

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	Notes	December 31, 2018	%	December 31, 2017	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$ 143,170,245	36	\$ 145,338,376	37
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		<u>\$ 402,836,044</u>	<u>100</u>	<u>\$ 395,166,208</u>	<u>100</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

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)

LIABILITIES AND EQUITY	Notes	December 31, 2018	%	December 31, 2017	%
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		16,982,909	4	23,012,859	6
Trade payables to related parties	7	704,262	-	571,593	-
Other payables	6(18)	30,481,779	8	35,796,290	9
Other payables to related parties	7	459	-	-	-
Current tax liabilities	4, 5, 6(31)	2,904,187	1	1,980,597	1
Other current liabilities	4, 6(19)	17,512,343	4	1,525,368	-
Current portion of long-term liabilities	6(20), 8	1,435,806	1	36,850	-
Total current liabilities		<u>122,592,079</u>	<u>31</u>	<u>127,257,383</u>	<u>32</u>
Non-current liabilities					
Long-term borrowings	6(20), 8	244,104	-	336,192	-
Long-term payables		681,175	-	1,726,364	1
Net defined benefit liabilities-noncurrent	4, 6(21)	819,631	-	657,072	-
Deposits received		188,534	-	179,472	-
Deferred tax liabilities	4, 5, 6(31)	2,973,703	1	3,126,723	1
Non-current liabilities-others		1,010,911	-	683,989	-
Total non-current liabilities		<u>5,918,058</u>	<u>1</u>	<u>6,709,812</u>	<u>2</u>
Total liabilities		<u>128,510,137</u>	<u>32</u>	<u>133,967,195</u>	<u>34</u>
Equity attributable to owners of the parent					
Share capital	6(22)				
Common stock		15,915,070	4	15,814,140	4
Capital collected in advance		-	-	231	-
Capital surplus	6(22), 6(23), 6(34)	85,237,214	21	88,210,819	22
Retained earnings	6(22)				
Legal reserve		39,431,639	10	36,998,379	9
Undistributed earnings		108,577,764	27	100,629,197	26
Other equity	6(23)	23,840,504	6	18,214,847	5
Treasury shares	4, 6(22)	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		<u>272,946,221</u>	<u>68</u>	<u>259,811,643</u>	<u>66</u>
Non-controlling interests	4, 6(22), 6(34)	<u>1,379,686</u>	<u>-</u>	<u>1,387,370</u>	<u>-</u>
Total equity		<u>274,325,907</u>	<u>68</u>	<u>261,199,013</u>	<u>66</u>
Total liabilities and equity		<u>\$ 402,836,044</u>	<u>100</u>	<u>\$ 395,166,208</u>	<u>100</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
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	Equity attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital		Capital surplus	Retained earnings		Other equity				Treasury shares	Equity attributable to owners of the parent		
	Common stock	Capital collected in advance		Legal reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for-sale financial assets	Others				
Balance as of January 1, 2017	\$ 15,821,122	\$ -	\$ 89,815,356	\$ 34,628,319	\$ 92,324,282	\$ 2,195,895	\$ -	\$ 11,525,934	\$ (1,476,028)	\$ (55,970)	\$ 244,778,910	\$ 1,883,968	\$ 246,662,878
Appropriation and distribution of 2016 earnings:													
Legal reserve	-	-	-	2,370,060	(2,370,060)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(12,652,827)	-	-	-	-	-	(12,652,827)	-	(12,652,827)
Total	-	-	-	2,370,060	(15,022,887)	-	-	-	-	-	(12,652,827)	-	(12,652,827)
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	(4,440,659)	-	9,537,016	-	-	5,268,978	(5,945)	5,263,033
Total comprehensive income	-	-	-	-	24,505,225	(4,440,659)	-	9,537,016	-	-	29,601,582	(268,451)	29,333,131
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	1,028,273	1,998,186
Issuance of restricted stock for employees	(6,982)	-	(259,863)	-	32,876	-	-	-	878,213	-	644,244	-	644,244
Changes in other capital surplus	-	-	(1,291)	-	-	-	-	-	-	-	(1,291)	10,619	9,328
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)	-	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	-	27,945,391	(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	-	(597,815)	(55,970)	268,915,169	1,387,370	270,302,539
Appropriation and distribution of 2017 earnings:													
Legal reserve	-	-	-	2,433,260	(2,433,260)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(11,844,548)	-	-	-	-	-	(11,844,548)	-	(11,844,548)
Total	-	-	-	2,433,260	(14,277,808)	-	-	-	-	-	(11,844,548)	-	(11,844,548)
Cash dividends distributed from capital surplus	-	-	(3,948,182)	-	-	-	-	-	-	-	(3,948,182)	-	(3,948,182)
Profit for the year ended December 31, 2018	-	-	-	-	20,760,498	-	-	-	-	-	20,760,498	21,898	20,782,396
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(137,225)	1,027,946	(790,429)	-	-	-	100,292	(21,712)	78,580
Total comprehensive income	-	-	-	-	20,623,273	1,027,946	(790,429)	-	-	-	20,860,790	186	20,860,976
Share-based payment transactions	447	(231)	30,648	-	-	-	-	-	-	-	30,864	-	30,864
Adjustments due to dividends that subsidiaries received from parent company	-	-	77,941	-	-	-	-	-	-	-	77,941	-	77,941
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	-	(31,091)	-	-	-	-	-	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)	\$ 26,428,344	\$ -	\$ (1,365,498)	\$ (55,970)	\$ 272,946,221	\$ 1,379,686	\$ 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	20,342,839	21,348,436
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	7,069,459	(8,647,259)
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	(30,586,874)	(3,783,853)
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	\$ 143,170,245	\$ 145,338,376

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:

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 \$	5,692,909	Measured at fair value	\$ 5,692,909	\$ -	\$ -	\$ -
fair value through profit or loss		through profit or loss				
Held-for-trading	27	Measured at fair value	27	-	-	-
		through profit or loss				
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	3,822,627	198,169	329,670	(131,501)
		through profit or loss				
	40,589,698	Measured at fair value	42,474,604	1,884,906	2,102,692	(217,786)
		through other comprehensive income (equity instruments)				
	6,058,618	Measured at fair value	6,058,618	-	-	-
		through other comprehensive income (debt instruments)				
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		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
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	14,521,119	-	-	-
		Measured at fair value through profit or loss	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	<u>\$ 246,391,268</u>	Total	<u>\$ 255,706,071</u>	<u>\$ 9,314,803</u>	<u>\$ 2,432,362</u>	<u>\$ 6,882,441</u>

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, Curtailement 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:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership		Note
			December 31, 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.	Nephos (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 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	<u>\$ 3,986,224</u>	
	December 31, 2018(Note)	December 31, 2017
<u>Current</u>		
<u>Held for trading financial assets</u>		
Forward exchange contracts		<u>\$ 27</u>
<u>Financial assets designated upon initial recognition at fair value through profit or loss</u>		
Interest rate-linked deposits		269,987
Credit-linked deposits		229,150
Bonds		225,343
Subtotal		<u>724,480</u>
Total		<u>\$ 724,507</u>
<u>Held for trading financial liabilities</u>		
Forward exchange contracts		<u>\$ 18,144</u>
<u>Noncurrent</u>		
<u>Financial assets designated upon initial recognition at 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	<u>\$ 4,968,429</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. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

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

	December 31, 2018	December 31, 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	12,110,538	
Total	\$ 13,468,075	
<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	31,296,225	
Total	\$ 32,083,500	

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><u>\$ 37,637,472</u></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	28,929,826	16,892,585
Trade receivables from related parties	6,605	-
Less: allowance for doubtful debts	-	-
Subtotal	6,605	-
Total	\$ 28,936,431	\$ 16,892,585

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	\$ -	\$ 331,984	\$ 331,984

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 derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin International Bank	-	\$ 50,860	\$ -	\$ 50,860	\$ 102,500
BNP Paribas	-	42,962	-	42,962	157,000
HSBC	-	-	-	-	350
SMBC	-	3,109	-	3,109	10,000
Total		<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		<u>\$ 84,289</u>	<u>\$ -</u>	<u>\$ 84,289</u>	<u>\$ 221,350</u>

(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	<u>\$ 30,979,767</u>	<u>\$ 26,539,614</u>

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	<u>\$ 1,523,281</u>	<u>\$ 1,390,432</u>

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	3,881,139		1,909,832	
Investments in jointly controlled entities:				
Yuan Ke (Pingtan) Investment Fund Limited Partnership	8,830,819	81	3,867,272	81
Subtotal	8,830,819		3,867,272	
Total	\$ 12,711,958		\$ 5,777,104	

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	<u>\$ 5,486,945</u>	<u>\$ 28,032,356</u>	<u>\$ 1,231,413</u>	<u>\$ 5,881,516</u>	<u>\$ 8,900,423</u>	<u>\$ 2,113,288</u>	<u>\$ 1,702,221</u>	<u>\$ 53,348,162</u>
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	<u>\$ 5,196,705</u>	<u>\$ 27,212,618</u>	<u>\$ 1,425,053</u>	<u>\$ 5,689,417</u>	<u>\$ 7,602,174</u>	<u>\$ 2,305,629</u>	<u>\$ 846,426</u>	<u>\$ 50,278,022</u>

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	<u>\$ -</u>	<u>\$ 4,320,989</u>	<u>\$ 590,632</u>	<u>\$ 4,212,213</u>	<u>\$ 5,418,395</u>	<u>\$ 1,202,347</u>	<u>\$ -</u>	<u>\$ 15,744,576</u>
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	<u>\$ -</u>	<u>\$ 3,543,549</u>	<u>\$ 535,742</u>	<u>\$ 3,407,765</u>	<u>\$ 4,496,269</u>	<u>\$ 1,356,057</u>	<u>\$ -</u>	<u>\$ 13,339,382</u>

Net carrying amount as of:

December 31, 2018	<u>\$ 5,486,945</u>	<u>\$23,711,367</u>	<u>\$ 640,781</u>	<u>\$ 1,669,303</u>	<u>\$ 3,482,028</u>	<u>\$ 910,941</u>	<u>\$ 1,702,221</u>	<u>\$ 37,603,586</u>
December 31, 2017	<u>\$ 5,196,705</u>	<u>\$23,669,069</u>	<u>\$ 889,311</u>	<u>\$ 2,281,652</u>	<u>\$ 3,105,905</u>	<u>\$ 949,572</u>	<u>\$ 846,426</u>	<u>\$ 36,938,640</u>

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

	Land	Buildings	Total
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, 2018	December 31, 2017
Fair value	\$ 1,295,589	\$ 1,136,818
Based on comparative approach and income approach:	December 31, 2018	December 31, 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 relationship	Patents, IPs and others	Goodwill	Total
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	<u>\$ 772,487</u>	<u>\$ 3,540,539</u>	<u>\$ 5,114,146</u>	<u>\$ 10,712,618</u>	<u>\$ 65,462,080</u>	<u>\$ 85,601,870</u>
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	<u>\$ 772,487</u>	<u>\$ 2,977,133</u>	<u>\$ 5,114,146</u>	<u>\$ 9,642,915</u>	<u>\$ 65,446,925</u>	<u>\$ 83,953,606</u>

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	<u>\$ 504,794</u>	<u>\$ 2,651,297</u>	<u>\$ 2,721,397</u>	<u>\$ 5,935,784</u>	<u>\$ -</u>	<u>\$ 11,813,272</u>
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	<u>\$ 392,194</u>	<u>\$ 2,044,968</u>	<u>\$ 2,118,267</u>	<u>\$ 3,369,097</u>	<u>\$ -</u>	<u>\$ 7,924,526</u>
Net carrying amount as of:						
December 31, 2018	<u>\$ 267,693</u>	<u>\$ 889,242</u>	<u>\$ 2,392,749</u>	<u>\$ 4,776,834</u>	<u>\$ 65,462,080</u>	<u>\$ 73,788,598</u>
December 31, 2017	<u>\$ 380,293</u>	<u>\$ 932,165</u>	<u>\$ 2,995,879</u>	<u>\$ 6,273,818</u>	<u>\$ 65,446,925</u>	<u>\$ 76,029,080</u>

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:

	For the years ended December 31			
	2018		2017	
	Weighted-average		Weighted-average	
Employee Stock Option	Options (Unit)	Exercise Price per Share (NT\$)	Options (Unit)	Exercise Price 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:

Date of grant	Range of Exercise Price (NT\$)	December 31,		December 31,	
		2018		2017	
		Outstanding stock options		Outstanding stock options	
		Weighted- average Expected	Weighted- average Exercise Price	Weighted- average Expected	Weighted- average Exercise Price
		Remaining Years	per Share (NT\$)	Remaining Years	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 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>	<u>Weighted average exercise</u>
	<u>(in thousand)</u>	<u>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	<u>\$ 229,157</u>	

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	<u>\$ 15,304,934</u>	<u>\$ (8,757,562)</u>	<u>\$ 6,547,372</u>	<u>\$ (1,284,339)</u>	<u>\$ 5,263,033</u>

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	<u>\$ 83,558</u>	<u>\$ -</u>

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 other comprehensive income	Charged directly to equity	Ending balance
Temporary differences					
Unrealized allowance for inventory obsolescence	\$ 1,664,070	\$ 514,283	\$ -	\$ -	\$ 2,178,353
Allowance for sales returns and discounts	550,166	779,046	-	-	1,329,212
Amortization of difference for tax purpose	144,016	136,665	-	-	280,681
Amortization of goodwill difference for tax purpose	(436,949)	(27,607)	-	-	(464,556)
Unused tax losses	36,381	(10,988)	-	-	25,393
Unused tax credits	276,250	54,422	-	-	330,672
Others	(1,432,970)	(521,817)	161,158	(83,558)	(1,877,187)
Deferred tax income (expense)		\$ 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)		<u>\$ 1,816,247</u>	<u>\$ (1,284,339)</u>	<u>\$ -</u>	
Net deferred tax assets	<u>\$ 240,246</u>				<u>\$ 772,154</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 3,265,695</u>				<u>\$ 3,898,877</u>
Deferred tax liabilities	<u>\$ (3,025,449)</u>				<u>\$ (3,126,723)</u>

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
	<hr/> 4,462,945 <hr/>

(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)
	(1,066,183)
Fair value of identifiable net assets	\$ 3,396,762
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	(3,396,762)
Goodwill	\$ 2,039,366

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	(2,455,624)
Net cash flow-out on acquisition	\$ (1,056,531)

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	1,532,618	-	612,194	2,144,812
comprehensive income				
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>

Financial liabilities:

Financial liabilities at fair value

through profit or loss

Forward exchange contracts	\$ -	\$ 18,144	\$ -	\$ 18,144
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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			
	through profit or loss				comprehensive income			
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	Total
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			
	Bonds	Linked deposits	Bonds	Funds	Stocks	Total
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

	Less than 1 year	1 to 5 years	Less than 5 years	Total
<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>

As of December 31,2017

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)**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>			
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 borrowings</u>	<u>Long-term borrowings</u>	<u>Deposits received</u>	<u>Total liabilities from financing 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)
Financial assets			
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
Financial liabilities			
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)
Financial assets			
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
Financial liabilities			
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
		MediaTek (Shanghai) 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
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)	Gaintech Co. Limited	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
		MediaTek (Hefei) Inc.	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
5	MStar Semiconductor, Inc. (Note 2)	MShining International Corporation	Other receivables from related party	Yes	\$ 500,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	-	\$ 1,126,342	\$ 4,505,369
		Mstar Technology Pte. Ltd.	Other receivables from related party	Yes	\$ 526,456 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 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.

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

Attachment 2

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

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	-	-

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 endorsor/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

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)								
Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2018				
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair value	Note
MediaTek Inc.	Funds	KGI Fengli Fund	Financial assets mandatorily measured at fair value through profit or loss- current	27,806,950	\$ 358,031	-	\$ 358,031	-
		KGI Fuli Strategic Fund	Financial assets mandatorily measured at fair value through profit or loss- current	32,069,875	\$ 392,266	-	\$ 392,266	-
		Cathay 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	-
		Cathay 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	18,188,000	\$ 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	-
	Stocks	Ali Corporation	Equity instrument investments measured at fair value through other comprehensive income- current	24,098,383	\$ 268,697	8%	\$ 268,697	-
	Bonds	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	-
		Cathay Life Insurance Co.,Ltd. Cumulative Perpetual Subordinated bond-106-1	Financial assets measured at amortized cost- noncurrent	-	\$ 290,000	-	-	-
	Linked Deposits	Integrated Service Technology CLN no.4	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	\$ 29,277	-	\$ 29,277	-
MStar Semiconductor, Inc.	Stocks	EOSTEK LIMITED (CAYMAN)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	640,000	\$ 5,961	-	\$ 5,961	-
Digimoc Holdings Limited	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	-
MediaTek Capital Corp.	Stocks	ACSIP TECHNOLOGY CORP.	Equity instrument investments measured at fair value through other comprehensive income- current	1,857,008	\$ 16,509	7%	\$ 16,509	-
		ANDES TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current	5,657,324	\$ 444,100	13%	\$ 444,100	-
		CHUNGHWA PRECISION TEST TECH. CO., LTD.	Equity instrument investments measured at fair value through other comprehensive income- current	430,000	\$ 223,600	1%	\$ 223,600	-
		M31 TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current	400,000	\$ 102,324	1%	\$ 102,324	-
		MEDIATEK INC.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	7,794,085	\$ 1,788,743	0%	\$ 1,788,743	-
		ESTINET TECHNOLOGIES INCORPORATION	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,000,000	\$ 15,000	5%	\$ 15,000	-
		Amobile Intelligent Corp.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	6,498	\$ 124	18%	\$ 124	-
		Mars Semiconductor Corp.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,568,160	\$ 24,165	7%	\$ 24,165	-
		Prime Sensor Technology Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	349,930	\$ 1,079	1%	\$ 1,079	-
		Taiwania Capital Buffalo Fund Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	125,000,000	\$ 120,753	5%	\$ 120,753	-
Hsu-Ta Investment Corp.	Stocks	ACSIP TECHNOLOGY CORP.	Equity instrument investments measured at fair value through other comprehensive income- current	327,707	\$ 2,913	1%	\$ 2,913	-
		ANDES TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current	37,275	\$ 2,909	0%	\$ 2,909	-
Core Tech Resources Inc.	Linked Deposits	Callable CLN Goldman Sachs 2018-22.6.2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,794,800	-	USD 8,794,800	-
		5Y USD CALLABLE STEEPENER NOTE DUE 5 DECEMBER 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,428,500	-	USD 8,428,500	-
		3yNC1y USD Denominated Dual Range Accrual Notes	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 3,930,800	-	USD 3,930,800	-
Gaintech Co. Limited	Stocks	Beijing Xiaomi Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	3,400,000	USD 5,608,856	0%	USD 5,608,856	-
		WI HARPER INC FUND VI LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,000	USD 2,026,668	2%	USD 2,026,668	-
		MCUBE, INC.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,114,984	USD 4,382,782	6%	USD 4,382,782	-
		INNOVATION WORKS LIMITED	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	2,000,000	USD 68,976	4%	USD 68,976	-
		CHINA ALPHA TECHNOLOGIES COMPANY LIMITED	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,990	USD 100,800	20%	USD 100,800	-
		GENERAL MOBILE CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	5,000,000	USD 2,000,000	18%	USD 2,000,000	-
		People Power Company	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	12,021,759	USD 360,653	13%	USD 360,653	-
		COREPHOTONICS LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	12,248	USD 3,003,210	2%	USD 3,003,210	-
		Mapbar Technology Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	28,504,992	USD 111,967,609	30%	USD 111,967,609	-
		Amobile Intelligent Corp. Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,193,783	USD 2,268,188	14%	USD 2,268,188	-
		AutoX, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	652,176	USD 14,999,983	9%	USD 14,999,983	-
	Capital	Hangzhou Tianhang Guofa Technologies Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 15,323	-	USD 15,323	-
		JAFCO V3-(B) FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 22,399	-	USD 22,399	-
		JAFCO ASIA (FATF4)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 55,058	-	USD 55,058	-
		China Walden Venture Investments ILLP.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 6,807,454	-	USD 6,807,454	-
		ALL-STAR INVESTMENT FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 28,427,216	-	USD 28,427,216	-
		NOZOMI FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 794,938	-	USD 794,938	-
		INNOVATION WORKS DEVELOPMENT FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 18,957,927	-	USD 18,957,927	-
		Shanghai Walden Venture Capital Enterprise	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 15,122,985	-	USD 15,122,985	-
		CHINA BROADBAND CAPITAL PARTNERS II, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	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)

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)									
Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2018					
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair value	Note	
Gaintech Co. Limited	Capital	CHINA BROADBAND CAPITAL PARTNERS III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 14,156,979	-	USD 14,156,979	-	
		SOFTBANK PRINCEVILLE INVESTMENTS L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 13,326,273	-	USD 13,326,273	-	
		WALDEN RIVERWOOD VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,871,940	-	USD 9,871,940	-	
		PVG GCN VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 5,173,160	-	USD 5,173,160	-	
		KIBOU FUND L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 2,691,948	-	USD 2,691,948	-	
		WRV II, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,296,461	-	USD 9,296,461	-	
		Shanghai Wu Yuefeng Integrated Circuit Equity Investment Limited Partnership	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 84,111,020	-	USD 84,111,020	-	
		AMITI FUND II L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 3,961,212	-	USD 3,961,212	-	
		Beijing Integrated Circuit Industry International Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 4,694,300	-	USD 4,694,300	-	
		China Prosperity Capital Mobile Internet Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 6,475,110	-	USD 6,475,110	-	
		All-Stars SP VI Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 44,472,571	-	USD 44,472,571	-	
		HOPU USD Master Fund III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 11,907,531	-	USD 11,907,531	-	
	Bonds	China WaldenVenture Investments III,LLP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 8,162,800	-	USD 8,162,800	-	
		WRV III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 3,675,000	-	USD 3,675,000	-	
		Shanghai Pudong Development Bank- Lidodo 2018 no.137	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 9,030,600	-	USD 9,030,600	-	
		Expedera, Inc.	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 2,400,000	-	USD 2,400,000	-	
		Goldman Sachs Formosa Bond	Debt instrument investments measured at fair value through other comprehensive income- current	50,000,000	USD 7,270,842	-	USD 7,270,842	-	
		DB 5YR CNY SENIOR BULLET NOTE	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 7,274,844	-	USD 7,274,844	-	
		China International Capital Corporation Limited unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 8,987,850	-	USD 8,987,850	-	
		SoftBank Group Corp unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 8,617,995	-	USD 8,617,995	-	
		Linked Deposits	GOLDMAN SACHS GROUP, INC. FRN 04/05/2019 PVT REGS USLIB	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 8,497,450	-	USD 8,497,450	-
			CLN linked to ABC - Cash Settled and deno. in Offshore CNY(4Y)	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 7,287,938	-	USD 7,287,938	-
			Credit Linked Note on People's Republic of China	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 8,981,100	-	USD 8,981,100	-
			5 Year USD Denominated Credit Linked Notes linked to Bank of Communications	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,070,200	-	USD 9,070,200	-
			4 Year USD Denominated Credit Linked Notes linked to Alibaba	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	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	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,794,800	-	USD 8,794,800	-
			3 Year USD Denominated JMAB192E Linked Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,724,600	-	USD 8,724,600	-
			5 Year USD Denominated JMAB192E Linked Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,615,700	-	USD 8,615,700	-
			Royal Bk Canada London 0% 20 Dec20	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 7,771,704	-	USD 7,771,704	-
			USD 3y Auto-callable Range Accrual Notes linked to USDTWD	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,006,300	-	USD 9,006,300	-
			3yNC1yUSD Denominated Dual Range Accrual Notes	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,844,300	-	USD 8,844,300	-
			Morgan Stanley USD Autocallable Range Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,926,200	-	USD 8,926,200	-
Funds	Industrial and Commercial Bank of China -yueh yueh man yi RMB Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 40,000,000	-	CNY 40,000,000	-		
	Industrial and Commercial Bank of China- jih yi yueh hsin III plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-		
	Industrial and Commercial Bank of China- jih sheng yueh heng RMB Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-		
	Industrial and Commercial Bank of China- E-ling RMB Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 10,000,000	-	CNY 10,000,000	-		
	Industrial and Commercial Bank of China- yi chia yi No2. RMB Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-		
	Industrial and Commercial Bank of China- jih yi yueh hsin hsin te li 186 days Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-		
	Stocks	GIGA FORCE ELECTRONICS CO., LTD	Financial assets mandatorily measured at fair value through profit or loss- current	1,683,000	CNY 16,661,700	10%	CNY 16,661,700	-	
	Capital	Hebei Changjiang Nio new energy industry investment fund partnership firm (limited partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 199,033,759	-	CNY 199,033,759	-	
		Shanghai Internet Of Things VC Fund II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 15,489,152	-	CNY 15,489,152	-	
		AI Speech Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 54,302,444	-	CNY 54,302,444	-	
Xuxin Investment (Shanghai) Inc.	Stocks	Adups Technology Co., Ltd	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	1,539,011	CNY 30,416,336	8%	CNY 30,416,336	-	
	Capital	Shenzhen ORVIBO Technology Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 4,608,751	-	CNY 4,608,751	-	
		Shenzhen Feima Robotics Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 2,456,916	-	CNY 2,456,916	-	
		ORBEC CO., LTD	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 54,510,149	-	CNY 54,510,149	-	
		Shanghai Yiqi Information Technology Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 11,548,972	-	CNY 11,548,972	-	
		Wuxi Maimaibao Information Technology Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 96,889	-	CNY 96,889	-	

(To be continued)

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

(Continued)

					(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)				
Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2018					Note
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair value		
Xuxin Investment (Shanghai) Inc.	Capital	Shanghai QQC 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	-	
MediaTek Investment Singapore Pte. Ltd.	Stocks	GOMAJI Corp., LTD	Equity instrument investments measured at fair value through other comprehensive income- current	750,000	USD 495,396	4%	USD 495,396	-	
MediaTek USA Inc.	Bonds	PEMG-INSURANCE POLICY TRUST	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 10,122,451	-	USD 10,122,451	-	
Cloud Ranger Limited	Stocks	One Mobikwik 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	-	
		Ambiq Micro, Inc	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,809,900	USD 3,938,675	3%	USD 3,938,675	-	
		Transsnet 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	-	
		EZConnect Entertainment Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	910	USD 628,255	9%	USD 628,255	-	
		SkyREC LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	75,188	USD 600,000	6%	USD 600,000	-	
Hsu Chia (Samoa) Investment Ltd.	Bonds	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	-	
		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	-	
Hsu Fa (Samoa) Investment Ltd.	Bonds	Goldman Sachs 3yNC1y 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	-	
		BCHINA4.45 03/05/19	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 50,055,000	-	CNY 50,055,000	-	
		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	-	
		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 3yNC1y CNY Fixed Rate Note	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 50,000,000	-	CNY 50,000,000	-	
Hsu Kang (Samoa) Investment Ltd.	Bonds	ICBCAS 4.37 06/06/19	Financial assets measured at amortized cost- current	-	CNY 20,000,000	-	-	-	
		BCHINA 4.45 06/06/19	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-	
MediaTek (Shenzhen) Inc.	Capital	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	-	
	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	-	
		Industrial and Commercial Bank of China- jih yi yueh hsin plan A	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 43,420,000	-	CNY 43,420,000	-	
Richtek Technology Corp.	Stocks	DYNA RECHI CO., LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	16,000,000	\$ 102,400	10%	\$ 102,400	-	
Li-Yu Investment Corp.	Stocks	Asia Global Venture Capital II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,000,000	\$ 27,106	10%	\$ 27,106	-	
Gold Rich International (HK) Limited	Stocks	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	-	
		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	-	
MediaTek (Shanghai) Inc.	Capital	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	-	
		Zhu Hai City Yuan Tan Information Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 200,000	-	CNY 200,000	-	
	Funds	China Merchants Bank- jih yi yueh hsin plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-	
		China Merchants Bank- jih yi yueh hsin	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-	
MediaTek India Technology Pvt. Ltd.	Stocks	Spice Mobility Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	19,368,439	INR 228,547,580	9%	INR 228,547,580	-	
MediaTek China Limited	Bonds	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	-	
Nephos Cayman Co. Limited	Stocks	Lightmann Investment Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	8,866,680	USD 2,752,492	19%	USD 2,752,492	-	

(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	(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)				
				December 31, 2018				
				Units/Shares	Carrying Amount	Percentage of Ownership (%)	Fair value	Note
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	-
MediaTek (Hefei) 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 25,000,000	-	CNY 25,000,000	-
		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- E-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 (Suzhou) 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	-

MEDIATEK 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

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)															
Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Units/Shares	Amounts (Note 3)	Units/Shares	Amount	Units/Shares	Amount	Carrying Amount	Gains (Losses) on Disposal	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	-	\$ -	2,173,913	\$ 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	152,795,000	\$ 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	21,500,000	\$ -	\$ 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- noncurrent	-	-	-	USD 78,342,705	-	USD 9,875,683	-	USD -	USD -	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 -	USD -	-	152,795,000 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 -	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 -	-	USD 25,000,000	USD 25,000,000	USD -	-	USD -	
Hsu-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	-	\$ -	\$ -	\$ -	-	102,200,000 \$ 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 -	2,363,200	USD 25,940,440	USD 2,048,053	USD 23,892,387	31,903,483	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

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

MEDIATEK 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 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

MEDIATEK 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

(Amounts in Thousands of New Taiwan Dollars)

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..

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

Attachment 8

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transaction			
				Accounts	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
0	MediaTek Inc.	MediaTek Singapore Pte. Ltd.	A	Trade Receivables from related party	\$ 91,022		0.02%
			A	Operating Revenue from related Party	\$ 920,293		0.39%
		MStar Semiconductor, Inc.	A	Other Receivables from related party	\$ 7,229,149		1.79%
			A	Administrative expenses	\$ 41,056		0.02%
		MediaTek USA Inc.	A	Lease execution deposits	\$ 10,537		0.00%
		MTK Wireless Limited (UK)	A	Lease execution deposits	\$ 6,908		0.00%
		MediaTek China Limited	A	Bank loan guarantee	\$ 4,004,033		0.99%
		Nephos (Hefei) Co. Ltd.	A	Trade Receivables from related party	\$ 241,436		0.06%
			A	Other Receivables from related party	\$ 401,138		0.10%
		Richtek Technology Corp.	A	Trade Payables to related party	\$ 335,123		0.08%
		EcoNet Limited	A	Research and development expenses	\$ 137,734		0.06%
		Airoha Technology Corp.	A	Trade Receivables from related party	\$ 100,524		0.02%
1	MediaTek Singapore Pte. Ltd.	MTK Wireless Limited (UK)	C	Trade Payables to related party	\$ 70,695	By contract	0.02%
			C	Research and development expenses	\$ 684,757		0.29%
		MediaTek India Technology Pvt. Ltd.	C	Trade Payables to related party	\$ 62,618		0.02%
			C	Research and development expenses	\$ 553,650		0.23%
		MediaTek Sweden AB	C	Research and development expenses	\$ 121,148		0.05%
		MediaTek Korea Inc.	C	Trade Payables to related party	\$ 37,188		0.01%
			C	Research and development expenses	\$ 379,215		0.16%
		MediaTek (Chengdu) Inc.	C	Trade Payables to related party	\$ 91,388		0.02%
			C	Research and development expenses	\$ 910,708		0.38%
		MediaTek (Beijing) Inc.	C	Research and development expenses	\$ 1,798,643		0.76%
		MediaTek (Wuhan) Inc.	C	Research and development expenses	\$ 308,674		0.13%
		MediaTek (Shenzhen) Inc.	C	Trade Payables to related party	\$ 215,128		0.05%
			C	Research and development expenses	\$ 1,966,024		0.83%
		MediaTek (Hefei) Inc.	C	Other Payables to related party	\$ 73,023		0.02%
			C	Research and development expenses	\$ 1,681,449		0.71%
		MediaTek (Shanghai) Inc.	C	Research and development expenses	\$ 1,326,524		0.56%
		MediaTek Japan Inc.	C	Research and development expenses	\$ 143,901		0.06%
		MediaTek Bangalore Private Limited	C	Trade Payables to related party	\$ 81,333		0.02%
			C	Research and development expenses	\$ 884,301		0.37%
		MediaTek Wireless Finland Oy	C	Trade Payables to related party	\$ 102,393		0.03%
			C	Research and development expenses	\$ 802,846		0.34%

(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)

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transaction			
				Accounts	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
1	MediaTek Singapore Pte. Ltd.	MediaTek USA Inc.	C	Trade Payables to related party	\$ 202,612	By contract	0.05%
			C	Research and development expenses	\$ 3,470,129		1.46%
		Airoha Technology Corp.	C	Operating Revenue from Related Party	\$ 99,250		0.04%
		MStar Chen Xi Software Shanghai Ltd. (Note 5)	C	Other Payables to related party	\$ 91,083		0.02%
		MShining International Corporation (Note 5)	C	Trade Payables to related party	\$ 333,111		0.08%
		MStar Software R&D (Shenzhen), Ltd. (Note 5)	C	Other Payables to related party	\$ 380,009		0.09%
		MediaTek Wireless FZ-LLC	C	Selling expenses	\$ 45,679		0.02%
2	EcoNet Limited	EcoNet (Suzhou) Limited	C	Trade Payables to related party	\$ 808,265		0.20%
			C	Purchases from related party	\$ 3,360,116		1.41%
3	Hsu Chia (Samoa) Investment Ltd.	MediaTek (Shanghai) Inc.	C	Other Receivables from related party	\$ 2,235,780		0.56%
			C	Interest revenue	\$ 72,067		0.03%
4	Hsu Fa (Samoa) Investment Ltd.	Gaintech Co. Limited	C	Other Receivables from related party	\$ 396,333		0.10%
		MediaTek (Hefei) Inc.	C	Other Receivables from related party	\$ 927,402		0.23%
5	Hsu Kang (Samoa) Investment Ltd.	MediaTek (Shenzhen) Inc.	C	Other Receivables from related party	\$ 3,127,029		0.78%
			C	Interest revenue	\$ 95,702		0.04%
6	Nephos (Taiwan) Inc.	Nephos (Hefei) Co. Ltd.	C	Prepayments from related party	\$ 40,966		0.01%
			C	Operating Revenue from Related Party	\$ 131,402		0.06%
7	Nephos Inc.	Nephos (Hefei) Co. Ltd.	C	Operating Revenue from Related Party	\$ 145,925		0.06%
8	Nephos Pte. Ltd.	Nephos (Hefei) Co. Ltd.	C	Operating Revenue from Related Party	\$ 369,869		0.16%
		Velocenet Inc.	C	Research and development expenses	\$ 293,269		0.12%
9	Nephos (Hefei) Co. Ltd.	Nephos (Beijing) Co., Ltd.	C	Research and development expenses	\$ 40,144		0.02%
10	MStar Semiconductor, Inc.	MStar France SAS	C	Other Payables to related party	\$ 71,409		0.02%
			C	Research and development expenses	\$ 128,407		0.05%
		ILI Technology Corporation	C	Operating Revenue from Related Party	\$ 83,935		0.04%
		MStar Technology Pte. Ltd. (Note 5)	C	Operating Revenue from Related Party	\$ 45,248		0.02%
		MStar Semiconductor UK Ltd.	C	Research and development expenses	\$ 31,126		0.01%
		Sigmastar Technology Corp.	C	Trade Receivables from related party	\$ 144,440		0.04%
			C	Operating Revenue from Related Party	\$ 174,823		0.07%
11	Digimoc Holdings Limited	MStar Software R&D (Shenzhen), Ltd.	C	Research and development expenses	\$ 203,171		0.09%
12	MStar Technology Pte. Ltd. (Note 5)	MShining International Corporation	C	Purchases from related party	\$ 404,110		0.17%
			C	Operating Revenue from Related Party	\$ 1,188,954		0.50%
		MStar Chen Xi Software Shanghai Ltd.	C	Research and development expenses	\$ 284,687		0.12%
		MStar Software R&D (Shenzhen), Ltd.	C	Research and development expenses	\$ 1,559,351		0.66%

(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)

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transaction			
				Accounts	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
12	MStar Technology Pte. Ltd. (Note 5)	Xiamen Sigmaster Technology Inc.	C	Research and development expenses	\$ 130,675	By contract	0.05%
		MStar Semiconductor India Private Limited	C	Research and development expenses	\$ 39,771		0.02%
13	Richtek Technology Corp.	Richpower 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%
			C	Selling expenses	\$ 61,730		0.06%
16	Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	C	Selling expenses	\$ 132,081		0.06%
17	ILI Technology Corporation	Beijing Ilitek Technology Co. Ltd.	C	Operating Revenue from Related Party	\$ 188,684		0.08%
		ILI Technology(SZ) LTD.	C	Other Payables to related party	\$ 35,096		0.01%
			C	Selling expenses	\$ 136,875		0.06%
18	Airoha Technology Corp.	Airotek (Chengdu) Inc.	C	Research and development expenses	\$ 87,331		0.04%
		Airotek (Shenzhen) Inc.	C	Research and development expenses	\$ 137,529		0.06%
19	Xiamen Sigmaster Technology Inc.	SigmaStar Technology Inc. (Shanghai)	C	Trade Payables to related party	\$ 31,301		0.01%
			C	Research and development expenses	\$ 31,339		0.01%
		Shenzhen Sing Chen Technology Inc.	C	Trade Payables to related party	\$ 31,301		0.01%
			C	Research and development expenses	\$ 75,084		0.03%
20	MStar Software R&D (Shenzhen), Ltd.	MediaTek (Shenzhen) Inc.	C	Research and development expenses	\$ 62,907		0.03%
21	Sigmaster Technology Corp.	Xiamen Sigmaster Technology Inc.	C	Trade Receivables from related party	\$ 462,425		0.11%
			C	Operating Revenue from Related Party	\$ 508,108		0.21%
22	EcoNet (HK) Limited	EcoNet (Suzhou) Limited	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.

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

Attachment 9

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)											
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)	\$ (620)	Note 18
	HFI Innovation Inc.	Note 1	Intellectual property right management	\$ 808,281	\$ 808,281	80,828,122	100%	\$ 228,192	\$ (183,004)	\$ (206,607)	Note 18
	Hsu-Ta Investment Corp.	Note 1	General investing	\$ 35,264,009	\$ 40,864,009	3,398,981,889	100%	\$ 32,357,133	\$ 3,616,553	\$ 3,546,032	Note 18
	MediaTek Investment Singapore Pte. Ltd.	Note 7	General investing	\$ 51,278,658	\$ 51,278,658	2,193,635,278	100%	\$ 112,353,105	\$ 6,337,790	\$ 6,341,141	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	\$ 2,655,986	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	\$ 4,737,061	Note 18
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ 451,660	\$ 451,660	4,106,000	7%	\$ 204,504	\$ 1,765,900	\$ 124,368	Note 18
MStar Semiconductor, Inc.	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
	Digimoc Holdings Limited	Note 3	General investing	\$ 428,193	\$ 428,193	50,000	100%	\$ 36,603	\$ (268,701)	-	Note 18
	Shunfonger Investment Holding Limited	Note 3	General investing	\$ -	\$ 46,547	-	-	\$ -	\$ -	-	Note 19
	IStar 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
	ILJ 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
	Spidcom Technologies	Note 13	Research	\$ 5,247	\$ -	14,620	100%	\$ 4,722	\$ (525)	-	Note 18
MediaTek Investment Singapore Pte. Ltd.	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
Hsu-Ta Investment Corp.	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
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Note 4	Research	\$ -	\$ -	1	0%	\$ -	USD 2,146,468	-	Note 18
MediaTek Capital Corp.	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
	Chingis Technology Corp.	Note 1	Research	\$ 887,932	\$ 887,932	116,936,991	100%	\$ 650,805	\$ (36,297)	-	Note 18
	Velocenet 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	\$ 18,189	\$ -	25,001	20%	\$ 17,633	\$ (2,781)	-	-
	Cyberon Corp.	Note 1	Research	\$ 250,737	\$ -	3,119,748	30%	\$ 255,092	\$ 39,369	-	-
Gaintech Co. Limited	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. AND SUBSIDIARIES
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEES IN MAINLAND CHINA)
As of December 31, 2018

(Continued)

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)												
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				
Gaintech Co. Limited	MediaTek China Limited	Note 11	General investing	USD 315,137,435	USD 315,137,435	2,445,564,020	100%	USD 443,661,255	USD 21,772,209	-	Note 18	
	MediaTek Japan Inc.	Note 10	Technical services	USD 61,978	USD 61,978	7,100	100%	USD 2,519,733	USD 206,586	-	Note 18	
	ZENA TECHNOLOGIES INTERNATIONAL, INC.	Note 3	General investing	USD 3,200,000	USD 3,200,000	600,000	33%	USD -	USD -	-	-	
	CMC CAPITAL INVESTMENTS, L.P.	Note 2	General investing	USD 9,692,083	USD 9,692,083	-	67%	USD 9,403,368	USD (826,595)	-	-	
	BSHARK HOLDINGS LTD.	Note 3	General investing	USD -	USD 909,120	-	-	USD -	USD (770)	-	-	
	Smarthead Limited	Note 15	General investing	USD 700,000	USD 700,000	700,000	100%	USD 1,987,681	USD (3,367)	-	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	USD 8,607,822	-	Note 18	
	Ralink Technology (Samoa) Corp.	Note 5	General investing	USD 5,626,623	USD 5,626,623	7,150,000	100%	USD 7,623,485	USD 97,176,211	-	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	USD 11,311,103	-	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	USD 36,227,502	-	Note 18	
	FONTAINE CAPITAL FUND, L.P.	Note 2	General investing	USD 20,000,000	USD 20,000,000	20,000,000	57%	USD 38,643,073	USD 632,427	-	-	
	MediaTek Wireless FZ-LLC	Note 14	Technical services	USD 13,753	USD 13,753	50	100%	USD 274,718	USD 71,363	-	Note 18	
	Digital Lord Limited	Note 5	General investing	USD 3,100,000	USD 3,100,000	3,100,000	100%	USD 74,639	USD 46,475	-	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	USD 5,162,901	-	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	USD 5,491,884	-	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 160,898,937	USD 5,524,711	-	Note 18	
	Nephos Pte. Ltd.	Note 7	Research	USD 2,197,493	USD 2,197,493	3,039,240	100%	USD 2,767,617	USD 888,307	-	Note 18	
	Nephos Inc.	Note 6	Research	USD 4,200,000	USD 4,200,000	10,000	100%	USD 722,855	USD 327,442	-	Note 18	
	Nephos Cayman Co. Limited	Note 2	General investing	USD 82,164,964	USD 77,050,000	82,164,964	100%	USD 8,598,582	USD (27,457,940)	-	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	USD (41,890)	-	-	
Dynamic Presence Limited	Note 3	General investing	USD 5,000	USD 5,000	-	-	USD -	USD (643)	-	Note 24		
White Dwarf Limited	Note 3	General investing	USD 15,853,000	USD 15,853,000	5,000	100%	USD 166,054	USD (1,145)	-	Note 18		
CSV1 VENTURES, L.P.	Note 2	General investing	USD 7,500,000	USD 3,000,000	7,500,000	37%	USD 6,051,157	USD (2,152,843)	-	-		
INTELLIGO TECHNOLOGY INC.	Note 2	General investing	USD 8,000,000	USD 3,000,000	8,928,270	24%	USD 5,385,287	USD (3,756,822)	-	-		
IStar Technology Ltd.	Note 2	General investing	USD 7,737,673	\$ -	50,000	100%	USD 7,677,497	USD 25,398	-	Note 18 and Note 20		
MTK Wireless Limited (UK)	MediaTek Sweden AB	Note 8	Research	GBP 19,361,957	GBP 19,361,957	1,008,371	100%	GBP 11,876,413	GBP 202,057	-	Note 18	
	MediaTek USA Inc.	Note 6	Research	GBP 36,696,645	GBP 36,696,645	111,815	100%	GBP 74,252,694	GBP 5,955,212	-	Note 18	
	MediaTek Wireless Finland Oy	Note 17	Research	GBP 4,733,036	GBP 4,733,036	1,000	100%	GBP 8,301,675	GBP 1,094,068	-	Note 18	
Gold Rich International (Samoa) Limited	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	USD 6,610,864	-	Note 18	
Smarthead Limited	MOMAGIC TECHNOLOGIES PRIVATE LIMITED	Note 4	Software development	USD 500,000	USD 500,000	2,385,927	23%	USD 1,794,427	USD 1,376,622	-	-	
E-Vehicle Semiconductor Technology Co., Ltd.	E-Vehicle Holdings Corp.	Note 5	General investing	\$ -	\$ 79,931	-	-	\$ -	\$ (3,640)	-	Note 23	
E-Vehicle Holdings Corp.	E-Vehicle Investment Limited	Note 11	General investing	USD -	USD 1,900,000	-	-	USD -	USD 299,765	-	Note 23	
EcoNet (Cayman) Inc.	Shadow Investment Limited	Note 5	General investing	USD 1,491,120	USD 1,491,120	15,000,000	100%	USD 2,500,650	USD (18,556)	-	Note 18	
	EcoNet (HK) Limited	Note 11	Research	USD 67,534,520	USD 67,534,520	67,534,520	100%	USD 116,448,748	USD 36,867,821	-	Note 18	
EcoNet (Suzhou) Limited	EcoNet Limited	Note 3	General investing and sales	CNY 2,639,504	CNY 2,639,504	400,000	100%	CNY 1,933,659	CNY 14,387,660	-	Note 18	
Digimoc Holdings Limited	Bubbly Bay Holdings Limited	Note 3	General investing	USD -	USD 14,150,300	-	-	USD -	USD (1,844)	-	Note 25	
MStar Technology Pte. Ltd.	MStar Semiconductor India Private Limited	Note 4	Research and technical services	USD -	USD 64,008	-	-	USD -	USD 204,994	-	Note 26	
MStar Semiconductor UK Ltd.	MSilicon Technology Corp.	Note 6	Research and technical services	GBP -	GBP 750,127	-	-	GBP -	GBP (30,861)	-	Note 27	

(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)

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)											
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			
Sigmastar Technology Inc.	Sigmastar Technology Corp.	Note 1	Research, manufacturing and sales	USD 53,474,665	USD -	152,795,000	100%	USD 48,862,258	USD (4,375,677)	-	Note 18 and Note 22
Digital Lord Limited	Lepower (HK) Limited	Note 11	General investing	USD 3,050,000	USD 3,050,000	3,050,000	100%	USD 28,937	USD 47,169	-	Note 18
ILI Technology Corporation	ILITEK Holding Inc.	Note 3	General investing	\$ 399,927	\$ 399,927	13,050	100%	\$ 392,734	\$ 6,660	-	Note 18
Richtek Technology Corp.	Li-Yu Investment Corp.	Note 1	General investing	\$ 88,479	\$ 240,000	31,275,100	100%	\$ 337,263	\$ 2,606	-	Note 18
	Ironman Overseas Co., Ltd.	Note 3	General investing	\$ 373,359	\$ 373,359	8,930,000	100%	\$ 101,977	\$ 926	-	Note 18
	Richstar 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
	Richtek Europe Holding B.V.	Note 16	General investing	\$ 84,724	\$ 84,724	2,000,000	100%	\$ 51,595	\$ 4,034	-	Note 18
	Richtek Holding International Limited	Note 3	General investing	\$ 292,264	\$ 263,069	30,000	100%	\$ 48,567	\$ (4,127)	-	Note 18
	Richpower Microelectronics Corp.	Note 2	Manufacturing and sales	\$ 263,830	\$ 263,830	12,600,000	100%	\$ 590,619	\$ 208,650	-	Note 18
	Richtek Global Marketing Co., Ltd.	Note 3	General investing	\$ 29,935	\$ 29,935	2,000	100%	\$ 25,770	\$ 1,703	-	Note 18
Li-Yu Investment Corp.	Corporate Event Limited	Note 3	Technical services	\$ 1,537	\$ 1,537	52,000	51%	\$ 2,050	\$ 5	-	Note 18
Richtek Europe Holding B.V.	Richtek Europe B.V.	Note 16	Marketing	EUR 1,500,000	EUR 1,500,000	1,500,000	100%	EUR 964,133	EUR 115,411	-	Note 18
Richpower Microelectronics Corp.	Richpower Microelectronics Corporation	Note 1	Administrative services	USD 3,114,373	USD 3,114,373	10,000,000	100%	USD 2,201,409	USD 130,080	-	Note 18
Richstar Group Co., Ltd.	Richtek USA Inc.	Note 6	Sales and technical services	USD 4,500,000	USD 4,500,000	1,000,000	100%	USD 4,350,100	USD 378,159	-	Note 18
Ironman Overseas Co., Ltd.	Cosmic-Ray Technology Limited	Note 5	General investing	USD 5,530,000	USD 5,530,000	5,530,000	100%	USD 2,286,864	USD 48,305	-	Note 18
Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	Note 9	Sales and technical services	USD 1,000,000	USD 1,000,000	10,000	100%	USD 501,993	USD 45,556	-	Note 18
Hsu-Si Investment Corp.	Richtek 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
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ 6,268,560	\$ 6,268,560	56,986,908	93%	\$ 6,005,744	\$ 1,765,900	-	Note 18
	Airoha (Cayman) Inc.	Note 2	General investing	\$ 59,579	\$ 59,579	1,248,583	100%	\$ 42,002	\$ 8,417	-	Note 18
Airoha Technology Corp.	Airoha 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 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

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

Note 20: For the purpose of reorganization, the 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.

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 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, MSilicon Technology Corp. has been liquidated and returned its capital in September 2018.

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

Attachment 10

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

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 Percentag 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 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	- -	- -	- -	\$ 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.	- -	- -	- -	- -	\$ 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)	- -	-
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. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2018

(Continued)

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)												
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 Percentag 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	Gaintech 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 Ilttek 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	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 USD 491,967	-
Airotek (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 USD 737,517	-
Xiamen Sigmastar Technology Inc.	Note 3	\$ 61,466 USD 2,000,000	Sigmastar 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 Sigmastar 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 Sigmastar 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 Sigmastar Technology Inc.	- -	- -	- -	- -	\$ (21,797) CNY (4,777,759)	24%	\$ (4,115) CNY (901,891)	\$ 85,398 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.