on debt instrument investments.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(8) Trade receivables and trade receivables from related parties

	December 31, 2018	December 31, 2017
Trade receivables	\$ 29,037,221	\$ 25,424,012
Less: allowance for doubtful debts	(107,395)	(331,984)
Less: allowance for sales returns and discounts	-	(8,199,443)
Subtotal	<u>28,929,826</u>	<u>16,892,585</u>
Trade receivables from related parties	6,605	-
Less: allowance for doubtful debts	-	-
Subtotal	<u>6,605</u>	<u>-</u>
Total	<u>\$ 28,936,431</u>	<u>\$ 16,892,585</u>

Trade receivables and trade receivables from related parties were not pledged. Besides, the abovementioned allowance for sales returns and discounts have been reclassified to other current liabilities since January 1, 2018. Please refer to Note 6. (19) for more details.

Trade receivables are generally on 30-150 day terms. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (25) for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$ -	\$ 294,701	\$ 294,701
Charge for the current period	-	52,612	52,612
Write-off for uncollectable accounts	-	(10,702)	(10,702)
Exchange differences	-	(4,627)	(4,627)
As of December 31, 2017	<u>\$ -</u>	<u>\$ 331,984</u>	<u>\$ 331,984</u>

Aging analysis of trade receivables and trade receivables from related parties were as follows:

As of	Neither past due nor impaired	Past due but not impaired		Total
		1 to 90 days	More than 91 days	
December 31, 2017	\$ 15,926,656	\$ 965,084	\$ 845	\$ 16,892,585

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 IFRS 9 adopted since January 1, 2018, the Company need to assess the business model and classify financial assets into the appropriate categories. As of December 31, 2018, trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring and without recourse is NT\$3,865,489 thousand.

(9) Other receivables

	December 31, 2018	December 31, 2017
Factoring receivables	\$ 2,978,963	\$ 2,515,843
Others	5,250,753	18,735,514
Total	<u>\$ 8,229,716</u>	<u>\$ 21,251,357</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\$2,978,963 thousand and NT\$2,515,843 thousand as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, trade receivables derecognized were as follows:

A. As of December 31, 2018:

The Factor (Transferee)	Interest rate	Trade receivables	Cash	Unutilized (US\$'000)	Credit line (US\$'000)
		derecognized (US\$'000)	withdrawn (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		<u>\$ 96,931</u>	<u>\$ -</u>	<u>\$ 96,931</u>	<u>\$ 269,850</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

B. As of December 31, 2017:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin International Bank	-	\$ 57,076	\$ -	\$ 57,076	\$ 99,000
BNP Paribas	-	12,587	-	12,587	107,000
HSBC	-	11	-	11	350
Taipei Fubon Commercial Bank	-	14,615	-	14,615	15,000
Total		\$ 84,289	\$ -	\$ 84,289	\$ 221,350

(10) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 3,866,518	\$ 2,601,306
Work in progress	15,950,814	11,839,039
Finished goods	11,162,435	12,099,269
Net amount	\$ 30,979,767	\$ 26,539,614

For the years ended December 31, 2018 and 2017, the cost of inventories recognized in expenses amounted to NT\$146,333,658 thousand and NT\$153,330,436 thousand, including the write-down of inventories of NT\$2,213,779 thousand and NT\$5,753,615 thousand for the years ended December 31, 2018 and 2017, respectively.

Inventories were not pledged.

(11) Prepayments

	December 31, 2018	December 31, 2017
Prepaid expenses	\$ 684,645	\$ 534,954
Input tax	197,544	235,532
Others	641,092	619,946
Total	\$ 1,523,281	\$ 1,390,432

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(12) Investments accounted for using the equity method

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

Investees	December 31, 2018		December 31, 2017	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
MOUNTAIN CAPITAL FUND, L.P.	\$ 1,585,705	42	\$ 810,527	42
FONTAINE CAPITAL FUND, L.P.	1,187,618	57	569,146	57
Others	1,107,816	-	530,159	-
Subtotal	<u>3,881,139</u>		<u>1,909,832</u>	
Investments in jointly controlled entities:				
Yuan Ke (Pingtan) Investment Fund Limited Partnership	8,830,819	81	3,867,272	81
Subtotal	<u>8,830,819</u>		<u>3,867,272</u>	
Total	<u>\$ 12,711,958</u>		<u>\$ 5,777,104</u>	

Subsidiary Hsu-Si Investment acquired 24,230,620 shares (approximately 40% of Airoha's issued shares) of Airoha through a tender offer for the three months ended March 31, 2017. The price of the tender offer was NT\$110 per share and the total amount paid in cash amounted to NT\$2,665,368 thousand. Hsu-Si Investment obtained control over Airoha in March 2017 and Airoha was included in the consolidated entities thereafter. Please refer to Note 6. (33) for more details.

Although partial of the Company's ownership in the aforementioned investees were higher than 50%, those investees 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 therefore they were not included 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)

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:

(1) Investments in associates

	For the years ended	
	December 31	
	2018	2017
Loss from continuing operations	\$ (47,032)	\$ (13,650)
Other comprehensive income (post-tax)	(2,094)	6,693
Total comprehensive income	<u>\$ (49,126)</u>	<u>\$ (6,957)</u>

(2) Investments in jointly controlled entities

	For the years ended	
	December 31	
	2018	2017
(Loss) profit from continuing operations	\$ (19,009)	\$ 476,047
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$ (19,009)</u>	<u>\$ 476,047</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, 2018 and 2017.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

(13) Property, plant and equipment	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 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
As of January 1, 2017	\$ 5,108,639	\$ 21,282,705	\$ 1,210,479	\$ 5,000,627	\$ 6,861,389	\$ 2,284,831	\$ 6,036,276	\$ 47,784,946
Additions-acquired separately	86,980	593,228	100,699	1,077,842	1,000,815	442,229	784,097	4,085,890
Additions-acquired through business combinations	-	-	98,294	-	-	16,906	-	115,200
Disposals	-	(4,356)	(4,859)	(327,897)	(209,998)	(487,995)	(17,371)	(1,052,476)
Transfers	1,089	5,449,594	25,376	(4,287)	(22,398)	91,768	(5,885,816)	(344,674)
Exchange differences	(3)	(108,553)	(4,936)	(56,868)	(27,634)	(42,110)	(70,760)	(310,864)
As of December 31, 2017	\$ 5,196,705	\$ 27,212,618	\$ 1,425,053	\$ 5,689,417	\$ 7,602,174	\$ 2,305,629	\$ 846,426	\$ 50,278,022

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As of January 1, 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
As of January 1, 2017	\$ -	\$ 2,903,910	\$ 271,703	\$ 2,772,783	\$ 3,700,970	\$ 1,277,840	\$ -	\$ 10,927,206
Depreciation	-	657,038	263,512	989,383	1,038,710	591,237	-	3,539,880
Disposals	-	(3,442)	(4,683)	(316,705)	(204,754)	(480,093)	-	(1,009,677)
Transfers	-	(10,797)	6,597	(4,276)	(25,139)	615	-	(33,000)
Exchange differences	-	(3,160)	(1,387)	(33,420)	(13,518)	(33,542)	-	(85,027)
As of December 31, 2017	\$ -	\$ 3,543,549	\$ 535,742	\$ 3,407,765	\$ 4,496,269	\$ 1,356,057	\$ -	\$ 13,339,382
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
December 31, 2017	\$ 5,196,705	\$ 23,669,069	\$ 889,311	\$ 2,281,652	\$ 3,105,905	\$ 949,572	\$ 846,426	\$ 36,938,640

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)

(14) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
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>
As of January 1, 2017	\$ 199,661	\$ 490,073	\$ 689,734
Addition	-	1,436	1,436
Transfers	1,875	253,368	255,243
Exchange differences	-	(5,603)	(5,603)
As of December 31, 2017	<u>\$ 201,536</u>	<u>\$ 739,274</u>	<u>\$ 940,810</u>
Depreciation and impairment:			
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>
As of January 1, 2017	\$ -	\$ 38,326	\$ 38,326
Depreciation	-	18,142	18,142
Transfers	-	10,915	10,915
Exchange differences	-	(224)	(224)
As of December 31, 2017	<u>\$ -</u>	<u>\$ 67,159</u>	<u>\$ 67,159</u>
Net carrying amount as of:			
December 31, 2018	<u>\$ 201,536</u>	<u>\$ 715,807</u>	<u>\$ 917,343</u>
December 31, 2017	<u>\$ 201,536</u>	<u>\$ 672,115</u>	<u>\$ 873,651</u>

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,	
	2018	2017
Rental income from investment properties	\$ 98,562	\$ 75,014
Less:		
Direct operating expenses from investment properties generating rental income	(20,617)	(18,142)
Total	\$ 77,945	\$ 56,872

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,	December 31,
	2018	2017
Fair value	\$ 1,295,589	\$ 1,136,818
Based on comparative approach and income approach:	December 31,	December 31,
	2018	2017
Fair value	\$ 263,076	\$ 262,578
Income capitalization rate	1.05%-3.24%	0.89%-2.64%

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

(15) Intangible assets	Trademarks	Software	Customer		Goodwill	Total
			relationship	Patents, IPs and others		
Cost:						
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
As of January 1, 2017	\$ 772,487	\$ 2,015,534	\$ 5,114,146	\$ 8,716,232	\$ 63,386,805	\$ 80,005,204
Additions-acquired separately	-	934,627	-	3,418,503	-	4,353,130
Additions-acquired through business combinations	-	53,514	-	1,304,913	2,039,366	3,397,793
Disposals	-	(26,983)	-	(3,606,986)	-	(3,633,969)
Transfers	-	1,848	-	-	64,130	65,978
Exchange differences	-	(1,407)	-	(189,747)	(43,376)	(234,530)
As of December 31, 2017	\$ 772,487	\$ 2,977,133	\$ 5,114,146	\$ 9,642,915	\$ 65,446,925	\$ 83,953,606

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, 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
As of January 1, 2017						
As of January 1, 2017	\$ 279,595	\$ 1,549,914	\$ 1,441,288	\$ 4,719,853	\$ -	\$ 7,990,650
Amortization	112,599	520,212	676,979	2,342,537	-	3,652,327
Disposals	-	(26,396)	-	(3,606,986)	-	(3,633,382)
Exchange differences	-	1,238	-	(86,307)	-	(85,069)
As of December 31, 2017	\$ 392,194	\$ 2,044,968	\$ 2,118,267	\$ 3,369,097	\$ -	\$ 7,924,526
Net carrying amount as of:						
December 31, 2018	\$ 267,693	\$ 889,242	\$ 2,392,749	\$ 4,776,834	\$ 65,462,080	\$ 73,788,598
December 31, 2017	\$ 380,293	\$ 932,165	\$ 2,995,879	\$ 6,273,818	\$ 65,446,925	\$ 76,029,080

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(16) 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\$65,462,080 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)

(17) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 51,056,528	\$ 64,315,682
Interest rates	1.00%-3.39%	1.66%-5.00%

(18) Other payables

	December 31, 2018	December 31, 2017
Accrued salaries and bonuses	\$ 18,426,299	\$ 18,688,236
Accrued royalties	1,885,990	1,836,863
Others	10,169,490	15,271,191
Total	\$ 30,481,779	\$ 35,796,290

(19) Other current liabilities

	December 31, 2018	December 31, 2017
Refund liabilities (Note)	\$ 17,214,694	\$ -
Advance sales receipts	-	1,189,268
Others	297,649	336,100
Total	\$ 17,512,343	\$ 1,525,368

Note: The Company adopted IFRS 15 since January 1, 2018. A refund liability has been recognized for sales returns and allowance based on past experience and other known factors.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(20) Long-term borrowings

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

Lenders	As of		Maturity date and terms of repayment
	December 31, 2018	Interest 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>		

Details of long-term loans as of December 31, 2017 are as follows:

Lenders	As of		Maturity date and terms of repayment
	December 31, 2017	Interest Rate (%)	
Unsecured long-term loan from Mega International Commercial Bank	\$ 11,667	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	85,000	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	276,375	1.40%	Effective from October 30, 2017, principal is repaid in 16 semi-annually payments with monthly interest payments.
Total	373,042		
Less: current portion	(36,850)		
Noncurrent portion	<u>\$ 336,192</u>		

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(21) 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, 2018 and 2017 were NT\$1,716,934 thousand and NT\$1,611,309 thousand, respectively.

Defined benefits plan

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

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\$6,870 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

The weighted average duration of the defined benefit obligation was 10 to 19 years and 11 to 24 years as of December 31, 2018 and 2017, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Pension costs recognized in profit or loss are as follows:

	For the years ended	
	December 31	
	2018	2017
Current service cost	\$ 7,592	\$ 8,570
Net interest on the net defined benefit liabilities	10,094	15,092
Past service cost	(3,063)	-
Subtotal	14,623	23,662
(Underestimate) overestimate on book	(496)	1,627
Total	\$ 14,127	\$ 25,289

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

	December 31,	December 31,
	2018	2017
Defined benefit obligation	\$ 1,090,597	\$ 924,450
Plan assets at fair value	(286,932)	(268,747)
Subtotal	803,665	655,703
Overestimate (underestimate) on book	1,141	(711)
Subtotal	804,806	654,992
Net defined benefit assets	14,825	2,080
Net defined benefit liabilities	\$ 819,631	\$ 657,072

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, 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
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2017	\$ 1,087,733	\$ (250,449)	\$ 837,284
Current service cost	8,570	-	8,570
Interest expenses (income)	19,555	(4,463)	15,092
Subtotal	28,125	(4,463)	23,662
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	1,208	-	1,208
Actuarial gains and losses arising from changes in financial assumptions	(158,134)	-	(158,134)
Experience adjustments	(50,771)	-	(50,771)
Remeasurements of the defined benefit assets	-	2,078	2,078
Subtotal	(207,697)	2,078	(205,619)
Payment of benefit obligation	(8,249)	15,329	7,080
Contributions by employer	-	(21,952)	(21,952)
Acquired through business combinations	24,538	(9,290)	15,248
Subtotal	924,450	(268,747)	655,703
Underestimate on book	(711)	-	(711)
As of December 31, 2017	\$ 923,739	\$ (268,747)	\$ 654,992

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, 2018	December 31, 2017
Discount rate	1.00%-1.50%	1.00%-1.70%
Expected rate of salary increases	2.00%-5.00%	2.00%-5.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended December 31			
	2018		2017	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	\$ -	\$ (88,078)	\$ -	\$ (75,903)
Discount rate decreases by 0.5%	97,477	-	85,116	-
Rate of future salary increases by 0.5%	95,071	-	83,917	-
Rate of future salary decreases by 0.5%	-	(86,907)	-	(76,179)

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.

(22) Equity

A. Share capital

MTK's authorized capital as of December 31, 2018 and 2017 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\$15,915,070 thousand, and NT\$15,814,140 thousand, divided into 1,591,506,977 shares, and 1,581,413,973 shares as of December 31, 2018 and 2017, respectively. Each share has one voting right and a right to receive dividends.

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED 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, 2018, 12,259,550 shares of restricted stocks for employees were issued. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MTK has redeemed and cancelled 2,211,278 shares and 998,218 shares of issued restricted stocks for employees during the years ended December 31, 2018 and 2017, respectively. Relevant regulators' approvals have been obtained and related registration processes have been completed.

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

B. Capital surplus

	December 31, 2018	December 31, 2017
Additional paid-in capital	\$ 80,196,101	\$ 83,765,699
Treasury share transactions	1,607,691	1,529,750
Changes in ownership interests in subsidiaries	1,185,125	1,146,807
Donated assets	1,261	1,261
From share of changes in net assets of associates	-	4,326
Employee stock options	444,505	498,474
Restricted stocks for employees	1,600,453	1,129,630
Others	202,078	134,872
Total	<u>\$ 85,237,214</u>	<u>\$ 88,210,819</u>

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, 2018 and 2017, 7,794,085 shares of MTK's common shares amounting to NT\$55,970 thousand were held by the subsidiary, MediaTek Capital Corp. These shares held by MediaTek Capital Corp. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2018 and 2017, MTK did not hold any other treasury shares.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 authorized capital. The legal reserve can be used to offset the deficit of MTK. When MTK incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

Details of the 2017 and 2016 earnings distribution and dividends per share as resolved by general shareholders' meeting on June 15, 2018 and 2017, respectively, are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 2,433,260	\$ 2,370,060	-	-
Cash dividends-common stock	11,844,548	12,652,827	\$ 7.50	\$ 8.00
Total	<u>\$ 14,277,808</u>	<u>\$ 15,022,887</u>		

In addition, the general shareholders' meeting on June 15, 2018 and 2017 resolved to distribute the paid in capital by cash in the amount of NT\$3,948,182 thousand and NT\$2,372,405 thousand, or NT\$2.5 per share and NT\$1.5 per share, respectively.

E. Non-controlling interests

	For the years ended December 31	
	2018	2017
Beginning balance	\$ 1,387,370	\$ 1,883,968
Gains (losses) attributable to non-controlling interests	21,898	(262,506)
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(21,712)	(5,945)
Share-based payment transactions	-	15,072
Changes in ownership interests in subsidiaries	(26,798)	1,028,273
Acquisition through business combinations	-	1,424,763
Acquisition of additional interest in a subsidiary	(206,070)	(980,110)
Others	224,998	(1,716,145)
Ending balance	<u>\$ 1,379,686</u>	<u>\$ 1,387,370</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(23) Share-based payment plans

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

Share-based payment plans in MTK

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

Detail information relevant to the share-based payment plan as of December 31, 2018 is as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT\$) (Note)
2008.03.31	1,134,119	-	-	\$ 355.5
2008.08.28	1,640,285	-	-	342.1
2009.08.18	1,382,630	483,247	483,247	423.2
2010.08.27	1,605,757	612,631	612,631	398.9
2010.11.04	65,839	8,134	8,134	371.5
2011.08.24	2,109,871	1,022,154	1,022,154	273.4
2012.08.14	1,346,795	799,629	799,629	282.6
2013.08.22	1,436,343	1,005,691	1,005,691	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. 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 was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

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

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

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

Employee Stock Option	For the years ended			
	December 31			
	2018		2017	
	Options	Weighted-average Exercise Price	Options	Weighted-average Exercise Price
	(Unit)	per Share (NT\$)	(Unit)	per Share (NT\$)
Outstanding at beginning of year	4,681,103	\$ 340.4	4,923,268	\$ 339.9
Granted	-	-	-	-
Exercised (Note)	(21,590)	278.2	(23,142)	278.5
Forfeited (Expired)	(728,027)	347.0	(219,023)	332.9
Outstanding at end of year	<u>3,931,486</u>	337.6	<u>4,681,103</u>	340.4
Exercisable at end of year	<u>3,931,486</u>		<u>4,681,103</u>	
Weighted-average fair value of options granted during the year (in NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Note : The weighted average share price at the date of exercise of those options was NT\$329.1 for the year ended December 31, 2018.

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, 2018 and 2017 is as follows:

			December 31,		December 31,	
			2018		2017	
		Outstanding stock options		Outstanding stock options		
		Weighted-	Weighted-	Weighted-	Weighted-	
		average	average	average	average	
		Expected	Exercise Price	Expected	Exercise Price	
		Remaining	per Share	Remaining	per Share	
Date of grant	Range of Exercise Price (NT\$)	Years	(NT\$)	Years	(NT\$)	
2007.12.19	\$ 342.1-355.5	-	\$ -	-	\$ 346.9	
2009.07.27	423.2	-	423.2	-	426.5	
2010.05.10	371.5-398.9	-	398.5	-	401.6	
2011.08.09	273.4	-	273.4	0.17	275.5	
2012.08.09	282.6	0.13	282.6	1.13	284.8	
2013.08.09	368.0	1.17	368.0	2.17	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, and 12,259,550 gratuitous restricted stocks on September 6, 2016, July 17, 2017, and September 6, 2018, 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, and NT\$255 per share, respectively. The estimated compensation expenses amounted to NT\$2,412,122 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of December 31, 2018, MTK had recognized NT\$1,046,624 thousand as compensation expense and NT\$1,365,498 thousand as unearned employee compensation, which were recorded under salary expense and other equity, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Restriction on the rights and vesting conditions of restricted stocks for employees of 2016 is as follows:

- A. To issue common shares of MTK 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. The maximum portions of the vesting 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.
- 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.
- E. The restricted stock for employees issued by MTK may be deposited in a security trust account.

Restriction on the rights and vesting conditions of restricted stocks for employees of 2018 is as follows:

- A. To issue common shares of MTK 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. The maximum portions of the vesting shares of each year are 34%, 33%, and 33% for the years 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.
- 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- 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.
- E. The restricted stock for employees issued by MTK may be deposited in a security trust account.

Share-based payment plans of Subsidiaries

In November 2014, Board of Directors of EcoNet (Cayman) Inc. resolved to issue employee stock options with a total number of 1,235,388 units, each unit eligible to subscribe for one common share of EcoNet (Cayman) Inc. The options may be granted to qualified employees of EcoNet (Cayman) Inc. and its subsidiaries. The aforementioned units of employee stock options have been exercised in full as of December 31, 2018 and 2017.

In August 2016, subsidiary Airoha was authorized by FSC to issue employee stock options with a total number of 2 million units, each unit eligible to subscribe for one common share of Airoha. On May 11, 2017, Board of Directors of Airoha resolved to revise the aforementioned share-based payment plans. Under the revised plan, Airoha would have to pay cash to settle all outstanding options in the case Airoha carries out a merger transaction and becomes a wholly owned subsidiary of an institutional shareholder. Therefore, there have been no outstanding stock options since July 27, 2017, the acquisition date. Please refer to Note 6. (33) for relevant information for the merger with Airoha.

On May 21, 2018, Board of Directors of Airoha (Cayman) Inc. resolved to issue employee stock options with a total number of 486,873 units, each unit 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. Airoha (Cayman) Inc. granted 344,300 units to employees on July 1, 2018. Total outstanding stock options of Airoha (Cayman) Inc. were 340,000 units as of December 31, 2018.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Subsidiaries Cash-settled Share-based Payment Transactions

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

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

	<u>First Share appreciation right plan of 2014</u>
Grant date	May 2, 2014
Total number granted (in thousand)	1,200
Contractual term	3 years
Exercise price at grant date (NT\$ / share)	\$ 174

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

	<u>2017</u>	
	<u>Unit</u> (in thousand)	<u>Weighted average exercise price per share (NT\$)</u>
Outstanding at beginning of year	12	\$ 195
Granted	-	-
Exercised	(12)	195
Forfeited (Expired)	-	-
Outstanding at end of year	-	-
Exercisable at end of year	-	-

The abovementioned exercised price would be adjusted in accordance with the plan when Richtek issues stock dividends or distributes cash dividends.

Richtek's shares were delisted on April 29, 2016 as all of its shares were acquired by Hsu-Si Investment at a price of NT\$195 per share on that day. Based on Richtek's revised share appreciation rights plan (approved by the Board of Directors of Richtek on November 9, 2015), effective from the day Richtek's shares are delisted, Richtek will have to use the price of NT\$195 to replace the exercise day closing price (as defined in the share appreciation rights plan) to calculate the intrinsic value of the rights and make payments to employees.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Restricted stocks plan for employees of Subsidiaries

On May 25, 2018, Airoha issued 3,128,995 non-gratuitous common stocks of Airoha (Cayman) Inc. to qualified employees of Airoha with subscription price of US\$3.48 per share. The lock-up period is from May 25, 2018 to December 31, 2021.

On June 15, 2018, Airoha issued 468,600 non-gratuitous common stocks of Airoha (Cayman) Inc. to qualified employees of Airoha with subscription price of US\$3.48 per share. The lock-up period is from June 15, 2018 to June 30, 2022.

The fair values of the restricted stocks issued were NT\$37.88 and NT\$37.8 per share, respectively. The estimated compensation expenses amounted to NT\$93,408 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of December 31, 2018, Airoha had recognized NT\$16,639 thousand as compensation expense.

Restriction on the rights and vesting conditions of restricted stocks for employees of 2018 is as follows:

- A. To issue common shares of Airoha (Cayman) Inc. with non-gratuitous issue price.
- B. Employee's continuous employment with Airoha through the lock-up period, with no violation on any terms of Airoha's employment agreement, employee handbook, or policies during the lock-up period, are eligible to receive the vested shares in full at the end of lock-up period.
- 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.
- D. During the vesting period, the rights of proposal, speech, resolution and voting right, etc. in shareholders' meeting, and other affairs relevant to equity shall be executed by the custodian organization according to the trust contract.
- E. The restricted stock for employees issued by Airoha (Cayman) Inc. may be deposited in a security trust account.

Share-based compensation expenses recognized for employee services received for the years ended December 31, 2018 and 2017, are shown in the following table:

	For the years ended	
	December 31	
	2018	2017
Employee stock options	\$ 18,600	\$ 13,329
Restricted stocks for employees	152,099	605,204
Total	<u>\$ 170,699</u>	<u>\$ 618,533</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Except for the Share-based payment plan of Airoha which was revised in the second quarter of 2017, the Company did not modify or cancel any share-based payment plans during the years ended December 31, 2018 and 2017.

(24) Sales

	For the years ended December 31	
	2018	2017
Revenue from contracts with customers		
Sale of goods	\$ 235,222,818	\$ 236,246,624
Services and other operating revenues	2,834,528	1,969,694
Total	<u>\$ 238,057,346</u>	<u>\$ 238,216,318</u>

Note: The Company has adopted IFRS 15 since January 1, 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application.

The Company has adopted IFRS 15 since January 1, 2018. Relevant information of revenue from contracts with customers for the year ended December 31, 2018 is as follows:

A. Disaggregation of revenue

	For the year ended December 31, 2018	
Sale of goods	\$	235,222,818
Services and other operating revenues		2,834,528
Total	\$	<u>238,057,346</u>
Revenue recognition point:		
At a point in time	\$	235,580,850
Satisfies the performance obligation over time		2,476,496
Total	\$	<u>238,057,346</u>

B. Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	\$ 1,057,970	\$ 1,265,696	\$ 207,726
Services and other operating revenues	371,385	243,178	(128,207)
Total	<u>\$ 1,429,355</u>	<u>\$ 1,508,874</u>	<u>\$ 79,519</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

During the year ended December 31, 2018, contract liabilities significantly increased as most performance obligations have not yet been satisfied. NT\$759,589 thousand included in the beginning balance had been recognized as revenue during the year.

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2018, there is no need to provide relevant information of the unsatisfied performance obligations 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\$771,398 thousands. The Company will recognize revenue with the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 2 years.

(25) Expected credit gains (losses)

	For the years ended December 31	
	2018	2017(Note)
Operating expenses – Expected credit gains (losses)		
Trade receivables	\$ 229,290	
Other receivables		(133)
Total	\$ 229,157	

Note: The Company has adopted IFRS 9 since January 1, 2018. The Company elected not to apply restate prior periods in accordance with the transition provision in IFRS 9.

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, 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 need to consider the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details as follows:

	Neither past due (Note)	Past due				Total
		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: The Company's note receivables and trade receivables from related parties are not overdue.

The movement in the provision for impairment of receivables for the year ended December 31, 2018 is as follows:

	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	\$ -	\$ 331,984
Beginning adjusted retained earnings	-	-
Beginning balance (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
Ending balance	\$ -	\$ 107,395

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (26) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2018 and 2017:

	For the years ended					
	December 31					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 31,766	\$ 1,699,295	\$ 1,731,061	\$ 28,889	\$ 1,607,709	\$ 1,636,598
Others	\$ 814,363	\$ 42,587,354	\$ 43,401,717	\$ 686,744	\$ 42,133,690	\$ 42,820,434
Depreciation	\$ 205,894	\$ 3,499,394	\$ 3,705,288	\$ 211,964	\$ 3,346,058	\$ 3,558,022
Amortization	\$ 10,097	\$ 3,855,419	\$ 3,865,516	\$ 720	\$ 3,651,607	\$ 3,652,327

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.

MTK accrued employees' compensation and remuneration to directors based on a specific rate of profit of the year ended December 31, 2018. 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 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. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

A resolution was approved in a meeting of the Board of Directors held on March 23, 2018 to distribute NT\$298,331 thousand and NT\$43,799 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 2017.

(27) Other income

	For the years ended	
	December 31	
	2018	2017
Interest income	(Note)	\$ 2,553,755
Financial assets measured at amortized cost	\$ 3,361,181	(Note)
Financial assets at fair value through other comprehensive income	539,761	(Note)
Subtotal	3,900,942	
Dividend income	739,625	580,035
Rental income	150,823	123,528
Others	218,227	218,656
Total	\$ 5,009,617	\$ 3,475,974

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(28) Other gains and losses

	For the years ended	
	December 31	
	2018	2017
Losses on disposal of property, plant and equipment	\$ (18,596)	\$ (30,714)
Losses on disposal of intangible assets	-	(450)
Gains (losses) on disposal of investments		
Non-current assets held for sale	3,460,483	5,123,575
Available-for-sale financial assets	(Note 1)	8,821,082
Debt instruments measured at fair value through other comprehensive income	(5,653)	(Note 1)
Financial assets measured at cost	(Note 1)	22,901
Investments accounted for using the equity method	(8,825)	1,496,172
Foreign exchange gains (losses)	336,796	(436,976)
Impairment losses		
Available-for-sale financial assets	(Note 1)	(63,520)
Financial assets measured at cost	(Note 1)	(352,894)
Investments accounted for using the equity method	(22,760)	-
Gains on financial assets at fair value through profit or loss (Note 2)	364,684	355,799
Losses on financial liabilities at fair value through profit or loss (Note 3)	(4,932)	-
Others	(239,257)	(125,452)
Total	\$ 3,861,940	\$ 14,809,523

Note:

1. The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Balance in the year ended December 31, 2018 was arising from financial assets mandatorily measured at fair value through profit or loss and balance in the year ended December 31, 2017 was arising from held for trading financial assets and financial assets designated upon initial recognition at fair value through profit or loss.
3. Balance in the years ended December 31, 2018 and 2017 were both arising from held for trading financial liabilities.

(29) Finance costs

	For the years ended	
	December 31	
	2018	2017
Interest expenses on borrowings	\$ 1,723,738	\$ 939,344

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(30) Components of other comprehensive income

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 defined benefit plan	\$ (152,757)	\$ -	\$ (152,757)	\$ 15,532	\$ (137,225)
Unrealized gains 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 (losses) gains 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)
Total of other comprehensive income	\$ (88,231)	\$ 5,653	\$ (82,578)	\$ 161,158	\$ 78,580

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, 2017 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plan	\$ 207,977	\$ -	\$ 207,977	\$ (35,356)	\$ 172,621
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(4,439,045)	-	(4,439,045)	-	(4,439,045)
Unrealized gains (losses) from available-for-sale financial assets	19,543,561	(8,757,562)	10,785,999	(1,248,983)	9,537,016
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(7,559)	-	(7,559)	-	(7,559)
Total of other comprehensive income	\$ 15,304,934	\$ (8,757,562)	\$ 6,547,372	\$ (1,284,339)	\$ 5,263,033

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of NT\$(5,653) thousand recognized in other comprehensive income for the year ended December 31, 2018 was reclassified to 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)

(31) 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	
	2018	2017
Current income tax	\$ 3,736,763	\$ 4,950,291
Deferred tax income	(808,475)	(1,816,247)
Others	(19,199)	33,321
Income tax expense recognized in profit or loss	<u>\$ 2,909,089</u>	<u>\$ 3,167,365</u>

Income tax recognized in other comprehensive income

	For the years ended	
	December 31	
	2018	2017
Deferred tax (income) expense:		
Remeasurements of defined benefit plan	\$ (15,532)	\$ 35,356
Unrealized losses from equity instrument investments measured at fair value through other comprehensive income	(145,626)	-
Unrealized gains from available-for-sale financial assets	-	1,248,983
Income tax relating to components of other comprehensive income	<u>\$ (161,158)</u>	<u>\$ 1,284,339</u>

Income tax charged directly to equity

	For the years ended	
	December 31	
	2018	2017
Current income tax expense:		
Realized gains from equity instrument investments measured at fair value through other comprehensive income	\$ 83,558	\$ -

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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	
	2018	2017
Accounting profit before tax from continuing operations	\$ 23,691,485	\$ 27,237,463
Tax at the domestic rates applicable to profits in the country concerned	\$ 8,672,301	\$ 8,574,283
Tax effect of revenues exempt from taxation	(1,875,677)	(1,077,754)
Tax effect of expenses not deductible for tax purposes	25,122	87,084
Investment tax credits	(996,051)	(340,454)
Tax effect of deferred tax assets/liabilities	(2,701,473)	(5,105,032)
Corporate income surtax on undistributed retained earnings	1,022,742	906,327
Adjustments in respect of current income tax of prior periods	(463,584)	-
Others	(774,291)	122,911
Total income tax expense recognized in profit or loss	\$ 2,909,089	\$ 3,167,365

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in		Ending balance
			other comprehensive income	Charged directly to equity	
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)		\$ 924,004	\$ 161,158	\$ (83,558)	
Net deferred tax assets	\$ 800,964				\$ 1,802,568
Reflected in balance sheet as follows:					
Deferred tax assets	\$ 3,927,687				\$ 4,776,271
Deferred tax liabilities	\$ (3,126,723)				\$ (2,973,703)

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, 2017

	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	\$ 1,082,302	\$ 581,768	\$ -	\$ -	\$ 1,664,070
Allowance for sales returns and discounts	634,818	(84,652)	-	-	550,166
Amortization of difference for tax purpose	131,323	12,693	-	-	144,016
Amortization of goodwill difference for tax purpose	(1,606,069)	1,169,120	-	-	(436,949)
Unused tax losses	75,663	(39,282)	-	-	36,381
Unused tax credits	257,236	19,014	-	-	276,250
Others	(335,027)	157,586	(1,284,339)	-	(1,461,780)
Deferred tax income (expense)		\$ 1,816,247	\$ (1,284,339)	\$ -	
Net deferred tax assets	\$ 240,246				\$ 772,154
Reflected in balance sheet as follows:					
Deferred tax assets	\$ 3,265,695				\$ 3,898,877
Deferred tax liabilities	\$ (3,025,449)				\$ (3,126,723)

The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of MTK and its material subsidiaries are as follows:

	The assessment of income tax returns	Notes
MTK	Assessed and approved up to 2016	(Note)
Subsidiary- MStar Semiconductor, Inc.	Assessed and approved up to 2015	
Subsidiary- Hsu-Ta Investment Corp.	Assessed and approved up to 2016	
Subsidiary- Hsu-Si Investment Corp.	Assessed and approved up to 2016	
Subsidiary- Richtek Technology Corp.	Assessed and approved up to 2016	

Note: MTK has applied for administrative appeals of the tax returns of 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(32) 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	
	2018	2017
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 20,760,498	\$ 24,332,604
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,565,368,402	1,564,139,064
Basic earnings per share (NT\$)	\$ 13.26	\$ 15.56
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 20,760,498	\$ 24,332,604
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,565,368,402	1,564,139,064
Effect of dilution:		
Employees' compensation-stock (share)	1,334,384	1,309,316
Employee stock options (share)	27,389	23,448
Restricted stocks for employees (share)	8,751,258	7,380,348
Weighted average number of ordinary shares outstanding after dilution (share)	1,575,481,433	1,572,852,176
Diluted earnings per share (NT\$)	\$ 13.18	\$ 15.47

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)

(33) Business combinations

The merger with Airoha Technology Corp.

On February 10, 2017, the Board of Directors of subsidiary of Hsu-Si Investment approved a tender offer to acquire shares of Airoha. The terms of the offer was NT\$110 in cash for each common share of Airoha. Hsu-Si Investment completed the tender offer and paid NT\$2,665,368 thousand in cash to acquire 40% of the shares of Airoha and had control over it on March 14, 2017. The original 23% interest of Airoha acquired before the merger, recognized as investments accounted for using the equity method, was remeasured at fair value and the difference was recognized as a gain. In the same year, Hsu-Si Investment paid NT\$110 in cash per share for the rest of 60% shares of Airoha. Consequently, the ownership interest in Airoha changed but control over it remained. The difference between the cash payment to the non-controlling shareholders' common shares and the carrying amount of Airoha's 60% shares was recognized under the equity.

Airoha is a domestic IC design company and specialized in the design and sale of highly integrated circuits for wireless communication. Its products are mainly applied to cell phones, digital TVs and set-top boxes, Bluetooth HID devices, audio accessories, and wearables. The Company is a global leader in IC design, with focus on wireless communications, digital media, etc., and a market leader in cutting-edge systems on a chip for wireless communications, HDTV, DVD and Blu-ray. Considering the Company's expansion strategy of Internet of Things market, products of the Company and Airoha are applied in similar end applications and are highly complementary to each other. The merger would provide customers with greater convenience in sourcing, and create scale for the Company in enhancing overall competitiveness and performance.

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

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

	Fair value recognized on the acquisition date
Cash and cash equivalents	\$ 1,399,093
Current assets	1,532,639
Property, plant and equipment	115,200
Intangible assets – software, patent, and trademark	1,358,427
Other non-current assets	57,586
	4,462,945

(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)

	Fair value recognized on the acquisition date
Current liabilities	\$ (1,050,070)
Other non-current liabilities	(16,113)
	<u>(1,066,183)</u>
Fair value of identifiable net assets	<u>\$ 3,396,762</u>
Goodwill of Airoha is as follows:	Amount
Cash consideration (Note)	\$ 2,455,624
Fair value of equity interest in Airoha originally held by the Company	1,704,331
Add: non-controlling interest	1,276,173
Less: identifiable net assets at fair value	<u>(3,396,762)</u>
Goodwill	<u>\$ 2,039,366</u>

Note: Hsu-Si Investment acquired 37% of Airoha's common shares from third parties by paying NT\$2,455,624 thousand. In addition, Hsu-Si Investment paid NT\$209,744 thousand to Hsu-Ta Investment Corp. to obtain 3% of Airoha's common shares.

Cash flows on acquisition:	Amount
Net cash acquired from the subsidiary	\$ 1,399,093
Transaction costs attributable to cash paid	<u>(2,455,624)</u>
Net cash flow-out on acquisition	<u>\$ (1,056,531)</u>

The goodwill of NT\$2,039,366 thousand comprised the value of expected synergies arising from acquisition.

If the combination had taken place on January 1, 2017, revenues and net income of the Company for year ended December 31, 2017 would have been NT\$239,059,191 thousand and NT\$24,071,877 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(34) Changes in ownership interests in subsidiaries

Changes in ownership of subsidiaries

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 up 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.

Nephos (Hefei) Co. Ltd., Richnex Microelectronics Corp., E-Vehicle Semiconductor Technology Co., Ltd. and EcoNet (Cayman) Inc. increased their respective capital by cash for the year ended December 31, 2017, and the Company did not subscribe new shares proportionate to its original ownership interest. Consequently, the ownership interest in these companies changed but control over them remained and the changes of the ownership interest were accounted for as an equity transaction.

The differences between the fair value of purchased equity investments and the (decrease) increase in the non-controlling interest were NT\$(1,341,544) thousand and 969,913 thousand for the years ended December 31, 2018, and December 31, 2017, respectively, which were recorded in equity.

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>
Airoha Technology Corp.	Associate (Note 1)
E-Vehicle Semiconductor Technology Co., Ltd.	Associate (Note 2)
Intelligo Technology Inc.	Associate
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
Andes Technology Corp.	Substantive related party

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

Note:

1. Airoha was no longer an associate after the Company obtained control over it on March 14, 2017.
2. The Company lost control over E-Vehicle Semiconductor Technology Co., Ltd. on December 27, 2018, and the Company adopted the equity method for the investment. As a result, it has become an associate of the Company since that date.

Significant transactions with the related parties

(1) Sales

	For the years ended December 31	
	2018	2017
Associates		
Intelligo Technology Inc.	\$ 12,944	\$ -

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	
	2018	2017
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	\$ 3,211,857	\$ 2,768,471

The trade credit terms for related parties and third-party customers were both 60 to 75 days.

(3) Consign research and development expenses and license expenses

	For the years ended December 31	
	2018	2017
Other related parties		
Andes Technology Corp.	\$ 28,008	\$ 28,307

(4) Rental income

	For the years ended December 31	
	2018	2017
Associates		
Airoha Technology Corp.	\$ -	\$ 2,831
Other related parties		
Andes Technology Corp.	790	578
Total	\$ 790	\$ 3,409

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(5) Trade receivables from related parties

	December 31, 2018	December 31, 2017
Associates		
Intelligo Technology Inc.	\$ 2,855	\$ -
E-Vehicle Semiconductor Technology Co., Ltd.	3,750	-
Total	<u>\$ 6,605</u>	<u>\$ -</u>

(6) Trade payables to related parties

	December 31, 2018	December 31, 2017
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	<u>\$ 704,262</u>	<u>\$ 571,593</u>

(7) Other payables to related parties

	December 31, 2018	December 31, 2017
Other related parties		
Andes Technology Corp.	<u>\$ 459</u>	<u>\$ -</u>

(8) Key management personnel compensation

	For the years ended December 31	
	2018	2017
Short-term employee benefits (Note)	\$ 825,873	\$ 1,010,580
Share-based payment	-	243,444
Post-employment benefits	3,787	4,195
Total	<u>\$ 829,660</u>	<u>\$ 1,258,219</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, 2018	December 31, 2017	
Financial assets measured at amortized cost-current	\$ 9,705	(Note)	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	9,898	(Note)	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	110	(Note)	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	24,304	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	24,000	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	9,180	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	1,507	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	1,000	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	498	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	23,017	(Note)	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	7,000	(Note)	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	89,592	(Note)	Performance bond
Debt instrument investments for which no active market exists-current	(Note)	\$ 9,180	Customs clearance deposits
Debt instrument investments for which no active market exists-current	(Note)	9,705	Lease execution deposits
Debt instrument investments for which no active market exists-current	(Note)	360	Performance bond
Debt instrument investments for which no active market exists-noncurrent	(Note)	528	Customs clearance deposits

(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)

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2018	December 31, 2017	
Debt instrument investments for which no active market exists-noncurrent	(Note)	117	Lease execution deposits
Debt instrument investments for which no active market exists-noncurrent	(Note)	39,000	Court pledged
Debt instrument investments for which no active market exists-noncurrent	(Note)	24,234	Customs clearance deposits
Debt instrument investments for which no active market exists-noncurrent	(Note)	23,018	Land lease guarantee
Debt instrument investments for which no active market exists-noncurrent	(Note)	7,000	Land lease guarantee
Debt instrument investments for which no active market exists-noncurrent	(Note)	1,000	Customs clearance deposits
Debt instrument investments for which no active market exists-noncurrent	(Note)	3,175	Customs clearance deposits
Debt instrument investments for which no active market exists-noncurrent	(Note)	9,808	Lease execution deposits
Property, plant and equipment - buildings	243,571	331,050	Long-term borrowing
Property, plant and equipment - buildings and land	326,434	331,506	Long-term borrowing
Investment Property-buildings	152,577	79,745	Long-term borrowing
Total	<u>\$ 922,393</u>	<u>\$ 869,426</u>	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

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

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

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	\$ 554,748	\$ 585,929
Later than one year but not later than five years	1,068,478	844,803
Later than five years	285,697	225,302
Total	<u>\$ 1,908,923</u>	<u>\$ 1,656,034</u>

Operating lease expenses are as follows:

	For the years ended December 31	
	2018	2017
Minimum lease payments	<u>\$ 700,161</u>	<u>\$ 830,791</u>

(2) Legal claim contingency

A. Semcon IP Inc. (“Semcon”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. on April 25, 2016, alleging infringement of United States Patent Nos. 7,100,061, 7,596,708, 8,566,627 and 8,806,247. The court dismissed the claims with prejudice against MTK and subsidiary MediaTek USA Inc. pursuant to the parties’ joint stipulation on April 18, 2018.

B. 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. This final determination applies only to the Company’s chipsets using certain legacy GPUs, and thus it will not have a significant impact on MTK and subsidiary MediaTek USA Inc.’s overall business and operations. MTK and subsidiary MediaTek USA Inc. will continue to pursue relevant legal avenues to protect the company’s rights and interests.

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 operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by these cases.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- C. Lucio Development LLC (“Lucio Development”) filed a complaint in the United States District Court for the Western District of Texas against subsidiary MediaTek USA Inc. on December 11, 2017, alleging infringement of United States Patent No. 7,069,546. The court dismissed the claims against subsidiary MediaTek USA Inc. on April 10, 2018.
- D. 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. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by these cases.

- E. 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. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.
- F. Innovative Foundry Technologies LLC (“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 United States Patent Nos. 6,583,012, 6,797,572, 7,009,226, 7,880,236 and 9,373,548. The operations of MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. (merged into MTK as of January 1, 2019) will not be materially affected by this case.

The Company will handle these cases carefully.

10. Losses due to Major Disasters

None

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

11. Significant Subsequent Events

None

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss:		
Held for trading financial assets	\$ 1,327	\$ 27
Designated at fair value through profit or loss at initial recognition	-	5,692,909
Mandatorily measured at fair value through profit or loss (Note 2)	12,877,082	(Note 1)
Subtotal	12,878,409	5,692,936
Financial assets at fair value through other comprehensive income	45,551,575	(Note 1)
Available-for-sale financial assets (Note 3)	(Note 1)	50,272,774
Financial assets measured at amortized cost (Note 4)	179,954,956	(Note 1)
Loans and receivables (Note 5)	(Note 1)	184,642,610
Total	\$ 238,384,940	\$ 240,608,320

Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	\$ 4,932	\$ 18,144
Financial liabilities at amortized cost:		
Short-term borrowings	51,056,528	64,315,682
Trade payables (including related parties)	17,687,171	23,584,452
Other payables (including related parties)	30,482,238	35,796,290
Long-term payables (including current portion)	2,080,131	1,726,364
Long-term borrowings (including current portion)	280,954	373,042
Subtotal	101,587,022	125,795,830
Total	\$ 101,591,954	\$ 125,813,974

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Note:

1. The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Includes trade receivables classified as financial assets measured at fair value through profit or loss of NT\$3,865,489 thousand. Please refer to Note. 6 (8) for further explanation.
3. Balances as at December 31, 2017 include financial assets measured at cost.
4. 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 of NT\$3,865,489 thousand. Please refer to Note. 6 (8) for further explanation) and other receivables.
5. Includes cash and cash equivalents (excluding cash on hand), notes receivable, trade receivables, debt instrument investments for which no active market exists and other receivables.

B. Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, trade receivables, other 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 asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

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

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

Level 3: Unobservable inputs for the assets or liabilities.

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

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

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

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

	Level 1	Level 2	Level 3	Total
<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	\$ -	\$ 4,932	\$ -	\$ 4,932

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, 2017

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ 458,714	\$ -	\$ 675,363	\$ 1,134,077
Forward exchange contracts	-	27	-	27
Linked deposits	-	253,124	3,953,685	4,206,809
Trust funds	352,023	-	-	352,023
Available-for-sale financial assets				
Stocks	16,565,327	9,248,243	32,701	25,846,271
Bonds	3,687,075	-	3,998,034	7,685,109
Funds	3,161,143	-	944,949	4,106,092
Total	<u>\$ 24,224,282</u>	<u>\$ 9,501,394</u>	<u>\$ 9,604,732</u>	<u>\$ 43,330,408</u>
<u>Financial liabilities:</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 18,144</u>	<u>\$ -</u>	<u>\$ 18,144</u>

For the years ended December 31, 2018 and 2017, amounts transferred from level 2 of the fair value hierarchy to level 1 due to the release of the stock transfer restrictions were NT\$9,511,296 thousand and NT\$14,456,373 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 year is as follows:

	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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Financial assets at fair value through profit or loss		Available-for-sale financial assets			Total
	Bonds	Linked	Bonds	Funds	Stocks	
		deposits				
As of January 1, 2017	\$ 646,029	\$ 3,807,617	\$ 2,306,190	\$ 789,934	\$ 32,701	\$ 7,582,471
Amount recognized in profit or loss	36,939	59,741	7,008	28,639	-	132,327
Amount recognized in OCI	-	-	67,287	-	-	67,287
Amount recognized in OCI- exchange differences	(7,605)	(236,598)	(97,203)	(9,601)	-	(351,007)
Acquisitions	-	1,073,991	3,874,204	1,949,531	-	6,897,726
Settlements	-	(751,066)	(2,159,452)	(1,813,554)	-	(4,724,072)
As of December 31, 2017	\$ 675,363	\$ 3,953,685	\$ 3,998,034	\$ 944,949	\$ 32,701	\$ 9,604,732

Total (losses) gains related to assets recognized for the years ended December 31, 2018 and 2017 amounted to NT\$(15,935) thousand and NT\$96,601 thousand, respectively.

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

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

As of December 31, 2018:

Not applicable

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, 2017:

	Valuation technique	Significant unobservable inputs	Quantitative information	Interrelationship between inputs and fair value	Sensitivity analysis of the inputs to fair value
Stock	Market Approach	Price-Book ratio of similar entities	20.36-22.26	The higher the Price-Book ratio of similar entities, the higher the fair value estimated	10% increase (decrease) in the Price-Book ratio of similar entities would result in an increase (decrease) in profit or loss by NT\$1,740 thousand.

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

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

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

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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 1,558,665	\$ 1,558,665

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 1,399,396	\$ 1,399,396

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, 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
As of December 31, 2017	CNY to USD	Buy USD 39,712	January 2018
As of December 31, 2017	CNY to USD	Sell USD 1,000	January 2018

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company reviews its assets and liabilities denominated in foreign currency and enters into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains or losses made on the hedged item. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 0.1%, the profit for the years ended December 31, 2018 and 2017 decreases/increases by NT\$8,905 thousand and NT\$1,662 thousand, while equity decreases/increases by NT\$94,822 thousand and NT\$78,448 thousand, respectively.

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the years ended December 31, 2018 and 2017 decreases/increases by NT\$5 thousand and NT\$95 thousand, while equity decreases/increases by NT\$8,945 thousand and NT\$9,174 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 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, 2018 and 2017 to increase/decrease by NT\$4,743 thousand and NT\$6,545 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 (classified under available-for-sale financial assets (including financial assets measured at cost) as of December 31, 2017). 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 year ended December 31, 2018 to increase/decrease by NT\$745 thousand.

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 year ended December 31, 2018 to increase/decrease by NT\$267,558 thousand.

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 equity securities classified under available-for-sale could cause the other comprehensive income for the year ended December 31, 2017 to increase/decrease by NT\$282,228 thousand.

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, 2018 and 2017, receivables from top ten customers represented 44.28% and 42.78% 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.

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Company adopted IFRS 9 to assess the expected credit losses since January 1, 2018. 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	Loss ratio	Measurement method for expected credit losses	Carrying amount
Low credit risk	Credit risk measure belongs to IG category	0%-0.5%	12-month expected credit losses	\$ 4,942,322
	Counter parties with investment grade credit rating			
Credit risk significantly increased	Credit risk measure reduced from IG category to HY category	0.5%-20%	Lifetime expected credit losses	\$ 488,435
	Contract payment overdue 30 days			
Credit-impaired	Credit risk measure belongs to DS category or above	20%-100%	Lifetime expected credit losses	\$ -
	Contract payment overdue 90 days			
	Other impaired evidence			
Simplified method (Note)	(Note)	0%-100%	Lifetime expected credit losses	\$ 29,043,826

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 in accordance with IFRS 9, 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Less than 5 years</u>	<u>Total</u>
<u>As of December 31,</u>				
<u>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
Total	<u>\$ 100,729,134</u>	<u>\$ 879,698</u>	<u>\$ 55,920</u>	<u>\$ 101,664,752</u>
<u>As of December 31,</u>				
<u>2017</u>				
Short-term borrowings	\$ 64,451,953	\$ -	\$ -	\$ 64,451,953
Trade payables (including related parties)	23,584,452	-	-	23,584,452
Other payables	35,719,573	-	-	35,719,573
Long-term borrowings	42,235	232,037	121,574	395,846
Long-term payables	-	1,726,364	-	1,726,364
Total	<u>\$ 123,798,213</u>	<u>\$ 1,958,401</u>	<u>\$ 121,574</u>	<u>\$ 125,878,188</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

<u>Derivative financial instruments</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<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)
Total	<u>\$ (7,673)</u>	<u>\$ -</u>	<u>\$ (7,673)</u>
<u>As of December 31, 2017</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,185,335	\$ -	\$ 1,185,335
Outflow	(1,206,415)	-	(1,206,415)
Net	<u>\$ (21,080)</u>	<u>\$ -</u>	<u>\$ (21,080)</u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

D. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2018:

	<u>Short-term</u>	<u>Long-term</u>	<u>Deposits</u>	<u>Total liabilities</u>
	<u>borrowings</u>	<u>borrowings</u>	<u>received</u>	<u>from financing</u>
				<u>activities</u>
As of December 31, 2017	\$ 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
Others	(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>

Reconciliation of liabilities for year ended December 31, 2017:

Not applicable

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, 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
	December 31, 2017		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 4,377,407	29.848	\$ 130,656,838
CNY	\$ 1,867,940	4.587	\$ 8,440,931
Non-monetary item:			
USD	\$ 1,401,158	29.848	\$ 41,821,776
CNY	\$ 1,593,359	4.587	\$ 7,308,947
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 3,094,624	29.848	\$ 92,368,322
CNY	\$ 1,440,467	4.587	\$ 6,607,609

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 asset and liability denominated in foreign currencies. The foreign exchange gains (losses) were NT\$336,796 thousand and NT\$(436,976) thousand for the years ended December 31, 2018 and 2017, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(4) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. 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, 2018: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2018: Please refer to Attachment 2.
- C. Securities held as of December 31, 2018: 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, 2018: 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, 2018: 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, 2018: 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, 2018: 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, 2018: 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.

(2) Information on investees

Relevant information of investees over which the Company have direct or indirect significant influence or control, or jointly control (excluding investees in Mainland China). Please refer to Attachment 9.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(3) Investment in Mainland China

A. Relevant information of investees over which the Company have direct or indirect significant influence or control, or jointly control, which disclose investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investment from Taiwan, percentage of ownership, net income (loss), investment income (loss), carrying amount of investments, cumulated 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	
	2018	2017
Taiwan	\$ 23,908,416	\$ 24,064,375
Asia	212,212,752	212,721,800
Others	1,936,178	1,430,143
Total	\$ 238,057,346	\$ 238,216,318

Net sales are classified by customers' countries.

B. Non-current assets

	December 31,	December 31,
	2018	2017
Taiwan	\$ 95,871,518	\$ 86,622,095
Asia	15,739,336	26,484,190
Others	846,333	890,037
Total	\$ 112,457,187	\$ 113,996,322

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(3) Major customers

There were no individual customers accounting for at least 10% of net sales for the years ended December 31, 2018 and 2017.

MEDIATEK INC. AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS
For the year ended December 31, 2018

Attachment 1

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	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	MediaTek Investment Singapore Pte. Ltd. (Note 1)	MediaTek Bangalore Private Limited	Other receivables from related party	Yes	\$ 146,150 USD 5,000,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	\$ 112,655,689 USD 3,687,463,217	\$ 112,655,689 USD 3,687,463,217	
2	Hsu Chia (Samoa) Investment Ltd. (Note 1)	Gaintech Co. Limited	Other receivables from related party	Yes	\$ 608,304 CNY 130,000,000	\$ 581,303 CNY 130,000,000	\$ -	0.65%	Short-term financing	-	Operating Capital	-	NA	\$ 4,882,001 CNY 1,098,214,106	\$ 4,882,001 CNY 1,098,214,106	
3	Hsu Kang (Samoa) Investment Ltd. (Note 1)	MediaTek (Shanghai) Inc. MediaTek (Shenzhen) Inc.	Other receivables from related party	Yes	\$ 2,777,663 CNY 594,000,000	\$ 2,235,780 CNY 500,000,000	\$ 2,235,780 CNY 500,000,000	3.00%	Short-term financing	-	Operating Capital	-	NA	\$ 4,882,001 CNY 1,098,214,106	\$ 4,882,001 CNY 1,098,214,106	
4	Hsu Fu (Samoa) Investment Ltd. (Note 1)	Gaintech Co. Limited MediaTek (Hefei) Inc.	Other receivables from related party	Yes	\$ 1,333,210 CNY 284,919,000	\$ 379,720 CNY 84,919,000	\$ 379,720 CNY 84,919,000	1.75%	Short-term financing	-	Operating Capital	-	NA	\$ 4,873,577 CNY 1,096,319,005	\$ 4,873,577 CNY 1,096,319,005	
5	MStar Semiconductor, Inc. (Note 2)	MSHining International Corporation Mstar Technology Pte. Ltd.	Other receivables from related party	Yes	\$ 970,479 CNY 207,400,000	\$ 927,402 CNY 207,400,000	\$ 927,402 CNY 207,400,000	3.00%	Short-term financing	-	Operating Capital	-	NA	\$ 4,873,577 CNY 1,096,319,005	\$ 4,873,577 CNY 1,096,319,005	
			Other receivables from related party	Yes	\$ 500,000 USD 17,000,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	\$ 1,126,342	\$ 4,505,369	

Note 1: Based on the rules of operating procedures of financing provided to others of MediaTek Inc., MediaTek Investment Singapore Pte. Ltd., Hsu Chia (Samoa) Investment Ltd., Hsu Kang (Samoa) Investment Ltd., and Hsu Fu (Samoa) Investment Ltd.,

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.

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: Based on the rules of operating procedures of financing provided to others of the subsidiary MStar Semiconductor, Inc.,

A. The total amount for lending shall not exceed 40% of MStar Semiconductor, Inc.'s net worth.

B. The amount for lending to a single company shall not exceed 10% of MStar Semiconductor, Inc.'s net worth.

Note 3: 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, 2018

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.	B	\$ 54,096,186 (Note 1)	\$ 10,618 USD 342,857	\$ 10,537 USD 342,857	\$ 10,537 USD 342,857	-	0.00%	\$135,240,464 (Note 1)	Y	-	-	
		MTK Wireless Limited (UK)	B	\$ 54,096,186 (Note 1)	\$ 23,008 GBP 556,194	\$ 6,908 GBP 176,250	\$ 6,908 GBP 176,250	-	0.00%		Y	-	-	
		Gaintech Co. Limited	B	\$ 54,096,186 (Note 1)	\$ 24,000,000	\$ 24,000,000	\$ -	-	8.87%		Y	-	-	-
		MediaTek China Limited	B	\$ 54,096,186 (Note 1)	\$ 9,000,000	\$ 9,000,000	\$ 4,004,033	-	3.33%		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 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 holds over 50% of the common stocks of the subsidiary.
- B. Parent company and subsidiaries collectively hold over 50% of the invested 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, 2018

Attachment 3

Held Company Name	Securities Type	Securities Name	Financial Statement Account		December 31, 2018			Note
			Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
MediaTek Inc.	Funds	KGI Fungli Fund	27,806,950	\$ 358,031	-	\$ 358,031	-	
		KGI Fuh Strategic Fund	32,069,875	\$ 392,266	-	\$ 392,266	-	
		Cathay No.1 Real Estate Investment Trust	81,200,000	\$ 1,206,632	-	\$ 1,206,632	-	
		Cathay No.2 Real Estate Investment Trust	64,503,000	\$ 969,480	-	\$ 969,480	-	
		Fubon No.1 Real Estate Investment Trust	18,188,000	\$ 267,364	-	\$ 267,364	-	
		Fubon No.2 Real Estate Investment Trust	20,992,800	\$ 264,499	-	\$ 264,499	-	
	Stocks	ALI Corporation	24,098,383	\$ 268,697	8%	\$ 268,697	-	
		Chinese Petroleum Corporation unsecured bonds-100-1	-	\$ 99,996	-	\$ 99,996	-	
		Formosa Petrochemical Corporation unsecured bonds-103-1	-	\$ 49,998	-	\$ 49,998	-	
		Cathay Life Insurance Co., Ltd. Cumulative Preferred Subordinated bond-106-1	-	\$ 290,000	-	\$ 290,000	-	
MStar Semiconductor, Inc. Digimac Holdings Limited	Capital	Integrated Service Technology CLN no.4	-	\$ 29,277	-	\$ 29,277	-	
		FOSTEK LIMITED (CAYMAN)	640,000	\$ 5,961	-	\$ 5,961	-	
	Stocks	SERAPHIC Information Technology (Shanghai) Co., Ltd.	-	USD 1,183,637	-	USD 1,183,637	-	
		ACSP TECHNOLOGY CORP.	1,857,008	\$ 16,509	7%	\$ 16,509	-	
		ANDES TECHNOLOGY CORPORATION	5,657,324	\$ 444,100	13%	\$ 444,100	-	
		CHUNGWA PRECISION TEST TECH. CO., LTD.	430,000	\$ 223,609	1%	\$ 223,609	-	
		M3I TECHNOLOGY CORPORATION	400,000	\$ 102,324	1%	\$ 102,324	-	
		MEDIAITEK INC.	7,794,085	\$ 1,788,743	0%	\$ 1,788,743	-	
		ESTINET TECHNOLOGIES INCORPORATION	1,000,000	\$ 15,000	5%	\$ 15,000	-	
		Amobile Intelligent Corp.	6,498	\$ 124	18%	\$ 124	-	
Mars Semiconductor Corp.	1,568,160	\$ 24,165	7%	\$ 24,165	-			
Hsue-Ta Investment Corp.	Stocks	Prime Sensor Technology Inc.	349,930	\$ 1,079	1%	\$ 1,079	-	
		Taiwania Capital Buffalo Fund Co., Ltd.	125,000,000	\$ 120,753	5%	\$ 120,753	-	
	Stocks	ACSP TECHNOLOGY CORP.	327,707	\$ 2,913	1%	\$ 2,913	-	
		ANDES TECHNOLOGY CORPORATION	37,275	\$ 2,909	0%	\$ 2,909	-	
		Callable CLN Goldman Sachs 2018-22-6-2021	-	USD 8,794,800	-	USD 8,794,800	-	
		SY USD CALLABLE STEEPENER NOTE DUE 5 DECEMBER 2021	-	USD 8,428,500	-	USD 8,428,500	-	
		3xNCI USD Denominated Dual Range Accrual Notes	-	USD 3,930,800	-	USD 3,930,800	-	
		Beijing Xiaomi Technology Co., Ltd.	3,400,000	USD 5,608,856	0%	USD 5,608,856	-	
		WIHARPER INC FUND VI LTD.	3,000	USD 2,026,668	6%	USD 2,026,668	-	
		MCUBE, INC.	3,114,984	USD 4,382,782	2%	USD 4,382,782	-	
Core Tech Resources Inc.	Stocks	INNOVATION WORKS LIMITED	2,000,000	USD 68,976	4%	USD 68,976	-	
		CHINA ALPHA TECHNOLOGIES COMPANY LIMITED	1,990	USD 100,800	20%	USD 100,800	-	
	Linked Deposits	GENERAL MOBILE CORPORATION	5,000,000	USD 2,000,000	18%	USD 2,000,000	-	
		People Power Company	12,021,759	USD 360,653	13%	USD 360,653	-	
		COREPHOTONICS LTD.	12,248	USD 3,003,210	2%	USD 3,003,210	-	
		Mapbar Technology Limited	28,504,992	USD 111,967,609	30%	USD 111,967,609	-	
		Amobile Intelligent Corp. Limited	1,193,783	USD 2,268,188	14%	USD 2,268,188	-	
		AutoX, Inc.	652,176	USD 14,999,983	9%	USD 14,999,983	-	
		Hangzhou Tianhang Guangfa Technologies Co., Ltd	-	USD 15,323	-	USD 15,323	-	
		JAFCO V3-(B) FUND	-	USD 22,399	-	USD 22,399	-	
Gaintech Co. Limited	Capital	JAFCO ASIA (FATF4)	-	USD 55,058	-	USD 55,058	-	
		China Walden Venture Investments ILL.P	-	USD 6,807,454	-	USD 6,807,454	-	
	Stocks	ALL-STAR INVESTMENT FUND	-	USD 28,427,216	-	USD 28,427,216	-	
		NOZOMI FUND	-	USD 794,938	-	USD 794,938	-	
		INNOVATION WORKS DEVELOPMENT FUND	-	USD 18,957,927	-	USD 18,957,927	-	
		Shanghai Walden Venture Capital Enterprise	-	USD 15,122,985	-	USD 15,122,985	-	
		CHINA BROADBAND CAPITAL PARTNERS II, L.P.	-	USD 13,061,757	-	USD 13,061,757	-	

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES
SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)
As of December 31, 2018

(Continued)

Held Company Name	Securities Type	Securities Name	Financial Statement Account		December 31, 2018			Note
			Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Gaintech Co., Limited	Capital	CHINA BROADBAND CAPITAL PARTNERS III, L.P.	-	USD 141,569,979	-	USD 141,569,979	-	
		SOFTBANK PRINCEVILLE INVESTMENTS L.P.	-	USD 13,326,273	-	USD 13,326,273	-	
		WALDEN RIVERWOOD VENTURES, L.P.	-	USD 9,871,940	-	USD 9,871,940	-	
		PVG GCN VENTURES, L.P.	-	USD 5,173,160	-	USD 5,173,160	-	
		KIBOU FUND L.P.	-	USD 2,691,948	-	USD 2,691,948	-	
		WRV II, L.P.	-	USD 2,296,461	-	USD 2,296,461	-	
		Shanghai Wu Yuefeng Integrated Circuit Equity Investment Limited Partnership	-	USD 84,111,020	-	USD 84,111,020	-	
		AMIT FUND II L.P.	-	USD 3,961,212	-	USD 3,961,212	-	
		Beijing Integrated Circuit Industry International Fund, L.P.	-	USD 4,694,300	-	USD 4,694,300	-	
		China Prospectively Capital Mobile Internet Fund, L.P.	-	USD 6,475,110	-	USD 6,475,110	-	
		AI-Stars SP VI Limited	-	USD 44,472,571	-	USD 44,472,571	-	
		HOPU USD Master Fund III, L.P.	-	USD 11,907,531	-	USD 11,907,531	-	
		China Walden Venture Investments III, L.P.	-	USD 8,162,800	-	USD 8,162,800	-	
		WRV III, L.P.	-	USD 3,675,000	-	USD 3,675,000	-	
		Shanghai Pudong Development Bank - Liddo 2018 no. 137	-	USD 9,030,600	-	USD 9,030,600	-	
		Esperdera, Inc.	-	USD 2,400,000	-	USD 2,400,000	-	
		Goldman Sachs Formosa Bond	-	USD 7,270,842	-	USD 7,270,842	-	
		DB 5YR CNY SENIOR BULLET NOTE	-	USD 7,274,844	-	USD 7,274,844	-	
		China International Capital Corporation Limited unsecured bond	-	USD 8,987,850	-	USD 8,987,850	-	
		SoftBank Group Corp unsecured bond	-	USD 8,617,995	-	USD 8,617,995	-	
GIGA FORCE ELECTRONICS CO., LTD	Bonds	GOLDMAN SACHS GROUP, INC. FRN 04/05/2019 PVT REGS US LIB	-	USD 8,497,450	-	USD 8,497,450	-	
		CLN linked to ABC - Cash Settled and deno. in Offshore CNY(4Y)	-	USD 7,287,938	-	USD 7,287,938	-	
		Credit Linked Note on People's Republic of China	-	USD 8,981,100	-	USD 8,981,100	-	
		5 Year USD Denominated Credit Linked Notes linked to Bank of Communications	-	USD 9,070,200	-	USD 9,070,200	-	
		4 Year USD Denominated Credit Linked Notes linked to Alibaba	-	USD 9,009,000	-	USD 9,009,000	-	
		3 Year USD Callable Range Accrual Credit-Linked Notes linked to People's Republic of China, due 2021	-	USD 8,794,800	-	USD 8,794,800	-	
		3 Year USD Denominated JGAB1912E Linked Note	-	USD 8,724,600	-	USD 8,724,600	-	
		5 Year USD Denominated JGAB1912E Linked Note	-	USD 8,615,700	-	USD 8,615,700	-	
		Royal Bk Canada London 0% 20 Dec20	-	USD 7,771,704	-	USD 7,771,704	-	
		USD 3y Auto-callable Range Accrual Notes linked to USD/TWD	-	USD 9,006,300	-	USD 9,006,300	-	
MediaTek (Beijing) Inc.	Funds	3xNC 1Y USD Denominated Dual Range Accrual Notes	-	USD 8,844,300	-	USD 8,844,300	-	
		Morgan Stanley USD Autocallable Range Note	-	USD 8,926,200	-	USD 8,926,200	-	
		Industrial and Commercial Bank of China - yueh yueh man yi RMB Fund	-	CNY 40,000,000	-	CNY 40,000,000	-	
		Industrial and Commercial Bank of China - jih yi yueh bsin III plan B	-	CNY 50,000,000	-	CNY 50,000,000	-	
		Industrial and Commercial Bank of China - jih along yueh beng RMB Fund	-	CNY 50,000,000	-	CNY 50,000,000	-	
		Industrial and Commercial Bank of China - E-hing RMB Net Asset Value Fund	-	CNY 10,000,000	-	CNY 10,000,000	-	
		Industrial and Commercial Bank of China - 8 chia yi No.2 RMB Fund	-	CNY 50,000,000	-	CNY 50,000,000	-	
		Industrial and Commercial Bank of China - jih yi yueh bsin lshin ie II 186 days Net Asset Value Fund	-	CNY 50,000,000	-	CNY 50,000,000	-	
		GIGA FORCE ELECTRONICS CO., LTD	-	CNY 1,683,000	10%	CNY 16,661,700	-	
		Hebei Changjiang No new energy industry investment fund partnership firm (limited partnership)	-	CNY 199,033,759	-	CNY 199,033,759	-	
Xuxin Investment (Shanghai) Inc.	Capital	Shanghai Internet Of Things YC Fund II	-	CNY 15,489,152	-	CNY 15,489,152	-	
		AI Speech Co., Ltd.	-	CNY 54,302,444	-	CNY 54,302,444	-	
Xuxin Investment (Shanghai) Inc.	Stocks	Adaps Technology Co., Ltd	1,539,011	CNY 30,416,336	8%	CNY 30,416,336	-	
		Shenzhen ORVHO Technology Co., Ltd	-	CNY 4,608,751	-	CNY 4,608,751	-	
Xuxin Investment (Shanghai) Inc.	Capital	Shenzhen Feima Robotics Co., Ltd.	-	CNY 2,456,916	-	CNY 2,456,916	-	
		ORBEC CO., LTD	-	CNY 54,510,149	-	CNY 54,510,149	-	
Wuxi Mainlab Information Technology Co., Ltd.	Stocks	Shanghai Yiqi Information Technology Co., Ltd.	-	CNY 11,548,972	-	CNY 11,548,972	-	
		Wuxi Mainlab Information Technology Co., Ltd.	-	CNY 96,889	-	CNY 96,889	-	

(To be continued)

MEDIA TEK INC. AND SUBSIDIARIES
SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)
 As of December 31, 2018

Held Company Name	Securities Type	Securities Name	Financial Statement / Account	December 31, 2018				
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Xuxin Investment (Shanghai) Inc. MediaTek Investment Singapore Pte. Ltd. MediaTek USA Inc.	Capital	Shanghai KQC Financial Management Consulting Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 4,521,000	-	CNY 4,521,000	-
	Bonds	PEMAG-INSURANCE POLICY TRUST	Equity instrument investments measured at fair value through profit or loss- noncurrent	750,000	USD 495,596	4%	USD 495,596	-
Cloud Ranger Limited	Stocks	One Mobilxvik Systems Private Limited	Equity instrument investments measured at fair value through other comprehensive income- current	36,201	USD 3,590,516	1%	USD 3,590,516	-
		Appier Holding, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	103,573	USD 4,699,107	1%	USD 4,699,107	-
	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	-	
	Valens 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	-	
	Anbig 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 2,857,400	9%	USD 2,857,400	-	
	EZComset Entertainment Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	910	USD 628,255	9%	USD 628,255	-	
	SKREC LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	75,188	USD 600,000	6%	USD 600,000	-	
	BCHINA 4.45 03/05/19	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 20,022,000	-	CNY 20,022,000	-	
	Goldman Sachs 3Y CNY Fixed Rate Notes	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 50,000,000	-	CNY 50,000,000	-	
Hsu Chia (Samoa) Investment Ltd.	Bonds	BCHINA 4.88%	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 5,058,000	-	CNY 5,058,000	-
		ICBCAS 4.37 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		BCHINA 4.45 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		SDBC 4.2 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		BOCOM Sydney Branch 4.017 09/26/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		ABC Sydney Branch 4.07 09/26/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		ICBC Sydney Branch 4.27 01/11/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		GOLDMAN SACHS GROUP, INC. 4.3% 06/17/2019 PVT REGS SR LIEN	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 49,745,000	-	CNY 49,745,000	-
		Goldman Sachs 3YNCY CNY Denominated Callable Fixed Rate Notes	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 49,450,000	-	CNY 49,450,000	-
		BCHINAM 4.5 03/05/19	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 50,055,000	-	CNY 50,055,000	-
Hsu Fa (Samoa) Investment Ltd.	Bonds	Goldman Sachs 3Y CNY Fixed Rate Notes	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		ICBCAS 4.37 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		BCHINA 4.45 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		SDBC 4.2 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		BOCOM Sydney Branch 4.017 09/26/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		ABC Sydney Branch 4.07 09/26/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		ICBC Sydney Branch 4.27 01/11/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		Goldman Sachs 3YNCY CNY Fixed Rate Note	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		ICBCAS 4.37 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		BCHINA 4.45 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
Hsu King (Samoa) Investment Ltd.	Bonds	Shanghai Shansheng Chuangxin Investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 3,287,040	-	CNY 3,287,040	-
		Shanghai Summitview IC Equity Investment Limited Partnership II Limited Partnership	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 12,148,744	-	CNY 12,148,744	-
Media Tek (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 26,090,000	-	CNY 26,090,000	-
		Industrial and Commercial Bank of China - principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 4,000,000	-	CNY 4,000,000	-
Richtek Technology Corp. Li-Yu Investment Corp.	Stocks	Industrial and Commercial Bank of China - principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 43,420,000	-	CNY 43,420,000	-
		DYNA RECH CO., LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	16,000,000	USD 102,400	10%	USD 102,400	-
Gold Rich International (HK) Limited	Stocks	Asia Global Venture Capital II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,000,000	USD 27,106	10%	USD 27,106	-
		Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	31,903,483	USD 346,561,042	7%	USD 346,561,042	-
Media Tek (Shanghai) Inc.	Capital	Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	37,986,400	USD 392,009,368	8%	USD 392,009,368	-
		Shanghai Shansheng Chuangxin Investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 3,287,040	-	CNY 3,287,040	-
Media Tek India Technology Pvt. Ltd. Nephos Cayman Co. Limited	Stocks	Zhu Hai City Yun Tan Information Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 200,000	-	CNY 200,000	-
		China Merchants Bank - jh yiyue bshn plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
Nephos Cayman Co. Limited	Stocks	China Merchants Bank - jh yiyue bshn plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Spice Mobility Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	19,368,439	INR 228,575,580	9%	INR 228,575,580	-
Lightamm Investment Limited	Stocks	Shanghai Pudong Development Bank - Lidodo 2018 no.135	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 9,000,000	-	CNY 9,000,000	-
		Lightamm Investment Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	8,866,880	USD 2,752,492	19%	USD 2,752,492	-

(Continued)

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES
SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)
As of December 31, 2018

(Continued)

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2018				Note
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair value	
MTK Wireless Limited (UK)	Capital	HEVC Advance LLC	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	GBP 1,470,127	-	GBP 1,470,127	-
Naphos (Héfé) Co. Ltd.	Funds	Industrial Bank— Golden snowball- yu yueh RMB Fund Bank of China Limited- Structured Deposit	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 40,000,000	-	CNY 40,000,000	-
MediaTek (Héfé) Inc.	Funds	Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund 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 30,000,000	-	CNY 30,000,000	-
EoNe (Suzhou) Limited	Funds	Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund 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 25,000,000	-	CNY 25,000,000	-
			Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 26,000,000	-	CNY 26,000,000	-
			Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
			Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 15,000,000	-	CNY 15,000,000	-
			Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 10,000,000	-	CNY 10,000,000	-

MEDIA TEK INC. AND SUBSIDIARIES
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, 2018

Attachment 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Units/Shares	Amounts (Note 3)	Units/Shares	Amount	Units/Shares	Amount	Units/Shares	Amount (Note 4)
MediaTek Capital Corp.	Kingston Technology Corp.	Financial assets mandatorily measured at fair value through profit or loss- current	-	-	2,173,913	\$ 371,863	-	\$ -	736,913	\$ 300,000	436,913	\$ -
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Investments accounted for using the equity method	Note 1	Subsidiary	1,000,000	\$ 1,145	151,795,000	\$ 1,517,950	1,633,705	\$ 1,519,095 (Note 5)	-	\$ -
MStar Semiconductor, Inc.	MStar Technology Pte. Ltd.	Investments accounted for using the equity method	Note 6	Subsidiary	20,000,000	\$ 932,526	1,500,000	\$ 524,110	-	\$ 1,456,636	-	\$ -
Gaintech Co. Limited	Shanghai Wu Yuefeng Integrated Circuit Equity Investment Limited Partnership	Equity instrument in investments measured at fair value through other comprehensive income- noncurrent	-	-	-	USD 78,342,705	-	USD 9,875,683	-	USD -	-	USD 84,111,020
Sigmastar technology Inc.	Sigmastar Technology Corp.	Investments accounted for using the equity method	Note 5	Subsidiary	-	USD -	152,795,000	USD 53,474,665	-	USD -	-	USD 152,795,000
Nephos Cyman Co. Limited	Nephos (Hete) Co. Ltd.	Investments accounted for using the equity method	Note 2	Subsidiary	-	USD 25,800,000	-	USD 52,114,964	-	USD -	-	USD 3,475,148
MediaTek China Limited	LCChip Technology Limited Corporate Bond	Financial assets measured at amortized cost- current	-	-	-	USD 25,000,000	-	USD -	25,000,000	USD 25,000,000	-	USD -
Hse-Ta Investment Corp.	Core Tech Resources Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	57,200,000	\$ 3,158,699	45,000,000	\$ 1,388,367	-	\$ -	-	\$ 4,707,941
Gold Rich International (HK) Limited	Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	-	-	34,266,683	USD 484,333,067	-	USD -	25,940,440	USD 2,048,053	23,892,387	USD 346,561,042

Note 1: Subscribed to the new shares issued.

Note 2: Acquired from outside shareholder.

Note 3: Includes the effect initially applying IFRS 9 since January 1, 2018.

Note 4: Investments accounted for using equity method includes investment income (loss) recognized by the equity method, cash dividends, 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 5: Includes investment income of \$114,610 thousands recognized by the equity method and carrying amount of \$1,633,705 thousand for the purpose of reorganization. The ownership of Sigmastar Technology Corp., which was previously owned by MStar Semiconductor, Inc., was transferred to Sigmastar Technology Inc. in October 2018.

Note 6: Acquisition is to increase capital by creditor's rights. Disposal includes investment loss of \$1,439,544 thousand under the equity method, adjustments for foreign exchange \$993 thousand and carrying amount of \$16,099 thousand for the purpose of reorganization.

The ownership of MStar Technology Pte. Ltd., which was previously owned by MStar Semiconductor, Inc., was transferred to MediaTek Singapore Pte. Ltd. in December 2018.

Number of acquisition of shares includes capital increase of 17,000,000 shares through debt-equity swap and capital reduction to offset deficits of 15,500,000 shares. Moreover, MStar Technology Pte. Ltd. was dissolved due to merger with MediaTek Singapore Pte. Ltd. in December 2018.

MEDIATEK INC. AND SUBSIDIARIES
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, 2018

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	Transfer Date			
MStar Semiconductor, Inc.	Land and building	2017.12.20	\$ 761,360	\$ 761,360	Winsome Development Co., Ltd.	None	-	-	-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek Inc.	Land and building	2017.10.31	\$ 329,000	\$ 329,000	Winsome Development Co., Ltd.	None	-	-	-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Chengde) Inc.	Construction in progress	2018.08.31	CNY 295,000,000	CNY 49,984,682	Horizon Design (Xiamen) Co., Ltd., Sichuan Chuangjian Geotechnical Survey And Design Institute, Sichuan Hareel 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., etc.	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, 2018

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)	\$ 920,293	1.04%	Charged by a certain period	-	\$ 91,022	0.95%	-
MediaTek Inc.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 1,717,917	-	75 days	-	\$ (357,713)	7.94%	-
MediaTek Singapore Pte. Ltd.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	USD 36,612,081	-	75 days	-	USD (8,092,965)	6.81%	-
Airoha Technology Corp.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 163,406	-	90 days	-	\$ (30,627)	2.22%	-
EcoNet Limited	EcoNet (Suzhou) Limited	Subsidiary	Purchases	\$ 3,360,116	100.00%	Charged by a certain period	-	\$ (808,265)	100.00%	-
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Subsidiary	Sales	\$ 132,213	0.28%	30 days	-	\$ 58,674	0.85%	-
ILI Technology Corporation	Beijing Ilttek Technology Co. Ltd.	Subsidiary	Sales	\$ 188,684	2.32%	30 days	-	\$ -	-	-
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	Sales	\$ 508,108	26.70%	30 days	-	\$ 462,425	115.65%	-

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, 2018

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		
MediaTek Inc.	Nephos (Hefei) Co. Ltd.	Subsidiary	\$ 241,436 (Note 1)	-	\$ -	-	\$ -	-
MediaTek Inc.	Airoha Technology Corp.	Subsidiary	\$ 100,524 (Note 1)	-	\$ -	-	\$ 5,276	\$ -
MediaTek Inc.	MStar Semiconductor, Inc.	Subsidiary	\$ 7,229,149 (Note 3)	-	\$ -	-	\$ -	\$ -
MediaTek USA Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 202,612 (Note 1)	-	\$ -	-	\$ 202,612	\$ -
MediaTek (Shenzhen) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 215,128 (Note 1)	-	\$ -	-	\$ 215,128	\$ -
MediaTek Wireless Finland Oy	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 102,393 (Note 2)	-	\$ -	-	\$ 102,393	\$ -
EcoNet (Suzhou) Limited	EcoNet Limited	Subsidiary	\$ 808,265 (Note 1)	-	\$ -	-	\$ 641,606	\$ -
EcoNet (HK) Limited	EcoNet (Suzhou) Limited	Subsidiary	\$ 142,424 (Note 1)	-	\$ -	-	\$ 142,424	\$ -
Hsu Chia (Samoa) Investment Ltd.	MediaTek (Shanghai) Inc.	Subsidiary	\$ 2,235,780 (Note 2)	-	\$ -	-	\$ -	\$ -
Hsu Fa (Samoa) Investment Ltd.	Gaintech Co. Limited	Subsidiary	\$ 396,333 (Note 2)	-	\$ -	-	\$ -	\$ -
Hsu Fa (Samoa) Investment Ltd.	MediaTek (Hefei) Inc.	Subsidiary	\$ 927,402 (Note 2)	-	\$ -	-	\$ -	\$ -
Hsu Kang (Samoa) Investment Ltd.	MediaTek (Shenzhen) Inc.	Subsidiary	\$ 3,127,029 (Note 2)	-	\$ -	-	\$ -	\$ -
Richtek Technology Corp.	MediaTek Inc.	Subsidiary	\$ 335,123 (Note 1)	-	\$ -	-	\$ 335,123	\$ -
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Subsidiary	\$ 144,440 (Note 1)	-	\$ -	-	\$ 17,703	\$ -
MShining International Corporation (Note 4)	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 333,111 (Note 1)	-	\$ -	-	\$ 333,111	\$ -
MStar Software R&D (Shenzhen), Ltd. (Note 4)	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 380,009 (Note 1)	-	\$ -	-	\$ -	\$ -
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	\$ 462,425 (Note 1)	-	\$ -	-	\$ 105,504	\$ -

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.

Note 4: For the purpose of reorganization, the 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. Assets and liabilities have all been consolidated into MediaTek Singapore Pte. Ltd..

MEDIA TEK INC. AND SUBSIDIARIES
THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES
For the year ended December 31, 2018

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.		A	Trade Receivables from related party	\$ 91,022	By contract	0.02%
				Operating Revenue from related Party	\$ 920,293		0.39%
				Other Receivables from related party	\$ 7,229,149		1.79%
				Administrative expenses	\$ 41,056		0.02%
				Lease execution deposits	\$ 10,537		0.00%
				Lease execution deposits	\$ 6,908		0.00%
				Bank loan guarantee	\$ 4,004,033		0.99%
				Trade Receivables from related party	\$ 241,436		0.06%
				Other Receivables from related party	\$ 401,138		0.10%
				Trade Payables to related party	\$ 335,123		0.08%
				Research and development expenses	\$ 137,734		0.06%
				Trade Receivables from related party	\$ 100,524		0.02%
				Trade Payables to related party	\$ 70,695		0.02%
				Research and development expenses	\$ 684,757		0.29%
				Trade Payables to related party	\$ 62,618		0.02%
Research and development expenses	\$ 553,650	0.23%					
Research and development expenses	\$ 121,148	0.05%					
Trade Payables to related party	\$ 37,188	0.01%					
Research and development expenses	\$ 379,215	0.16%					
Trade Payables to related party	\$ 91,388	0.02%					
Research and development expenses	\$ 910,708	0.38%					
Research and development expenses	\$ 1,798,643	0.76%					
Research and development expenses	\$ 308,674	0.13%					
Trade Payables to related party	\$ 215,128	0.05%					
Research and development expenses	\$ 1,966,024	0.83%					
Other Payables to related party	\$ 73,023	0.02%					
Research and development expenses	\$ 1,681,449	0.71%					
Research and development expenses	\$ 1,326,524	0.56%					
Research and development expenses	\$ 143,901	0.06%					
Trade Payables to related party	\$ 81,333	0.02%					
Research and development expenses	\$ 884,301	0.37%					
Trade Payables to related party	\$ 102,393	0.03%					
Research and development expenses	\$ 802,846	0.34%					
1	MediaTek Singapore Pte. Ltd.		C	Trade Receivables from related party	\$ 91,022	By contract	0.02%
				Operating Revenue from related Party	\$ 920,293		0.39%
				Other Receivables from related party	\$ 7,229,149		1.79%
				Administrative expenses	\$ 41,056		0.02%
				Lease execution deposits	\$ 10,537		0.00%
				Lease execution deposits	\$ 6,908		0.00%
				Bank loan guarantee	\$ 4,004,033		0.99%
				Trade Receivables from related party	\$ 241,436		0.06%
				Other Receivables from related party	\$ 401,138		0.10%
				Trade Payables to related party	\$ 335,123		0.08%
				Research and development expenses	\$ 137,734		0.06%
				Trade Receivables from related party	\$ 100,524		0.02%
				Trade Payables to related party	\$ 70,695		0.02%
				Research and development expenses	\$ 684,757		0.29%
				Trade Payables to related party	\$ 62,618		0.02%
Research and development expenses	\$ 553,650	0.23%					
Research and development expenses	\$ 121,148	0.05%					
Trade Payables to related party	\$ 37,188	0.01%					
Research and development expenses	\$ 379,215	0.16%					
Trade Payables to related party	\$ 91,388	0.02%					
Research and development expenses	\$ 910,708	0.38%					
Research and development expenses	\$ 1,798,643	0.76%					
Research and development expenses	\$ 308,674	0.13%					
Trade Payables to related party	\$ 215,128	0.05%					
Research and development expenses	\$ 1,966,024	0.83%					
Other Payables to related party	\$ 73,023	0.02%					
Research and development expenses	\$ 1,681,449	0.71%					
Research and development expenses	\$ 1,326,524	0.56%					
Research and development expenses	\$ 143,901	0.06%					
Trade Payables to related party	\$ 81,333	0.02%					
Research and development expenses	\$ 884,301	0.37%					
Trade Payables to related party	\$ 102,393	0.03%					
Research and development expenses	\$ 802,846	0.34%					

(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, 2018

(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	Amount		
		MediaTek USA Inc.	C	Trade Payables to related party	\$ 202,612	\$	0.05%	
		Airoha Technology Corp.	C	Research and development expenses	\$ 3,470,129	\$	1.46%	
		MStar Chen Xi Software Shanghai Ltd. (Note 5)	C	Operating Revenue from Related Party	\$ 99,250	\$	0.04%	
		MShining International Corporation (Note 5)	C	Other Payables to related party	\$ 91,083	\$	0.02%	
		MStar Software R&D (Shenzhen), Ltd. (Note 5)	C	Trade Payables to related party	\$ 333,111	\$	0.08%	
		MediaTek Wireless FZ-LLC	C	Other Payables to related party	\$ 380,009	\$	0.09%	
		EcoNet Limited	C	Selling expenses	\$ 45,679	\$	0.02%	
			C	Trade Payables to related party	\$ 808,265	\$	0.20%	
			C	Purchases from related party	\$ 3,360,116	\$	1.41%	
			C	Other Receivables from related party	\$ 2,235,780	\$	0.56%	
			C	Interest revenue	\$ 72,067	\$	0.03%	
			C	Other Receivables from related party	\$ 396,333	\$	0.10%	
			C	Other Receivables from related party	\$ 927,402	\$	0.23%	
			C	Other Receivables from related party	\$ 3,127,029	\$	0.78%	
			C	Interest revenue	\$ 95,702	\$	0.04%	
			C	Prepayments from related party	\$ 40,966	\$	0.01%	
			C	Operating Revenue from Related Party	\$ 131,402	\$	0.06%	
			C	Operating Revenue from Related Party	\$ 145,925	\$	0.06%	
			C	Operating Revenue from Related Party	\$ 369,869	\$	0.16%	
			C	Research and development expenses	\$ 293,269	\$	0.12%	
			C	Research and development expenses	\$ 40,144	\$	0.02%	
			C	Other Payables to related party	\$ 71,409	\$	0.02%	
			C	Research and development expenses	\$ 128,407	\$	0.05%	
			C	Operating Revenue from Related Party	\$ 83,935	\$	0.04%	
			C	Operating Revenue from Related Party	\$ 45,248	\$	0.02%	
			C	Research and development expenses	\$ 31,126	\$	0.01%	
			C	Trade Receivables from related party	\$ 144,440	\$	0.04%	
			C	Operating Revenue from Related Party	\$ 174,823	\$	0.07%	
			C	Research and development expenses	\$ 203,171	\$	0.09%	
			C	Purchases from related party	\$ 404,110	\$	0.17%	
			C	Operating Revenue from Related Party	\$ 1,188,954	\$	0.50%	
			C	Research and development expenses	\$ 284,687	\$	0.12%	
			C	Research and development expenses	\$ 1,559,351	\$	0.66%	

(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, 2018

(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	
12	MStar Technology Pte. Ltd. (Note 5)	Xiamen Signastar Technology Inc.	C	Research and development expenses	\$ 130,675		0.05%
		MStar Semiconductor India Private Limited	C	Research and development expenses	\$ 39,771		0.02%
13	Richtek Technology Corp.	Richtek Microelectronics Co., Ltd.	C	Selling expenses	\$ 64,803		0.03%
		Richtek USA Inc.	C	Selling expenses	\$ 32,453		0.01%
14	Corporate Event Limited	Richpower Microelectronics Corp.	C	Operating Revenue from Related Party	\$ 134,422		0.06%
		Li-We Technology Corp.	C	Research and development expenses	\$ 134,422		0.06%
15	Richpower Microelectronics Corp.	Richtek Global Marketing Co., Ltd.	C	Selling expenses	\$ 132,081		0.06%
		Richtek Holding International Limited	C	Other Payables to related party	\$ 30,733		0.02%
16	Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	C	Selling expenses	\$ 61,730		0.06%
		Beijing Ilitek Technology Co. Ltd.	C	Selling expenses	\$ 132,081		0.06%
17	ILL Technology Corporation	ILL Technology(SZ) LTD.	C	Operating Revenue from Related Party	\$ 188,684		0.08%
		Airotek (Chengdu) Inc.	C	Other Payables to related party	\$ 35,096		0.01%
		Airotek (Shenzhen) Inc.	C	Selling expenses	\$ 136,875		0.06%
18	Airoha Technology Corp.	Airotek (Shenzhen) Inc.	C	Research and development expenses	\$ 87,331		0.04%
		SigmaStar Technology Inc. (Shanghai)	C	Research and development expenses	\$ 137,529		0.06%
19	Xiamen Signastar Technology Inc.	Shenzhen Sing Chen Technology Inc.	C	Trade Payables to related party	\$ 31,301		0.01%
		MediaTek (Shenzhen) Inc.	C	Research and development expenses	\$ 31,339		0.01%
20	MStar Software R&D (Shenzhen), Ltd.	MediaTek (Shenzhen) Inc.	C	Research and development expenses	\$ 75,084		0.03%
21	Sigmastar Technology Corp.	Xiamen Signastar Technology Inc.	C	Research and development expenses	\$ 62,907		0.03%
		EcoNet (Suzhou) Limited	C	Trade Receivables from related party	\$ 462,425		0.11%
22	EcoNet (HK) Limited	EcoNet (Suzhou) Limited	C	Operating Revenue from Related Party	\$ 508,108		0.21%
		MediaTek (Wuhan) Inc.	C	Other Receivables from related party	\$ 142,424		0.04%
			C	Operating Revenue from Related Party	\$ 162,310		0.07%
23	MediaTek (Wuhan) Inc.	EcoNet (Suzhou) Limited	C	Operating Revenue from Related Party	\$ 80,062		0.03%

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.

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES
THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES
For the year ended December 31, 2018

(Continued)

- 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 NTD\$ 30,000 thousand, including purchases, sales, trade payables to related party and trade receivables from related party.
- Note 5: For the purpose of reorganization, the 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. Income statement accounts of MStar Technology Pte. Ltd. were disclosed for those transactions occurred before the dissolution of MStar Technology Pte. Ltd. Balance sheet accounts have all consolidated into MediaTek Singapore Pte. Ltd.

MEDIA TEK INC. AND SUBSIDIARIES
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEES IN MAINLAND CHINA)
As of December 31, 2018

Attachment 9

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2018			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%	\$ 82,845	\$ (620)	Note 18	
	HFI Innovation Inc.	Note 1	Intellectual property right management	\$ 808,281	\$ 808,281	80,828,122	100%	\$ 228,192	\$ (183,004)	Note 18	
	Hsu-Ti Investment Corp.	Note 1	General investing	\$ 35,264,009	\$ 40,864,009	3,998,981,889	100%	\$ 32,357,133	\$ 3,616,553	Note 18	
	MediaTek Investment Singapore Pte. Ltd.	Note 7	General investing	\$ 51,278,658	\$ 51,278,658	2,193,633,278	100%	\$ 112,353,105	\$ 6,337,790	Note 18	
	MediaTek Singapore Pte. Ltd.	Note 7	Research, manufacturing and sales	\$ 2,745,519	\$ 2,745,519	111,993,960	100%	\$ 4,966,591	\$ 2,602,392	Note 18	
	MStar Semiconductor, Inc.	Note 1	Research, manufacturing and sales	\$ 85,302,953	\$ 85,302,953	145,253,238	100%	\$ 41,057,508	\$ 5,549,091	Note 18	
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ 451,660	\$ 451,660	4,106,000	7%	\$ 204,504	\$ 1,765,900	Note 18	
	MStar France SAS	Note 13	Research	\$ 202,148	\$ 202,148	458,900	100%	\$ 868,611	\$ 1,883	Note 18	
	MStar Co., Ltd.	Note 15	General investing	\$ 933,852	\$ 933,852	5,850,000	100%	\$ 294,882	\$ (28,423)	Note 18	
	Digimac Holdings Limited	Note 3	General investing	\$ 428,193	\$ 428,193	50,000	100%	\$ 36,603	\$ (268,701)	Note 18	
	Shunfenger Investment Holding Limited	Note 3	General investing	\$ -	\$ 46,547	-	-	\$ -	\$ -	Note 19	
	ISat Technology Ltd.	Note 2	General investing	\$ -	\$ 165,785	-	-	\$ -	\$ 766	Note 20	
	MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ 133,057	\$ 133,057	915,000	100%	\$ 104,758	\$ (10,966)	Note 18	
	IL Technology Corporation	Note 1	Research, manufacturing and sales	\$ 3,697,702	\$ 3,651,000	365,100,000	100%	\$ 3,798,727	\$ 209,771	Note 18	
	MShing International Corporation	Note 1	Sales	\$ 631,388	\$ 530,000	63,138,811	100%	\$ 682,336	\$ 39,683	Note 18	
MStar Technology Pte. Ltd.	Note 7	Research, manufacturing and sales	\$ -	\$ 644,250	-	-	\$ -	\$ (1,439,543)	Note 21		
Sigmastar Technology Corp.	Note 1	Research, manufacturing and sales	\$ -	\$ 10,000	-	-	\$ -	\$ 114,610	Note 22		
Sigmastar Technology Inc.	Note 2	General investing	\$ 61,838	\$ -	1,000	100%	\$ 1,790,745	\$ 9,896	Note 18		
Spicom Technologies	Note 13	Research	\$ 5,247	\$ -	14,620	100%	\$ 4,722	\$ (525)	Note 18		
Gaintech Co. Limited	Note 2	General investing	USD 1,864,038,366	USD 1,864,038,366	326,291,153	100%	USD 3,576,310,147	USD 203,641,821	Note 18		
Cloud Ranger Limited	Note 5	General investing	USD 23,139,000	USD 23,139,000	23,139,000	100%	USD 32,498,881	USD 5,936	Note 18		
MediaTek Bangalore Private Limited	Note 4	Research	USD 339,847	USD 339,847	1,999,999	100%	USD 14,616,778	USD 4,828,765	Note 18		
MStar Semiconductor India Private Limited	Note 4	Research and technical services	USD 454,000	USD -	1,500	100%	USD 475,713	USD 204,994	Note 18 and Note 27		
Core Tech Resources Inc.	Note 3	General investing	\$ 3,357,608	\$ 1,969,241	102,200,000	100%	\$ 4,707,941	\$ 71,536	Note 18		
MediaTek Capital Corp.	Note 1	General investing	\$ 3,765,188	\$ 5,125,188	70,745,023	100%	\$ 4,120,551	\$ 405,274	Note 18		
MediaTek Bangalore Private Limited	Note 4	Research	\$ -	\$ -	1	0%	\$ -	USD 4,835,440	\$ -	Note 18	
Hsu-Ti Investment Corp.	Note 1	General investing	\$ 30,700,000	\$ 33,500,000	3,070,000,000	100%	\$ 26,641,817	\$ 3,137,899	Note 18		
MediaTek India Technology Pvt. Ltd.	Note 4	Research	\$ -	\$ -	1	0%	\$ -	USD 2,146,468	\$ -	Note 18	
RollTech Technology Co., Ltd.	Note 1	Research	\$ 138,268	\$ 138,268	3,510,000	67%	\$ 49,424	\$ 2,938	Note 18		
E-Vehicle Semiconductor Technology Co., Ltd.	Note 1	Research, manufacturing and sales	\$ 16,796	\$ 112,000	7,600,000	32%	\$ 16,796	\$ 28,307	Note 23		
Chingie Technology Corp.	Note 1	Research	\$ 887,932	\$ 887,932	11,693,691	100%	\$ 650,805	\$ (86,297)	Note 18		
Velocent Inc.	Note 1	Research	\$ 154,286	\$ 154,286	15,428,560	100%	\$ 75,273	\$ 19,793	Note 18		
Naphos (Taiwan) Inc.	Note 1	Research	\$ 136,794	\$ 136,794	13,679,360	100%	\$ 89,326	\$ 6,963	Note 18		
CMOS-Crystal Ltd.	Note 1	Research	\$ 18,189	\$ -	25,001	20%	\$ 17,633	\$ (2,781)	Note 18		
Cyberon Corp.	Note 1	Research	\$ 240,737	\$ -	3,119,748	30%	\$ 255,092	\$ 39,369	-		
MediaTek India Technology Pvt. Ltd.	Note 4	Research	USD 1,797,222	USD 1,797,222	5,499,999	100%	USD 12,920,913	USD 2,133,394	Note 18		
MediaTek Korea Inc.	Note 9	Research	USD 2,074,740	USD 2,074,740	200,000	100%	USD 5,965,965	USD 654,052	Note 18		

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEEs IN MAINLAND CHINA)
As of December 31, 2018

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
	MediaTek China Limited	Note 11	General investing	315,137,435	315,137,435	2,445,564,020	100%	443,661,255	21,772,209	Note 18	
	MediaTek Japan Inc.	Note 10	Technical services	61,978	61,978	7,100	100%	2,519,233	206,586	Note 18	
	ZENA TECHNOLOGIES INTERNATIONAL, INC.	Note 3	General investing	3,200,000	3,200,000	600,000	33%	-	-	-	
	CMC CAPITAL INVESTMENTS, L.P.	Note 2	General investing	9,692,083	9,692,083	-	67%	9,403,668	(826,595)	-	
	BSHARK HOLDINGS LTD.	Note 3	General investing	-	909,120	-	-	-	(770)	-	
	Smarthead Limited	Note 15	General investing	700,000	700,000	700,000	100%	1,987,681	(3,367)	Note 18	
	Gold Rich International (Samoa) Limited	Note 5	General investing	4,290,000	4,290,000	4,290,000	100%	7,105,141,517	8,607,822	Note 18	
	Ralink Technology (Samoa) Corp.	Note 5	General investing	5,626,623	5,626,623	7,150,000	100%	7,623,485	97,176,211	Note 18	
	MTK Wireless Limited (UK)	Note 12	Research	110,610,756	110,610,756	65,508,146	100%	136,596,229	11,311,103	Note 18	
	EcoNet (Cayman) Inc.	Note 2	General investing	55,952,726	55,952,726	14,362,660	75%	95,552,100	36,227,502	Note 18	
	FONTAINE CAPITAL FUND, L.P.	Note 2	General investing	20,000,000	20,000,000	20,000,000	57%	38,643,073	632,427	-	
	MediaTek Wireless EZ-LLC	Note 14	Technical services	13,753	13,753	50	100%	274,718	71,363	Note 18	
	Digital Lord Limited	Note 5	General investing	3,100,000	3,100,000	3,100,000	100%	74,639	46,475	Note 18	
	Hsa Chia (Samoa) Investment Ltd.	Note 5	General investing	156,422,064	156,422,064	1,000,000,000	100%	161,105,333	5,162,901	Note 18	
	Hsa Fu (Samoa) Investment Ltd.	Note 5	General investing	156,422,064	156,422,064	1,000,000,000	100%	169,917,151	5,491,884	Note 18	
	Hsa Kang (Samoa) Investment Ltd.	Note 5	General investing	156,422,064	156,422,064	1,000,000,000	100%	160,898,937	5,524,711	Note 18	
	Nephos Pte. Ltd.	Note 7	Research	2,197,493	2,197,493	3,039,240	100%	2,767,617	888,307	Note 18	
	Nephos Inc.	Note 6	Research	4,200,000	4,200,000	10,000	100%	722,855	327,442	Note 18	
	Nephos Cayman Co. Limited	Note 2	General investing	82,164,964	77,050,000	82,164,964	100%	8,598,582	USD (27,457,940)	Note 18	
	MOUNTAIN CAPITAL FUND, L.P.	Note 2	General investing	27,200,000	27,200,000	27,200,000	42%	51,596,184	(41,890)	-	
	Dynamic Presence Limited	Note 3	General investing	5,000	5,000	-	-	-	(643)	Note 24	
	White Dwarf Limited	Note 3	General investing	15,853,000	15,853,000	5,000	100%	166,054	USD (1,145)	Note 18	
	CSVI VENTURES, L.P.	Note 2	General investing	7,500,000	3,000,000	7,500,000	37%	6,051,137	USD (2,152,843)	-	
	INTELLIGO TECHNOLOGY INC.	Note 2	General investing	8,000,000	3,000,000	8,928,270	24%	5,385,287	USD (3,756,822)	-	
	iStar Technology Ltd.	Note 2	General investing	7,737,673	\$ -	50,000	100%	7,677,497	25,398	Note 18 and Note 20	
	MediaTek Sweden AB	Note 8	Research	19,361,957	19,361,957	1,008,371	100%	11,876,413	GBP 202,057	Note 18	
	MediaTek USA Inc.	Note 6	Research	36,696,645	36,696,645	111,815	100%	74,252,694	GBP 5,955,212	Note 18	
	MediaTek Wireless Finland Oy	Note 17	Research	4,733,036	4,733,036	1,000	100%	8,301,675	GBP 1,094,068	Note 18	
	Gold Rich International (HK) Limited	Note 11	General investing	4,190,000	4,190,000	4,190,000	100%	7,104,275,563	USD 6,610,864	Note 18	
	MOMAGIC TECHNOLOGIES PRIVATE LIMITED	Note 4	Software development	500,000	500,000	2,385,927	23%	1,794,427	USD 1,376,622	-	
	E-Vehicle Semiconductor Technology Co., Ltd.	Note 5	General investing	\$ -	\$ 79,931	-	-	\$ -	\$ (3,640)	Note 23	
	E-Vehicle Holdings Corp.	Note 11	General investing	-	1,900,000	-	-	-	USD 299,765	Note 23	
	Shalow Investment Limited	Note 5	General investing	1,491,120	1,491,120	15,000,000	100%	2,506,650	USD (18,556)	Note 18	
	EcoNet (HK) Limited	Note 11	Research	67,534,520	67,534,520	67,534,520	100%	116,448,248	USD 36,867,821	Note 18	
	EcoNet Limited	Note 3	General investing and sales	2,639,504	2,639,504	400,000	100%	1,933,659	CNY 14,387,660	Note 18	
	Bubbly Bay Holdings Limited	Note 3	General investing	-	14,150,300	-	-	-	USD (1,844)	Note 25	
	MStar Semiconductor India Private Limited	Note 4	Research and technical services	-	64,008	-	-	-	USD 204,994	Note 26	
	MStar Semiconductor UK Ltd.	Note 6	Research and technical services	-	750,127	-	-	-	GBP (50,861)	Note 27	

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)
As of December 31, 2018

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
				USD	USD			USD			
Sigmastar Technology Inc.	Sigmastar Technology Corp.	Note 1	Research, manufacturing and sales	53,474,665	-	152,795,000	100%	48,862,258	-	Note 18 and Note 22	
Digital Lord Limited	Lepower (HK) Limited	Note 11	General investing	3,050,000	3,050,000	3,050,000	100%	28,937	-	Note 18	
ILI Technology Corporation	ILITEK Holding Inc.	Note 3	General investing	399,927	399,927	13,050	100%	392,734	-	Note 18	
	Li-Yu Investment Corp.	Note 1	General investing	88,479	240,000	31,275,100	100%	337,263	-	Note 18	
	Ironman Overseas Co., Ltd.	Note 3	General investing	373,359	373,359	8,930,000	100%	101,977	-	Note 18	
	Reichtek Group Co., Ltd.	Note 3	General investing	619,110	619,110	10,765,000	100%	139,917	-	Note 18	
	Reichtek Microelectronics Corp.	Note 1	Research, manufacturing and sales	278,032	234,087	26,963,153	82%	25,689	(6,442)	Note 18	
	Reichtek Europe Holding B.V.	Note 16	General investing	84,724	84,724	2,000,000	100%	51,595	-	Note 18	
	Reichtek Holding International Limited	Note 3	General investing	292,264	263,069	30,000	100%	48,567	-	Note 18	
	Reichpower Microelectronics Corp.	Note 2	Manufacturing and sales	263,830	263,830	12,600,000	100%	590,619	-	Note 18	
	Reichtek Global Marketing Co., Ltd.	Note 3	General investing	29,935	29,935	2,000	100%	25,770	-	Note 18	
	Li-Yu Investment Corp.	Note 3	Technical services	1,537	1,537	52,000	51%	2,050	5	Note 18	
	Reichtek Europe B.V.	Note 16	Marketing	1,500,000	1,500,000	1,500,000	100%	964,133	115,411	Note 18	
	Reichpower Microelectronics Corporation	Note 1	Administrative services	3,114,373	3,114,373	10,000,000	100%	2,201,409	130,080	Note 18	
	Reichtek Group Co., Ltd.	Note 6	Sales and technical services	4,500,000	4,500,000	1,000,000	100%	4,350,100	378,159	Note 18	
	Ironman Overseas Co., Ltd.	Note 5	General investing	5,530,000	5,530,000	5,530,000	100%	2,286,864	-	Note 18	
	Reichtek Global Marketing Co., Ltd.	Note 9	Sales and technical services	1,000,000	1,000,000	10,000	100%	501,993	-	Note 18	
	Hsu-Si Investment Corp.	Note 1	Research, manufacturing and sales	28,954,147	28,954,147	148,482,806	100%	19,279,040	-	Note 18	
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	6,268,560	6,268,560	56,986,908	93%	6,005,744	-	Note 18	
	Airoha (Cayman) Inc.	Note 2	General investing	59,579	59,579	1,248,583	100%	42,002	-	Note 18	
	Airoha Technology Corp.	Note 5	General investing	68,580	68,580	1,762,000	100%	5,171	(2,036)	Note 18	

Note 1: Taiwan

Note 5: Western Samoa

Note 9: Korea

Note 13: France

Note 17: Finland

Note 19: For the purpose of reorganization, Shinbinger Investment Holding Limited has been liquidated and returned its capital in August 2018.

Note 20: For the purpose of reorganization, the ownership of Star Technology Ltd. and its subsidiaries, which was previously owned by MStar Semiconductor, Inc., was transferred to Gaintech Co. Limited, in December 2018.

Note 21: For the purpose of reorganization, the 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.

Note 22: MStar Semiconductor, Inc. established Sigmastar Technology Corp. in September 2017. For the purpose of reorganization, the ownership of Sigmastar Technology Corp., which was previously owned by MStar Semiconductor, Inc., was transferred to Sigmastar Technology Inc. in October 2018.

Note 23: 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.

Note 24: For the purpose of reorganization, Dynamic Presence Limited has been liquidated and returned its capital in November 2018.

Note 25: For the purpose of reorganization, Bubbly Bay Holdings Limited has been liquidated and returned its capital in July 2018.

Note 26: For the purpose of reorganization, the 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.

Note 27: For the purpose of reorganization, MStar Silicon Technology Corp. has been liquidated and returned its capital in September 2018.

Note 2: Cayman Islands

Note 6: United States

Note 10: Japan

Note 14: Dubai

Note 18: Investee is a subsidiary in consolidated group.

Note 3: British Virgin Islands

Note 7: Singapore

Note 11: Hong Kong

Note 15: Seychelles

Note 4: India

Note 8: Sweden

Note 12: United Kingdom

Note 16: Netherlands

MEDIA TEK INC. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2018

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, 2018	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2018	Net Income (Loss) of Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
MediaTek (Shenzhen) Inc.	Note 2	\$ 2,765,970 USD 90,000,000	MediaTek China Limited	\$ 2,765,970 USD 90,000,000	-	-	\$ 2,765,970 USD 90,000,000	\$ 73,640 USD 2,441,795	100%	\$ 73,640 USD 2,441,795	\$ 3,076,688 USD 100,110,237	-
MediaTek (Hefei) Inc.	Note 2	\$ 522,461 USD 17,000,000	MediaTek China Limited	\$ 522,461 USD 17,000,000	-	-	\$ 522,461 USD 17,000,000	\$ 111,687 USD 3,703,386	100%	\$ 111,687 USD 3,703,386	\$ 1,205,698 USD 39,231,367	-
MediaTek (Beijing) Inc.	Note 2	\$ 3,073,300 USD 100,000,000	MediaTek China Limited	\$ 3,073,300 USD 100,000,000	-	-	\$ 3,073,300 USD 100,000,000	\$ 204,216 USD 6,771,507	100%	\$ 204,216 USD 6,771,507	\$ 4,672,980 USD 152,050,904	-
MediaTek (Chengdu) Inc.	Note 2	\$ 1,530,503 USD 49,800,000	MediaTek China Limited	\$ 1,530,503 USD 49,800,000	-	-	\$ 1,530,503 USD 49,800,000	\$ 104,478 USD 3,464,350	100%	\$ 104,478 USD 3,464,350	\$ 1,958,800 USD 63,736,048	-
MediaTek (Wuhan) Inc.	Note 2	\$ 147,518 USD 4,800,000	MediaTek China Limited	\$ 147,518 USD 4,800,000	-	-	\$ 147,518 USD 4,800,000	\$ 38,614 USD 1,280,380	100%	\$ 38,614 USD 1,280,380	\$ 361,240 USD 11,754,149	-
Xuxin Investment (Shanghai) Inc.	Note 4	\$ 310,403 USD 10,100,000	MediaTek China Limited	\$ 279,670 USD 9,100,000	\$ 30,733 USD 1,000,000	-	\$ 310,403 USD 10,100,000	\$ 18,027 USD 597,746	100%	\$ 18,027 USD 597,746	\$ 564,686 USD 18,373,937	-
MediaTek (Shanghai) Inc.	Note 2	\$ 1,328,053 USD 297,000,000	MediaTek China Limited	\$ 1,489,605 USD 48,469,221	-	-	\$ 1,489,605 USD 48,469,221	\$ 78,261 USD 2,595,018	100%	\$ 78,261 USD 2,595,018	\$ 1,449,011 USD 47,148,374	-
Nephos (Beijing) Co., Ltd.	Note 2 and Note 8	\$ 92,199 USD 3,000,000	Lepower (HK) Limited	\$ 74,399 USD 2,420,803	-	-	\$ 74,399 USD 2,420,803	\$ 1,567 USD 51,950	-	\$ 1,567 USD 51,950	-	-
Nephos (Beijing) Co., Ltd.	Note 2 and Note 8	\$ 92,199 USD 3,000,000	Nephos (Hefei) Co., Ltd.	-	-	-	\$ 74,399 USD 2,420,803	\$ 2,707 CNY 593,337	83%	\$ 996 CNY 218,279	\$ 4,094 CNY 915,489	-
MStar Software R&D (Shenzhen), Ltd.	Note 2	\$ 921,990 USD 30,000,000	MStar Co., Ltd.	\$ 921,990 USD 30,000,000	-	-	\$ 921,990 USD 30,000,000	\$ 16,978 USD 562,976	100%	\$ 16,978 USD 562,976	\$ 516,256 USD 16,798,091	-
MStar Chen Xi Software Shanghai Ltd.	Note 2	\$ 40,244 CNY 9,000,000	MStar Software R&D (Shenzhen), Ltd.	-	-	-	\$ 40,244 CNY 9,000,000	\$ 76 CNY 16,629	100%	\$ 76 CNY 16,629	\$ 47,294 CNY 10,576,702	-
EcoNet (Suzhou) Limited	Note 3	\$ 307,330 USD 10,000,000	EcoNet (HK) Limited	\$ 288,322 USD 9,381,500	-	-	\$ 288,322 USD 9,381,500	\$ 1,186,671 USD 39,348,268	75%	\$ 895,343 USD 29,688,269	\$ 2,689,107 USD 87,498,998	-
GNS (Beijing) Technology Co., Ltd.	Note 3	\$ 4,472 CNY 1,000,000	MediaTek (Beijing) Inc.	-	-	-	\$ 4,472 CNY 1,000,000	\$ (58) CNY (12,711)	-	\$ (9) CNY (2,030)	-	-
Richpower Microelectronics Co., Ltd.	Note 2	\$ 98,346 USD 3,200,000	Richpower Microelectronics Corp.	\$ 98,346 USD 3,200,000	-	-	\$ 98,346 USD 3,200,000	\$ 2,575 USD 85,389	100%	\$ 2,575 USD 85,389	\$ 17,042 USD 554,502	-
Li-We Technology Corp.	Note 2	\$ 76,833 USD 2,500,000	Cosmic-Ray Technology Limited	\$ 76,833 USD 2,500,000	-	-	\$ 76,833 USD 2,500,000	\$ 1,341 USD 44,467	100%	\$ 1,341 USD 44,467	\$ 36,334 USD 1,182,254	-
Yuan Ke (Pingnan) Investment Fund Limited Partnership	Note 4	\$ 4,913,476 USD 159,876,218	Gaintech Co. Limited	\$ 3,982,997 USD 129,600,000	-	-	\$ 3,982,997 USD 129,600,000	\$ (23,436) USD (777,102)	81%	\$ 424,953 USD 14,090,827	\$ 8,830,819 USD 287,339,949	-

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2018

(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, 2018	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2018	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, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Zelus Technology (Hangzhou) Ltd.	Note 3	\$ 158,275 USD 5,150,000	Gaitech Co. Limited	\$ 122,932 USD 4,000,000	\$ 35,343 USD 1,150,000	- -	\$ 158,275 USD 5,150,000	\$ (13,103) USD (434,475)	100%	\$ (13,103) USD (434,475)	\$ 139,973 USD 4,554,478	-
ILI Technology(SZ) LTD.	Note 2	\$ 399,529 USD 13,000,000	ILITEK Holding Inc.	\$ 399,529 USD 13,000,000	- -	- -	\$ 399,529 USD 13,000,000	\$ 6,594 CNY 1,445,231	100%	\$ 6,594 CNY 1,445,231	\$ 391,395 CNY 87,529,922	-
Beijing Iitek Technology Co. Ltd.	Note 2	\$ 92,199 USD 3,000,000	IStar Technology Ltd.	- -	- -	- -	- -	\$ 1,161 CNY 254,511	100%	\$ 1,161 CNY 254,511	\$ 77,481 CNY 17,327,401	-
ShenZhen ZhongChen Semiconductor Ltd.	Note 2	\$ 153,665 USD 5,000,000	IStar Technology Ltd.	- -	\$ 153,665 USD 5,000,000	- -	\$ 153,665 USD 5,000,000	\$ (323) CNY (70,844)	100%	\$ (323) CNY (70,844)	\$ 151,716 USD 4,936,580	-
Nephos (Hefei) Co. Ltd.	Note 3	\$ 1,267,736 USD 41,250,000	Nephos Cayman Co. Limited	\$ 873,228 USD 28,413,357	\$ 1,601,649 USD 52,114,964	- -	\$ 2,474,877 USD 80,528,321	\$ (1,059,327) USD (35,125,754)	83%	\$ (832,993) USD (27,620,824)	\$ 106,802 USD 3,475,148	-
Airotek (Shenzhen) Inc.	Note 2	\$ 29,196 USD 950,000	Airotek (Cayman) Inc.	\$ 29,196 USD 950,000	- -	- -	\$ 29,196 USD 950,000	\$ 6,673 USD 221,261	100%	\$ 6,673 USD 221,261	\$ 15,120 USD 491,967	-
Airotek (Chengdu) Inc.	Note 2	\$ 29,196 USD 950,000	Airotek (Cayman) Inc.	\$ 29,196 USD 950,000	- -	- -	\$ 29,196 USD 950,000	\$ 4,737 USD 157,077	100%	\$ 4,737 USD 157,077	\$ 22,666 USD 737,517	-
Xiamen Sigmaster Technology Inc.	Note 3	\$ 61,466 USD 2,000,000	Sigmaster Technology Inc.	- -	\$ 61,466 USD 2,000,000	- -	\$ 61,466 USD 2,000,000	\$ 143,130 CNY 31,372,479	90%	\$ 143,130 CNY 31,372,479	\$ 288,592 CNY 64,539,372	-
Shenzhen Sing Chen Technology Inc.	Note 2	\$ 13,415 CNY 3,000,000	Xiamen Sigmaster Technology Inc.	- -	- -	- -	- -	\$ 274 CNY 60,030	100%	\$ 274 CNY 60,030	\$ 4,740 CNY 1,060,030	-
SigmaStar Technology Inc. (Shanghai)	Note 2	\$ 4,472 CNY 1,000,000	Xiamen Sigmaster Technology Inc.	- -	- -	- -	- -	\$ 3,279 CNY 718,675	100%	\$ 3,279 CNY 718,675	\$ 16,628 CNY 3,718,675	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 380,083 CNY 85,000,000	Xuxin Investment (Shanghai) Inc.	- -	- -	- -	- -	\$ (21,797) CNY (4,777,759)	12%	\$ (2,688) CNY (589,116)	\$ 42,081 CNY 9,410,804	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 380,083 CNY 85,000,000	Xiamen Sigmaster Technology Inc.	- -	- -	- -	- -	\$ (21,797) CNY (4,777,759)	24%	\$ (4,115) CNY (901,891)	\$ 85,598 CNY 19,098,109	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 18,726,978	\$ 25,148,622	\$ 164,595,544
USD 609,344,292	USD 818,293,758	

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.

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2018

(Continued)

Note 4: General investing.

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=30,15814 NTD; 1 RMB=4,56228 NTD). Other amounts are converted by the exchange rate at reporting date. (2018.12.31 Exchange rate of Central Bank of Taiwan: 1 USD=30,733 NTD; 1 RMB=4,47156 NTD)

Note 8: For the adjustments of investment structure, Nephos (Beijing) Co., Ltd. was acquired by Nephos (Hefei) Co. Ltd. The Company has finished filing to Investment Commission of MOEA regarding the investment adjustment on November 28, 2018.

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, 2018 AND 2017

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, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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 financial position of MediaTek Inc. as of December 31, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, 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 2018 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\$88,795,775 thousand as net sales, which includes sale of goods in the amount of NT\$85,785,636 thousand and services and other operating revenues in the amount of NT\$3,010,139 thousand for the year ended December 31, 2018. 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 regarding transaction of some time 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 2018 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 22, 2019

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.

MEDIATEK INC.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

ASSETS		December 31, 2018	%	December 31, 2017	%
Current assets		\$	18	\$	24
Cash and cash equivalents	4, 6(1)	60,204,772		77,148,536	
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	779,574	-	-	-
Financial assets at fair value through other comprehensive income-current	4, 5, 6(3)	418,691	-	-	-
Available-for-sale financial assets-current	4, 5, 6(4)	-	-	1,611,554	-
Financial assets measured at amortized cost-current	4, 5, 6(5), 8	9,705	-	-	-
Debt instrument investments for which no active market exists-current	4, 5, 6(6), 8	-	-	18,885	-
Trade receivables, net	4, 5, 6(7), 6(22)	9,128,184	3	5,061,460	2
Trade receivables from related parties	4, 6(7), 6(22), 7	452,446	-	600,158	-
Other receivables	6(8)	3,226,167	1	3,001,882	1
Other receivables from related parties	7	7,661,565	3	426,695	-
Current tax assets	4, 5, 6(28)	473,886	-	-	-
Inventories, net	4, 5, 6(9)	8,999,711	3	6,842,887	2
Prepayments	6(10)	504,129	-	378,547	-
Other current assets		595,604	-	1,470,954	-
Total current assets		92,454,434	28	96,561,558	29
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	-	-	190,211	-
Financial assets at fair value through other comprehensive income-noncurrent	4, 5, 6(3)	2,707,975	1	-	-
Available-for-sale financial assets-noncurrent	4, 5, 6(4)	-	-	2,711,660	1
Financial assets measured at amortized cost-noncurrent	4, 5, 6(5), 8	435,789	-	-	-
Debt instrument investments for which no active market exists-noncurrent	4, 5, 6(6), 8	-	-	352,018	-
Investments accounted for using the equity method	4, 6(11)	191,249,878	57	183,569,248	57
Property, plant and equipment	4, 6(12)	12,988,180	4	12,425,597	4
Intangible assets	4, 6(13), 6(14)	28,975,722	9	29,449,574	9
Deferred tax assets	4, 5, 6(28)	3,164,112	1	1,819,117	-
Refundable deposits		62,262	-	78,326	-
Total non-current assets		239,583,918	72	230,595,751	71
Total assets		\$	100	\$	100
		332,038,352		327,157,309	

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

PARENT COMPANY ONLY BALANCE SHEETS
As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

	Notes	December 31, 2018	%	December 31, 2017	%
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	6(15)	\$ 24,555,667	8	\$ 40,205,256	12
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	4,520	-	-	-
Contract liabilities-current	4, 5, 6(21)	1,004,412	1	-	-
Trade payables	7	3,776,187	1	4,891,357	2
Trade payables to related parties		730,252	-	369,063	-
Other payables	6(16), 7	15,915,872	5	18,912,001	6
Current tax liabilities	4, 5, 6(28)	983,457	-	279,609	-
Other current liabilities	4, 6(17)	9,514,546	3	677,840	-
Current portion of long-term liabilities		750,394	-	-	-
Total current liabilities		57,235,307	18	65,335,126	20
Non-current liabilities					
Long-term payables		307,330	-	1,044,449	-
Net defined benefit liabilities-noncurrent	4, 6(18)	607,132	-	481,962	-
Deposits received	7	54,061	-	49,259	-
Deferred tax liabilities	4, 5, 6(28)	571,064	-	434,870	-
Non-current liabilities-others		317,237	-	-	-
Total non-current liabilities		1,856,824	-	2,010,540	-
Total liabilities		59,092,131	18	67,345,666	20
Equity					
Share capital	6(19)				
Common stock		15,915,070	5	15,814,140	5
Capital collected in advance		-	-	231	-
Capital surplus	6(19), 6(20)	85,237,214	25	88,210,819	27
Retained earnings	6(19)				
Legal reserve		39,431,639	12	36,998,379	11
Undistributed earnings		108,577,764	33	100,629,197	31
Other equity	6(20)	23,840,504	7	18,214,847	6
Treasury shares	4, 6(19)	(55,970)	-	(55,970)	-
Total equity		272,946,221	82	259,811,643	80
Total liabilities and equity		\$ 332,038,352	100	\$ 327,157,309	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

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

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

Description	Notes	2018	%	2017	%
Net sales	4, 5, 6(21), 7	\$ 88,795,775	100	\$ 92,525,183	100
Operating costs	4, 5, 6(9), 6(23), 7	(52,423,845)	(59)	(57,747,431)	(62)
Gross profit		36,371,930	41	34,777,752	38
Unrealized gross profit on sales		-	-	(167,992)	-
Realized gross profit on sales		81,656	-	73,039	-
Gross profit, net		36,453,586	41	34,682,799	38
Operating expenses	6(22), 6(23), 7				
Selling expenses		(4,762,776)	(5)	(4,746,887)	(5)
Administrative expenses		(2,505,329)	(3)	(2,888,851)	(3)
Research and development expenses		(26,437,628)	(30)	(26,529,461)	(29)
Expected credit gains		124,657	-	-	-
Total operating expenses		(33,581,076)	(38)	(34,165,199)	(37)
Operating income		2,872,510	3	517,600	1
Non-operating income and expenses					
Other income	4, 6(24), 7	1,647,868	2	1,180,283	1
Other gains and losses	4, 6(25), 7	83,713	-	58,751	-
Finance costs	6(26)	(947,792)	(1)	(528,218)	(1)
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	4	17,197,361	19	22,597,776	25
Total non-operating income and expenses		17,981,150	20	23,308,592	25
Net income before income tax		20,853,660	23	23,826,192	26
Income tax (expense) income	4, 5, 6(28)	(93,162)	-	506,412	-
Net income		20,760,498	23	24,332,604	26
Other comprehensive income	4, 6(11), 6(18), 6(27), 6(28)				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of the defined benefit plan		(125,966)	-	236,317	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		161,495	-	-	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method which not to be reclassified to profit or loss		(964,473)	(1)	(23,522)	-
Income tax relating to those items not to be reclassified to profit or loss		20,189	-	(40,174)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		1,027,946	1	(4,440,659)	(5)
Unrealized losses from available-for-sale financial assets		-	-	(400,587)	-
Unrealized losses from debt instrument investments measured at fair value through other comprehensive income		(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		(17,234)	-	9,937,603	11
Other comprehensive income, net of tax		100,292	-	5,268,978	6
Total comprehensive income		\$ 20,860,790	23	\$ 29,601,582	32
Basic Earnings Per Share (in New Taiwan Dollars)	6(29)	\$ 13.26		\$ 15.56	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(29)	\$ 13.18		\$ 15.47	

The accompanying notes are an integral part of the parent company only financial statements.

MEDIA TEK INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017
 (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		Others	Treasury shares	Total equity
	Common stock	Capital collected in advance	Legal reserve	Undistributed earnings		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for-sale financial assets			
Balance as of January 1, 2017	\$ 15,812,122	\$ -	\$ 34,628,319	\$ 92,324,282	\$ 2,195,895	\$ -	\$ 11,525,934	\$ (1,476,028)	\$ (55,970)	\$ 244,778,910
Appropriation and distribution of 2016 earnings:	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	2,370,060	(2,370,060)	-	-	-	-	-	(12,652,827)
Cash dividends	-	-	-	(15,022,887)	-	-	-	-	-	(12,652,827)
Total	-	-	2,370,060	(15,022,887)	-	-	-	-	-	(23,304,894)
Cash dividends distributed from capital surplus	-	-	-	-	-	-	-	-	-	(2,372,405)
Profit for the year ended December 31, 2017	-	-	-	24,332,604	-	-	-	-	-	24,332,604
Other comprehensive income for the year ended December 31, 2017	-	-	172,621	(4,440,659)	(4,440,659)	9,537,016	-	-	-	5,268,978
Total comprehensive income	-	-	-	24,505,225	(4,440,659)	9,537,016	-	-	-	29,601,582
Share-based payment transactions	-	-	-	-	-	-	-	-	-	(14,704)
Adjustments due to dividends that subsidiaries received from parent company	-	231	-	-	-	-	-	-	-	74,044
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	(1,210,299)	(5,524)	-	-	-	-	(1,215,823)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	969,913
Issuance of restricted stock for employees	(6,982)	-	-	32,876	-	-	-	878,213	-	644,244
Changes in other capital surplus	-	-	-	-	-	-	-	-	-	(1,291)
Balance as of December 31, 2017	15,814,140	231	36,998,379	100,629,197	(2,250,288)	27,945,391	21,062,950	(597,815)	(55,970)	259,811,643
Effects of retrospective application and restatement	-	-	-	2,221,085	-	-	(21,062,950)	-	-	9,103,526
Restated balance as of January 1, 2018	15,814,140	231	36,998,379	102,850,282	(2,250,288)	27,945,391	-	(597,815)	(55,970)	268,915,169
Appropriation and distribution of 2017 earnings:	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	2,433,260	(2,433,260)	-	-	-	-	-	-
Cash dividends	-	-	-	(14,277,808)	-	-	-	-	-	(11,844,548)
Total	-	-	2,433,260	(14,277,808)	-	-	-	-	-	(11,844,548)
Cash dividends distributed from capital surplus	-	-	-	-	-	-	-	-	-	(3,948,182)
Profit for the year ended December 31, 2018	447	(231)	-	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	-	-	-	-	-	-	-	-	-	30,864
Adjustments due to dividends that subsidiaries received from parent company	447	(231)	-	-	-	-	-	-	-	77,941
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	-	-	33,991	(31,091)	-	-	-	-	-	2,900
Issuance of restricted stock for employees	100,483	-	837,359	66,351	-	-	-	(767,683)	-	236,510
Change in other capital surplus	-	-	(5,362)	-	-	-	-	-	-	(5,362)
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	\$ -	\$ 39,431,639	\$ 108,577,764	\$ (1,222,342)	\$ 26,428,344	\$ -	\$ (1,365,498)	\$ (55,970)	\$ 272,946,221

The accompanying notes are an integral part of the parent company only financial statements.

The actual distribution of employees' compensation amounted to NT\$261,021 thousand and remuneration to directors amounted to NT\$30,748 thousand and NTS\$0,275 thousand for the years ended 2018 and 2017, respectively, which was deducted from the statement of comprehensive income.

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, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	2018	2017
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 20,853,660	\$ 23,826,192
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	1,580,054	1,425,264
Amortization	974,765	970,223
Excepted credit (gains) losses	(124,657)	68,763
Losses (gains) on financial assets and liabilities at fair value through profit or loss	7,028	(44,190)
Interest expenses	947,792	528,218
Interest income	(1,571,875)	(935,816)
Share-based payment expenses	151,151	603,096
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	(17,197,361)	(22,597,776)
Losses on disposal of property, plant and equipment	1,062	133
Property, plant and equipment transferred to expenses	1,200	1,680
Losses (gains) on disposal of investments	611	(61,169)
Unrealized (losses) gains on sales	(81,656)	94,953
Others	-	(184,040)
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	160,000	492,392
Trade receivables	(1,272,599)	676,204
Trade receivables from related parties	147,712	(260,883)
Other receivables	(689,099)	1,442,149
Other receivables from related parties	(13,404)	855,016
Inventories	(2,156,824)	6,994,178
Prepayments	(288,684)	(79,565)
Other current assets	875,350	(160,883)
Contract liabilities	181,164	-
Trade payables	(1,115,170)	(4,588,278)
Trade payables to related parties	361,189	(99,631)
Other payables	(1,358,205)	415,386
Other current liabilities	5,426,936	(464,321)
Long-term payables	13,275	-
Net defined benefit liabilities	(796)	7,689
Non-current liabilities-others	317,237	-
Cash generated from operating activities:		
Interest received	1,738,080	857,953
Dividend received	4,858,901	18,796,739
Interest paid	(952,823)	(503,317)
Income tax paid	(1,023,002)	(1,843,144)
Net cash provided by operating activities	10,751,012	26,233,215
Cash flows from investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	902,095	-
Acquisition of financial assets measured at amortized cost	(113,591)	-
Proceeds from redemption of financial assets measured at amortized cost	39,000	-
Proceeds from disposal of available-for-sale financial assets	-	811,441
Acquisition of debt instrument investments for which no active market exists	-	(329,054)
Acquisition of investments accounted for using the equity method	-	(7,500,000)
Proceeds from disposal of investments accounted for using the equity method	-	39,933
Proceeds from capital return of investments accounted for using the equity method	5,600,000	1,500,000
Acquisition of property, plant and equipment	(1,989,035)	(1,546,783)
Proceeds from disposal of property, plant and equipment	3,272	-
Decrease (increase) in refundable deposits	16,064	(12,384)
Acquisition of intangible assets	(805,527)	(723,006)
Net cash provided by (used in) investing activities	3,652,278	(7,759,853)
Cash flows from financing activities :		
(Decrease) Increase in short-term borrowings	(15,649,589)	13,413,686
Increase (decrease) in deposits received	4,802	(3,734)
Proceeds from exercise of employee stock options	6,052	6,444
Cash dividends	(15,708,319)	(14,986,192)
Net cash used in financing activities	(31,347,054)	(1,569,796)
Net (decrease) increase in cash and cash equivalents	(16,943,764)	16,903,566
Cash and cash equivalents at the beginning of the year	77,148,536	60,244,970
Cash and cash equivalents at the end of the year	\$ 60,204,772	\$ 77,148,536

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 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 22, 2019.

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, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provisions in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company’s principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- a. Please refer to Note 4 for the accounting policies before or after January 1, 2018.
- b. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Company recognizes revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition from sale of goods. However, for some contracts, part of the consideration was received from customers before transferring the goods, then the Company has the obligation to transfer the goods subsequently. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contract liabilities of the Company as at the date of initial application was NT\$462,012 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$771,684 thousand and the contract liabilities increased by NT\$771,684 thousand as at December 31, 2018.
- c. Before January 1, 2018, revenue of rendering services was recognized by reference to the stage of completion. Starting from January 1, 2018, in accordance with IFRS 15, the Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion, which had impacts on the revenue recognition from rendering of services. The difference decreased retained earnings by NT\$211,277 thousand, increased contracts liabilities by NT\$240,087 thousand, and increased deferred tax assets by NT\$28,810 thousand as at January 1, 2018. Also, for some service contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before January 1, 2018, the Company recognized the consideration received in advance from customers under other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Company as at the date of initial application was NT\$121,149 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$232,728 thousand and the contract liabilities increased by NT\$232,728 thousand as at December 31, 2018.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- d. Please refer to Note 4, Note 5. (4) and Note 6. (21) for additional disclosure required by IFRS 15.

B. IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provisions of IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

- a. The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.
- b. In accordance with the transition provisions of IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications and carrying amounts of those financial assets as at January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	\$ 190,211	Fair value through profit or loss (Note)	\$ 1,923,629
Available-for-sale financial assets		Fair value through other comprehensive	
	4,323,214	income	3,571,343
At amortized cost		At amortized cost (including cash and cash	
Loans and receivables (including cash and		equivalents, trade receivables, financial	
cash equivalents, trade receivables, debt		assets measured at amortized cost and	
instrument investments for which no		other receivables)	
active market exists and other			
receivables)	86,609,634		85,628,087
Investments accounted for using equity		Investments accounted for using equity	
method	183,569,248	method	192,884,051
Total	<u>\$ 274,692,307</u>	Total	<u>\$ 284,007,110</u>

Note: Includes trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring in the amount of NT\$ 981,547 thousand. The amount is presented as trade receivables on balance sheet.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

C. Further information of the classifications of financial assets and financial liabilities for the transition from IAS 39 to IFRS 9 as at January 1, 2018 is as follows:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjusted amounts	Adjusted amounts
Financial assets at fair value through profit or loss						
Financial assets designated at fair value through profit or loss	\$ 190,211	Measured at fair value through profit or loss	\$ 190,211	\$ -	\$ -	\$ -
Subtotal	190,211					
Available-for-sale financial assets (Note 1)	751,871	Measured at fair value through profit or loss	751,871	-	87,590	(87,590)
	2,817,740	Measured at fair value through other comprehensive income (equity instruments)	2,817,740	-	537,825	(537,825)
	753,603	Measured at fair value through other comprehensive income (debt instruments)	753,603	-	-	-
Subtotal	4,323,214					

(To be continued)

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(Continued)

IAS 39	Carrying amounts	IFRS 9	Carrying amounts	Difference	Other	
					Retained earnings Adjusted amounts	components of equity Adjusted amounts
Class of financial instruments		Class of financial instruments				
Loans and receivables (Note 2)						
Cash and cash equivalents	77,148,536	Cash and cash equivalents	77,148,536	-	-	-
Debt instrument investments	370,903	Financial assets measured for which no active market exists at amortized costs	370,903	-	-	-
Trade receivables	5,661,618	Trade receivables	4,680,071	-	-	-
		Measured at fair value through profit or loss	981,547	-	-	-
Other receivables	3,428,577	Other receivables	3,428,577	-	-	-
Subtotal	86,609,634					
Investments accounted for using equity method	183,569,248	Investments accounted for using equity method	192,884,051	9,314,803	1,806,947	7,507,856
Total	\$ 274,692,307	Total	\$ 284,007,110	\$ 9,314,803	\$ 2,432,362	\$ 6,882,441

Notes:

(1) In accordance with of IAS 39, available-for-sale financial assets include investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Details are described as follows:

a. Funds

Part of the fund is the Real Estate Investment Trusts (“REITs”). Based on the IFRS Q&A - the accounting treatment of holding Real Estate Investment Trusts (REITs), REITs meet the definition of equity instruments and the Company holds those REITs not for trading purposes. Therefore, the Company designated them as fair value through other comprehensive income in accordance with IFRS 9. As at January 1, 2018, the Company reclassified available-for-sale financial assets of NT\$2,409,272 thousand to the financial assets measured at fair value through other comprehensive income.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

For the rest of funds, the cash flow characteristics for those funds are not solely payments of principal and interest on the principal amount outstanding, so those funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. As at January 1, 2018, the Company reclassified available-for-sale financial assets of NT\$751,871 thousand to financial assets mandatorily measured at fair value through profit or loss. Besides, changes in fair value of NT\$87,590 thousand previously recognized in other equity was reclassified to retained earnings.

b. Stocks (including listed and unlisted companies)

The assessment is based on the facts and circumstances that existed as at January 1, 2018, as these equity investments are not held-for-trading, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Company reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income in the amount of NT\$2,817,740 thousand. Other related adjustments are described as follows:

(a) The equity instrument investments previously measured at cost in accordance with IAS 39 had an original carrying amount of NT\$3,000 thousand and were totally impaired. However, in accordance with IFRS 9, equity instrument investments must be measured at fair value but are not required to be assessed for impairment. On January 1, 2018, the Company measured that there was no difference between the carrying amount and fair value, the Company reclassified the accumulated impairment loss of NT\$3,000 thousand from retained earnings to other equity.

(b) The equity instrument investments of NT\$2,817,740 thousand were measured at fair value, there was no difference between the carrying amount and fair value. As at January 1, 2018, in addition to the reclassification to financial assets measured at fair value through other comprehensive income, the Company reclassified the account in other equity.

Besides, under IFRS 9, impairment assessment is not required for equity instruments. Therefore, as the Company elected to classify certain equity investments as financial assets measured at fair value through other comprehensive income, the Company reclassified the accumulated impairment loss of NT\$534,825 thousand from retained earnings to other component of equity.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

c. Bonds

The cash flow characteristics for bonds investments in the amount of NT\$753,603 thousand are solely payments of principal and interest on the principal amount outstanding. In accordance with IFRS 9, the assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. If those financial assets are managed to achieve the business model's objective by both collecting contractual cash flows and selling financial assets, they should be reclassified to financial assets measured at fair value through other comprehensive income. This reclassification did not result in any difference in the carrying amount. In addition, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as at January 1, 2018.

- (2) The cash flow characteristics for held-to-maturity investments and loans and receivables classified in accordance with IAS 39 are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. In addition, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018. As at January 1, 2018, debt instrument investments for which no active market exists of NT\$370,903 thousand were reclassified to financial assets measured at amortized cost.

D. Other impact

The Company adopted the requirements of IFRS 9 since January 1, 2018, the adjustments for investments accounted for using equity method, other equity and retained earnings were NT\$9,314,803 thousand, NT\$7,507,856 thousand and NT\$1,806,947 thousand, respectively.

- E. Please refer to Note 4, Note 5. (1), Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- (2) Standards or interpretations issued, revised or amended, which are recognized by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 16	“Leases”	January 1, 2019
IFRIC 23	“Uncertainty Over Income Tax Treatments”	January 1, 2019
IAS 28	“Investments in Associates and Joint Ventures” (Amendment)	January 1, 2019
IFRS 9	“Prepayment Features with Negative Compensation” (Amendment)	January 1, 2019
Improvements to International Financial Reporting Standards (2015-2017 cycle):		
IFRS 3	“Business Combinations”	January 1, 2019
IFRS 11	“Joint Arrangements”	January 1, 2019
IAS 12	“Income Taxes”	January 1, 2019
IAS 23	“Borrowing Costs”	January 1, 2019
IAS 19	“Employee Benefits”- Plan Amendment, Curtailment or Settlement	January 1, 2019

A. IFRS 16 “Leases”

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

C. IAS 28 “Investment in Associates and Joint Ventures” - Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The abovementioned standards and interpretations issued by IASB and have been recognized by FSC will become effective for annual periods beginning on or after January 1, 2019. Except for the standards and interpretations listed under A-C which will have an impact on the Company, the remaining standards and interpretations have no material impact on the Company.

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 impact arising from the adoption of IFRS 16 on the Company is summarized as follows:

- (a) For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, 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.

The Company is a lessee and 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.

Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize 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 and; 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.

The Company expects the right-of-use asset will increase by NT\$1,625,150 thousand and the lease liability will increase by NT\$1,625,150 thousand on January 1, 2019.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(b) The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

B. IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Company will make an election and disclose properly in financial statement at January 1, 2019.

C. IAS 28 “Investment in Associates and Joint Ventures” - Amendments to IAS 28

The Company will make an election and disclose properly in financial statement on such investment at January 1, 2019.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Company’s financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
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
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

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.

B. IFRS 3 Amendment to “Business Combinations” - Definition of a Business

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

C. IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of material (Amendment)

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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-C, 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*” (before January 1, 2018: IAS 39 “*Financial Instruments: Recognition and Measurement*”) are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

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 adjustment in “investments accounted for using the equity method”. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

A liability is classified as current when:

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

All other liabilities are classified as non-current.

Cash and cash equivalents

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

Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 is as follows:

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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.
- (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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

The accounting policy before January 1, 2018 is as follows:

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

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

a. Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

b. Available-for-sale financial assets

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

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

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

c. Held-to-maturity financial assets

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

d. Loans and receivables

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

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

B. Impairment of financial assets

The accounting policy from January 1, 2018 is as follows:

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.

NOTES TO 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.

The accounting policy before January 1, 2018 is as follows:

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Other loss events include:

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

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* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated 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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

(b) Financial liabilities at amortized cost

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(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 assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative 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. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Before January 1, 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Fair value measurement

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

MEDIATEK INC.

NOTES TO 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.

Starting from January 1, 2018, 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 associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. 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

A. The Company as a lessee

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

B. The Company as a lessor

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

Intangible assets

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

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

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

<u>Patents</u>	<u>Software</u>	<u>IPs and others</u>
2~7 years	2~5 years	2~7 years

Abovementioned intangible assets are amortized on a straight-line basis over the estimated useful life.

MEDIATEK INC.

NOTES TO 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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

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)

Starting from January 1, 2018, 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. Before January 1, 2018, the Company estimated sales returns and allowances based on past experience and other known factors at the time of sale, which reduced the operating revenue and trades receivables.

Revenue recognition

The accounting policy from January 1, 2018 is as follows:

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:

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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 has a right to an amount of consideration that is unconditional, these contacts 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.

The accounting policy before January 1, 2018 is as follows:

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

A. Sale of goods

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

B. Interest income

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

C. Dividends

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

Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Share-based payment transactions

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it fully vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award 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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

Business combinations and goodwill

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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" (before January 1, 2018: IAS 39 "Financial Instruments: Recognition and Measurement") either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

MEDIATEK INC.

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

Estimates and assumptions

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

A. Fair value of 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

Starting from January 1, 2018:

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. (17) for more details.

Before January 1, 2018:

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. The management periodically reviews the adequacy of the estimation used.

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, 2018	December 31, 2017
Checking and savings accounts	\$ 3,290,697	\$ 5,758,287
Time deposits	56,914,075	71,390,249
Total	<u>\$ 60,204,772</u>	<u>\$ 77,148,536</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, 2018	December 31, 2017(Note)
<u>Current</u>		
<u>Financial assets mandatorily measured at fair value through profit or loss</u>		
Funds	\$ 750,297	
Credit-linked deposits	29,277	
Total	<u>\$ 779,574</u>	
<u>Held for trading financial liabilities</u>		
Forward exchange contracts	<u>\$ 4,520</u>	
<u>Noncurrent</u>	December 31, 2018(Note)	December 31, 2017
<u>Financial assets mandatorily measured at fair value through profit or loss</u>		
Credit-linked deposits		<u>\$ 190,211</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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, 2018	December 31, 2017(Note)
<u>Current</u>		
<u>Debt instrument investments measured at fair value</u>		
<u>through other comprehensive income</u>		
Bonds	\$ 149,994	
<u>Equity instrument investments measured at fair value</u>		
<u>through other comprehensive income</u>		
Listed companies stocks	268,697	
Total	\$ 418,691	
<u>Noncurrent</u>		
<u>Equity instrument investments measured at fair value</u>		
<u>through other comprehensive income</u>		
Funds	\$ 2,707,975	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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.

In consideration of the Company's investment strategy, the Company disposed of the funds which was included in equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$2,153 thousand. The Company transferred the cumulative unrealized loss of NT\$205 thousand from other components of equity to retained earnings.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(4) Available-for-sale financial assets

	December 31, 2018(Note)	December 31, 2017
<u>Current</u>		
Funds		\$ 751,871
Bonds		451,215
Stocks		408,468
Subtotal		<u>1,611,554</u>
<u>Noncurrent</u>		
Funds		2,409,272
Bonds		302,388
Subtotal		<u>2,711,660</u>
Total		<u>\$ 4,323,214</u>

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Available-for-sale financial assets were not pledged.

(5) Financial assets measured at amortized cost

	December 31, 2018	December 31, 2017(Note)
<u>Current</u>		
Time deposits	\$ 9,705	
<u>Noncurrent</u>		
Bonds	290,000	
Time deposits	145,789	
Subtotal	<u>435,789</u>	
Total	<u>\$ 445,494</u>	

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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

Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge.

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

	December 31, 2018(Note)	December 31, 2017
<u>Current</u>		
Time deposits		\$ 18,885
<u>Noncurrent</u>		
Bonds		290,000
Time deposits		62,018
Subtotal		352,018
Total		\$ 370,903

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt instrument investments for which no active market exists. Please refer to Note 8 for more details on debt instrument investments under pledge.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(7) Trade receivables and trade receivables from related parties

	December 31, 2018	December 31, 2017
Trade receivables	\$ 9,136,663	\$ 7,863,214
Less: allowance for doubtful debts	(8,479)	(133,136)
Less: allowance for sales returns and discounts	-	(2,668,618)
Subtotal	<u>9,128,184</u>	<u>5,061,460</u>
Trade receivables from related parties	452,446	600,158
Less: allowance for doubtful debts	-	-
Subtotal	<u>452,446</u>	<u>600,158</u>
Total	<u>\$ 9,580,630</u>	<u>\$ 5,661,618</u>

Trade receivables and trade receivables from related parties were not pledged. Besides, the abovementioned allowance for sales returns and discounts have been reclassified to other current liabilities since January 1, 2018. Please refer to Note 6. (17) for more details.

Trade receivables are generally on 45-60 day terms. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6. (22) for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$ -	\$ 64,373	\$ 64,373
Charge for the current period	-	68,763	68,763
As of December 31, 2017	<u>\$ -</u>	<u>\$ 133,136</u>	<u>\$ 133,136</u>

Aging analysis of trade receivables and trade receivables from related parties were as follows:

As of	Neither past due nor impaired	Past due but not impaired		Total
		1 to 90 days	More than 91 days	
December 31, 2017	\$ 5,215,220	\$ 446,398	\$ -	\$ 5,661,618

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

In accordance with IFRS 9 adopted since January 1, 2018, the Company need to assess the business model and classify financial assets into the appropriate categories. As of December 31, 2018, trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring and without recourse is NT\$1,715,915 thousand.

(8) Other receivables

	December 31, 2018	December 31, 2017
Factoring receivables	\$ 1,457,977	\$ 1,052,051
Others	1,768,190	1,949,831
Total	<u>\$ 3,226,167</u>	<u>\$ 3,001,882</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\$1,457,977 thousand and NT\$1,052,051 thousand as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, trade receivables derecognized were as follows:

A. 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>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

B. As of December 31, 2017:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin International Bank	-	\$ 29,494	\$ -	\$ 29,494	\$ 81,500
BNP Paribas	-	5,742	-	5,742	107,000
HSBC	-	11	-	11	350
Total		\$ 35,247	\$ -	\$ 35,247	\$ 188,850

(9) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 273,945	\$ 122,208
Work in progress	5,100,353	3,335,484
Finished goods	3,625,413	3,385,195
Net amount	\$ 8,999,711	\$ 6,842,887

For the years ended December 31, 2018 and 2017, the cost of inventories recognized in expenses amounted to NT\$52,423,845 thousand and NT\$57,747,431 thousand, including the write-down of inventories of NT\$1,615,715 thousand and NT\$3,868,332 thousand for the years ended December 31, 2018 and 2017, respectively.

Inventories were not pledged.

(10) Prepayments

	December 31, 2018	December 31, 2017
Prepaid expenses	\$ 389,137	\$ 269,543
Others	114,992	109,004
Total	\$ 504,129	\$ 378,547

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

(11) Investments accounted for using the equity method

Investees	December 31, 2018		December 31, 2017	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
MediaTek Investment Singapore Pte. Ltd.	\$ 112,353,105	100	\$ 97,921,306	100
MStar Semiconductor, Inc.	41,057,508	100	43,503,456	100
Hsu-Ta Investment Corp.	32,357,133	100	34,662,963	100
MStar International Technology Inc.	82,845	100	83,465	100
HFI Innovation Inc.	228,192	100	353,143	100
MediaTek Singapore Pte. Ltd.	4,966,591	100	6,891,709	100
Airoha Technology Corp.	<u>204,504</u>	7	<u>153,206</u>	7
Total	<u>\$ 191,249,878</u>		<u>\$ 183,569,248</u>	

The Company increased its investment in Hsu-Ta Investment Corp. by NT\$7,500,000 thousand in March 2017, and Hsu-Ta Investment Corp. returned NT\$1,500,000 thousand and NT\$5,600,000 thousand in July 2017 and July 2018, respectively for capital reduction.

Hsu- Chuang Investment Corp. was renamed Hsu- Chuang Communication Corp. in February 2018 and renamed MStar International Technology Inc. again in September 2018.

The Company increased its investment in HFI Innovation Inc. by the contribution of IPs in the amount of NT\$186,657 thousand in July 2017.

The 100% ownership of T-Rich Technology (Cayman) Corp., which was previously owned by the Company, was transferred to Hsu-Si Investment Corp. in June 2017. After that, T-Rich Technology (Cayman) Corp. was renamed Airoha (Cayman) Inc.

The Company spun-off the business unit - Bluetooth related Internet of Things Product Line Business, whose business value amounted to NT\$441,523 thousand, to Airoha Technology Corp., and committed to paying NT\$10,137 thousand in cash to acquire 7% new shares of the capital increase of Airoha Technology Corp. in October 2017.

Investments in subsidiaries were not pledged.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(12) Property, plant and equipment							Construction in progress and equipment awaiting examination	Total
	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment		
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
As of January 1, 2017	\$ 1,459,149	\$ 9,265,858	\$ 11,524	\$ 2,729,700	\$ 4,277,592	\$ 200,975	\$ 464,846	\$ 18,409,644
Additions-acquired separately	-	168,887	3,613	599,432	549,297	20,936	185,882	1,528,047
Disposals	-	(483)	-	(202,933)	(154,482)	(5,684)	-	(363,582)
Disposals-spin-off	-	-	-	-	(12,079)	-	-	(12,079)
Transfers	-	7,277	-	232	1,833	58,860	(68,009)	193
As of December 31, 2017	\$ 1,459,149	\$ 9,441,539	\$ 15,137	\$ 3,126,431	\$ 4,662,161	\$ 275,087	\$ 582,719	\$ 19,562,223

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 awaiting examination		Total
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
As of January 1, 2017	\$ -	\$ 2,306,316	\$ 9,245	\$ 1,314,149	\$ 2,285,702	\$ 163,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,078,479
Depreciation	-	272,554	1,396	595,994	541,616	13,704	-	-	-	-	-	-	-	-	1,425,264
Disposals	-	(171)	-	(202,891)	(151,774)	(5,684)	-	-	-	-	-	-	-	-	(360,520)
Disposals-spin-off	-	-	-	-	(6,597)	-	-	-	-	-	-	-	-	-	(6,597)
As of December 31, 2017	\$ -	\$ 2,578,699	\$ 10,641	\$ 1,707,252	\$ 2,668,947	\$ 171,087	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,136,626
Net carrying amount as of:															
December 31, 2018	\$ 1,540,249	\$ 6,837,764	\$ 3,233	\$ 957,537	\$ 2,183,023	\$ 83,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,988,180
December 31, 2017	\$ 1,459,149	\$ 6,862,840	\$ 4,496	\$ 1,419,179	\$ 1,993,214	\$ 104,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,425,597

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)

(13) Intangible assets

	Software	Patents, IPs and others	Goodwill	Total
Cost:				
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	<u>\$ 938,831</u>	<u>\$ 3,586,699</u>	<u>\$ 27,712,833</u>	<u>\$ 32,238,363</u>
As of January 1, 2017	\$ 643,849	\$ 4,150,107	\$ 27,712,833	\$ 32,506,789
Additions-acquired separately	110,581	1,805,883	-	1,916,464
Disposals	-	(2,749,481)	-	(2,749,481)
Transfers	(1,561)	-	-	(1,561)
As of December 31, 2017	<u>\$ 752,869</u>	<u>\$ 3,206,509</u>	<u>\$ 27,712,833</u>	<u>\$ 31,672,211</u>
Amortization and impairment:				
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	<u>\$ 703,857</u>	<u>\$ 2,558,784</u>	<u>\$ -</u>	<u>\$ 3,262,641</u>
As of January 1, 2017	\$ 515,542	\$ 3,486,353	\$ -	\$ 4,001,895
Amortization	97,608	872,615	-	970,223
Disposals	-	(2,749,481)	-	(2,749,481)
As of December 31, 2017	<u>\$ 613,150</u>	<u>\$ 1,609,487</u>	<u>\$ -</u>	<u>\$ 2,222,637</u>
Net carrying amount as of:				
December 31, 2018	<u>\$ 234,974</u>	<u>\$ 1,027,915</u>	<u>\$ 27,712,833</u>	<u>\$ 28,975,722</u>
December 31, 2017	<u>\$ 139,719</u>	<u>\$ 1,597,022</u>	<u>\$ 27,712,833</u>	<u>\$ 29,449,574</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(14) 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\$27,712,833 thousand.

Key assumptions used in value-in-use calculations

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

(15) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 24,555,667	\$ 40,205,256
Interest rates	2.81%-3.20%	1.73%-2.35%

(16) Other payables

	December 31, 2018	December 31, 2017
Accrued salaries and bonuses	\$ 9,494,126	\$ 11,354,874
Accrued royalties	1,187,949	978,934
Other payables to related parties	-	10,137
Others	5,233,797	6,568,056
Total	\$ 15,915,872	\$ 18,912,001

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(17) Other current liabilities

	December 31, 2018	December 31, 2017
Refund liabilities (Note)	\$ 9,414,815	\$ -
Advance sales receipts	-	583,161
Others	99,731	94,679
Total	<u>\$ 9,514,546</u>	<u>\$ 677,840</u>

Note: The Company adopted IFRS 15 since January 1, 2018. A refund liability has been recognized for sales returns and allowance based on past experience and other known factors.

(18) 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, 2018 and 2017 were NT\$552,328 thousand and NT\$536,329 thousand, respectively.

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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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\$1,728 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

The weighted average duration of the defined benefit obligation was 19 years and 20 years as of December 31, 2018 and 2017, respectively.

Pension costs recognized in profit or loss are as follows:

	For the years ended	
	December 31	
	2018	2017
Current service cost	\$ 1,280	\$ 2,463
Net interest on the net defined benefit liabilities	7,711	12,791
Total	<u>\$ 8,991</u>	<u>\$ 15,254</u>

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

	December 31,	December 31,
	2018	2017
Defined benefit obligation	\$ 693,977	\$ 558,277
Plan assets at fair value	<u>(86,845)</u>	<u>(76,315)</u>
Net defined benefit liabilities	<u>\$ 607,132</u>	<u>\$ 481,962</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, 2018	\$ 558,277	\$ (76,315)	\$ 481,962
Current service cost	1,280	-	1,280
Interest expenses (income)	8,932	(1,221)	7,711
Subtotal	10,212	(1,221)	8,991
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	128,100	(2,134)	125,966
Payment of benefit obligation	(2,612)	2,612	-
Contributions by employer	-	(9,787)	(9,787)
As of December 31, 2018	\$ 693,977	\$ (86,845)	\$ 607,132
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2017	\$ 791,464	\$ (80,874)	\$ 710,590
Current service cost	2,463	-	2,463
Interest expenses (income)	14,247	(1,456)	12,791
Subtotal	16,710	(1,456)	15,254
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	538	-	538
Actuarial gains and losses arising from changes in financial assumptions	(176,311)	-	(176,311)
Experience adjustments	(61,164)	-	(61,164)
Remeasurements of the defined benefit assets	-	620	620
Subtotal	(236,937)	620	(236,317)
Payment of benefit obligation	(12,960)	12,960	-
Contributions by employer	-	(7,565)	(7,565)
As of December 31, 2017	\$ 558,277	\$ (76,315)	\$ 481,962

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, 2018	December 31, 2017
Discount rate	1.34%	1.60%
Expected rate of salary increases	3.00%	2.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended December 31			
	2018		2017	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	\$ -	\$ (63,215)	\$ -	\$ (51,448)
Discount rate decreases by 0.5%	70,244	-	57,659	-
Rate of future salary increases by 0.5%	68,700	-	57,117	-
Rate of future salary decreases by 0.5%	-	(62,536)	-	(51,496)

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

The Company's authorized capital as of December 31, 2018 and 2017 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\$15,915,070 thousand, and NT\$15,814,140 thousand, divided into 1,591,506,977 shares, and 1,581,413,973 shares as of December 31, 2018 and 2017, 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, 2018, 12,259,550 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 2,211,278 shares and 998,218 shares of issued restricted stocks for employees during the years ended December 31, 2018 and 2017, respectively. Relevant regulators' approvals have been obtained and related registration processes have been completed.

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

B. Capital surplus

	December 31, 2018	December 31, 2017
Additional paid-in capital	\$ 80,196,101	\$ 83,765,699
Treasury share transactions	1,607,691	1,529,750
Changes in ownership interests in subsidiaries	1,185,125	1,146,807
Donated assets	1,261	1,261
From share of changes in net assets of associates	-	4,326
Employee stock options	444,505	498,474
Restricted stocks for employees	1,600,453	1,129,630
Others	202,078	134,872
Total	<u>\$ 85,237,214</u>	<u>\$ 88,210,819</u>

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.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

C. Treasury shares

As of December 31, 2018 and 2017, 7,794,085 shares of the Company's common shares amounting to NT\$55,970 thousand were held by the subsidiary, MediaTek Capital Corp. These shares held by MediaTek Capital Corp. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2018 and 2017, the Company did not hold any other treasury shares.

D. Retained earnings and dividend policy

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

- a. 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 authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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

MEDIATEK INC.

NOTES TO 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 2017 and 2016 earnings distribution and dividends per share were resolved by general shareholders' meeting on June 15, 2018 and 2017, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Legal reserve	\$ 2,433,260	\$ 2,370,060	-	-
Cash dividends-common stock	<u>11,844,548</u>	<u>12,652,827</u>	\$ 7.50	\$ 8.00
Total	<u>\$ 14,277,808</u>	<u>\$ 15,022,887</u>		

In addition, the general shareholders' meeting on June 15, 2018 and 2017 resolved to distribute the paid in capital by cash in the amount of NT\$3,948,182 thousand and NT\$2,372,405 thousand, or NT\$2.5 per share and NT\$1.5 per share, respectively.

(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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

In December 2007, 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 5,000,000 units, 3,000,000 units, 3,500,000 units, 3,500,000 units, 3,500,000 units and 3,500,000 units, respectively, each unit eligible to subscribe for one common share. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent. The options are valid for ten years and exercisable at certain percentage subsequent to the second anniversary of the granted date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange Corporation ("TWSE") on the grant date.

Detail information relevant to the share-based payment plan as of December 31, 2018 is as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT\$) (Note)
2008.03.31	1,134,119	-	-	\$ 355.5
2008.08.28	1,640,285	-	-	342.1
2009.08.18	1,382,630	483,247	483,247	423.2
2010.08.27	1,605,757	612,631	612,631	398.9
2010.11.04	65,839	8,134	8,134	371.5
2011.08.24	2,109,871	1,022,154	1,022,154	273.4
2012.08.14	1,346,795	799,629	799,629	282.6
2013.08.22	1,436,343	1,005,691	1,005,691	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.

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:

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

Employee Stock Option	For the years ended			
	December 31			
	2018		2017	
	Options	Weighted-average Exercise Price	Options	Weighted-average Exercise Price
	(Unit)	per Share (NT\$)	(Unit)	per Share (NT\$)
Outstanding at beginning of year	4,681,103	\$ 340.4	4,923,268	\$ 339.9
Granted	-	-	-	-
Exercised (Note)	(21,590)	278.2	(23,142)	278.5
Forfeited (Expired)	(728,027)	347.0	(219,023)	332.9
Outstanding at end of year	<u>3,931,486</u>	337.6	<u>4,681,103</u>	340.4
Exercisable at end of year	<u>3,931,486</u>		<u>4,681,103</u>	
Weighted-average fair value of options granted during the year (in NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Note : The weighted average share price at the date of exercise of those options was NT\$329.1 for the year ended December 31, 2018.

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, 2018 and 2017 is as follows:

Date of grant	Range of Exercise Price (NT\$)	December 31, 2018		December 31, 2017	
		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\$)
2007.12.19	\$ 342.1-355.5	-	\$ -	-	\$ 346.9
2009.07.27	423.2	-	423.2	-	426.5
2010.05.10	371.5-398.9	-	398.5	-	401.6
2011.08.09	273.4	-	273.4	0.17	275.5
2012.08.09	282.6	0.13	282.6	1.13	284.8
2013.08.09	368.0	1.17	368.0	2.17	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, and 12,259,550 gratuitous restricted stocks on September 6, 2016, July 17, 2017, and September 6, 2018, 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, and NT\$255 per share, respectively. The estimated compensation expenses amounted to NT\$2,412,122 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of December 31, 2018, the Company had recognized NT\$1,046,624 thousand as compensation expense and NT\$1,365,498 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)

Restriction on the rights and vesting conditions of restricted stocks for employees of 2016 is 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. The maximum portions of the vesting 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.
- 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.
- E. The restricted stock for employees issued by the Company may be deposited in a security trust account.

Restriction on the rights and vesting conditions of restricted stocks for employees of 2018 is 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. The maximum portions of the vesting shares of each year are 34%, 33%, and 33% for the years 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.
- 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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- 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.
- E. The restricted stock for employees issued by the Company may be deposited in a security trust account.

Share-based compensation expenses recognized for employee services received for the years ended December 31, 2018 and 2017, are shown in the following table:

	For the years ended	
	December 31	
	2018	2017
Total equity-settled transactions (Note)	\$ -	\$ (14,935)
Restricted stocks for employees	151,151	603,096
Total	\$ 151,151	\$ 588,161

Note: Recognized as losses on investments.

There have been no cancellations or modifications to any of the plans during the years ended December 31, 2018 and 2017.

(21) Sales

	For the years ended	
	December 31	
	2018	2017
Revenue from contracts with customers		
Sale of goods	\$ 85,785,636	\$ 89,715,461
Services and other operating revenues	3,010,139	2,809,722
Total	\$ 88,795,775	\$ 92,525,183

Note: The Company has adopted IFRS 15 since January 1, 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The Company has adopted IFRS 15 since January 1, 2018. Relevant information of revenue from contracts with customers for the year ended December 31, 2018 is as follows:

A. Disaggregation of revenue

	For the year ended December 31, 2018	
Sale of goods	\$	85,785,636
Services and other operating revenues		3,010,139
Total	\$	88,795,775
Revenue recognition point:		
At a point in time	\$	87,001,071
Satisfies the performance obligation over time		1,794,704
Total	\$	88,795,775

B. Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	\$ 462,012	\$ 771,684	\$ 309,672
Services and other operating revenues	361,236	232,728	(128,508)
Total	\$ 823,248	\$ 1,004,412	\$ 181,164

During the year ended December 31, 2018, contract liabilities significantly increased as most performance obligations have not yet been satisfied. NT\$602,476 thousand included in the beginning balance had been recognized as revenue during the year.

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2018, there is no need to provide relevant information of the unsatisfied performance obligations 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\$771,398 thousands. The Company will recognize revenue with the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 2 years.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(22) Expected credit gains

	For the years ended December 31	
	2018	2017(Note)
Operating expenses-Expected credit gains		
Trade receivables	\$ 124,657	

Note: The Company has adopted IFRS 9 since January 1, 2018. The Company elected not to apply restate prior periods in accordance with the transition provision in IFRS 9.

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, 2018 is as follow:

The Company need to consider the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details as follows:

	Neither past due (Note)	Past due				Total
		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 are not overdue.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The movement in the provision for impairment of receivables for the year ended December 31, 2018 is as follows:

	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	\$ -	\$ 133,136
Beginning adjusted retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	\$ -	\$ 133,136
Reversal for the current period	-	(124,657)
Ending balance	\$ -	\$ 8,479

(23) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2018 and 2017:

	For the years ended					
	December 31					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 15,598	\$ 545,721	\$ 561,319	\$ 14,521	\$ 537,062	\$ 551,583
Others	\$ 371,818	\$ 18,487,025	\$ 18,858,843	\$ 354,131	\$ 19,177,314	\$ 19,531,445
Depreciation	\$ 2,490	\$ 1,577,564	\$ 1,580,054	\$ 2,413	\$ 1,422,851	\$ 1,425,264
Amortization	\$ 960	\$ 973,805	\$ 974,765	\$ -	\$ 970,223	\$ 970,223

According to the Articles of Incorporation of the Company's, 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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The Company accrued employees' compensation and remuneration to directors based on a specific rate of profit of the year ended December 31, 2018. 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 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.

A resolution was approved in a meeting of the Board of Directors held on March 23, 2018 to distribute NT\$298,331 thousand and NT\$43,799 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 2017.

(24) Other income

	For the years ended	
	December 31	
	2018	2017
Interest income	(Note)	\$ 935,816
Financial assets measured at amortized cost	\$ 1,476,649	(Note)
Financial assets at fair value through other comprehensive income	95,226	(Note)
Subtotal	1,571,875	
Rental income	53,431	40,648
Others	22,562	203,819
Total	\$ 1,647,868	\$ 1,180,283

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(25) Other gains and losses

	For the years ended	
	December 31	
	2018	2017
Losses on disposal of property, plant and equipment	\$ (1,062)	\$ (133)
Losses (gains) on disposal of investments		
Available-for-sale financial assets	(Note1)	61,169
Debt instruments measured at fair value through other comprehensive income	(611)	(Note1)
Foreign exchange gains (losses)	14,134	(226,199)
Gains on financial assets at fair value through profit or loss (Note 2)	75,772	179,708
(Losses) gains on financial liabilities at fair value through profit or loss (Note 3)	(4,520)	45,098
Others	-	(892)
Total	\$ 83,713	\$ 58,751

Note:

1. The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Balance in the year ended December 31, 2018 was arising from financial assets mandatorily measured at fair value through profit or loss and balance in the year ended December 31, 2017 was arising from held for trading financial assets and financial assets designated upon initial recognition at fair value through profit or loss.
3. Balance in the years ended December 31, 2018 and 2017 were both arising from held for trading financial liabilities.

(26) Finance costs

	For the years ended	
	December 31	
	2018	2017
Interest expenses on borrowings	\$ 947,792	\$ 528,218

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(27) Components of other comprehensive income

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 defined benefit plan	\$ (125,966)	\$ -	\$ (125,966)	\$ 20,189	\$ (105,777)
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	161,290	-	161,290	-	161,290
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(964,268)	-	(964,268)	-	(964,268)
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 (losses) gains 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 of other comprehensive income	\$ 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)

For the year ended December 31, 2017 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plan	\$ 236,317	\$ -	\$ 236,317	\$ (40,174)	\$ 196,143
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	(23,522)	-	(23,522)	-	(23,522)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(4,440,659)	-	(4,440,659)	-	(4,440,659)
Unrealized losses from available-for-sale financial assets	(339,418)	(61,169)	(400,587)	-	(400,587)
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	9,937,603	-	9,937,603	-	9,937,603
Total of other comprehensive income	\$ 5,370,321	\$ (61,169)	\$ 5,309,152	\$ (40,174)	\$ 5,268,978

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\$(611) thousand recognized in other comprehensive income for the year ended December 31, 2018 was reclassified to profit or loss.

(28) 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 (benefit) are as follows:

	For the years ended	
	December 31	
	2018	2017
Current income tax	\$ 1,233,206	\$ 891,916
Deferred tax income	(1,159,802)	(1,381,430)
Others	19,758	(16,898)
Income tax expense (benefit) recognized in profit or loss	<u>\$ 93,162</u>	<u>\$ (506,412)</u>

Income tax recognized in other comprehensive income

	For the years ended	
	December 31	
	2018	2017
Deferred tax (income) expense:		
Remeasurements of defined benefit plan	<u>\$ (20,189)</u>	<u>\$ 40,174</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	
	2018	2017
Accounting profit before tax from continuing operations	\$ 20,853,660	\$ 23,826,192
Tax at the domestic rates applicable to profits in the country concerned	\$ 4,170,732	\$ 4,050,453
Tax effect of revenues exempt from taxation	(831,241)	(140,802)
Investment tax credits	(546,380)	(289,990)
Tax effect of deferred tax assets/liabilities	(3,030,869)	(5,026,612)
Corporate income surtax on undistributed retained earnings	1,022,742	862,370
Adjustments in respect of current income tax of prior periods	(236,253)	-
Others	(455,569)	38,169
Total income tax expense (benefit) recognized in profit or loss	\$ 93,162	\$ (506,412)

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

(To be continued)

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(Continued)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Reflected in balance sheet as follows:				
Deferred tax assets	\$ 1,847,927			\$ 3,164,112
Deferred tax liabilities	\$ (434,870)			\$ (571,064)

For the year ended December 31, 2017

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized allowance for inventory obsolescence	\$ 679,156	\$ 465,218	\$ -	\$ 1,144,374
Allowance for sales returns and discounts	608,038	(128,886)	-	479,152
Amortization of difference for tax purpose	112,850	12,512	-	125,362
Amortization of goodwill difference for tax purpose	(1,498,969)	1,135,786	-	(363,183)
Others	141,916	(103,200)	(40,174)	(1,458)
Deferred tax income (expense)		\$ 1,381,430	\$ (40,174)	
Net deferred tax assets	\$ 42,991			\$ 1,384,247
Reflected in balance sheet as follows:				
Deferred tax assets	\$ 1,541,960			\$ 1,819,117
Deferred tax liabilities	\$ (1,498,969)			\$ (434,870)

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The assessment of income tax returns

The tax authorities have assessed income tax returns of the Company through 2016. The Company has applied for administrative appeals of the tax returns of 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.

(29) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended	
	December 31	
	2018	2017
A. Basic earnings per share		
Profit (in thousand NT\$)	\$ 20,760,498	\$ 24,332,604
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,565,368,402	1,564,139,064
Basic earnings per share (NT\$)	\$ 13.26	\$ 15.56
B. Diluted earnings per share		
Profit (in thousand NT\$)	\$ 20,760,498	\$ 24,332,604
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,565,368,402	1,564,139,064
Effect of dilution:		
Employees' compensation-stock (share)	1,334,384	1,309,316
Employee stock options (share)	27,389	23,448
Restricted stocks for employees (share)	8,751,258	7,380,348
Weighted average number of ordinary shares outstanding after dilution (share)	1,575,481,433	1,572,852,176
Diluted earnings per share (NT\$)	\$ 13.18	\$ 15.47

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

(30) Business spin-off information

For the purpose of implementing the group's internal resources integration, deepening and accelerating the market expansion of the Internet of Things to strengthen the overall competitiveness and operational efficiency, on October 1, 2017, the Company spun-off the business unit- Bluetooth related Internet of Things Product Line Business, whose business value amounted to NT\$441,523 thousand, to Airoha Technology Corp.

Net carrying amounts of the assets and liabilities of the spin-off are as follow:

	<u>Airoha Technology Corp.</u>
Current assets	\$ 476,261
Property, plant and equipment	5,482
Current liabilities	<u>(40,220)</u>
Total	<u>\$ 441,523</u>

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
Gaintech Co. 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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Name of the related parties	Nature of relationship of the related parties
Richtek Technology Corp.	Subsidiary
Hsu-Si Investment Corp.	Subsidiary
Zelus Technology (HangZhou) Ltd.	Subsidiary
ILI Technology Corporation	Subsidiary
MStar Semiconductor, Inc.	Subsidiary
MStar International Technology Inc.	Subsidiary
AutoChips Inc.	Subsidiary (Note 1)
EcoNet (Suzhou) Limited	Subsidiary
Velocenet Inc.	Subsidiary
Sigmastar Technology Corp.	Subsidiary
HFI Innovation Inc.	Subsidiary
Nephos (Hefei) Co. Ltd.	Subsidiary
Nephos (Taiwan) Inc.	Subsidiary
MediaTek China Limited	Subsidiary
MediaTek (Shanghai) Inc.	Subsidiary
E-Vehicle Semiconductor Technology Co., Ltd.	Subsidiary (Note 2)
Airoha Technology Corp.	Subsidiary (Note 3)
E-Vehicle Semiconductor Technology Co., Ltd.	Associate (Note 2)
Airoha Technology Corp.	Associate (Note 3)
Intelligo Technology Inc.	Associate
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
Andes Technology Corp.	Substantive related party

Note 1 : AutoChips Inc. was no longer a subsidiary after the Company transferred the shareholding rights and derecognized it on March 13, 2017.

Note 2 : The Company lost control over E-Vehicle Semiconductor Technology Co., Ltd. on December 27, 2018, and the Company adopted the equity method for the investment. As a result, it has become an associate of the Company since that date.

Note 3 : Airoha Technology Corp. was no longer an associate after the Company obtained control over it on March 14, 2017.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(1) Significant transactions with the related parties

A. Sales

	For the years ended	
	December 31	
	2018	2017
Subsidiaries	\$ 927,566	\$ 1,705,402
Associates	12,944	-
Total	\$ 940,510	\$ 1,705,402

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.

B. IC testing, experimental services, and manufacturing technology services

	For the years ended	
	December 31	
	2018	2017
Other related parties	\$ 1,755,668	\$ 1,224,209

The trade credit terms for related parties and third-party customers were both 60 to 75 days.

C. Consign research and development expenses and license expenses

	For the years ended	
	December 31	
	2018	2017
Subsidiaries	\$ 137,734	\$ 77,749
Other related parties	26,231	28,307
Total	\$ 163,965	\$ 106,056

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

D. Rental expenditure

	For the years ended	
	December 31	
	2018	2017
Subsidiaries		
MStar Semiconductor, Inc.	\$ 41,056	\$ 41,446

E. Rental income

	For the years ended	
	December 31	
	2018	2017
Subsidiaries		
Airoha Technology Corp.	\$ 16,728	\$ 10,143
Nephos (Taiwan) Inc.	8,937	8,723
Velocenet Inc.	7,817	7,817
ILI Technology Corporation	7,797	-
Others	1,293	414
Subtotal	42,572	27,097
Associates		
Airoha Technology Corp.	-	2,831
Other related parties	790	578
Total	\$ 43,362	\$ 30,506

F. Other income due to technology service

	For the years ended	
	December 31	
	2018	2017
Subsidiaries		
Nephos (Hefei) Co. Ltd.	\$ -	\$ 130,423
EcoNet (Suzhou) Limited	25,685	24,466
Others	324	1,650
Total	\$ 26,009	\$ 156,539

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

G. Endorsement amount for office lease, bank financing and IP purchasing

	As of December 31, 2018		As of December 31, 2017	
	Endorsement limit	Actual amount	Endorsement limit	Actual amount
Subsidiaries				
Gaintech Co. Limited	\$ 24,000,000	\$ -	\$ 24,000,000	\$ 13,419,800
MediaTek				
China Limited	9,000,000	4,004,033	9,000,000	3,701,152
Others	17,445	17,445	32,668	32,668
Total	\$ 33,017,445	\$ 4,021,478	\$ 33,032,668	\$ 17,153,620

H. Financing

There was no financing transaction in 2018.

The Company lent money to certain subsidiaries in the total amount of NT\$3,000,000 thousand in February 2017. Totally NT\$7,833 thousand of interest has been charged. The lending was settled in March 2017.

I. Trade receivables from related parties

	December 31, 2018	December 31, 2017
Subsidiaries	\$ 445,841	\$ 600,158
Associates	6,605	-
Total	\$ 452,446	\$ 600,158

J. Other receivables from related parties

	December 31, 2018	December 31, 2017
Subsidiaries		
MStar Semiconductor, Inc.	\$ 7,229,149	\$ -
Nepfos (Hefei) Co. Ltd.	401,137	392,975
Others	31,279	33,720
Total	\$ 7,661,565	\$ 426,695

Other receivables from related parties were composed mainly of dividends income, rental income and technology service revenue.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

K. Trade payables to related parties

	December 31, 2018	December 31, 2017
Subsidiaries	\$ 353,678	\$ 107,714
Other related parties	376,574	261,349
Total	<u>\$ 730,252</u>	<u>\$ 369,063</u>

L. Other payables to related parties

	December 31, 2018	December 31, 2017
Subsidiaries	<u>\$ -</u>	<u>\$ 10,137</u>

M. Key management personnel compensation

	For the years ended December 31	
	2018	2017
Short-term employee benefits (Note)	\$ 541,995	\$ 701,869
Share-based payment	-	224,110
Post-employment benefits	1,512	1,530
Total	<u>\$ 543,507</u>	<u>\$ 927,509</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, 2018	December 31, 2017	
Financial assets measured at amortized cost-current	\$ 9,705	(Note)	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	9,180	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	24,000	(Note)	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	23,017	(Note)	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	89,592	(Note)	Performance bond
Debt instrument investments for which no active market exists-current	(Note)	\$ 9,180	Customs clearance deposits
Debt instrument investments for which no active market exists-current	(Note)	9,705	Lease execution deposits
Debt instrument investments for which no active market exists-noncurrent	(Note)	23,018	Land lease guarantee
Debt instrument investments for which no active market exists-noncurrent	(Note)	39,000	Court pledged
Total	<u>\$ 155,494</u>	<u>\$ 80,903</u>	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

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

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

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	\$ 50,546	\$ 46,535
Later than one year but not later than five years	196,353	186,141
Later than five years	190,532	216,574
Total	<u>\$ 437,431</u>	<u>\$ 449,250</u>

Operating lease expenses are as follows:

	For the years ended December 31	
	2018	2017
Minimum lease payments	<u>\$ 108,328</u>	<u>\$ 126,758</u>

(2) Legal claim contingency

- A. Semcon IP Inc. (“Semcon”) filed a complaint in the United States District Court for the Eastern District of Texas against the Company and subsidiary MediaTek USA Inc. on April 25, 2016, alleging infringement of United States Patent Nos. 7,100,061, 7,596,708, 8,566,627 and 8,806,247. The court dismissed the claims with prejudice against the Company and subsidiary MediaTek USA Inc. pursuant to the parties’ joint stipulation on April 18, 2018.
- B. 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. This final determination applies only to the Company’s chipsets using certain legacy GPUs, and thus it will not have a significant impact on the Company and subsidiary MediaTek USA Inc.’s overall business and operations. The Company and subsidiary MediaTek USA Inc. will continue to pursue relevant legal avenues to protect the company’s rights and interests.

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 operations of the Company and subsidiary MediaTek USA Inc. will not be materially affected by these cases.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- C. Lucio Development LLC (“Lucio Development”) filed a complaint in the United States District Court for the Western District of Texas against subsidiary MediaTek USA Inc. on December 11, 2017, alleging infringement of United States Patent No. 7,069,546. The court dismissed the claims against subsidiary MediaTek USA Inc. on April 10, 2018.
- D. 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. The operations of the Company and subsidiary MediaTek USA Inc. will not be materially affected by these cases.

- E. 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. The operations of the Company and subsidiary MediaTek USA Inc. will not be materially affected by this case.
- F. Innovative Foundry Technologies LLC (“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 United States Patent Nos. 6,583,012, 6,797,572, 7,009,226, 7,880,236 and 9,373,548. The operations of the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. (merged into the Company as of January 1, 2019) will not be materially affected by this case.

The Company will handle these cases carefully.

10. Losses due to Major Disasters

None

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

11. Significant Subsequent Events

None

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	\$ -	\$ 190,211
Mandatorily measured at fair value through profit or loss (Note 2)	2,495,489	(Note1)
Subtotal	2,495,489	190,211
Financial assets at fair value through other comprehensive income	3,126,666	(Note1)
Available-for-sale financial assets (Note 3)	(Note1)	4,323,214
Financial assets measured at amortized cost (Note 4)	79,402,713	(Note1)
Loans and receivables (Note 5)	(Note1)	86,609,634
Total	\$ 85,024,868	\$ 91,123,059

Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	\$ 4,520	\$ -
Financial liabilities at amortized cost:		
Short-term borrowings	24,555,667	40,205,256
Trade payables (including related parties)	4,506,439	5,260,420
Other payables (including related parties)	15,915,872	18,912,001
Long-term payables (including current portion)	1,057,724	1,044,449
Subtotal	46,035,702	65,422,126
Total	\$ 46,040,222	\$ 65,422,126

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Note:

1. The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Includes trade receivables classified as financial assets measured at fair value through profit or loss of NT\$1,715,915 thousand. Please refer to Note. 6 (7) for further explanation.
3. Balances as at December 31, 2017 include financial assets measured at cost.
4. 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 of NT\$1,715,915 thousand. Please refer to Note. 6 (7) for further explanation) and other receivables.
5. Includes cash and cash equivalents (excluding cash on hand), trade receivables, debt instrument investments for which no active market exists and other receivables.

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 (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.
- (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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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, 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				
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	2,976,672	-	-	2,976,672
comprehensive income				
Debt instruments measured at				
fair value through other	149,994	-	-	149,994
comprehensive income				
Total	<u>\$ 3,876,963</u>	<u>\$ -</u>	<u>\$ 29,277</u>	<u>\$ 3,906,240</u>
<u>Liabilities measured at fair value:</u>				
Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	\$ -	\$ 4,520	\$ -	\$ 4,520

MEDIATEK INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**As of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Linked deposits	\$ -	\$ -	\$ 190,211	\$ 190,211
Available-for-sale financial assets				
Stocks	408,468	-	-	408,468
Funds	3,161,143	-	-	3,161,143
Bonds	753,603	-	-	753,603
Total	<u>\$ 4,323,214</u>	<u>\$ -</u>	<u>\$ 190,211</u>	<u>\$ 4,513,425</u>

For the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

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

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

	<u>Financial assets mandatorily measured at fair value through profit or loss</u>
	<u>Link deposits</u>
As of January 1, 2018	\$ 190,211
Amount recognized in profit or loss	(934)
Settlements	(160,000)
As of December 31, 2018	<u>\$ 29,277</u>
	<u>Financial assets at fair value through profit or loss</u>
	<u>Link deposits</u>
As of January 1, 2017	\$ 681,114
Amount recognized in profit or loss	1,489
Settlements	(492,392)
As of December 31, 2017	<u>\$ 190,211</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Total (losses) gains related to linked deposits on hand recognized for the years ended December 31, 2018 and 2017 amounted to NT\$(934) thousand and NT\$1,489 thousand, respectively.

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

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

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

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

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, 2018:

None

As of December 31, 2017:

None

D. Derivative financial instruments

The Company's derivative financial instruments held for trading was forward exchange contracts. The related information is as follows:

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company reviews its assets and liabilities denominated in foreign currency and enters into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains or losses made on the hedged item. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 0.1%, the profit for the years ended December 31, 2018 and 2017 decreases/increases by NT\$4,735 thousand and NT\$1,733 thousand, respectively.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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 at variable interest rates and bank borrowings with fixed interest rates. Moreover, the market value of the Company's investments in credit-linked deposits are affected by interest rate. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The 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, 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 equity instrument investments measured at fair value through other comprehensive income (classified under available-for-sale financial assets as of December 31, 2017). 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 other comprehensive income could cause the other comprehensive income for the year ended December 31, 2018 to increase/decrease by NT\$29,767 thousand, respectively.

A change of 1% in the price of the listed equity securities classified under available-for-sale could cause the other comprehensive income for the year ended December 31, 2017 to increase/decrease by NT\$28,177 thousand, respectively.

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, 2018 and 2017, receivables from top ten customers represented 51.96% and 44.34% 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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The Company adopted IFRS 9 to assess the expected credit losses since January 1, 2018. 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	Loss ratio	Measurement method for expected credit losses	Carrying amount
Low credit risk	Credit risk measure belongs to IG category	0%-0.5%	12-month expected credit losses	\$ 439,994
	Counter parties with investment grade credit rating			
Credit risk significantly increased	Credit risk measure reduced from IG category to HY category	0.5%-20%	Lifetime expected credit losses	\$ -
	Contract payment overdue 30 days			
Credit-impaired	Credit risk measure belongs to DS category or above	20%-100%	Lifetime expected credit losses	\$ -
	Contract payment overdue 90 days			
	Other impaired evidence			
Simplified method (Note)	(Note)	0%-100%	Lifetime expected credit losses	\$ 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 in accordance with IFRS 9, 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.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of December 31, 2018</u>			
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>

As of December 31, 2017

Borrowings	\$ 40,272,471	\$ -	\$ 40,272,471
Trade payables (including related parties)	5,260,420	-	5,260,420
Other payables	18,872,529	-	18,872,529
Long-term payables	-	1,044,449	1,044,449
Total	<u>\$ 64,405,420</u>	<u>\$ 1,044,449</u>	<u>\$ 65,449,869</u>

Derivative financial instruments

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of December 31, 2018</u>			
Net settlement			
Forward exchange contracts	<u>\$ (7,262)</u>	<u>\$ -</u>	<u>\$ (7,262)</u>

As of December 31, 2017

None

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 year ended December 31, 2018:

	Short-term borrowings	Deposits received	Total liabilities from financing activities
As of December 31, 2017	\$ 40,205,256	\$ 49,259	\$ 40,254,515
Cash flows	(15,649,589)	4,802	(15,644,787)
As of December 31, 2018	\$ 24,555,667	\$ 54,061	\$ 24,609,728

Reconciliation of liabilities for year ended December 31, 2017:

Not applicable

(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, 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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

	December 31, 2017		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 1,606,046	29.848	\$ 47,937,251
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 1,547,994	29.848	\$ 46,204,539

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 asset and liability denominated in foreign currencies. The foreign exchange gains (losses) were NT\$14,134 thousand and NT\$(226,199) thousand for the years ended December 31, 2018 and 2017, 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, 2018: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2018: Please refer to Attachment 2.
- C. Securities held as of December 31, 2018: 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, 2018: 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, 2018: 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, 2018: 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, 2018: 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, 2018: 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 have 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 have direct or indirect significant influence or control, or jointly control, which disclose investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investment from Taiwan, percentage of ownership, net income (loss), investment income (loss), carrying amount of investments, cumulated 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, 2018

Attachment 1

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	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	MediaTek Investment Singapore Pte. Ltd. (Note 1)	MediaTek Bangalore Private Limited	Other receivables from related party	Yes	\$ 146,150 USD 5,000,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	\$ 112,655,689 USD 3,687,463,217	\$ 112,655,689 USD 3,687,463,217	
2	Hsu Chia (Samoa) Investment Ltd. (Note 1)	Gainnech Co. Limited MediaTek (Shanghai) Inc.	Other receivables from related party Other receivables from related party	Yes Yes	\$ 608,304 CNY 130,000,000	\$ 581,303 CNY 130,000,000	\$ - 2,235,780	0.65% 3.00%	Short-term financing Short-term financing	- 2,235,780 CNY 500,000,000	Operating Capital Operating Capital	- -	NA -	\$ 4,882,001 CNY 1,098,214,106	\$ 4,882,001 CNY 1,098,214,106	
3	Hsu Kang (Samoa) Investment Ltd. (Note 1)	MediaTek (Shenzhen) Inc.	Other receivables from related party	Yes	\$ 3,272,277 CNY 699,315,000	\$ 3,127,029 CNY 699,315,000	\$ 3,127,029 CNY 699,315,000	3.00%	Short-term financing	-	Operating Capital	-	NA	\$ 4,880,022 CNY 1,097,768,883	\$ 4,880,022 CNY 1,097,768,883	
4	Hsu Fa (Samoa) Investment Ltd. (Note 1)	Gainnech Co. Limited MediaTek (Hefei) Inc.	Other receivables from related party Other receivables from related party	Yes Yes	\$ 1,333,210 CNY 284,919,000	\$ 379,720 CNY 84,919,000	\$ 379,720 CNY 84,919,000	1.75%	Short-term financing	-	Operating Capital	-	NA	\$ 4,873,577 CNY 1,096,319,005	\$ 4,873,577 CNY 1,096,319,005	
5	MStar Semiconductor, Inc. (Note 2)	MShining International Corporation Mstar Technology Pte. Ltd.	Other receivables from related party Other receivables from related party	Yes Yes	\$ 970,479 CNY 207,400,000	\$ 927,402 CNY 207,400,000	\$ 927,402 CNY 207,400,000	3.00%	Short-term financing	-	Operating Capital	-	NA	\$ 4,873,577 CNY 1,096,319,005	\$ 4,873,577 CNY 1,096,319,005	
					\$ 500,000 USD 17,000,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	\$ 1,126,342	\$ 4,505,369	
					\$ 526,456 USD 17,000,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	\$ 1,126,342	\$ 4,505,369	

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Note 1: Based on the rules of operating procedures of financing provided to others of MediaTek Inc., Media Tek Investment Singapore Pte. Ltd., Hsu Chia (Samoa) Investment Ltd., Hsu Kang (Samoa) Investment Ltd., and Hsu Fa (Samoa) Investment Ltd.,

- 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.
- 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: Based on the rules of operating procedures of financing provided to others of the subsidiary MStar Semiconductor, Inc.,

- A. The total amount for lending shall not exceed 40% of MStar Semiconductor, Inc.'s net worth.
- B. The amount for lending to a single company shall not exceed 10% of MStar Semiconductor, Inc.'s net worth.

Note 3: 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, 2018

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.	B	\$ 54,096,186 (Note 1)	\$ 10,618 USD 342,857	\$ 10,537 USD 342,857	\$ 10,537 USD 342,857	-	0.00%	\$135,240,464 (Note 1)	Y	-	-
		MTK Wireless Limited (UK)	B	\$ 54,096,186 (Note 1)	\$ 23,008 GBP 556,194	\$ 6,908 GBP 176,250	\$ 6,908 GBP 176,250	-	0.00%		Y	-	-
		Gairtech Co. Limited	B	\$ 54,096,186 (Note 1)	\$ 24,000,000	\$ 24,000,000	\$ -	-	8.87%		Y	-	-
		MediaTek China Limited	B	\$ 54,096,186 (Note 1)	\$ 9,000,000	\$ 9,000,000	\$ 4,004,033	-	3.33%		Y	-	-

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Note 1: Based on the rules of operating procedures of endorsement/guaranteee 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 statement.

The total amounts 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 holds over 50% of the common stocks of the subsidiary.
- B. Parent company and subsidiaries collectively hold over 50% of the invested 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, 2018

Attachment 3

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2018				Note	
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Mediatek Inc.	Funds	KEI Fengji Fund	Financial assets mandatorily measured at fair value through profit or loss- current	27,806,930	\$ 358,031	-	\$ 358,031	-	
		KEI Fint Strategic Fund	Financial assets mandatorily measured at fair value through profit or loss- current	32,069,875	\$ 392,266	-	\$ 392,266	-	
		Cathey No.1 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	81,200,000	\$ 1,206,632	-	\$ 1,206,632	-	
		Cathey No.2 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	64,503,000	\$ 969,480	-	\$ 969,480	-	
	Fubon No.1 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	181,188,000	\$ 267,364	-	\$ 267,364	-		
	Fubon No.2 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	20,992,000	\$ 264,499	-	\$ 264,499	-		
	ALI Corporation	Equity instrument investments measured at fair value through other comprehensive income- current	24,098,383	\$ 268,697	8%	\$ 268,697	-		
	Chinese Petroleum Corporation unsecured bonds-100-1	Debt instrument investments measured at fair value through other comprehensive income- current	-	\$ 99,996	-	\$ 99,996	-		
	Formosa Petrochemical Corporation unsecured bonds-103-1	Debt instrument investments measured at fair value through other comprehensive income- current	-	\$ 49,998	-	\$ 49,998	-		
	Cathey Life Insurance Co., Ltd. Cumulative Perpetual Subordinated bond-106-1	Financial assets measured at amortized cost- noncurrent	-	\$ 290,000	-	\$ -	-		
MSur Semiconductor, Inc.	Linked Deposits	Integrated Service Technology CLN no.4	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	\$ 29,277	-	\$ 29,277	-	
		EOSTEK LIMITED(CAYMAN)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	640,000	\$ 5,961	-	\$ 5,961	-	
	Capital	SERAPHIC Information Technology (Shanghai) Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 1,183,637	-	USD 1,183,637	-	
		ACSIP TECHNOLOGY CORP.	Equity instrument investments measured at fair value through other comprehensive income- current	1,857,008	\$ 16,509	7%	\$ 16,509	-	
	Stocks	ANDES TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current	430,000	\$ 223,600	1%	\$ 223,600	-	
		CHUNGHWA PRECISION TEST TECH CO., LTD.	Equity instrument investments measured at fair value through other comprehensive income- current	400,000	\$ 102,324	1%	\$ 102,324	-	
		M31 TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current	7,794,085	\$ 1,788,743	0%	\$ 1,788,743	-	
		MEDIATEK INC.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,000,000	\$ 15,000	5%	\$ 15,000	-	
		ESTINET TECHNOLOGIES INCORPORATION	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	6,498	\$ -	18%	\$ -	124	
		Amobit Intelligent Corp.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,568,100	\$ 24,165	7%	\$ 24,165	-	
Mans Semiconductor Corp.		Equity instrument investments measured at fair value through other comprehensive income- noncurrent	349,930	\$ 1,079	1%	\$ 1,079	-		
Prime Sensor Technology Inc.		Equity instrument investments measured at fair value through other comprehensive income- noncurrent	125,000,000	\$ 120,753	5%	\$ 120,753	-		
Taiwanica Capital Buffalo Fund Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	327,707	\$ 2,913	1%	\$ 2,913	-			
Hsu-Ta Investment Corp.	Stocks	ACSIP TECHNOLOGY CORP.	Equity instrument investments measured at fair value through other comprehensive income- current	-	USD 2,909	0%	\$ 2,909	-	
		ANDES TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current	-	USD 8,794,800	-	USD 8,794,800	-	
	Linked Deposits	Callable CLN Goldman Sachs 2018-22.6.2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,428,500	-	USD 8,428,500	-	
		SY USD CALLABLE STEPPENER NOTE DUE 5 DECEMBER 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 3,930,800	-	USD 3,930,800	-	
	Core Tech Resources Inc.	SynCity USD Dominated Dual Range Accrual Notes	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 5,608,856	0%	USD 5,608,856	-	
		Beijing Xiaomi Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	3,400,000	USD 2,026,668	2%	USD 2,026,668	-	
	Gaintech Co. Limited	Capital	WI HARPER INC FUND V.LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,000	USD 4,382,782	6%	USD 4,382,782	-
			MCUBE INC.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,114,984	USD 68,976	4%	USD 68,976	-
		Stocks	INNOVATION WORKS LIMITED	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	2,000,000	USD 100,800	20%	USD 100,800	-
			CHINA ALPHA TECHNOLOGIES COMPANY LIMITED	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,990	USD 2,000,000	18%	USD 2,000,000	-
Stocks		GENERAL MOBILE CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	5,000,000	USD 360,653	13%	USD 360,653	-	
		People Power Company	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	12,021,739	USD 3,003,210	2%	USD 3,003,210	-	
Core Tech Resources Inc.		COREPHOTONICS LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	12,248	USD 111,967,609	30%	USD 111,967,609	-	
		Magyar Technology Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	28,504,992	USD 2,268,188	14%	USD 2,268,188	-	
Gaintech Co. Limited		Capital	Amobit Intelligent Corp. Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,193,783	USD 14,999,983	9%	USD 14,999,983	-
			AutoX Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	652,176	USD 15,323	-	USD 15,323	-
	Capital	Hangzhou Tianshang Gneib Technologies Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 22,399	-	USD 22,399	-	
		JAFCO V3-(B) FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 55,058	-	USD 55,058	-	
	Capital	JAFCO ASIA (FATE4)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 6,807,454	-	USD 6,807,454	-	
		China Walden Venture Investments, ILL P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 28,427,216	-	USD 28,427,216	-	
	Capital	ALL-STAR INVESTMENT FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 794,938	-	USD 794,938	-	
		NOZOMI FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 18,957,927	-	USD 18,957,927	-	
	Capital	INNOVATION WORKS DEVELOPMENT FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 15,122,985	-	USD 15,122,985	-	
		Shanghai Walden Venture Capital Enterprise	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 13,061,757	-	USD 13,061,757	-	
Capital	CHINA BROADBAND CAPITAL PARTNERS III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD -	-	USD -	-		

(To be continued)

MEDIATEK INC.
SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)
As of December 31, 2018

(Continued)

Held Company Name	Securities Type	Securities Name	Financial Statement Account			Fair Value	Note
			Units/Shares	Carrying Amount	Percentage of Ownership (%)		
Gaintech Co. Limited	Capital	CHINA BROADBAND CAPITAL PARTNERS III, L.P.	-	USD 14,156,979	-	USD	14,156,979
		SOFTBANK PRINCIPAL INVESTMENTS L.P.	-	USD 13,326,273	-	USD	13,326,273
		WALDEN RIVERWOOD VENTURES, L.P.	-	USD 9,871,940	-	USD	9,871,940
		PVG GCN VENTURES, L.P.	-	USD 5,173,160	-	USD	5,173,160
		KIBOU FUND L.P.	-	USD 2,691,948	-	USD	2,691,948
		WRV II, L.P.	-	USD 9,296,461	-	USD	9,296,461
		Shanghai Wu Yuefeng Integrated Circuit Equity Investment Limited Partnership	-	USD 84,111,020	-	USD	84,111,020
		AMIT FUND II L.P.	-	USD 3,961,212	-	USD	3,961,212
		Beijing Integrated Circuit Industry International Fund, L.P.	-	USD 4,694,300	-	USD	4,694,300
		China Prosperity Capital Mobile Internet Fund, L.P.	-	USD 6,475,110	-	USD	6,475,110
		All-Stars SP V Limited	-	USD 44,472,571	-	USD	44,472,571
		HOPU USD Master Fund III, L.P.	-	USD 11,907,531	-	USD	11,907,531
		China Walden Venture Investments III, L.P.	-	USD 8,162,800	-	USD	8,162,800
		WRV III, L.P.	-	USD 3,675,000	-	USD	3,675,000
		Shanghai Pudong Development Bank - Lidodo 2018 no.137	-	USD 9,030,600	-	USD	9,030,600
		Expedita, Inc.	-	USD 2,400,000	-	USD	2,400,000
		Goldman Sachs Formosa Bond	50,000,000	USD 7,270,842	-	USD	7,270,842
		DB 5YR CNY SENIOR BULLET NOTE	-	USD 7,274,844	-	USD	7,274,844
		China International Capital Corporation Limited unsecured bond	-	USD 8,987,850	-	USD	8,987,850
		SoftBank Group Corp unsecured bond	-	USD 8,617,995	-	USD	8,617,995
GOLDMAN SACHS GROUP, INC. FRN 04/05/2019 PVT REGS US LIB	-	USD 8,497,450	-	USD	8,497,450		
CIN linked to ABC - Cash Settled and deno. in Offshore CNY(4V)	-	USD 2,287,938	-	USD	2,287,938		
Credit Linked Note on People's Republic of China	-	USD 8,981,100	-	USD	8,981,100		
5 Year USD Denominated Credit Linked Notes linked to Bank of Communications	-	USD 9,070,200	-	USD	9,070,200		
4 Year USD Denominated Credit Linked Notes linked to Alibaba	-	USD 9,009,000	-	USD	9,009,000		
3 Year USD Callable Range Accrual Credit-Linked Notes linked to People's Republic of China, due 2021	-	USD 8,794,800	-	USD	8,794,800		
3 Year USD Denominated JMAB 02E Linked Note	-	USD 8,724,600	-	USD	8,724,600		
Royal BK Canada Lombar 0% 20 Dec20	-	USD 8,615,700	-	USD	8,615,700		
USD 3y Amortizable Range Accrual Notes linked to USDTWD	-	USD 7,771,704	-	USD	7,771,704		
3yNC1USD Denominated Dual Range Accrual Notes	-	USD 9,006,300	-	USD	9,006,300		
Morgan Stanley USD Amortizable Range Note	-	USD 8,844,300	-	USD	8,844,300		
Industrial and Commercial Bank of China - yueh yueh man yi RMB Fund	-	USD 8,926,200	-	USD	8,926,200		
Industrial and Commercial Bank of China - jh yi yueh bin III plan B	-	CNY 40,000,000	-	CNY	40,000,000		
Industrial and Commercial Bank of China - jh sheng yueh hong RMB Fund	-	CNY 50,000,000	-	CNY	50,000,000		
Industrial and Commercial Bank of China - E-ling RMB Net Asset Value Fund	-	CNY 10,000,000	-	CNY	10,000,000		
Industrial and Commercial Bank of China - yi chia yi No2 RMB Fund	-	CNY 50,000,000	-	CNY	50,000,000		
Industrial and Commercial Bank of China - jh yi yueh bin ete I:186 days Net Asset Value Fund	-	CNY 50,000,000	-	CNY	50,000,000		
GIGA FORCE ELECTRONICS CO., LTD	1,683,000	CNY 16,661,700	10%	CNY	16,661,700		
Hebei Changlang Nio new energy industry investment fund partnership firm (limited partnership)	-	CNY 199,033,759	-	CNY	199,033,759		
Shanghai Internet Of Things VC Fund II	-	CNY 15,489,152	-	CNY	15,489,152		
AI Speech Co., Ltd.	-	CNY 54,302,444	-	CNY	54,302,444		
Adaps Technology Co., Ltd	1,539,011	CNY 30,416,336	8%	CNY	30,416,336		
Shenzhen ORVBO Technology Co., Ltd	-	CNY 4,608,751	-	CNY	4,608,751		
Shenzhen Feima Robotics Co. Ltd.	-	CNY 2,456,916	-	CNY	2,456,916		
ORBBEC CO., LTD	-	CNY 54,510,149	-	CNY	54,510,149		
Shanghai Yiqi Information Technology Co. Ltd.	-	CNY 11,548,972	-	CNY	11,548,972		
Wiset Mainframe Information Technology Co. Ltd.	-	CNY 96,889	-	CNY	96,889		
Xixun Investment (Shanghai) Inc.	Capital	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	-	-	-	-
		Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	-	-	-	

(To be continued)

MEDIA TEK INC.
SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)
As of December 31, 2018

(Continued)

Held Company Name	Securities Type	Securities Name	December 31, 2018				Fair value	Note
			Units/Shares	Carrying Amount	Percentage of Ownership (%)			
Xinxin Investment (Shanghai) Inc. MediaTek Investment Singapore Pte. Ltd. MediaTek USA Inc.	Capital	Shanghai KQC Financial Management Consulting Co. Ltd.	-	CNY 4,521,000	-	CNY 4,521,000	-	
	Stocks	GOMAJI Corp., LTD	750,000	USD 495,396	4%	USD 495,396	-	
	Bonds	PEMIG-INSTRANCE POLICY TRUST	-	USD 10,122,451	-	USD 10,122,451	-	
		One Mobilwik Systems Private Limited	36,201	USD 3,590,516	1%	USD 3,590,516	-	
		Appier Holding, Inc.	103,573	USD 4,699,107	1%	USD 4,699,107	-	
		Scaleflux Inc.	1,497,076	USD 5,549,212	4%	USD 5,549,212	-	
	Stocks	Valens Semiconductor Ltd.	1,276,935	USD 4,871,762	1%	USD 4,871,762	-	
		Ambiq Micro, Inc	3,809,900	USD 3,938,675	3%	USD 3,938,675	-	
		Transnet Technology Inc.	1,820,000	USD 2,857,400	9%	USD 2,857,400	-	
		EZConnect Entertainment Limited	910	USD 628,255	9%	USD 628,255	-	
Cloud Ranges Limited		SKYREE LTD.	75,188	USD 600,000	6%	USD 600,000	-	
		BCCHINA 4.45 03/05/19	-	CNY 20,022,000	-	CNY 20,022,000	-	
		Goldman Sachs 3y CNY Fixed Rate Notes	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BCCHINA 4.88%	-	CNY 5,058,000	-	CNY 5,058,000	-	
		KCBCAS 4.37 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		Financial assets measured at amortized cost-current	-	CNY 50,000,000	-	CNY 50,000,000	-	
	Bonds	BCCHINA 4.45 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		SDBC 4.2 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
Hsu Chia (Samoa) Investment Ltd.		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BCCHINA 4.45 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BCCHINA 4.88%	-	CNY 5,058,000	-	CNY 5,058,000	-	
		KCBCAS 4.37 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		Financial assets measured at amortized cost-current	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		SDBC 4.2 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
Hsu Fu (Samoa) Investment Ltd.		KCBCAS 4.37 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		Financial assets measured at amortized cost-current	-	CNY 50,000,000	-	CNY 50,000,000	-	
	Bonds	BCCHINA 4.45 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		SDBC 4.2 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		SDBC 4.2 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		KCBCAS 4.37 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
Hsu Kang (Samoa) Investment Ltd.		Financial assets measured at amortized cost-current	-	CNY 50,000,000	-	CNY 50,000,000	-	
	Bonds	BCCHINA 4.45 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		SDBC 4.2 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		SDBC 4.2 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		ABC Sydney Branch 4.07 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		SDBC 4.2 06/06/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
		BOCOM Sydney Branch 4.017 09/26/19	-	CNY 50,000,000	-	CNY 50,000,000	-	
MediaTek (Shenzhen) Inc.	Capital	Shanghai Shunsheng Changxin Investment Partnership (Limited Partnership)	-	CNY 3,287,040	-	CNY 3,287,040	-	
		Shanghai Summitview K Equity Investment Limited Partnership II Limited Partnership	-	CNY 12,148,744	-	CNY 12,148,744	-	
	Funds	Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	-	CNY 26,090,000	-	CNY 26,090,000	-	
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	-	CNY 4,000,000	-	CNY 4,000,000	-	
		Industrial and Commercial Bank of China- jh yi yueh bshn plan A	-	CNY 43,420,000	-	CNY 43,420,000	-	
	Stocks	DYNA RECH CO., LTD.	16,000,000	\$ 102,400	10%	\$ 102,400	-	
	Stocks	Asit Global Venture Capital II	1,000,000	\$ 27,106	10%	\$ 27,106	-	
	Stocks	Shenzhen Goodix Technology Co., Ltd.	31,905,483	USD 346,561,042	7%	USD 346,561,042	-	
	Stocks	Shenzhen Goodix Technology Co., Ltd.	37,986,400	USD 392,009,368	8%	USD 392,009,368	-	
	Capital	Shanghai Shunsheng Changxin Investment Partnership (Limited Partnership)	-	CNY 3,287,040	-	CNY 3,287,040	-	
MediaTek (Shanghai) Inc.		Zhu Hai City Yuan Tan Information Technology Co., Ltd.	-	CNY 200,000	-	CNY 200,000	-	
	Funds	China Merchants Bank- jh yi yueh bshn plan B	-	CNY 30,000,000	-	CNY 30,000,000	-	
		China Merchants Bank- jh yi yueh bshn	-	CNY 20,000,000	-	CNY 20,000,000	-	
		China Merchants Bank- jh yi yueh bshn	-	CNY 228,547,580	9%	RMB 228,547,580	-	
	Stocks	Spice Mobility Ltd.	19,368,439	RMB 9,000,000	-	CNY 9,000,000	-	
	Bonds	Shanghai Pudong Development Bank- Lihode 2018 no.135	-	CNY 9,000,000	-	CNY 9,000,000	-	
	Stocks	Lighthouse Investment Limited	8,866,680	USD 2,752,492	19%	USD 2,752,492	-	

(To be continued)

MEDIATEK INC.
SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)
As of December 31, 2018

(Continued)

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2018				Note
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair value	
MTK Wireless Limited (UK)	Capital	HEVC Advance LLC	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	GBP 1,470,127	-	GBP 1,470,127	-
Nephos (Hefei) Co. Ltd.	Funds	Industrial Bank--Golden snowball- yu yueh RMB Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 40,000,000	-	CNY 40,000,000	-
		Bank of China Limited Structured Deposit	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- 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 91days Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 26,000,000	-	CNY 26,000,000	-
		Industrial and Commercial Bank of China- F-ling RMB Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
EcoNet (Shaoao) Limited	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 15,000,000	-	CNY 15,000,000	-
		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 10,000,000	-	CNY 10,000,000	-

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, 2018

Attachment 4

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Units/Shares	Amount (Note 3)	Units/Shares	Amount	Units/Shares	Amount	Units/Shares	Amount (Note 4)
MediaTek Capital Corp.	Kingston Technology Corp.	Financial assets, primarily measured at fair value through profit or loss - current	-	-	2,173,913	\$ 371,863	-	\$ -	736,913	\$ 300,000	436,913	\$ -
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Investments accounted for using the equity method	Note 1	Subsidiary	1,000,000	\$ 1,145	151,795,000	\$ 1,517,950	1,633,705	\$ 1,519,095 (Note 5)	-	\$ -
MStar Semiconductor, Inc.	MStar Technology Pte. Ltd.	Investments accounted for using the equity method	Note 6	Subsidiary	20,000,000	\$ 925,526	1,500,000	\$ 524,110	-	\$ 1,456,636	-	\$ -
Gaintech Co. Limited	Shanghai Wu Yuefeng Integrated Circuit Equity Investment Limited Partnership	Equity instrument investments measured at fair value through other comprehensive income - non-current	-	-	-	USD 78,342,705	-	USD 9,875,683	-	USD -	-	USD 84,111,020
Sigmastar technology Inc.	Sigmastar Technology Corp.	Investments accounted for using the equity method	Note 5	Subsidiary	-	USD -	152,795,000	USD 53,474,665	-	USD -	-	USD 48,862,258
Nephos Cayman Co. Limited	Nephos (Hefei) Co. Ltd.	Investments accounted for using the equity method	Note 2	Subsidiary	-	USD 25,800,000	-	USD 52,114,964	-	USD -	-	USD 3,475,148
MediaTek China Limited	UChip Technology Limited Corporate Bond	Financial assets measured at amortized cost - current	-	-	-	USD 25,000,000	-	USD -	25,000,000	USD 25,000,000	-	USD -
Hsu-Ta Investment Corp.	Care Tech Resources Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	57,200,000	\$ 3,158,699	45,000,000	\$ 1,388,367	-	\$ -	-	\$ 4,707,941
Gold Rich International (HK) Limited	Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income - current	-	-	34,266,683	USD 484,333,067	-	USD -	25,940,440	USD 2,048,053	23,892,387	USD 346,561,042

Note 1: Subscribed to the new shares issued.

Note 2: Acquired from outside shareholder.

Note 3: Includes the effect initially applying IFRS 9 since January 1, 2018.

Note 4: Investments accounted for using equity method includes investment income (loss) recognized by the equity method, cash dividends, adjustment for foreign exchange, and unrealized gains (losses) from investments measured at fair value through other comprehensive income.

Note 5: Includes investment income of \$114,610 thousands recognized by the equity method and carrying amount of \$1,633,705 thousand for investments measured at fair value through other comprehensive income.

Note 6: Acquisition is to increase capital by creditor's rights. Disposal includes investment loss of \$1,439,544 thousand under the equity method, adjustments for foreign exchange \$595 thousand and carrying amount of \$16,099 thousand for the purpose of reorganization.

The ownership of MStar Technology Pte. Ltd., which was previously owned by MStar Semiconductor, Inc., was transferred to Sigmastar Technology Inc. in October 2018.

Number of acquisition of shares includes capital increase of 17,000,000 shares through debt-equity swap and capital reduction to offset deficits of 15,500,000 shares. Moreover, MStar Technology Pte. Ltd. was dissolved due to merger with MediaTek Singapore Pte. Ltd. in December 2018.

MEDIATEK INC.
ACQUISITION OF INDIVIDUAL REAL ESTATE WITH A MOUNT EXCEEDING THE LOWER OF NT\$300 MILLION OR 20 PERCENT OF THE CAPITAL STOCK
For the year ended December 31, 2018

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	Transfer Date			
MSiar Semiconductor, Inc.	Land and building	2017.12.20	\$ 761,360	\$ 761,360	Winsome Development Co., Ltd.	None	-	-	-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek Inc.	Land and building	2017.10.31	\$ 329,000	\$ 329,000	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 49,984,682	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 Zhenman Engineering Supervision Co., Ltd., Jiangsu Wamianda Construction Group Co., Ltd., Nantong Installation Group Co., Ltd. etc.	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, 2018

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	
MediaTek Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	Sales (Note 1)	\$ 920,293	1.04%	Charged by a certain period	\$ 91,022	0.95%	-
MediaTek Inc.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 1,717,917	-	75 days	\$ (357,713)	7.94%	-
MediaTek Singapore Pte. Ltd.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	USD 36,612,081	-	75 days	USD (8,092,965)	6.81%	-
Airoha Technology Corp.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 163,406	-	90 days	\$ (30,627)	2.22%	-
EcoNet Limited	EcoNet (Suzhou) Limited	Subsidiary	Purchases	\$ 3,360,116	100.00%	Charged by a certain period	\$ (808,265)	100.00%	-
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Subsidiary	Sales	\$ 132,213	0.28%	30 days	\$ 58,674	0.85%	-
ILLI Technology Corporation	Beijing Ilitek Technology Co. Ltd.	Subsidiary	Sales	\$ 188,684	2.32%	30 days	\$ -	-	-
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	Sales	\$ 508,108	26.70%	30 days	\$ 462,425	115.65%	-

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, 2018

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	Accton Taken		
					(Amounts in Thousands of New Taiwan Dollars)			
MediaTek Inc.	Nephos (Hefei) Co. Ltd.	Subsidiary	\$ 241,436 (Note 1)	-	\$ -	\$ -	\$ -	-
MediaTek Inc.	Airoha Technology Corp.	Subsidiary	\$ 100,524 (Note 1)	-	\$ -	\$ 5,276	\$ -	-
MediaTek Inc.	MStar Semiconductor, Inc.	Subsidiary	\$ 7,229,149 (Note 3)	-	\$ -	\$ -	\$ -	-
MediaTek USA Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 202,612 (Note 1)	-	\$ -	\$ 202,612	\$ -	-
MediaTek (Shenzhen) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 215,128 (Note 1)	-	\$ -	\$ 215,128	\$ -	-
MediaTek Wireless Finland Oy	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 102,393 (Note 2)	-	\$ -	\$ 102,393	\$ -	-
EcoNet (Suzhou) Limited	EcoNet Limited	Subsidiary	\$ 808,265 (Note 1)	-	\$ -	\$ 641,606	\$ -	-
EcoNet (HK) Limited	EcoNet (Suzhou) Limited	Subsidiary	\$ 142,424 (Note 1)	-	\$ -	\$ 142,424	\$ -	-
Hsu Chia (Samoa) Investment Ltd.	MediaTek (Shanghai) Inc.	Subsidiary	\$ 2,235,780 (Note 2)	-	\$ -	\$ -	\$ -	-
Hsu Fa (Samoa) Investment Ltd.	Gaitech Co. Limited	Subsidiary	\$ 396,333 (Note 2)	-	\$ -	\$ -	\$ -	-
Hsu Fa (Samoa) Investment Ltd.	MediaTek (Hefei) Inc.	Subsidiary	\$ 927,402 (Note 2)	-	\$ -	\$ -	\$ -	-
Hsu Kang (Samoa) Investment Ltd.	MediaTek (Shenzhen) Inc.	Subsidiary	\$ 3,127,029 (Note 2)	-	\$ -	\$ -	\$ -	-
Richtek Technology Corp.	MediaTek Inc.	Subsidiary	\$ 335,123 (Note 1)	-	\$ -	\$ 335,123	\$ -	-
MStar Semiconductor, Inc.	Sigmastar Technology Corp.	Subsidiary	\$ 144,440 (Note 1)	-	\$ -	\$ 17,703	\$ -	-
MShing International Corporation (Note 4)	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 333,111 (Note 1)	-	\$ -	\$ 333,111	\$ -	-
MStar Software R&D (Shenzhen), Ltd. (Note 4)	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 380,009 (Note 1)	-	\$ -	\$ -	\$ -	-
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	\$ 462,425 (Note 1)	-	\$ -	\$ 105,504	\$ -	-

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

Note 4: For the purpose of reorganization, the 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. Assets and liabilities have all been consolidated into MediaTek Singapore Pte. Ltd..

MEDIATEK INC.
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)
As of December 31, 2018

Attachment 8

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2018		Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership			
MediaTek Inc.	MStar International Technology Inc.	Note 1	Research	\$ 300,000	\$ 300,000	30,000,000	100%	\$ 82,845	\$ (620)	Note 18
	HFI Innovation Inc.	Note 1	Intellectual property right management	\$ 808,281	\$ 808,281	80,828,122	100%	\$ 228,192	\$ (183,004)	Note 18
	Hsu-Ta Investment Corp.	Note 1	General investing	\$ 35,364,009	\$ 40,864,009	3,998,981,889	100%	\$ 32,357,133	\$ 3,616,553	Note 18
	MediaTek Investment Singapore Pte. Ltd.	Note 7	General investing	\$ 51,278,658	\$ 51,278,658	2,193,633,278	100%	\$ 112,353,105	\$ 6,337,790	Note 18
	MediaTek Singapore Pte. Ltd.	Note 7	Research, manufacturing and sales	\$ 2,745,519	\$ 2,745,519	111,993,960	100%	\$ 4,966,391	\$ 2,602,392	Note 18
	MStar Semiconductor, Inc.	Note 1	Research, manufacturing and sales	\$ 85,302,953	\$ 85,302,953	145,252,238	100%	\$ 41,057,508	\$ 5,549,091	Note 18
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ 451,660	\$ 451,660	4,106,000	7%	\$ 204,504	\$ 1,765,900	Note 18
	MStar France SAS	Note 13	Research	\$ 202,148	\$ 202,148	458,900	100%	\$ 868,611	\$ 1,883	Note 18
	MStar Co., Ltd.	Note 15	General investing	\$ 933,852	\$ 933,852	5,850,000	100%	\$ 294,882	\$ (28,423)	Note 18
	Digimac Holdings Limited	Note 3	General investing	\$ 428,193	\$ 428,193	50,000	100%	\$ 36,603	\$ (268,701)	Note 18
	Shunfong Investment Holding Limited	Note 3	General investing	\$ -	\$ 46,547	-	-	\$ -	\$ -	Note 19
	ISlar Technology Ltd.	Note 2	General investing	\$ -	\$ 165,785	-	-	\$ -	\$ 766	Note 20
	MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ 133,057	\$ 133,057	915,000	100%	\$ 104,258	\$ (10,966)	Note 18
III Technology Corporation	Note 1	Research, manufacturing and sales	\$ 3,697,702	\$ 3,651,000	365,100,000	100%	\$ 3,798,727	\$ 209,771	Note 18	
MShining International Corporation	Note 1	Sales	\$ 631,388	\$ 530,000	63,138,811	100%	\$ 682,336	\$ 39,683	Note 18	
MStar Technology Pte. Ltd.	Note 7	Research, manufacturing and sales	\$ -	\$ 644,250	-	-	\$ -	\$ (1,439,543)	Note 21	
Sigmastar Technology Corp.	Note 1	Research, manufacturing and sales	\$ -	\$ 10,000	-	-	\$ -	\$ 114,610	Note 22	
Sigmastar Technology Inc.	Note 2	General investing	\$ 61,838	\$ -	1,000	100%	\$ 1,790,745	\$ 9,896	Note 18	
Spideon Technologies	Note 13	Research	\$ 5,247	\$ -	14,620	100%	\$ 4,722	\$ (525)	Note 18	
Gaintech Co. Limited	Note 2	General investing	USD 1,864,018,366	USD 1,864,018,366	326,291,153	100%	USD 3,576,310,147	USD 203,641,821	Note 18	
Cloud Ranger Limited	Note 5	General investing	USD 23,139,000	USD 23,139,000	23,139,000	100%	USD 32,496,881	USD 5,936	Note 18	
MediaTek Bangalore Private Limited	Note 4	Research	USD 339,847	USD 339,847	1,999,999	100%	USD 14,616,778	USD 4,828,765	Note 18	
MStar Semiconductor India Private Limited	Note 4	Research and technical services	USD 454,000	USD -	1,500	100%	USD 475,713	USD 204,994	Note 18 and Note 27	
Core Tech Resources Inc.	Note 3	General investing	\$ 3,357,608	\$ 1,969,241	102,200,000	100%	\$ 4,707,941	\$ 71,536	Note 18	
MediaTek Capital Corp.	Note 1	General investing	\$ 3,765,188	\$ 5,125,188	70,745,023	100%	\$ 4,120,551	\$ 405,274	Note 18	
MediaTek Bangalore Private Limited	Note 4	Research	\$ -	\$ -	1	0%	\$ -	USD 4,835,440	Note 18	
Hsu-Si Investment Corp.	Note 1	General investing	\$ 30,700,000	\$ 33,500,000	3,070,000,000	100%	\$ 26,641,817	\$ 3,137,899	Note 18	
MediaTek India Technology Pvt. Ltd.	Note 4	Research	\$ -	\$ -	1	0%	\$ -	USD 2,146,468	Note 18	
RoITech Technology Co. Ltd.	Note 1	Research	\$ 138,268	\$ 138,268	3,510,000	67%	\$ 49,424	\$ 2,938	Note 18	
E-Vehicle Semiconductor Technology Co., Ltd.	Note 1	Research, manufacturing and sales	\$ 16,796	\$ 112,000	7,600,000	32%	\$ 16,796	\$ 28,307	Note 23	
Chingis Technology Corp.	Note 1	Research	\$ 887,932	\$ 887,932	11,693,691	100%	\$ 630,805	\$ (36,297)	Note 18	
Yolsona Inc.	Note 1	Research	\$ 154,286	\$ 154,286	15,428,560	100%	\$ 75,273	\$ 19,793	Note 18	
Nephos (Taiwan) Inc.	Note 1	Research	\$ 136,794	\$ 136,794	13,679,360	100%	\$ 89,326	\$ 6,963	Note 18	
CMOS-Crystal Ltd.	Note 1	Research	\$ 181,819	\$ -	25,001	20%	\$ 17,633	\$ (2,781)	-	
Cyboom Corp.	Note 1	Research	\$ 250,737	\$ -	3,119,748	30%	\$ 255,092	\$ 39,369	-	
MediaTek India Technology Pvt. Ltd.	Note 4	Research	USD 1,797,222	USD 1,797,222	5,499,999	100%	USD 12,920,913	USD 2,133,394	Note 18	
MediaTek Korea Inc.	Note 9	Research	USD 2,074,740	USD 2,074,740	200,000	100%	USD 5,963,965	USD 654,052	Note 18	

(To be continued)

MEDIATEK INC.

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)

As of December 31, 2018

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2018		Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Carrying amount			
				USD	USD	Percentage of ownership	USD			
GaiMesh Co. Limited	MediaTek China Limited	Note 11	General investing	USD 315,137,435	USD 315,137,435	2,445,564,020	100%	USD 443,661,235	-	Note 18
	MediaTek Japan Inc.	Note 10	Technical services	USD 61,978	USD 61,978	7,100	100%	USD 2,519,733	-	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, LP.	Note 2	General investing	USD 9,692,083	USD 9,692,083	-	67%	USD 9,403,368	-	-
	BSHARK HOLDINGS LTD.	Note 3	General investing	USD -	USD 909,120	-	-	USD -	-	-
	Smarthead Limited	Note 15	General investing	USD 700,000	USD 700,000	700,000	100%	USD 1,987,681	-	Note 18
	Gold Rich International (Samoa) Limited	Note 5	General investing	USD 4,290,000	USD 4,290,000	4,290,000	100%	USD 710,514,157	-	Note 18
	Rainink Technology (Samoa) Corp.	Note 5	General investing	USD 5,626,623	USD 5,626,623	7,150,000	100%	USD 7,623,485	-	Note 18
	MTK Wireless Limited (UK)	Note 12	Research	USD 110,610,756	USD 110,610,756	65,508,146	100%	USD 136,596,429	-	Note 18
	EcoNet (Cayman) Inc.	Note 2	General investing	USD 55,952,726	USD 55,952,726	14,362,660	75%	USD 95,552,100	-	Note 18
	FONSTANE CAPITAL FUND, L.P.	Note 2	General investing	USD 20,000,000	USD 20,000,000	20,000,000	57%	USD 38,643,973	-	-
	MediaTek Wireless FZ-LLC	Note 14	Technical services	USD 13,753	USD 13,753	50	100%	USD 274,718	-	Note 18
	Digital Lord Limited	Note 5	General investing	USD 3,100,000	USD 3,100,000	3,100,000	100%	USD 74,639	-	Note 18
	Hsu Chia (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 161,105,533	-	Note 18
Hsu Fa (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 160,917,151	-	Note 18	
Hsu Kang (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 160,898,337	-	Note 18	
Nephes Pte. Ltd.	Note 7	Research	USD 2,197,493	USD 2,197,493	3,039,240	100%	USD 2,767,617	-	Note 18	
Nephes Inc.	Note 6	Research	USD 4,200,000	USD 4,200,000	10,000	100%	USD 722,855	-	Note 18	
Nephes Cyman Co. Limited	Note 2	General investing	USD 82,164,964	USD 77,050,000	82,164,964	100%	USD 8,598,382	-	Note 18	
MOUNTAIN CAPITAL FUND, L.P.	Note 2	General investing	USD 27,200,000	USD 27,200,000	27,200,000	42%	USD 51,596,184	-	Note 18	
Dynamic Presence Limited	Note 3	General investing	USD 5,000	USD 5,000	-	-	USD -	-	Note 24	
White Dwarf Limited	Note 3	General investing	USD 15,853,000	USD 15,853,000	5,000	100%	USD 166,054	-	Note 18	
CSVI VENTURES, L.P.	Note 2	General investing	USD 7,500,000	USD 3,000,000	7,500,000	37%	USD 6,051,157	-	-	
INTELLEGO TECHNOLOGY INC.	Note 2	General investing	USD 8,000,000	USD 3,000,000	8,928,270	24%	USD 5,385,287	-	-	
IStar Technology Ltd.	Note 2	General investing	USD 7,737,673	\$ -	50,000	100%	USD 7,677,497	-	Note 18 and Note 20	
MediaTek Sweden AB	Note 8	Research	GBP 19,361,957	GBP 19,361,957	1,008,371	100%	GBP 11,876,413	-	Note 18	
MediaTek USA Inc.	Note 6	Research	GBP 36,696,645	GBP 36,696,645	111,815	100%	GBP 74,252,694	-	Note 18	
MediaTek Wireless Finland Oy	Note 17	Research	GBP 4,733,036	GBP 4,733,036	1,000	100%	GBP 8,301,675	-	Note 18	
Gold Rich International (HK) Limited	Note 11	General investing	USD 4,190,000	USD 4,190,000	4,190,000	100%	USD 710,427,563	-	Note 18	
MOMAGIC TECHNOLOGIES PRIVATE LIMITED	Note 4	Software development	USD 500,000	USD 500,000	2,385,927	23%	USD 1,794,427	-	-	
E-Vehicle Holdings Corp.	Note 5	General investing	\$ -	\$ -	79,931	-	\$ -	-	Note 23	
E-Vehicle Investment Limited	Note 11	General investing	USD -	USD 1,900,000	-	-	USD -	-	Note 23	
Shadow Investment Limited	Note 5	General investing	USD 1,491,120	USD 1,491,120	15,000,000	100%	USD 2,590,650	-	Note 18	
EcoNet (HK) Limited	Note 11	Research	USD 67,534,520	USD 67,534,520	67,534,520	100%	USD 116,448,748	-	Note 18	
EcoNet (Samoa) Limited	Note 3	General investing and sales	CNY 2,659,504	CNY 2,659,504	400,000	100%	CNY 1,933,659	-	Note 18	
Bubbly Bay Holdings Limited	Note 3	General investing	USD -	USD 14,150,300	-	-	USD -	-	Note 25	
MStar Technology Pte. Ltd.	Note 4	Research and technical services	USD -	USD 64,008	-	-	USD -	-	Note 26	
MStar Semiconductor UK Ltd.	Note 6	Research and technical services	GBP -	GBP 750,127	-	-	GBP -	-	Note 27	

(To be continued)

MEDIATEK INC.

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEE IN MAINLAND CHINA)

As of December 31, 2018

(Continued)

Investor Company	Investee Company	Location	Main business	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of Investee (US\$) Recognized	Note	
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
											USD
Sigmastar Technology Inc.	Sigmastar Technology Corp.	Note 1	Research, manufacturing and sales	53,474,665	-	152,795,000	100%	48,862,258	-	Note 18 and Note 22	
Digital Lord Limited	Lepower (HK) Limited	Note 11	General investing	3,050,000	3,050,000	3,050,000	100%	28,937	47,169	-	Note 18
ILI Technology Corporation	ILIITEK Holding Inc.	Note 3	General investing	399,927	399,927	13,050	100%	392,734	6,660	-	Note 18
	Li-Yu Investment Corp.	Note 1	General investing	88,479	240,000	31,275,100	100%	337,263	2,606	-	Note 18
	Inman Overseas Co., Ltd.	Note 3	General investing	373,359	373,359	8930,000	100%	101,377	926	-	Note 18
	Reihstar Group Co., Ltd.	Note 3	General investing	619,110	619,110	10,765,000	100%	139,917	10,198	-	Note 18
	Richnex Microelectronics Corp.	Note 1	Research, manufacturing and sales	278,032	234,087	26,963,153	82%	25,689	(6,442)	-	Note 18
	Reihtek Europe Holding B.V.	Note 16	General investing	84,724	84,724	2,000,000	100%	51,395	4,034	-	Note 18
	Reihtek Holding International Limited	Note 3	General investing	292,264	263,069	30,000	100%	48,567	(4,127)	-	Note 18
	Reihpower Microelectronics Corp.	Note 2	Manufacturing and sales	263,830	263,830	12,600,000	100%	590,619	208,650	-	Note 18
	Reihtek Global Marketing Co., Ltd.	Note 3	General investing	29,935	29,935	2,000	100%	25,770	1,703	-	Note 18
	Corporate Event Limited	Note 3	Technical services	1,537	1,537	52,000	51%	2,050	5	-	Note 18
	Li-Yu Investment Corp.	Note 16	Marketing	1,500,000	1,500,000	1,500,000	100%	964,133	115,411	-	Note 18
	Reihpower Microelectronics Corporation	Note 1	Administrative services	3,114,373	3,114,373	10,000,000	100%	2,201,409	130,080	-	Note 18
	Reihstar USA Inc.	Note 6	Sales and technical services	4,500,000	4,500,000	1,000,000	100%	4,350,100	378,159	-	Note 18
	Reihstar Group Co., Ltd.	Note 5	General investing	5,530,000	5,530,000	5,530,000	100%	2,286,864	48,305	-	Note 18
	Reihstar Global Marketing Co., Ltd.	Note 9	Sales and technical services	1,000,000	1,000,000	10,000	100%	501,993	45,556	-	Note 18
	Reihtek Technology Corp.	Note 1	Research, manufacturing and sales	28,954,147	28,954,147	148,482,806	100%	19,279,040	2,149,140	-	Note 18
	Alroha Technology Corp.	Note 1	Research, manufacturing and sales	6,268,560	6,268,560	56,985,908	93%	6,005,744	1,765,900	-	Note 18
	Alroha (Cayman) Inc.	Note 2	General investing	59,579	59,579	1,248,583	100%	42,002	8,417	-	Note 18
	Alroha Technology (Samoa) Corp.	Note 5	General investing	68,580	68,580	1,762,000	100%	5,171	(2,036)	-	Note 18

Note 1: Taiwan

Note 5: Western Samoa

Note 9: Korea

Note 13: France

Note 17: Finland

Note 19: For the purpose of reorganization, Shunfeng Investment Holding Limited has been liquidated and returned its capital in August 2018.

Note 20: For the purpose of reorganization, the ownership of Eiar Technology Ltd. and its subsidiaries, which was previously owned by MStar Semiconductor, Inc., was transferred to Gaintech Co. Limited, in December 2018.

Note 21: For the purpose of reorganization, the ownership of MStar Technology Pte. Ltd., which was previously owned by MStar Semiconductor, Inc., was transferred to MediaTek Singapore Pte. Ltd. in December 2018.

Note 22: MStar Semiconductor, Inc. established Sigmastar Technology Corp. in September 2017. For the purpose of reorganization, the ownership of Sigmastar Technology Corp., which was previously owned by MStar Semiconductor, Inc., was transferred to Sigmastar Technology Inc. in October 2018.

Note 23: 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.

Note 24: For the purpose of reorganization, Dynamic Presence Limited has been liquidated in November 2018.

Note 25: For the purpose of reorganization, Bobby Bay Holdings Limited has been liquidated and returned its capital in July 2018.

Note 26: For the purpose of reorganization, the 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.

Note 27: For the purpose of reorganization, MStar Silicon Technology Corp. has been liquidated and returned its capital in September 2018.

Note 2: Cayman Islands

Note 6: United States

Note 10: Japan

Note 14: Dubai

Note 18: Investee is a subsidiary in consolidated group.

Note 3: British Virgin Islands

Note 7: Singapore

Note 11: Hong Kong

Note 15: Seychelles

Note 4: India

Note 8: Sweden

Note 12: United Kingdom

Note 16: Netherlands

MEDIA TEK INC.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2018

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, 2018	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2018	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, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
MediaTek (Shenzhen) Inc.	Note 2	\$ 2,765,970 USD 90,000,000	MediaTek China Limited	\$ 2,765,970 USD 90,000,000	-	-	\$ 2,765,970 USD 90,000,000	\$ 73,640 USD 2,441,795	100%	\$ 73,640 USD 2,441,795	\$ 3,076,688 USD 100,110,237	-
MediaTek (Hebei) Inc.	Note 2	\$ 522,461 USD 17,000,000	MediaTek China Limited	\$ 522,461 USD 17,000,000	-	-	\$ 522,461 USD 17,000,000	\$ 111,687 USD 3,703,386	100%	\$ 111,687 USD 3,703,386	\$ 1,205,698 USD 39,231,367	-
MediaTek (Beijing) Inc.	Note 2	\$ 3,073,300 USD 100,000,000	MediaTek China Limited	\$ 3,073,300 USD 100,000,000	-	-	\$ 3,073,300 USD 100,000,000	\$ 204,216 USD 6,771,507	100%	\$ 204,216 USD 6,771,507	\$ 4,672,980 USD 152,050,904	-
MediaTek (Chengdu) Inc.	Note 2	\$ 1,530,503 USD 49,800,000	MediaTek China Limited	\$ 1,530,503 USD 49,800,000	-	-	\$ 1,530,503 USD 49,800,000	\$ 104,478 USD 3,464,350	100%	\$ 104,478 USD 3,464,350	\$ 1,958,800 USD 63,736,048	-
MediaTek (Wuhan) Inc.	Note 2	\$ 147,518 USD 4,800,000	MediaTek China Limited	\$ 147,518 USD 4,800,000	-	-	\$ 147,518 USD 4,800,000	\$ 38,614 USD 1,280,380	100%	\$ 38,614 USD 1,280,380	\$ 361,240 USD 11,754,149	-
Xuxin Investment (Shanghai) Inc.	Note 4	\$ 310,403 USD 10,100,000	MediaTek China Limited	\$ 279,670 USD 9,100,000	\$ 30,733 USD 1,000,000	-	\$ 310,403 USD 10,100,000	\$ 18,027 USD 597,746	100%	\$ 18,027 USD 597,746	\$ 564,686 USD 18,373,937	-
MediaTek (Shanghai) Inc.	Note 2	\$ 1,328,053 CNY 297,000,000	MediaTek China Limited	\$ 1,489,605 USD 48,469,221	-	-	\$ 1,489,605 USD 48,469,221	\$ 78,261 USD 2,595,018	100%	\$ 78,261 USD 2,595,018	\$ 1,449,011 USD 47,148,374	-
Nephos (Beijing) Co., Ltd.	Note 2 and Note 8	\$ 92,199 USD 3,000,000	Lepower (HK) Limited	\$ 74,399 USD 2,420,803	-	-	\$ 74,399 USD 2,420,803	\$ - USD 51,950	-	\$ 1,567 USD 51,950	\$ - CNY 996	\$ - CNY 4,094
Nephos (Beijing) Co., Ltd.	Note 2 and Note 8	\$ 92,199 USD 3,000,000	Nephos (Hebei) Co. Ltd.	-	-	-	\$ 74,399 USD 2,420,803	\$ 2,707 CNY 593,337	83%	\$ 996 CNY 218,279	\$ 4,094 CNY 915,489	\$ -
MStar Software R&D (Shenzhen), Ltd.	Note 2	\$ 921,990 USD 30,000,000	MStar Co., Ltd.	\$ 921,990 USD 30,000,000	-	-	\$ 921,990 USD 30,000,000	\$ 16,978 USD 562,976	100%	\$ 16,978 USD 562,976	\$ 516,256 USD 16,798,091	\$ -
MStar Chen Xi Software Shanghai Ltd.	Note 2	\$ 40,244 CNY 9,000,000	MStar Software R&D (Shenzhen), Ltd.	-	-	-	-	\$ 76 CNY 16,629	100%	\$ 76 CNY 16,629	\$ 47,294 CNY 10,576,702	\$ -
EcoNet (Suzhou) Limited	Note 3	\$ 307,330 USD 10,000,000	EcoNet (HK) Limited	\$ 288,322 USD 9,381,500	-	-	\$ 288,322 USD 9,381,500	\$ 1,186,671 USD 39,348,268	75%	\$ 895,343 USD 29,688,269	\$ 2,689,107 USD 87,498,998	\$ -
GNS (Beijing) Technology Co., Ltd.	Note 3	\$ 4,472 CNY 1,000,000	MediaTek (Beijing) Inc.	-	-	-	-	\$ (58) CNY (12,711)	-	\$ (9) CNY (2,030)	\$ - CNY -	\$ -
Richpower Microelectronics Co., Ltd.	Note 2	\$ 98,346 USD 3,200,000	Richpower Microelectronics Corp.	\$ 98,346 USD 3,200,000	-	-	\$ 98,346 USD 3,200,000	\$ 2,575 USD 85,389	100%	\$ 2,575 USD 85,389	\$ 17,042 USD 554,502	\$ -
Li-We Technology Corp.	Note 2	\$ 76,833 USD 2,500,000	Cosmic-Ray Technology Limited	\$ 76,833 USD 2,500,000	-	-	\$ 76,833 USD 2,500,000	\$ 1,341 USD 44,467	100%	\$ 1,341 USD 44,467	\$ 36,334 USD 1,182,254	\$ -
Yuan Ke (Pingtan) Investment Fund Limited Partnership	Note 4	\$ 4,913,476 USD 159,876,218	Gaintech Co. Limited	\$ 3,982,997 USD 129,600,000	-	-	\$ 3,982,997 USD 129,600,000	\$ (23,436) USD (777,102)	81%	\$ 424,953 USD 14,090,827	\$ 8,830,819 USD 287,339,949	\$ -

(To be continued)

MEDIATEK INC.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2018

(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, 2018	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2018	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, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Zelus Technology (Hangzhou) Ltd.	Note 3	\$ 158,275 USD 5,150,000	Gaitech Co. Limited	USD 122,932 4,000,000	\$ 35,343 USD 1,150,000	- -	\$ 158,275 USD 5,150,000	\$ (13,103) USD (434,475)	100%	\$ (13,103) USD (434,475)	\$ 139,973 4,554,478	-
ILI Technology (SZ) LTD.	Note 2	\$ 399,529 USD 13,000,000	ILITEK Holding Inc.	USD 399,529 13,000,000	- -	- -	\$ 399,529 USD 13,000,000	\$ 6,594 CNY 1,445,231	100%	\$ 6,594 CNY 1,445,231	\$ 391,395 87,529,922	-
Beijing Iitek Technology Co. Ltd.	Note 2	\$ 92,199 USD 3,000,000	IStar Technology Ltd.	- -	- -	- -	\$ - CNY 254,511	\$ 1,161 CNY 254,511	100%	\$ 1,161 CNY 254,511	\$ 77,481 17,327,401	-
Shenzhen ZhongChen Semiconductor Ltd.	Note 2	\$ 153,665 USD 5,000,000	IStar Technology Ltd.	- -	\$ 153,665 USD 5,000,000	- -	\$ - USD 5,000,000	\$ (323) CNY (70,844)	100%	\$ (323) CNY (70,844)	\$ 151,716 4,936,580	-
Nephos (Hefei) Co. Ltd.	Note 3	\$ 1,267,736 USD 41,250,000	Nephos Cayman Co. Limited	\$ 873,228 USD 28,413,357	\$ 1,601,649 USD 52,114,964	- -	\$ 2,474,877 USD 80,528,321	\$ (1,059,327) USD (35,125,754)	83%	\$ (832,993) USD (27,620,824)	\$ 106,802 3,475,148	-
Airetek (Shenzhen) Inc.	Note 2	\$ 29,196 USD 950,000	Airoha (Cayman) Inc.	\$ 29,196 USD 950,000	- -	- -	\$ 29,196 USD 950,000	\$ 6,673 USD 221,261	100%	\$ 6,673 USD 221,261	\$ 15,120 491,967	-
Airetek (Chengdu) Inc.	Note 2	\$ 29,196 USD 950,000	Airoha (Cayman) Inc.	\$ 29,196 USD 950,000	- -	- -	\$ 29,196 USD 950,000	\$ 4,737 USD 157,077	100%	\$ 4,737 USD 157,077	\$ 22,666 737,517	-
Xiamen Sigmaster Technology Inc.	Note 3	\$ 61,466 USD 2,000,000	Sigmaster Technology Inc.	- -	\$ 61,466 USD 2,000,000	- -	\$ 61,466 USD 2,000,000	\$ 143,130 CNY 31,372,479	90%	\$ 143,130 CNY 31,372,479	\$ 288,592 64,539,372	-
Shenzhen Sing Chen Technology Inc.	Note 2	\$ 13,415 CNY 3,000,000	Xiamen Sigmaster Technology Inc.	- -	- -	- -	\$ - CNY 60,030	\$ 274 CNY 60,030	100%	\$ 274 CNY 60,030	\$ 4,740 1,060,030	-
SigmaStar Technology Inc. (Shanghai)	Note 2	\$ 4,472 CNY 1,000,000	Xiamen Sigmaster Technology Inc.	- -	- -	- -	\$ - CNY 718,675	\$ 3,279 CNY 718,675	100%	\$ 3,279 CNY 718,675	\$ 16,628 3,718,675	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 380,083 CNY 85,000,000	Xuxin Investment (Shanghai) Inc.	- -	- -	- -	\$ (21,797) CNY (4,777,759)	\$ (2,688) CNY (589,116)	12%	\$ (2,688) CNY (589,116)	\$ 42,081 9,410,804	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 380,083 CNY 85,000,000	Xiamen Sigmaster Technology Inc.	- -	- -	- -	\$ (21,797) CNY (4,777,759)	\$ (4,115) CNY (901,891)	24%	\$ (4,115) CNY (901,891)	\$ 85,398 19,098,109	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 18,726,978	\$ 25,148,622	\$ 164,595,544
USD 609,344,292	USD 818,293,758	

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.

(To be continued)

MEDIATEK INC.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2018

(Continued)

Note 4: General investing.

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=30.13814 NTD; 1 RMB=4.56228 NTD). Other amounts are converted by the exchange rate at reporting date. (2018.12.31 Exchange rate of Central Bank of Taiwan: 1 USD=30.733 NTD; 1 RMB=4.47156 NTD)

Note 8: For the adjustments of investment structure, Nephos (Beijing) Co., Ltd. was acquired by Nephos (Hefei) Co. Ltd. The Company has finished filing to Investment Commission of MOEA regarding the investment adjustment on November 28, 2018.



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