

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

**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2019 AND 2018**

Notice to Readers

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

## REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2019 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

MediaTek Inc.

Chairman: Ming-Kai Tsai

March 20, 2020

English Translation of a Report Originally Issued in Chinese

**Independent Auditors' Report**

To the Board of Directors and Shareholders  
of MediaTek Inc.

**Opinion**

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MediaTek Inc. and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

## Key Audit Matters

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

### Revenue recognition

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

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

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



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

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

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

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

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

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

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

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

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



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

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

## **Others**

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

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 20, 2020

### Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

**MEDIATEK INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2019 and 2018**

(Amounts in thousands of New Taiwan Dollars)

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

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, 2019 and 2018**

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

## MEDIATEK INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

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

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the years ended December 31, 2019 and 2018**  
(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital		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, 2018	\$ 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
Changes in associates and joint ventures accounted for using the equity method	-	-	(4,327)	-	(31,091)	-	-	-	-	-	(35,418)	-	(35,418)
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	-	(1,379,861)	-	-	-	-	-	(1,379,861)	(206,070)	(1,585,931)
Changes in ownership interests in subsidiaries	-	-	38,318	-	-	-	-	-	-	-	38,318	(26,798)	11,520
Issuance of restricted stock for employees	100,483	-	837,359	-	66,351	-	-	-	(767,683)	-	236,510	-	236,510
Changes in other capital surplus	-	-	(5,362)	-	-	-	-	-	-	-	(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
Appropriation and distribution of 2018 earnings:													
Legal reserve	-	-	-	2,076,050	(2,076,050)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(9,525,233)	-	-	-	-	-	(9,525,233)	-	(9,525,233)
Total	-	-	-	2,076,050	(11,601,283)	-	-	-	-	-	(9,525,233)	-	(9,525,233)
Cash dividends distributed from capital surplus	-	-	(4,762,617)	-	-	-	-	-	-	-	(4,762,617)	-	(4,762,617)
Profit for the year ended December 31, 2019	-	-	-	-	23,032,721	-	-	-	-	-	23,032,721	171,589	23,204,310
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(58,130)	(2,727,299)	32,648,943	-	-	-	29,863,514	(42,491)	29,821,023
Total comprehensive income	-	-	-	-	22,974,591	(2,727,299)	32,648,943	-	-	-	52,896,235	129,098	53,025,333
Share-based payment transactions	1,744	3,780	26,686	-	-	-	-	-	-	-	32,210	115,930	148,140
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,147	-	-	-	-	-	-	-	70,147	-	70,147
Changes in associates and joint ventures accounted for using the equity method	-	-	9,810	-	-	-	-	-	-	-	9,810	-	9,810
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	992	-	(997,074)	-	-	-	-	-	(996,082)	24,480	(971,602)
Changes in ownership interests in subsidiaries	-	-	(11,520)	-	-	-	-	-	-	-	(11,520)	-	(11,520)
Issuance of restricted stock for employees	(20,341)	-	1,692,596	-	37,237	-	-	-	268,785	-	1,978,277	-	1,978,277
Changes in other capital surplus	-	-	128,895	-	-	-	-	-	-	-	128,895	-	128,895
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	8,738,608	-	(8,754,607)	-	-	-	(15,999)	-	(15,999)
Balance as of December 31, 2019	\$ 15,896,473	\$ 3,780	\$ 82,392,203	\$ 41,507,689	\$ 127,729,843	\$ (3,949,641)	\$ 50,322,680	\$ -	\$ (1,096,713)	\$ (55,970)	\$ 312,750,344	\$ 1,649,194	\$ 314,399,538

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku



**MEDIATEK INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2019 and 2018**  
(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

**MEDIATEK INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. Organization and Operation**

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

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

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 20, 2020.

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

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

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

**A. IFRS 16 “Leases”**

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

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
IAS 1	“Classification of Liabilities as Current or Non-current” (Amendment)	January 1, 2022

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

**4. Summary of Significant Accounting Policies**

Statement of Compliance

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

*Basis of Preparation*

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

*Basis of Consolidation*

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

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

If loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

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

(To be continued)

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

(Continued)

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

(To be continued)

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

(Continued)

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

(To be continued)

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

(Continued)

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

(To be continued)

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

(Continued)

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

(To be continued)



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

(Continued)

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

(To be continued)

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

(Continued)

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

(To be continued)

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

(Continued)

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

(To be continued)

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

(Continued)

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

Foreign currency transactions

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

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

Translation of financial statements in foreign currency

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

Cash and cash equivalents

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

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

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

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

a. Financial assets measured at amortized cost

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

**B. Impairment of financial assets**

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

The loss allowance is measured as follows:

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

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

**C. Derecognition of financial assets**

A financial asset is derecognized when:

- (a) the rights to receive cash flows from the asset have expired.
- (b) the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**D. Financial liabilities and equity**

**a. Classification between liabilities or equity**

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

**b. Equity instruments**

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

**c. Financial liabilities**

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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

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

A financial liability is classified as held for trading if:

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

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

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(b) Financial liabilities at amortized cost

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

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

(c) Derecognition of financial liabilities

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

E. Offsetting of financial instruments

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

Derivative instrument

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

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

Fair value measurement

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

*Inventories*

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

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

*Investments accounted for using the equity method*

The Company's investment in its associates is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

Property, plant and equipment

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

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

Buildings and facilities	3-50 years
Machinery and equipment	3-8 years
Computer and telecommunication equipment	3-5 years
Testing equipment	3-5 years
Miscellaneous equipment	2-10 years

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

*Investment property*

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

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

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

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

Buildings	40-50 years
-----------	-------------

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

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

Leases

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

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

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

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

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**A. The Company as a lessee**

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

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

**B. The Company as a lessor**

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

A. The Company as a lessee

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

B. The Company as a lessor

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

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

Intangible assets

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

*Impairment of non-financial assets*

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

Treasury shares

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

Provisions

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

Sales returns and allowances (Refund liabilities)

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

Revenue recognition

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

Sale of goods

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

Rendering of services

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

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

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

Silicon intellectual property license

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

*Post-employment benefits*

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

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

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

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

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

*Share-based payment transactions*

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

The cost of restricted shares issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period. When a subsidiary issues restricted shares, the subsidiary shall follow the same accounting policy, and any equity variances resulted shall be attributed to non-controlling interests in the consolidated financial statements.

*Income taxes*

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

**A. Current income tax**

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

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**B. Deferred tax**

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

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

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

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

*Business combinations and goodwill*

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 "Financial Instruments" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

*Non-current assets held for sale*

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

Estimates and assumptions

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

**A. Fair value of Level 3 financial instruments**

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

**B. Valuation of inventory- estimation of obsolescence provision**

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

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

**C. Income tax**

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

**D. Revenue recognition - sales returns and discounts**

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

**6. Contents of Significant Accounts**

**(1) Cash and cash equivalents**

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

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

Cash and cash equivalents were not pledged.

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(2) Financial assets and financial liabilities at fair value through profit or loss**

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

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

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

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

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

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

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

**(4) Financial assets measured at amortized cost**

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

(5) Trade receivables and trade receivables from related parties

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

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

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

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

(6) Other receivables

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



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

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. Receivables from banks due to factoring agreement were NT\$3,436,924 thousand and NT\$2,978,963 thousand as of December 31, 2019 and 2018, respectively.

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

**A. As of December 31, 2019:**

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

**B. As of December 31, 2018:**

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

**(7) Inventories**

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

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

For the years ended December 31, 2019 and 2018, the cost of inventories recognized in expenses amounted to NT\$143,176,223 thousand and NT\$146,333,658 thousand, including reversal of write-down of inventories of NT\$320,946 thousand for the year ended December 31, 2019 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed and the write-down of inventories of NT\$2,213,779 thousand for the year ended December 31, 2018.

Inventories were not pledged.

**(8) Prepayments**

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

**A. Investments in associates**

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

**B. Investments in jointly controlled entities**

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

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

**(10)Property, plant and equipment**

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

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

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****A. Owner-occupied property, plant and equipment (after the application of IFRS 16)**

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

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

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****B. Property, plant and equipment (prior to the application of IFRS 16)**

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2018	\$ 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>
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>
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>

Please refer to Note 8 for more details on property, plant and equipment under pledge.

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

## (11) Investment property

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

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

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

(To be continued)

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

(Continued)

	Land	Buildings and facilities	Right-of-use assets (Note)	Total
As of January 1, 2018	\$ -	\$ 67,159		\$ 67,159
Depreciation	-	20,617		20,617
Transfers	-	6,634		6,634
Exchange differences	-	(1,765)		(1,765)
As of December 31, 2018	<u>\$ -</u>	<u>\$ 92,645</u>		<u>\$ 92,645</u>

Net carrying amount as of:

December 31, 2019	<u>\$ 201,536</u>	<u>\$ 689,182</u>	<u>\$ 65,732</u>	<u>\$ 956,450</u>
December 31, 2018	<u>\$ 201,536</u>	<u>\$ 715,807</u>		<u>\$ 917,343</u>

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(12) Intangible assets**

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Cost:						
As of January 1, 2019	\$ 772,487	\$ 3,540,539	\$ 5,114,146	\$ 10,712,618	\$ 65,462,080	\$ 85,601,870
Additions-acquired separately	-	253,156	-	1,114,145	-	1,367,301
Disposals	-	(94,496)	-	(185,550)	-	(280,046)
Transfers	-	(2,965,856)	-	2,947,685	-	(18,171)
Exchange differences	-	(2,890)	-	(34,184)	(11,803)	(48,877)
As of December 31, 2019	<u>\$ 772,487</u>	<u>\$ 730,453</u>	<u>\$ 5,114,146</u>	<u>\$ 14,554,714</u>	<u>\$ 65,450,277</u>	<u>\$ 86,622,077</u>
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>



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Amortization and impairment:						
As of January 1, 2019	\$ 504,794	\$ 2,651,297	\$ 2,721,397	\$ 5,935,784	\$ -	\$ 11,813,272
Amortization	112,599	220,764	640,055	3,154,807	-	4,128,225
Disposals	-	(94,496)	-	(162,500)	-	(256,996)
Transfers	-	(2,420,412)	-	2,479,556	-	59,144
Exchange differences	-	587	-	(39,257)	-	(38,670)
As of December 31, 2019	<u>\$ 617,393</u>	<u>\$ 357,740</u>	<u>\$ 3,361,452</u>	<u>\$ 11,368,390</u>	<u>\$ -</u>	<u>\$ 15,704,975</u>
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>
Net carrying amount as of:						
December 31, 2019	<u>\$ 155,094</u>	<u>\$ 372,713</u>	<u>\$ 1,752,694</u>	<u>\$ 3,186,324</u>	<u>\$ 65,450,277</u>	<u>\$ 70,917,102</u>
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>

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**(13) Impairment testing of goodwill**

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

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a five-year period. The projected cash flows reflect the change in demand for products and services. As a result of the analysis, the Company did not identify any impairment for goodwill of NT\$65,450,277 thousand.

Key assumptions used in value-in-use calculations

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

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

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

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

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

Sensitivity to changes in assumptions

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(14) Short-term borrowings

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

(15) Other payables

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

(16) Other current liabilities

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

(17) Long-term borrowings

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

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

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

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

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

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

**(18) Post-employment benefits plans****Defined contribution plan**

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

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT\$1,807,298 thousand and NT\$1,716,934 thousand, respectively.

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

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

The funds are operated and managed by the government's designated authorities. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT\$2,325 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

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

Pension costs recognized in profit or loss are as follows:

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

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

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

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

	December 31, 2019	December 31, 2018
Discount rate	0.75%-1.25%	1.00%-1.50%
Expected rate of salary increases	2.25%-5.00%	2.00%-5.00%

Sensitivity analysis for significant assumption are shown below:

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

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

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

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

MTK's authorized capital as of December 31, 2019 and 2018 was NT\$20,000,000 thousand, divided into 2,000,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options at each period), each at a par value of NT\$10. MTK's issued capital was NT\$15,896,473 thousand and NT\$15,915,070 thousand divided into 1,589,647,349 shares and 1,591,506,977 shares, as of December 31, 2019 and 2018, respectively. Each share has one voting right and a right to receive dividends.

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

**B. Capital surplus**

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

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**C. Treasury shares**

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

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

**D. Retained earnings and dividend policy**

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

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

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

## E. Non-controlling interests

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

## (20) Share-based payment plans

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

Share-based payment plans in MTK

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

Detail information relevant to the share-based payment plan as of December 31, 2019 is as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT\$) (Note)
2009.08.18	1,382,630	-	-	\$ 422.0
2010.08.27	1,605,757	533,596	533,596	397.8
2010.11.04	65,839	8,134	8,134	370.5
2011.08.24	2,109,871	729,599	729,599	272.6
2012.08.14	1,346,795	610,309	610,309	281.9
2013.08.22	1,436,343	839,825	839,825	368.0

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

	Employee Stock Option
Expected dividend yield (%)	2.43%-6.57%
Expected volatility (%)	32.9%-42.99%
Risk free interest rate (%)	0.93%-1.65%
Expected life (Years)	6.5 years

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

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

	For the years ended December 31			
	2019		2018	
	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 period	3,883,721	\$ 337.5	4,673,059	\$ 340.4
Granted	-	-	-	-
Exercised (Note)	(552,445)	303.0	(21,590)	278.2
Forfeited (Expired)	(609,813)	402.4	(767,748)	347.0
Outstanding at end of period	2,721,463	329.0	3,883,721	337.5
Exercisable at end of period	2,721,463		3,883,721	
Weighted-average fair value of options granted during the period (in NT\$)	\$ -		\$ -	

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

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

The information on the outstanding share-based payment plan as of December 31, 2019 and 2018 is as follows:

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

**Restricted stocks plan for employees of MTK**

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

Share-based payment plans of Subsidiaries

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

	Compensatory Stock Option Plan
Expected dividend yield (%)	0.00%
Expected volatility (%)	38.13%
Risk free interest rate (%)	0.68%
Expected life (Years)	4.08-4.13 years

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

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

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(21) Sales

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

A. Disaggregation of revenue

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

B. Contract balances

Contract liabilities - current

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

**C. Transaction price allocated to unsatisfied performance obligations**

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

**(22) Expected credit gains (losses)**

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

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

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

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

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

2019.12.31

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

2018.12.31

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

	Note receivables	Trade receivables
As of January 1, 2018 (in accordance with IAS 39)	\$ -	\$ 331,984
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	331,984
Reversal for the current period	-	(229,290)
Write off	-	(6,473)
Effect of changes in exchange rate	-	11,174
As of December 31, 2018	\$ -	\$ 107,395

**(23) Leases**

**A. The Company as lessee (applicable to IFRS 16)**

The Company leases various property (land and buildings), transportation equipment and office equipment. These leases have terms between 1 and 50 years.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

**a. Amounts recognized in the balance sheet**

**(a) Right-of-use asset**

The carrying amount of right-of-use assets

	December 31, 2019	December 31, 2018 (Note)
Land	\$ 1,759,111	
Buildings and facilities	1,047,076	
Machinery equipment	24,209	
Transportation equipment	26,162	
Office equipment	34,348	
Total	\$ 2,890,906	

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

During the year ended December 31, 2019, the additions to right-of-use assets of the Company amounted to NT\$702,039 thousand.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(b) Lease liability

	December 31, 2019	December 31, 2018 (Note)
Lease liability-current	\$ 499,032	
Lease liability-noncurrent	2,360,427	
Total	<u>\$ 2,859,459</u>	

Please refer to Note 6. (27) for the interest on lease liability recognized during 2019 and refer to Note 12. (2) C. for the maturity analysis of lease liabilities as of December 31, 2019.

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

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2019	2018(Note)
Land	\$ 48,431	
Buildings and facilities	401,931	
Machinery equipment	3,026	
Transportation equipment	12,226	
Office equipment	9,755	
Total	<u>\$ 475,369</u>	

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

c. Income and costs relating to leasing activities

	For the years ended December 31	
	2019	2018 (Note)
The expense relating to short-term leases	\$ 157,095	
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	\$ 3,578	
Income from subleasing right-of-use assets	\$ 36,801	

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

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT\$638,625 thousand.

B. Operating lease commitments - The Company as lessee (applicable to IAS 17)

The Company has entered into commercial leases. These leases have an average life of one to fifty years.

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

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$ 554,748
Later than one year and not later than five years		1,068,478
Later than five years		285,697
Total		\$ 1,908,923

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

Operating lease expenses recognized are as follows:

	For the years ended	
	December 31	
	2019(Note)	2018
Minimum lease payments		\$ 700,161

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

(24) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2019 and 2018:

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 41,681	\$ 1,784,553	\$ 1,826,234	\$ 31,766	\$ 1,699,295	\$ 1,731,061
Others	\$ 1,118,420	\$ 46,566,401	\$ 47,684,821	\$ 814,363	\$ 42,587,354	\$ 43,401,717
Depreciation	\$ 175,327	\$ 4,082,689	\$ 4,258,016	\$ 205,894	\$ 3,499,394	\$ 3,705,288
Amortization	\$ 8,133	\$ 4,120,092	\$ 4,128,225	\$ 10,097	\$ 3,855,419	\$ 3,865,516

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

MTK accrued employees' compensation and remuneration to directors based on a specific rate of profit of the year ended December 31, 2019. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, MTK will recognize the change as an adjustment to income of next year. If the Board of Directors resolves to distribute employees' compensation in stock, the number of shares distributed is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of shares on the day preceding the Board of Directors' meeting. A resolution was approved in a meeting of the Board of Directors held on March 20, 2020 to distribute NT\$317,139 thousand and NT\$32,110 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2019.

A resolution was approved in a meeting of the Board of Directors held on March 22, 2019 to distribute NT\$261,021 thousand and NT\$31,624 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no material differences between the aforementioned approved amounts and the amounts charged against earnings in 2018.

**(25) Other income**

	For the years ended	
	December 31	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$ 3,660,186	\$ 3,352,029
Financial assets at fair value through other comprehensive income	181,340	240,337
Subtotal	3,841,526	3,592,366
Financial assets at fair value through profit or loss	356,760	308,576
Subtotal	4,198,286	3,900,942
Dividend income	388,662	739,625
Rental income	184,078	150,823
Others	305,411	218,227
Total	\$ 5,076,437	\$ 5,009,617



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(26) Other gains and losses

	For the years ended December 31	
	2019	2018
Losses on disposal of property, plant and equipment	\$ (14,469)	\$ (18,596)
Losses on disposal of intangible assets	(23,050)	-
Gains (losses) on disposal of investments		
Non-current assets held for sale	813,152	3,460,483
Debt instruments measured at fair value through other comprehensive income	(16,119)	(5,653)
Investments accounted for using the equity method	-	(8,825)
Foreign exchange gains	202,558	336,796
Impairment losses		
Investments accounted for using the equity method	(46,096)	(22,760)
Gains on financial assets at fair value through profit or loss	113,693	364,684
Losses on financial liabilities at fair value through profit or loss	(9,085)	(4,932)
Others	64,199	(239,257)
Total	<u>\$ 1,084,783</u>	<u>\$ 3,861,940</u>

(27) Finance costs

	For the years ended December 31	
	2019	2018
Interest expenses on borrowings	\$ 1,574,381	\$ 1,723,738
Interest expenses on lease liabilities	54,304	(Note)
Total	<u>\$ 1,628,685</u>	<u>\$ 1,723,738</u>

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(28) Components of other comprehensive income

For the year ended December 31, 2019 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit(expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (73,142)	\$ -	\$ (73,142)	\$ 15,012	\$ (58,130)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	33,059,665	-	33,059,665	(3,336,869)	29,722,796
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	2,889,013	-	2,889,013	-	2,889,013
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(2,828,823)	-	(2,828,823)	-	(2,828,823)
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	21,015	16,119	37,134	-	37,134
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	59,033	-	59,033	-	59,033
<b>Total</b>	<b>\$ 33,126,761</b>	<b>\$ 16,119</b>	<b>\$ 33,142,880</b>	<b>\$ (3,321,857)</b>	<b>\$ 29,821,023</b>

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

For the year ended December 31, 2018 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (152,757)	\$ -	\$ (152,757)	\$ 15,532	\$ (137,225)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	314,857	-	314,857	145,626	460,483
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,232,013)	-	(1,232,013)	-	(1,232,013)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	1,012,687	-	1,012,687	-	1,012,687
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(24,552)	5,653	(18,899)	-	(18,899)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(6,453)	-	(6,453)	-	(6,453)
Total	\$ (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)**

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of NT\$(16,119) thousand and NT\$(5,653) thousand for the years ended December 31, 2019 and 2018, respectively, which were recognized in other comprehensive income, were reclassified to profit or loss.

**(29) Income Tax**

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

	For the years ended	
	December 31	
	2019	2018
Current income tax	\$ 2,899,353	\$ 3,736,763
Deferred tax income	841,892	(808,475)
Others	81,814	(19,199)
Income tax expense recognized in profit or loss	<u>\$ 3,823,059</u>	<u>\$ 2,909,089</u>

Income tax recognized in other comprehensive income

	For the years ended	
	December 31	
	2019	2018
Deferred tax (income) expense:		
Remeasurements of defined benefit plan	\$ (15,012)	\$ (15,532)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	<u>3,336,869</u>	<u>(145,626)</u>
Income tax relating to components of other comprehensive income	<u>\$ 3,321,857</u>	<u>\$ (161,158)</u>

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

Income tax charged directly to equity

	For the years ended December 31	
	2019	2018
Current income tax expense:		
Realized gains from equity instrument investments measured at fair value through other comprehensive income	\$ 1,058,085	\$ 83,558

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2019	2018
Accounting profit before tax from continuing operations	\$ 27,027,369	\$ 23,691,485
Tax at the domestic rates applicable to profits in the country concerned	\$ 9,793,520	\$ 8,672,301
Tax effect of revenues exempt from taxation	(2,499,002)	(1,875,677)
Tax effect of expenses not deductible for tax purposes	(99,736)	25,122
Investment tax credits	(1,175,943)	(996,051)
Tax effect of deferred tax assets/liabilities	(1,931,820)	(2,701,473)
Corporate income surtax on undistributed retained earnings	598,602	1,022,742
Adjustments in respect of current income tax of prior periods	-	(463,584)
Others	(862,562)	(774,291)
Total income tax expense recognized in profit or loss	\$ 3,823,059	\$ 2,909,089

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Ending balance
Temporary differences					
Unrealized allowance for inventory					
obsolescence	\$ 2,178,353	\$ (48,603)	\$ -	\$ -	\$ 2,129,750
Allowance for sales returns and					
discounts	1,329,212	127,371	-	-	1,456,583
Amortization of difference for tax					
purpose	280,681	(43,960)	-	-	236,721
Amortization of goodwill					
difference for tax purpose	(464,556)	(1,492,875)	-	-	(1,957,431)
Unused tax losses	25,393	(2,648)	-	-	22,745
Unused tax credits	330,672	77,661	-	-	408,333
Others	(1,877,187)	1,924,807	(3,321,857)	(1,058,085)	(4,332,322)
Deferred tax income (expense)		<u>\$ 541,753</u>	<u>\$ (3,321,857)</u>	<u>\$ (1,058,085)</u>	
Net deferred tax assets	<u>\$ 1,802,568</u>				<u>\$ (2,035,621)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 4,776,271</u>				<u>\$ 4,769,887</u>
Deferred tax liabilities	<u>\$ (2,973,703)</u>				<u>\$ (6,805,508)</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 year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Ending balance
Temporary differences					
Unrealized allowance for inventory obsolescence	\$ 1,664,070	\$ 514,283	\$ -	\$ -	\$ 2,178,353
Allowance for sales returns and discounts	550,166	779,046	-	-	1,329,212
Amortization of difference for tax purpose	144,016	136,665	-	-	280,681
Amortization of goodwill difference for tax purpose	(436,949)	(27,607)	-	-	(464,556)
Unused tax losses	36,381	(10,988)	-	-	25,393
Unused tax credits	276,250	54,422	-	-	330,672
Others	(1,432,970)	(521,817)	161,158	(83,558)	(1,877,187)
Deferred tax income (expense)		<u>\$ 924,004</u>	<u>\$ 161,158</u>	<u>\$ (83,558)</u>	
Net deferred tax assets	<u>\$ 800,964</u>				<u>\$ 1,802,568</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 3,927,687</u>				<u>\$ 4,776,271</u>
Deferred tax liabilities	<u>\$ (3,126,723)</u>				<u>\$ (2,973,703)</u>

The assessment of income tax returns

As of December 31, 2019, the assessments of the income tax returns of MTK and its material subsidiaries are as follows:

	The assessment of income tax returns	Notes
MTK	Assessed and approved up to 2017	(Note1, Note2)
Subsidiary- Hsu-Ta Investment Corp.	Assessed and approved up to 2017	
Subsidiary- Hsu-Si Investment Corp.	Assessed and approved up to 2017	
Subsidiary- Richtek Technology Corp.	Assessed and approved up to 2017	

Note1: MTK has applied for administrative appeals for the tax returns of 2017, 2016, 2015, 2014, 2012, 2011, 2010, 2009 and 2008. MTK disagreed with the decision made in the tax assessment notices. The Company has paid in full the additional taxes assessed by the tax authorities.

Note2: MStar Semiconductor, Inc. has paid in full the additional taxes of 2017 assessed by the tax authorities and applied for administrative appeals.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(30) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31	
	2019	2018
<b>A. Basic earnings per share</b>		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 23,032,721	\$ 20,760,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,567,873,703	1,565,368,402
Basic earnings per share (NT\$)	\$ 14.69	\$ 13.26
<b>B. Diluted earnings per share</b>		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 23,032,721	\$ 20,760,498
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,567,873,703	1,565,368,402
Effect of dilution:		
Employees' compensation-stock (share)	921,244	1,334,384
Employee stock options (share)	683,822	27,389
Restricted stocks for employees (share)	11,241,268	8,751,258
Weighted average number of ordinary shares outstanding after dilution (share)	1,580,720,037	1,575,481,433
Diluted earnings per share (NT\$)	\$ 14.57	\$ 13.18

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



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(31) Changes in ownership interests in subsidiaries

Changes in ownership of subsidiaries

In consideration of the Company's investment strategy, the Company disposed of shares of Zelus Technology (HangZhou) Ltd. in August 2019 and its ownership was reduced to 90%. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction.

The Company purchased additional 6.82% and 10.18% of voting shares of Nephos (Hefei) Co., Ltd. in May and November 2019, respectively, and its ownership rose to 100%. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction. The ownership of Nephos (Beijing) Co., Ltd. also rose to 100%.

The Company purchased additional 33% of voting shares of RollTech Technology Co., Ltd. in December 2019 and its ownership rose to 100%. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction.

Richnex Microelectronics Corp., EcoNet (Cayman) Inc. and Xiamen Sigmastar Technology Inc. increased their respective capital by cash for the year ended December 31, 2018, and the Company did not subscribe new shares proportionate to its original ownership interest. In addition, the Company purchased additional 20.45% of voting shares of Nephos (Hefei) Co., Ltd. in May 2018 and its ownership rose to 83%. As the control over those companies remained, the changes of the ownership interest were accounted for as an equity transaction.

Due to reorganization, Lepower (HK) Limited transferred its ownership of shares of Nephos (Beijing) Co., Ltd. to Nephos (Hefei) Co., Ltd. in September 2018. After that, the Company's ownership over Nephos (Beijing) Co., Ltd. went down to 83%. As the control over Nephos (Beijing) Co., Ltd. remained, the change of the ownership interest was accounted for as an equity transaction.

The differences between the fair value of purchased equity investments and the decrease in the non-controlling interest were NT\$1,007,602 thousand and NT\$1,341,543 thousand for the years ended December 31, 2019 and 2018 respectively, and have been recorded in equity.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**7. Related Party Transactions**

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
E-Vehicle Semiconductor Technology Co., Ltd.	Associate (Note)
Intelligo Technology Inc.	Associate
Cyberon Corp.	Associate
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
Andes Technology Corp.	Substantive related party

Note: The Company lost control over E-Vehicle Semiconductor Technology Co., Ltd. (E-Vehicle) on December 27, 2018, and the Company adopted the equity method for the investment. As a result, E-Vehicle became an associate of the Company after that date.

Significant transactions with the related parties

(1) Sales

	For the years ended December 31	
	2019	2018
Associates		
Intelligo Technology Inc.	\$ 10,905	\$ 12,944
E-Vehicle Semiconductor Technology Co., Ltd.	1,190	-
Total	<u>\$ 12,095</u>	<u>\$ 12,944</u>

The trade credit terms for associates was 30 days and third-party customers was 30 to 150 days. Third-party customers may pay their accounts in advance.

(2) IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2019	2018
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	<u>\$ 3,301,417</u>	<u>\$ 3,211,857</u>

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(3) Consign research and development expenses and license expenses

	For the years ended December 31	
	2019	2018
Associate		
Cyberon Corp.	\$ 28,557	\$ -
Other related parties		
Andes Technology Corp.	27,440	28,008
Total	<u>\$ 55,997</u>	<u>\$ 28,008</u>

(4) Rental income

	For the years ended December 31	
	2019	2018
Other related parties		
Andes Technology Corp.	\$ -	\$ 790

(5) Trade receivables from related parties

	December 31, 2019	December 31, 2018
Other related parties		
Intelligo Technology Inc.	\$ -	\$ 2,855
E-Vehicle Semiconductor Technology Co., Ltd.	5,000	3,750
Total	<u>\$ 5,000</u>	<u>\$ 6,605</u>

(6) Trade payables to related parties

	December 31, 2019	December 31, 2018
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	\$ 906,224	\$ 704,262

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(7) Other payables to related parties

	December 31, 2019	December 31, 2018
Associate		
Cyberon Corp	\$ 16,312	\$ -
Other related parties		
Andes Technology Corp.	4,052	459
Total	<u>\$ 20,364</u>	<u>\$ 459</u>

(8) Prepayments

	December 31, 2019	December 31, 2018
Other related parties		
Andes Technology Corp.	<u>\$ 254</u>	<u>\$ -</u>

(9) Other

The patent payment NT\$7,864 thousand dollars for Andes Technology Corp. was identified to intangible assets.

(10) Key management personnel compensation

	For the years ended December 31	
	2019	2018
Short-term employee benefits (Note)	\$ 951,348	\$ 825,873
Share-based payment	330,841	-
Post-employment benefits	3,719	3,787
Total	<u>\$ 1,285,908</u>	<u>\$ 829,660</u>

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

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

## 8. Assets Pledged as Collateral

The following table lists assets of the Company pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2019	December 31, 2018	
Financial assets measured at amortized cost-current	\$ -	\$ 9,705	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	9,988	9,898	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	105	110	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	24,375	24,304	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	24,000	24,000	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	9,180	9,180	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	1,519	1,507	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	650	498	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	-	1,000	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	23,017	23,017	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	7,125	7,000	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	101,132	-	Performance bond
Financial assets measured at amortized cost-noncurrent	115,915	89,592	Performance bond
Property, plant and equipment - buildings	223,526	243,571	Long-term borrowing
Property, plant and equipment - buildings	321,363	326,434	Long-term borrowing
Investment Property-buildings and facilities	157,939	152,577	Long-term borrowing
Total	\$ 1,019,834	\$ 922,393	

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**9. Contingencies and Off Balance Sheet Commitments**

Legal claim contingency

- (1) Advanced Micro Devices, Inc. and ATI Technologies ULC (collectively “AMD”) filed a complaint with the U.S. International Trade Commission (the “Commission”) against MTK and subsidiary MediaTek USA Inc. on January 24, 2017, alleging infringement of United States Patent Nos. 7,633,506, 7,796,133, 8,760,454 and 9,582,846. On October 31, 2017, AMD’s motion to withdraw its claims relating to U.S. Patent Nos. 8,760,454 and 9,582,846 was granted. On August 22, 2018, the Commission issued a final determination, finding that the accused MTK and subsidiary MediaTek USA Inc., and VIZIO’s products infringe U.S. Patent No. 7,633,506, but do not infringe U.S. Patent No. 7,796,133, and issued a limited exclusion order for the relevant products. Based on agreement between AMD and MTK, the Commission entered a modified limited exclusion order on October 15, 2019 which lifts all limitations on MTK products from the previous limited exclusion order. Appeal of the original final determination was also dismissed by the Federal Circuit Court of Appeals pursuant to parties’ joint motion.

On January 10, 2019, AMD filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiary MediaTek USA Inc., alleging infringement of United States Patent Nos. 7,633,506 and 7,796,133. The court dismissed the case on September 23, 2019 based on joint stipulation of the parties.

- (2) American Patents LLC (“American Patents”) filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on November 14, 2018, alleging infringement of United States Patent Nos. 6,964,001, 7,836,371, 8,239,716 and 8,996,938.

On December 6, 2018, American Patents filed another complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc., alleging infringement of United States Patent Nos. 6,507,293, 6,587,058 and 7,262,720.

In December 2019, the court dismissed the claims in both American Patents actions against MTK and subsidiary MediaTek USA Inc. with prejudice.

- (3) Dynamic Data Technologies, LLC (“Dynamic Data”) filed a complaint in the United States District Court for the District of Delaware against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on November 30, 2018, alleging infringement of United States Patent Nos. 7,058,227, 6,639,944, 6,760,376 and 6,782,054. On March 6, 2019, Dynamic Data filed an amended complaint in this matter, alleging infringement by MTK and subsidiary MediaTek USA Inc. of United States Patent Nos. 6,639,944, 6,760,376, 6,774,918, 6,996,175, 6,996,177, 7,010,039, 7,894,529, 7,929,609, 7,982,799, 8,073,054, 8,135,073, 8,189,105 and 8,311,112. On July 10, 2019, the court dismissed the claims against MTK and subsidiary MediaTek USA Inc. with prejudice pursuant to the parties’ joint stipulation.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

- (4) Innovative Foundry Technologies LLC (“IFT”) filed a complaint with the Commission against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on February 15, 2019, alleging infringement of United States Patent Nos. 6,583,012, 6,797,572, 7,009,226, 7,880,236 and 9,373,548. On September 27, 2019, the Administrative Law Judge entered an initial determination to terminate the investigation based on parties’ agreement.

IFT filed a complaint in the United States District Court for the District of Delaware against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on February 13, 2019, alleging infringement of the above referenced patents. Given the termination of the corresponding Commission’s investigation, the parties have jointly moved for dismissal of this case.

- (5) GlobalFoundries U.S. Inc. (“GF”) filed a complaint with the Commission against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of United States Patent Nos. 7,750,418, 8,912,603 and 8,936,986.

GF also filed a complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of the above referenced patents.

GF also filed a separate complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on August 26, 2019, alleging infringement of United States Patent Nos. 6,518,167, 7,425,497, 8,039,966, 8,581,348, 8,598,633 and 9,355,910.

On November 8, 2019, GF voluntarily dismissed the District Court actions against MTK, subsidiary MediaTek USA Inc. and subsidiary MStar Semiconductor, Inc. with prejudice. On November 25, 2019, the Administrative Law Judge entered an initial determination to terminate the investigation based on parties’ agreement. All litigations filed by GF against MTK, subsidiary MediaTek USA Inc. and subsidiary MStar Semiconductor, Inc. have now been dismissed.

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

The Company will handle these cases carefully.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**10. Losses due to Major Disasters**

None

**11. Significant Subsequent Events**

None

**12. Others**

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Held for trading financial assets	\$ 4,621	\$ 1,327
Mandatorily measured at fair value through profit or loss (Note 1)	15,679,314	12,877,082
Subtotal	15,683,935	12,878,409
Financial assets at fair value through other comprehensive income	69,249,681	45,551,575
Financial assets measured at amortized cost (Note 2)	211,047,351	179,954,956
Total	\$ 295,980,967	\$ 238,384,940

Financial liabilities

Financial liabilities at fair value through profit or loss:

Held for trading financial liabilities	\$ 9,085	\$ 4,932
Financial liabilities at amortized cost:		
Short-term borrowings	57,254,570	51,056,528
Trade payables (including related parties)	22,313,552	17,687,171
Other payables (including related parties)	27,583,302	30,482,238
Long-term payables (including current portion)	2,063,198	2,080,131
Long-term borrowings (including current portion)	202,675	280,954
Lease liabilities	2,859,459	(Note 3)
Subtotal	112,276,756	101,587,022
Total	\$ 112,285,841	\$ 101,591,954

Notes:

1. Includes trade receivables classified as financial assets measured at fair value through profit or loss for December 31, 2019 and 2018 which were in the amount of NT\$2,472,998 thousand and NT\$3,865,489 thousand, respectively. Please refer to Note 6. (5) for further explanation.



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

2. Includes cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables (excluding financial assets measured at fair value through profit or loss for December 31, 2019 and 2018 which were in the amount of NT\$2,472,998 thousand and NT\$3,865,489 thousand, respectively. Please refer to Note 6. (5) for further explanation.) and other receivables.
3. The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**B. Fair values of financial instruments**

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

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

- (a) The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties) and other payables (including related parties) approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

- (e) The fair value of other financial assets and liabilities is determined using discounted cash flow analysis; the interest rate and discount rate are selected with reference to those of similar financial instruments.

- b. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

- c. Fair value measurement hierarchy

- (a) Fair value measurement hierarchy

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

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

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

Level 3: Unobservable inputs for the assets or liabilities.

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

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

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ -	\$ -	\$ 744,518	\$ 744,518
Linked deposits	823,000	-	4,794,048	5,617,048
Stocks	269,394	-	107,269	376,663
Funds	782,571	-	5,108,668	5,891,239
Trust funds	576,848	-	-	576,848
Forward exchange contracts	-	4,621	-	4,621
Financial assets at fair value				
through other comprehensive				
income				
Equity instruments measured at				
fair value through other				
comprehensive income	48,059,600	-	19,324,707	67,384,307
Debt instruments measured at				
fair value through other	1,136,012	-	729,362	1,865,374
comprehensive income				
Total	<u>\$ 51,647,425</u>	<u>\$ 4,621</u>	<u>\$ 30,808,572</u>	<u>\$ 82,460,618</u>

Liabilities measured at fair value:

Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 9,085</u>	<u>\$ -</u>	<u>\$ 9,085</u>

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**As of December 31, 2018

	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>

Liabilities measured at fair value:

Financial liabilities at fair value				
through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 4,932</u>	<u>\$ -</u>	<u>\$ 4,932</u>

For the years ended December 31, 2019 and 2018, amounts transferred from level 2 of the fair value hierarchy to level 1 due to the release of the stock transfer restrictions were NT\$7,958,351 thousand and NT\$9,511,296 thousand, respectively.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

	Financial assets mandatorily measured at fair value through profit or loss				Financial assets at fair value through other comprehensive income				
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	Total	
As of January 1, 2019	\$ 136,008	\$ 1,382,544	\$ 2,412,451	\$ 3,600,020	\$ 612,194	\$ 11,109,299	\$ 5,541,674	\$ 24,794,190	
Amount recognized in profit or loss	(25,102)	32,237	97,389	(30,851)	6,413	(16,956)	-	63,130	
Amount recognized in OCI	-	-	-	-	3,882	367,031	(708,333)	(337,420)	
Amount recognized in OCI- exchange differences	(3,637)	(36,059)	(83,187)	38,897	(16,157)	(257,516)	(89,101)	(446,760)	
Acquisitions	-	895,371	8,898,497	2,638,652	432,360	1,017,731	761,220	14,643,831	
Settlements	-	(1,529,575)	(6,216,482)	(1,452,670)	(309,330)	(239,837)	(110,974)	(9,858,868)	
Reclassification	-	-	-	-	-	-	1,950,469	1,950,469	
As of December 31, 2019	\$ 107,269	\$ 744,518	\$ 5,108,668	\$ 4,794,048	\$ 729,362	\$ 11,979,752	\$ 7,344,955	\$ 30,808,572	

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

	Financial assets mandatorily measured at fair value through profit or loss				Financial assets at fair value through other 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	<u>\$ 136,008</u>	<u>\$ 1,382,544</u>	<u>\$ 2,412,451</u>	<u>\$ 3,600,020</u>	<u>\$ 612,194</u>	<u>\$ 11,109,299</u>	<u>\$ 5,541,674</u>	<u>\$ 24,794,190</u>

Total gains (losses) related to assets recognized for the years ended December 31, 2019 and 2018 amounted to NT\$1,763 thousand and NT\$(15,935) thousand, respectively.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

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

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

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

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

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

As of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,649,821</u>	<u>\$ 1,649,821</u>

As of December 31, 2018

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

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

The Company's derivative financial instruments held for trading was forward exchange contracts. The related information is as follows:

The Company entered into forward exchange contracts to manage its exposure to financial risk, but these contracts were not designated as hedging instruments. The table below lists the information related to outstanding forward exchange contracts:

Forward exchange contracts	Currency	Contract amount ( '000)	Maturity
As of December 31, 2019	CNY to USD	Buy USD 24,954	January 2020
As of December 31, 2019	TWD to USD	Sell USD 32,000	January 2020
As of December 31, 2019	CNY to USD	Buy USD 12,835	February 2020
As of December 31, 2019	CNY to USD	Sell USD 2,000	February 2020
As of December 31, 2019	CNY to USD	Buy USD 6,999	March 2020
As of December 31, 2019	CNY to USD	Sell USD 2,000	March 2020
As of December 31, 2019	CNY to USD	Sell USD 2,000	May 2020
As of December 31, 2018	TWD to USD	Sell USD 107,000	January 2019
As of December 31, 2018	CNY to USD	Sell USD 4,000	January 2019
As of December 31, 2018	CNY to USD	Sell USD 2,000	February 2019
As of December 31, 2018	CNY to USD	Sell USD 2,000	March 2019

The Company entered into forward foreign exchange contracts to hedge foreign currency risk of net assets or net liabilities. As there will be corresponding cash inflows or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

**(2) Financial risk management objectives and policies**

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit Committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**A. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

**a. Foreign currency risk**

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

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

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

When NTD appreciates or depreciates against USD by 0.1%, the profit for the years ended December 31, 2019 and 2018 decreases/increases by NT\$482 thousand and NT\$8,905 thousand, while equity decreases/increases by NT\$125,136 thousand and NT\$94,822 thousand, respectively.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the years ended December 31, 2019 and 2018 increases/decreases by NT\$4 thousand and decreases/increases by NT\$5 thousand, while equity decreases/increases by NT\$11,461 thousand and NT\$8,945 thousand, respectively.

**b. Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment of debt instruments at variable interest rates, bank borrowings with fixed and variable interest rates. Moreover, the market value of the Company's investments in credit-linked deposits and interest rate-linked deposits are affected by interest rate. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and bank borrowings with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$4,266 thousand and NT\$4,743 thousand, respectively.

**c. Other price risk**

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's equity securities are classified under the category of equity instrument investments measured at fair value through profit or loss and equity instrument investments measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain equity investments according to level of authority.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$2,694 thousand and NT\$745 thousand, respectively.

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through other comprehensive income could cause the other comprehensive income for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$480,596 thousand and NT\$267,558 thousand, respectively.

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

**B. Credit risk management**

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2019 and 2018, receivables from top ten customers represented 42.74%, and 44.28% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

The Company's exposure to credit risk arises from potential default of the counter-party or other third-party. The level of exposure depends on several factors including concentrations of credit risk, components of credit risk, the price of contract and other receivables of financial instruments. Since the counter-party or third-party to the foregoing forward exchange contracts and cross currency swap contracts are all reputable financial institutions, management believes that the Company's exposure to default by those parties is minimal.

## MEDIATEK INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Credit risk of credit-linked deposits, interest rate-linked deposits, exchange-linked deposits, index-linked deposits and convertible bonds arises if the issuing banks breached the contracts or the debt issuer could not pay off the debts; the maximum exposure is the carrying value of those financial instruments. Therefore, the Company minimized the credit risk by only transacting with counter-party who is reputable, transparent and in good financial standing.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables which is measured at lifetime expected credit losses, for debt instrument investments which are not measured at fair value through profit or loss and are at low credit risk upon acquisition, an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio. The measurement indicators of the Company are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			December 31, 2019	December 31, 2018
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 4,161,192	\$ 4,942,322
	Counter parties with investment grade credit rating			
Credit risk significantly increased	Credit risk measure reduced from IG category to HY category	Lifetime expected credit losses	\$ 216,633	\$ 488,435
	Contract payment overdue 30 days			
Credit-impaired	Credit risk measure belongs to DS category or above	Lifetime expected credit losses	\$ -	\$ -
	Contract payment overdue 90 days			
	Other impaired evidence			
Simplified method (Note)	(Note)	Lifetime expected credit losses	\$ 26,928,356	\$ 29,046,776

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes notes receivables and trade receivables.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

When the credit risk on debt instrument investment has increased, the Company will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (which available without undue cost and effort), it is mainly based on the macroeconomic information and industrial information and further adjusts the credit loss ratio if there is significant impact from forward-looking information.

**C. Liquidity risk management**

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

**Non-derivative financial instruments**

	Less than 1 year	1 to 5 years	Later than 5 years	Total
<u><b>As of December 31, 2019</b></u>				
Short-term borrowings	\$ 57,354,161	\$ -	\$ -	\$ 57,354,161
Trade payables (including related parties)	22,313,552	-	-	22,313,552
Other payables (including related parties)	27,529,078	-	-	27,529,078
Lease liabilities	499,032	857,737	1,502,690	2,859,459
Long-term borrowings	39,472	152,731	18,511	210,714
Long-term payables	983,591	1,079,607	-	2,063,198
<b>Total</b>	<u><u>\$ 108,718,886</u></u>	<u><u>\$ 2,090,075</u></u>	<u><u>\$ 1,521,201</u></u>	<u><u>\$ 112,330,162</u></u>

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

	Less than 1 year	1 to 5 years	Later than 5 years	Total
<u>As of December 31, 2018</u>				
Short-term borrowings	\$ 51,180,185	\$ -	\$ -	\$ 51,180,185
Trade payables (including related parties)	17,687,171	-	-	17,687,171
Other payables (including related parties)	30,422,092	-	-	30,422,092
Long-term borrowings	40,730	198,523	55,920	295,173
Long-term payables	1,398,956	681,175	-	2,080,131
Total	<u>\$ 100,729,134</u>	<u>\$ 879,698</u>	<u>\$ 55,920</u>	<u>\$ 101,664,752</u>

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
<u>As of December 31, 2019</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,890,629	\$ -	\$ 1,890,629
Outflow	(1,900,140)	-	(1,900,140)
Net	<u>\$ (9,511)</u>	<u>\$ -</u>	<u>\$ (9,511)</u>
<u>As of December 31, 2018</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 123,547	\$ -	\$ 123,547
Outflow	(123,958)	-	(123,958)
Net	<u>\$ (411)</u>	<u>\$ -</u>	<u>\$ (411)</u>
Net settlement			
Forward exchange contracts	(7,262)	-	(7,262)
Total	<u>\$ (7,673)</u>	<u>\$ -</u>	<u>\$ (7,673)</u>

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

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

**D. Reconciliation of liabilities arising from financing activities**

**Reconciliation of liabilities for the year ended December 31, 2019:**

	Short-term borrowings	Long-term borrowings	Lease Liabilities	Deposits received	Total liabilities from financing activities
As of January 1, 2019	\$ 51,056,528	\$ 280,954	\$ 2,593,779	\$ 188,534	\$ 54,119,795
Cash flows	6,690,952	(78,279)	(423,648)	377,239	6,566,264
Non-cash movement	-	-	689,328	-	689,328
Foreign exchange movement	(492,910)	-	-	-	(492,910)
As of December 31, 2019	<u>\$ 57,254,570</u>	<u>\$ 202,675</u>	<u>\$ 2,859,459</u>	<u>\$ 565,773</u>	<u>\$ 60,882,477</u>

**Reconciliation of liabilities for the year ended December 31, 2018:**

	Short-term borrowings	Long-term borrowings	Deposits received	Total liabilities from financing activities
As of January 1, 2018	\$ 64,315,682	\$ 373,042	\$ 179,472	\$ 64,868,196
Cash flows	(13,568,777)	(92,088)	9,062	(13,651,803)
Foreign exchange movement	326,783	-	-	326,783
Other	(17,160)	-	-	(17,160)
As of December 31, 2018	<u>\$ 51,056,528</u>	<u>\$ 280,954</u>	<u>\$ 188,534</u>	<u>\$ 51,526,016</u>

**MEDIATEK INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(3) Significant assets and liabilities denominated in foreign currencies**

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

December 31, 2019			
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
<b>Financial assets</b>			
Monetary item:			
USD	\$ 4,821,463	30.106	\$ 145,154,961
CNY	\$ 1,826	4.324	\$ 7,894
Non-monetary item:			
USD	\$ 2,239,603	30.106	\$ 67,425,479
CNY	\$ 2,650,963	4.324	\$ 11,461,675
<b>Financial liabilities</b>			
Monetary item:			
USD	\$ 2,895,330	30.106	\$ 87,166,810
CNY	\$ 2,752	4.324	\$ 11,897
December 31, 2018			
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
<b>Financial assets</b>			
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
<b>Financial liabilities</b>			
Monetary item:			
USD	\$ 2,525,021	30.733	\$ 77,601,503
CNY	\$ 462	4.472	\$ 2,063



**MEDIATEK INC. AND SUBSIDIARIES**

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

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

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains (losses) were NT\$202,558 thousand and NT\$336,796 thousand for the years ended December 31, 2019 and 2018, respectively.

**(4) Capital management**

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

**13. Additional Disclosures**

**(1) The following are additional disclosures for the Company and its affiliates:**

- A. Financing provided to others for the year ended December 31, 2019: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2019: Please refer to Attachment 2.
- C. Securities held as of December 31, 2019: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 4.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 5.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 6.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2019: Please refer to Attachment 7.
- I. Financial instruments and derivative transactions: Please refer to Note 12.
- J. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 8.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

(2) Information on investees

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

(3) Investment in Mainland China

A. Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control, which discloses investee company name, main business and products, total amount of capital, method of investment, accumulated inflows and outflows of investments from Taiwan, percentage of ownership, net income (loss), investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 10.

B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 1 and Attachment 8.

**14. Segment Information**

(1) General information

The major sales of the Company come from multimedia and mobile phone chips and other integrated circuit design products. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

(2) Geographical information

A. Net sales from external customers

	For the years ended	
	December 31	
	2019	2018
Taiwan	\$ 22,933,537	\$ 23,908,416
Asia	219,737,854	212,212,752
Others	3,550,340	1,936,178
Total	\$ 246,221,731	\$ 238,057,346

Net sales are classified by customers' countries.

**MEDIATEK INC. AND SUBSIDIARIES**

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

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

B. Non-current assets

	December 31, 2019	December 31, 2018
Taiwan	\$ 96,406,765	\$ 95,871,518
Asia	16,037,983	15,739,336
Others	1,209,650	846,333
Total	<u>\$ 113,654,398</u>	<u>\$ 112,457,187</u>

(3) Major customers

There were no individual customers accounting for at least 10% of net sales for the years ended December 31, 2019 and 2018.

**MEDIATEK INC. AND SUBSIDIARIES**  
**FINANCING PROVIDED TO OTHERS**  
**For the year ended December 31, 2019**

Attachment 1

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance	Amount Actually Drawn	Interest Rate	Nature of Financing	Transaction Amounts	Reason for Financing	Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	Hsu Chia (Samoa) Investment Ltd. (Note 1)	MediaTek (Shanghai) Inc.	Other receivables from related party	Yes	\$ 2,298,870 CNY 500,000,000	\$ 2,161,795 CNY 500,000,000	\$ 2,161,795 CNY 500,000,000	3.00%	Short-term financing	-	Operating Capital	-	NA	-	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490
		Gaintech Co. Limited	Other receivables from related party	Yes	\$ 597,706 CNY 130,000,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	-	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490
		MediaTek China Limited	Other receivables from related party	Yes	\$ 587,228 CNY 130,000,000	\$ 562,067 CNY 130,000,000	\$ -	0.65%	Short-term financing	-	Operating Capital	-	NA	-	\$ 4,925,119 CNY 1,134,101,490	\$ 4,925,119 CNY 1,134,101,490
2	Hsu Kang (Samoa) Investment Ltd. (Note 1)	MediaTek (Shenzhen) Inc.	Other receivables from related party	Yes	\$ 3,215,269 CNY 699,315,000	\$ 3,023,551 CNY 699,315,000	\$ 3,023,551 CNY 699,315,000	3.00%	Short-term financing	-	Operating Capital	-	NA	-	\$ 4,931,904 CNY 1,135,663,917	\$ 4,931,904 CNY 1,135,663,917
3	Hsu Fa (Samoa) Investment Ltd. (Note 1)	MediaTek (Hefei) Inc.	Other receivables from related party	Yes	\$ 953,571 CNY 207,400,000	\$ 735,010 CNY 170,000,000	\$ 735,010 CNY 170,000,000	3.00%	Short-term financing	-	Operating Capital	-	NA	-	\$ 4,919,994 CNY 1,132,921,285	\$ 4,919,994 CNY 1,132,921,285
		Gaintech Co. Limited	Other receivables from related party	Yes	\$ 390,435 CNY 84,919,000	\$ -	\$ -	NA	Short-term financing	-	Operating Capital	-	NA	-	\$ 4,919,994 CNY 1,132,921,285	\$ 4,919,994 CNY 1,132,921,285

Note 1: The operating procedures of financing provided to others of Hsu Chia (Samoa) Investment Ltd., Hsu Kang (Samoa) Investment Ltd. and Hsu Fa (Samoa) Investment Ltd. required:

- A. the total amount for lending shall not exceed 20% of the lender's net worth,
- B. the maximum amount lendable to a single company is 10% of the lender's net worth or 30% of the borrower's net worth, whichever is lower, and
- C. fund lending between foreign subsidiaries held directly or indirectly by the lender with 100% of voting stocks shall be excluded from the above limitations. However, total financing amount limits and financing limits for each borrowing company shall not exceed the lender's net worth.

Note 2: Maximum accumulated balance of financing amount as of the declaration month for the period.

**MEDIATEK INC. AND SUBSIDIARIES**  
**ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS**  
**For the year ended December 31, 2019**

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.	A	\$ 62,255,020 (Note 1)	\$ 10,838 USD 342,857	\$ 10,322 USD 342,857	\$ 10,322 USD 342,857	\$ -	0.00%	\$155,637,551 (Note 1)	Y	-	-
		MTK Wireless Limited (UK)	A	\$ 62,255,020 (Note 1)	\$ 7,194 GBP 176,250	\$ 7,034 GBP 176,250	\$ 7,034 GBP 176,250	\$ -	0.00%		Y	-	-
		Gaintech Co. Limited	A	\$ 62,255,020 (Note 1)	\$ 24,000,000	\$ 24,000,000	\$ -	\$ -	7.71%		Y	-	-
		MediaTek China Limited	A	\$ 62,255,020 (Note 1)	\$ 9,000,000	\$ 9,000,000	\$ 2,980,313	\$ -	2.89%		Y	-	-

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 and indirectly holds more than 50% of the voting shares.
- B. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

Note 3: Amounts converted at the highest exchange rate.

**MEDIATEK INC. AND SUBSIDIARIES**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

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, 2019				
				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	\$ 377,830	-	\$ 377,830	-
		KGI Fuli Strategic Fund	Financial assets mandatorily measured at fair value through profit or loss- current	32,069,875	\$ 404,741	-	\$ 404,741	-
		Cathay No.1 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	81,200,000	\$ 1,437,240	-	\$ 1,437,240	-
		Cathay No.2 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	64,503,000	\$ 1,103,001	-	\$ 1,103,001	-
		Fubon No.1 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	16,744,000	\$ 267,904	-	\$ 267,904	-
		Fubon No.2 Real Estate Investment Trust	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	13,421,000	\$ 185,344	-	\$ 185,344	-
	Stocks	EOSTEK LIMITED (CAYMAN)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	640,000	\$ 5,146	6%	\$ 5,146	-
		Shin Kong Financial Holding Co., Ltd., Preferred Stock A	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	4,200,000	\$ 192,990	-	\$ 192,990	-
	Bonds	Cathay Life Insurance Co.,Ltd. Cumulative Perpetual Subordinated bond-106-1	Financial assets measured at amortized cost- noncurrent	-	\$ 290,000	-	\$ -	-
Digimoc Holdings Limited	Capital	SERAPHIC Information Technology (Shanghai) Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 1,851,557	-	USD 1,851,557	-
MediaTek Capital Co.	Stocks	ACSIP TECHNOLOGY CORP.	Equity instrument investments measured at fair value through other comprehensive income- current	1,857,008	\$ 19,499	7%	\$ 19,499	-
		ANDES TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current	5,657,324	\$ 746,767	13%	\$ 746,767	1
		CHUNGHWA PRECISION TEST TECH. CO., LTD.	Equity instrument investments measured at fair value through other comprehensive income- current	363,000	\$ 373,890	1%	\$ 373,890	-
		MEDIATEK INC.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	7,794,085	\$ 3,456,677	0%	\$ 3,456,677	2
		ESTINET TECHNOLOGIES INCORPORATION	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,000,000	\$ 10,000	4%	\$ 10,000	-
		Mars Semiconductor Corp.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,662,249	\$ 35,131	7%	\$ 35,131	-
		Taiwania Capital Buffalo Fund Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	250,000,000	\$ 240,468	5%	\$ 240,468	-
		FaceHeart Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	12,000,000	\$ 75,000	15%	\$ 75,000	-
		Hsu-Ta Investment Corp.	Stocks	ACSIP TECHNOLOGY CORP.	Equity instrument investments measured at fair value through other comprehensive income- current	327,707	\$ 3,441	1%
ANDES TECHNOLOGY CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- current			37,275	\$ 4,903	0%	\$ 4,903	1
Core Tech Resources Inc.	Linked Deposits	5Y USD CALLABLE STEEPENER NOTE DUE 5 DECEMBER 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,827,200	-	USD 8,827,200	-
		HYBRID CAPITAL RETURN NOTES DUE 23 FEBRUARY 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 4,283,230	-	USD 4,283,230	-
		Morgan Stanley Finance LLC Callable Range Accrual Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,832,600	-	USD 8,832,600	-
		Callable Credit Linked Dual Range due 2023	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,795,070	-	USD 8,795,070	-
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 4,704,161	0%	USD 4,704,161	-
		WI HARPER INC FUND VI LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,000	USD 2,393,487	2%	USD 2,393,487	-
		MCUBE, INC.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	3,114,984	USD 5,963,637	6%	USD 5,963,637	-
		INNOVATION WORKS LIMITED	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	2,000,000	USD 327,800	4%	USD 327,800	-
		CHINA ALPHA TECHNOLOGIES COMPANY LIMITED	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,990	USD 9,131	20%	USD 9,131	-
		GENERAL MOBILE CORPORATION	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	5,000,000	USD 1,225,000	18%	USD 1,225,000	-
		Mapbar Technology Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	28,504,992	USD 75,770,848	28%	USD 75,770,848	-
		AutoX, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	652,176	USD 25,969,648	7%	USD 25,969,648	-
		CIO Tech Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	6,000,000	USD 250,350	12%	USD 250,350	-
		Bee Computing (HK) Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,266,667	USD 9,500,003	3%	USD 9,500,003	-
		Easy-Logic Technology Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	842,734	USD 700,000	5%	USD 700,000	-
		Innoviz Technologies Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	761,322	USD 4,000,000	1%	USD 4,000,000	-
		UnlimiterHear Co.,Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	666,667	USD 21,986	2%	USD 21,986	-
		Oneview.Space LTD	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	334,919	USD 500,000	7%	USD 500,000	-
		DPS Concepts, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,132,118	USD 2,000,000	3%	USD 2,000,000	-
	Capital	JAFCO V3-(B) FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 64,124	-	USD 64,124	-
		China Walden Venture Investments II , L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 7,894,927	-	USD 7,894,927	-
		ALL-STAR INVESTMENT FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 28,519,739	-	USD 28,519,739	-
		NOZOMI FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 570,695	-	USD 570,695	-
		INNOVATION WORKS DEVELOPMENT FUND	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 18,257,331	-	USD 18,257,331	-
		Shanghai Walden Venture Capital Enterprise	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 16,686,645	-	USD 16,686,645	-
		CHINA BROADBAND CAPITAL PARTNERS II, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 12,643,893	-	USD 12,643,893	-
		CHINA BROADBAND CAPITAL PARTNERS III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 15,500,017	-	USD 15,500,017	-
		SOFTBANK PRINCEVILLE INVESTMENTS I, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 11,453,279	-	USD 11,453,279	-

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Continued)

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

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019				
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair value	Note
Gaintech Co. Limited	Capital	WALDEN RIVERWOOD VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,159,559	-	USD 9,159,559	-
		PVG GCN VENTURES, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 6,557,855	-	USD 6,557,855	-
		KIBOU FUND L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 2,380,734	-	USD 2,380,734	-
		WRV II L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,834,300	-	USD 9,834,300	-
		Shanghai SummitView IC M AND A Investment Limited Partnership	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 88,818,624	-	USD 88,818,624	-
		AMITI FUND II L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 5,970,197	-	USD 5,970,197	-
		Beijing Integrated Circuit Industry International Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 4,496,345	-	USD 4,496,345	-
		China Prosperity Capital Mobile Internet Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 6,851,895	-	USD 6,851,895	-
		All-Stars SP VI Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 39,341,210	-	USD 39,341,210	-
		HOPU USD Master Fund III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 23,796,731	-	USD 23,796,731	-
		China WaldenVenture Investments III, L.P	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 13,336,099	-	USD 13,336,099	-
		WRV III, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,764,328	-	USD 9,764,328	-
		Intudo Ventures II, LP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 600,000	-	USD 600,000	-
		Phi Fund, L.P.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 2,841,018	-	USD 2,841,018	-
		Amiti III, LP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 250,000	-	USD 250,000	-
	Bonds	Expedera, Inc.	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 2,400,000	-	USD 2,400,000	-
		AMobile Intelligent Corp. Limited convertible bonds	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 700,000	-	USD 700,000	-
		DB 5YR CNY SENIOR BULLET NOTE	Debt instrument investments measured at fair value through other comprehensive income- current	-	USD 7,195,686	-	USD 7,195,686	-
		China International Capital Corporation Limited unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,036,000	-	USD 9,036,000	-
		SoftBank Group Corp unsecured bond	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 8,951,020	-	USD 8,951,020	-
	Linked Deposits	Royal Bk Canada London 0% 20 Dec20	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 7,905,528	-	USD 7,905,528	-
		5 Year USD Denominated Credit Linked Notes linked to Bank of Communications	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,590,400	-	USD 9,590,400	-
		4 Year USD Denominated Credit Linked Notes linked to Alibaba	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,113,400	-	USD 9,113,400	-
		3 Year USD Denominated JMAB192E Linked Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,875,800	-	USD 8,875,800	-
		5 Year USD Denominated JMAB192E Linked Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,038,700	-	USD 9,038,700	-
		USD 3y Auto-callable Range Accrual Notes linked to USDTWD	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,187,200	-	USD 9,187,200	-
		Morgan Stanley USD Autocallable Range Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,095,130	-	USD 9,095,130	-
		3.5 Year USD Autocallable Steepener Credit Linked Note on the obligation of Alibaba Group Holding Ltd.	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,965,800	-	USD 8,965,800	-
		HYBRID CAPITAL RETURN NOTES DUE 23 FEBRUARY 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,954,100	-	USD 8,954,100	-
		24 Months Note Linked to a fund due 26 April 2021	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,298,800	-	USD 9,298,800	-
		USD 3y Notes Linked to a found Due 05-May-2022	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,767,700	-	USD 9,767,700	-
		Barclays Bank PLC 3.25% ECLEAR DUE 31OCT2019 USD REGS	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 9,000,000	-	USD 9,000,000	-
		Callable Credit Linked Dual Range due 2023	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,795,070	-	USD 8,795,070	-
	Funds	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 40,000,000	-	CNY 40,000,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
		Industrial and Commercial Bank of China- jh 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- E-ling RMB Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 13,000,000	-	CNY 13,000,000	-
		Industrial and Commercial Bank of China- jh yi yueh hsin plan A	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 - tian li bao Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		Industrial and Commercial Bank of China - tian li bao No2. Net Asset Value Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 33,000,000	-	CNY 33,000,000	-
		Industrial and Commercial Bank of China - gung yin tung li Free E RMB 2016 no.1 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 36,000,000	-	CNY 36,000,000	-
	Stocks	GIGA FORCE ELECTRONICS CO., LTD	Financial assets mandatorily measured at fair value through profit or loss- current	1,683,000	CNY 17,671,500	8%	CNY 17,671,500	-
	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 207,156,222	-	CNY 207,156,222	-
		Shanghai Internet Of Things VC Fund II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 18,858,020	-	CNY 18,858,020	-
		AI Speech Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 55,309,498	-	CNY 55,309,498	-
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 24,810,181	8%	CNY 24,810,181	-
	Capital	Shenzhen ORVIBO Technology Co., Ltd	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 14,435,594	-	CNY 14,435,594	-
		Shenzhen Feima Robotics Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 2,089,092	-	CNY 2,089,092	-

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Continued)

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

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019				
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair value	Note
Xuxin Investment (Shanghai) Inc.	Capital	ORBEC CO., LTD	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 55,081,961	-	CNY 55,081,961	-
		Shanghai Yiqi Information Technology Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 8,559,276	-	CNY 8,559,276	-
		Wuxi Maimaibao Information Technology Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 97,905	-	CNY 97,905	-
		Shanghai KQC Financial Management Consulting Co. Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 4,539,197	-	CNY 4,539,197	-
		Ningbo ABAX Sensing	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 14,256,007	-	CNY 14,256,007	-
		Hainan zhikelai enteconsulting partnership	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 992,900	-	CNY 992,900	-
	Funds	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 8,000,000	-	CNY 8,000,000	-
		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 4,150,000	-	CNY 4,150,000	-
		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 13,000,000	-	CNY 13,000,000	-
MediaTek USA Inc.	Bonds	PEMG-INSURANCE POLICY TRUST	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 10,809,909	-	USD 10,809,909	-
	Funds	Trust fund	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 19,160,561	-	USD 19,160,561	-
MediaTek (Wuhan) Inc.	Funds	Fubon Bank of China - yue de ying no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 18,000,000	-	CNY 18,000,000	-
		Fubon Bank of China - yue de ying no.1 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 16,480,000	-	CNY 16,480,000	-
Cloud Ranger Limited	Stocks	One Mobikwik Systems Private Limited	Equity instrument investments measured at fair value through other comprehensive income- current	36,201	USD 4,558,801	1%	USD 4,558,801	-
		Appier Holding, Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	103,573	USD 8,458,139	1%	USD 8,458,139	-
		ScaleFlux Inc.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	1,497,076	USD 5,549,212	4%	USD 5,549,212	-
		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 3,257,800	9%	USD 3,257,800	-
		EZConnect Entertainment Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	910	USD 598,352	9%	USD 598,352	-
		SkyREC LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	75,188	USD 600,000	6%	USD 600,000	-
	Bonds	ScaleFlux Inc. convertible bonds	Financial assets mandatorily measured at fair value through profit or loss- current	-	USD 2,000,000	-	USD 2,000,000	-
Hsu Chia (Samoa) Investment Ltd.	Bonds	BCHINA 4.88%	Debt instrument investments measured at fair value through other comprehensive income- current	-	CNY 5,024,000	-	CNY 5,024,000	-
		GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000	-
		BACR 3.95 05/30/25	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,375,000	-	CNY 50,375,000	-
		BOC 3.30 04/17/22	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
		BOC 3.15 10/16/21	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
		ADBCH 3.4 11/06/24	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
		ADBCH 3.18 11/06/22	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
	Linked Deposits	GS Float 03/27/22	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 51,460,000	-	CNY 51,460,000	-
Hsu Fa (Samoa) Investment Ltd.	Bonds	GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000	-
		BACR 3.95 05/30/25	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,375,000	-	CNY 50,375,000	-
		ADBCH 3.08 05/29/20	Financial assets measured at amortized cost- current	-	CNY 50,000,000	-	-	-
		BOC 3.30 04/17/22	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
		BOC 3.15 10/16/21	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
		BAC 4.5 06/27/21	Financial assets measured at amortized cost- noncurrent	-	CNY 7,029,120	-	-	-
	Linked Deposits	GS Float 03/27/22	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 51,460,000	-	CNY 51,460,000	-
		3yNC1y CNY Dual Range Accrual Notes link TWD>29 LIBOR < 5%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 48,575,000	-	CNY 48,575,000	-
		3yNC1y CNY Dual Range Accrual Notes link TWD>29 LIBOR < 5.25%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 38,856,000	-	CNY 38,856,000	-
Hsu Kang (Samoa) Investment Ltd.	Bonds	3yNC1y CNY Denominated Range Accrual Notes linked TWD>29.4	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 28,101,000	-	CNY 28,101,000	-
		3yNC1y CNY Dual Range Accrual Notes link TWD> 29.5 Swap Rate <= 3.40%	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	CNY 47,890,000	-	CNY 47,890,000	-
		GS 3.8 02/19/22	Debt instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 50,105,000	-	CNY 50,105,000	-
		ADBCH 3.08 05/29/20	Financial assets measured at amortized cost- current	-	CNY 10,000,000	-	-	-
		BOC 3.15 10/16/21	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
		ADBCH 3.4 11/06/24	Financial assets measured at amortized cost- noncurrent	-	CNY 50,000,000	-	-	-
	Bonds	ADBCH 3.18 11/06/22	Financial assets measured at amortized cost- noncurrent	-	CNY 47,000,000	-	-	-
		Shanghai Shansheng Chuangxin investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 10,051,200	-	CNY 10,051,200	-
		Shanghai SummitView IC M AND A Investment Limited Partnership II	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 11,302,661	-	CNY 11,302,661	-

(To be continued)



**MEDIATEK INC. AND SUBSIDIARIES**  
**SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)**  
**As of December 31, 2019**

(Continued)

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

Held Company Name	Securities Type	Securities Name	Financial Statement Account	December 31, 2019				
				Units/Shares	Carrying Amount	Percentage of Ownership(%)	Fair value	Note
MediaTek (Shenzhen) Inc.	Funds	Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 22,540,000	-	CNY 22,540,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 43,380,000	-	CNY 43,380,000	-
		Industrial and Commercial Bank of China- jh yi yueh hsin plan A	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 31,000,000	-	CNY 31,000,000	-
		Industrial and Commercial Bank of China- jh yi yueh hsin V guaranteed 24 weeks Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 27,830,000	-	CNY 27,830,000	-
Richtek Technology Corp.	Stocks	DYNA RECHI CO., LTD.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	16,000,000	\$ 116,800	9%	\$ 116,800	-
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	\$ 24,247	10%	\$ 24,247	-
Gold Rich International (HK) Limited	Stocks	Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- current	20,475,772	USD 575,518,810	4%	USD 575,518,810	-
		Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	31,216,205	USD 877,403,457	7%	USD 877,403,457	-
MediaTek (Shanghai) Inc.	Capital	Shanghai Shansheng Chuangxin investment Partnership (Limited Partnership)	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 10,051,200	-	CNY 10,051,200	-
		Zhu Hai City Yuan Tan Information Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	CNY 200,000	-	CNY 200,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 12,000,000	-	CNY 12,000,000	-
	Funds	Industrial and Commercial Bank of China- jh yi yueh hsin V guaranteed 24 weeks Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		Industrial and Commercial Bank of China- jh yi yueh hsin III plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 9,000,000	-	CNY 9,000,000	-
		Industrial and Commercial Bank of China- jh sheng yueh heng	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 33,000,000	-	CNY 33,000,000	-
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 81,347,444	9%	INR 81,347,444	-
MediaTek China Limited	Bonds	Callable Range Accrual Note	Financial assets mandatorily measured at fair value through profit or loss- noncurrent	-	USD 8,820,000	-	USD 8,820,000	-
MStar Software R&D (Shenzhen), Ltd.	Funds	Citibank-Structured Deposit	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 41,700,000	-	CNY 41,700,000	-
		Fubon Bank of China - yue de ying no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
MTK Wireless Limited (UK)	Capital	HEVC Advance LLC	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	GBP 881,693	-	GBP 881,693	-
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 Free E orientation 2017 no.3 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Yue li ying19110431	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 40,000,000	-	CNY 40,000,000	-
		Yue de ying19120263	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 10,000,000	-	CNY 10,000,000	-
EcoNet (Suzhou) Limited	Funds	Yue de ying no.2 19120376	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		Industrial and Commercial Bank of China- principal guaranteed 182 days Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E No.2 Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 15,000,000	-	CNY 15,000,000	-
		Industrial and Commercial Bank of China- principal guaranteed Free E Fund	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
		Yue de ying 19050340	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
		Yue de ying 19060065	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Yue de ying no.2 (Guaranteed)19030337	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Yue de ying no.2 (Guaranteed)19040389	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
		Yue de ying no.3 (Redemption)19010685	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 30,000,000	-	CNY 30,000,000	-
		Yue de ying no.3 (Redemption)19020158	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 20,000,000	-	CNY 20,000,000	-
		Fubon Bank of China - yue li ying Structured DepositsIRMB 19080655	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		Shanghai Pudong Development Bank- Lidodo Structured Deposit	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 50,000,000	-	CNY 50,000,000	-
		One 97 Communications Limited	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	115,271	USD 56,865,840	0%	USD 56,865,840	-
MOUNTAIN CAPITAL FUND L.P.	Stocks	Mountain SP	Equity instrument investments measured at fair value through other comprehensive income- noncurrent	-	USD 9,805,792	-	USD 9,805,792	-
MStar Chen Xi Software Shanghai Ltd.	Funds	China Merchants Bank- ju yi shen gjin 63 days plan B	Financial assets mandatorily measured at fair value through profit or loss- current	-	CNY 9,500,000	-	CNY 9,500,000	-

Note 1: The chairman of the company is the same as the ultimate parent company's.

Note 2: Ultimate parent entity.

**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, 2019**

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	Units/Shares	Amount	Units/Shares	Amount	Carrying Amount	Gains (Losses) on Disposal	Units/Shares	Amount (Note 5)
Gaintech Co. Limited	MediaTek China Limited	Investments accounted for using the equity method	Note 1	Subsidiary	2,445,564,020	USD 443,661,255	284,538,480	USD 36,306,858	-	USD -	USD -	USD -	2,730,102,500	USD 500,303,378
Gaintech Co. Limited	ILI Technology Holding Corporation	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD -	344,243,782	USD 113,600,448	-	USD -	USD -	USD -	344,243,782	USD 123,695,507
Gaintech Co. Limited	Nephos Cayman Co. Limited	Investments accounted for using the equity method	Note 1	Subsidiary	82,164,964	USD 8,598,582	30,945,462	USD 30,945,462	-	USD -	USD -	USD -	113,110,426	USD (2,969,954) (Note 8)
Gaintech Co. Limited	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	USD -	52,031,546	USD 57,522,701	-	USD -	USD -	USD -	52,031,546	USD 62,182,991
Gaintech Co. Limited	HOPU USD Master Fund III, LP.	Equity instrument investments measured at fair value through other comprehensive income-noncurrent	-	-	-	USD 11,907,531	-	USD 14,456,039	-	USD 4,713,765 (Note 9)	USD 4,713,765 (Note 9)	USD -	-	USD 23,796,731
MediaTek Investment Singapore Pte. Ltd.	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	USD -	52,031,546	USD 57,522,701	52,031,546	USD 57,522,701	USD 57,522,701	USD -	-	USD -
MediaTek Inc.	Sigmastar Technology Inc.	Investments accounted for using the equity method	Note 7	Subsidiary	-	\$ -	1,000	\$ 1,790,745	52,031,546	\$ 1,788,726	\$ 1,788,726	\$ -	-	\$ -
MediaTek Inc.	ILI Technology Corporation	Investments accounted for using the equity method	Note 4	Subsidiary	-	\$ -	369,770,200	\$ 3,798,727 (Note 4)	343,617,000	\$ 3,576,931	\$ 3,625,416	\$ - (Note 4)	-	\$ -
ILI Technology Holding Corporation	ILI Technology Corporation	Investments accounted for using the equity method	Note 3	Subsidiary	-	USD -	343,617,000	USD 113,600,448	-	USD -	USD -	USD -	343,617,000	USD 123,863,282
Nephos Cayman Co. Limited	Nephos (Hefei) Co., Ltd.	Investments accounted for using the equity method	Note 2	Subsidiary	-	USD 3,475,148	-	USD 31,935,274	-	USD -	USD -	USD -	-	USD (4,532,138) (Note 8)
MediaTek China Limited	Xuxin Investment (Shanghai) Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD 18,373,937	-	USD 26,500,000	-	USD -	USD -	USD -	-	USD 47,549,995
MediaTek China Limited	MediaTek (Wuhan) Inc.	Investments accounted for using the equity method	Note 1	Subsidiary	-	USD 11,754,149	-	USD 11,806,858	-	USD -	USD -	USD -	-	USD 25,139,983
Xuxin Investment (Shanghai) Inc.	Xuxi (Shanghai) Management Consulting Co., Ltd.	Investments accounted for using the equity method	Note 1	Subsidiary	-	CNY -	-	CNY 167,500,000	-	CNY -	CNY -	CNY -	-	CNY 171,282,514
Xuxi (Shanghai) Management Consulting Co., Ltd.	Hefei Xuhui Management Consulting Co., Ltd.	Investments accounted for using the equity method	Note 1	Subsidiary	-	CNY -	-	CNY 167,500,000	-	CNY -	CNY -	CNY -	-	CNY 171,256,686
MediaTek Inc.	HFI Innovation Inc.	Investments accounted for using the equity method	Note 10	Subsidiary	80,828,122	\$ 228,192	33,062,830	\$ 330,628 (Note 10)	-	\$ -	\$ -	\$ -	113,890,952	\$ 440,782
Gold Rich International (HK) Limited	Shenzhen Goodix Technology Co., Ltd.	Equity instrument investments measured at fair value through other comprehensive income-current	-	-	31,903,483	USD 346,561,042	6,770,195 (Note 6)	USD 5,867,348 (Note 6)	18,197,906	USD 360,566,338	USD 15,771,104	USD 344,795,234	20,475,772	USD 575,518,810 (Note 6)

(To be continued)

(Continued)

Note 1: Subscribed to the new shares issued.

Note 2: Acquired from outside shareholders.

Note 3: For the purpose of reorganization, the 100% ownership of ILI Technology Corporation, which was previously owned by MediaTek Inc., was transferred to ILI Technology Holding Corporation in May 2019.

Note 4: For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with MediaTek Inc. on January 1, 2019. ILI Technology Corporation transferred its ownership of shares of MStar Semiconductor, Inc. to MediaTek Inc.

The difference between the proceeds from disposal of subsidiaries and the carrying amounts of the subsidiaries of NT\$48,485 thousand was credited as deduction of additional paid-in capital.

Note 5: Investments accounted for using equity method includes investment income (loss) recognized by the equity method, adjustment for foreign exchange, and unrealized gains (losses) from investments measured at fair value through other comprehensive income.

Equity instrument investments measured at fair value through other comprehensive income includes unrealized gains (losses) from investments measured at fair value through other comprehensive income.

Note 6: Include the reclassification of USD5,867,348 from equity instrument investments measured at fair value through other comprehensive income- noncurrent.

Note 7: For the purpose of reorganization, MStar Semiconductor, Inc. was dissolved due to the merger with MediaTek Inc. on January 1, 2019. Sigmastar Technology Inc. which was previously owned by MStar Semiconductor, Inc., was transferred to MediaTek Inc.

Moreover, MediaTek Inc. transferred its ownership of Sigmastar Technology Inc. to MediaTek Investment Singapore Pte. Ltd. After that, MediaTek Investment Singapore Pte. Ltd. transferred its ownership of Sigmastar Technology Inc. to Gaintech Co. Limited on August 1, 2019.

Note 8: Include the adjustment of changes in ownership interest.

Note 9: Proceeds from capital return.

Note 10: Include the new shares issued in cash and in intellectual property (IP).

**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, 2019**

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			
MediaTek Inc.	Land and building	2019.03.22	\$ 339,000	\$ 339,000	Winsome Development Co., Ltd.	None	-	-	-	\$-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Chengdu) Inc.	Construction in progress	2018.08.31	CNY 295,000,000	CNY 83,384,323	Horizon Design (Xiamen) Co., Ltd., Sichuan Chuanjian Geotechnical Survey And Design Institute, Sichuan Hareal Consultina Co.,Ltd., Sichuan Linda Safety Consulting Technology Service Co., Ltd., Shanghai Zhennan Engineering Supervision Co., Ltd., Jiangsu Wannianda Construction Group Co., Ltd., Nantong Installation Group Co., Ltd., Shanghai Deheng Power Engineering Co., Ltd., The it electronics eleventh design & research institute scientific and technological engineering Corporation limited, Shanghai zhen nan engineering Surpervision Co.,Ltd., etc.	None	-	-	-	\$-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Wuhan) Inc.	Construction in progress	2019.10.25	CNY 371,000,000	CNY 2,057,693	Jiangsu Wannianda Construction Group Co., Ltd., Lianxing Construction Hubei Co.,Ltd.	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, 2019**

Attachment 6

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

Company Name	Counter-party	Relationship	Transaction Details				Details of Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales	Payment Term			Ending Balance	Percentage of Total Notes/Trade Receivables (Payables)	
MediaTek Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	Sales (Note 1)	\$ 1,039,170	0.76%	Charged by a certain period	-	-	\$ 107,110	0.75%	-
MediaTek Inc.	HFI Innovation Inc.	Subsidiary	Sales	\$ 150,628	0.11%	30 days	-	-	\$ 8,531	0.06%	-
MediaTek Inc.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 1,901,840	-	75 days	-	-	\$ (443,785)	3.58%	-
MediaTek Singapore Pte. Ltd.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	USD 30,257,281	-	75 days	-	-	USD (10,347,357)	4.61%	-
MediaTek Singapore Pte. Ltd.	Airoha Technology Corp.	Subsidiary	Sales	USD 5,044,007	0.25%	30 days	-	-	USD 268,191	0.11%	-
Airoha Technology Corp.	King Yuan Electronics Co., Ltd.	Substantive related party	IC testing, experimental services, and manufacturing technology services	\$ 265,936	-	90 days	-	-	\$ (89,529)	5.33%	-
EcoNet Limited	EcoNet (Suzhou) Limited	Subsidiary	Purchases	\$ 1,651,086	100.00%	Charged by a certain period	-	-	\$ (228,567)	100.00%	-
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	Sales	\$ 307,813	70.42%	30 days	-	-	\$ 304,798	100.00%	-

Note 1: License revenues mainly

**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, 2019**

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.	Airoha Technology Corp.	Subsidiary	\$ 389,346	(Note 1)	-	\$ -	-	\$ 1,273	\$ -
MediaTek Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 107,110	(Note 1)	-	\$ -	-	\$ 107,110	\$ -
MediaTek Inc.	Sigmastar Technology Corp.	Subsidiary	\$ 113,752	(Note 1)	-	\$ -	-	\$ 113,752	\$ -
MediaTek Inc.	ILI Technology Corporation	Subsidiary	\$ 261,532	(Note 3)	-	\$ -	-	\$ -	\$ -
MediaTek Inc.	Nephos (Hefei) Co., Ltd.	Subsidiary	\$ 468,432	(Note 1)	-	\$ -	-	\$ -	\$ -
MediaTek USA Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 451,865	(Note 1)	-	\$ -	-	\$ 451,865	\$ -
MediaTek (Shenzhen) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 283,719	(Note 1)	-	\$ -	-	\$ 283,719	\$ -
MediaTek (Chengdu) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 101,210	(Note 1)	-	\$ -	-	\$ 101,210	\$ -
MediaTek Wireless Finland Oy	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 144,166	(Note 1)	-	\$ -	-	\$ 144,166	\$ -
MediaTek Bangalore Private Limited	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 113,284	(Note 1)	-	\$ -	-	\$ 113,284	\$ -
MediaTek (Shanghai) Inc.	MediaTek Singapore Pte. Ltd.	Subsidiary	\$ 133,042	(Note 1)	-	\$ -	-	\$ 133,042	\$ -
EcoNet (Suzhou) Limited	EcoNet Limited	Subsidiary	\$ 228,567	(Note 1)	-	\$ -	-	\$ 100,383	\$ -
Hsu Chia (Samoa) Investment Ltd.	MediaTek (Shanghai) Inc.	Subsidiary	\$ 2,161,795	(Note 2)	-	\$ -	-	\$ -	\$ -
Hsu Fa (Samoa) Investment Ltd.	MediaTek (Hefei) Inc.	Subsidiary	\$ 735,010	(Note 2)	-	\$ -	-	\$ -	\$ -
Hsu Kang (Samoa) Investment Ltd.	MediaTek (Shenzhen) Inc.	Subsidiary	\$ 3,023,551	(Note 2)	-	\$ -	-	\$ -	\$ -
Sigmastar Technology Corp.	Xiamen Sigmastar Technology Inc.	Subsidiary	\$ 304,798	(Note 1)	-	\$ -	-	\$ -	\$ -
Richtek Technology Corp.	MediaTek Inc.	Subsidiary	\$ 757,291	(Note 1)	-	\$ -	-	\$ 757,291	\$ -
Airoha Technology Corp.	MediaTek Inc.	Subsidiary	\$ 101,537	(Note 1)	-	\$ -	-	\$ 101,537	\$ -

Note 1: Trade receivables and other receivables arising from technical services, sales of chips and software usage mainly.

Note 2: Loans and their interests (recorded in other receivables) mainly.

Note 3: Dividend revenues (recorded in other receivables) mainly.

**MEDIATEK INC. AND SUBSIDIARIES**  
**THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES**  
**For the year ended December 31, 2019**

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	\$ 107,110	By contract	0.02%
			A	Operating Revenue from related Party	\$ 1,039,170		0.42%
			A	Purchases from related party	\$ 64,282		0.03%
		Sigmastar Technology Corp.	A	Trade Receivables from related party	\$ 113,752		0.02%
		Xiamen Sigmastar Technology Inc.	A	Operating Revenue from related Party	\$ 72,933		0.03%
		ILI Technology Corporation	A	Other Receivables from related party	\$ 261,532		0.06%
		MediaTek USA Inc.	A	Lease execution deposits	\$ 10,322		0.00%
		MTK Wireless Limited (UK)	A	Lease execution deposits	\$ 7,034		0.00%
		MediaTek China Limited	A	Bank loan guarantee	\$ 2,980,313		0.65%
		Nephos (Hefei) Co., Ltd.	A	Trade Receivables from related party	\$ 170,278		0.04%
			A	Other Receivables from related party	\$ 298,154		0.06%
		EcoNet Limited	A	Research and development expenses	\$ 85,463		0.03%
		HFI Innovation Inc.	A	Operating Revenue from related Party	\$ 150,628		0.06%
		Richtek Technology Corp.	A	Trade Payables to related party	\$ 757,291		0.17%
		Airoha Technology Corp.	A	Trade Receivables from related party	\$ 388,072		0.08%
			A	Trade Payables to related party	\$ 101,537		0.02%
			A	Operating Revenue from related Party	\$ 415,304		0.17%
1	MediaTek Singapore Pte. Ltd.	MTK Wireless Limited (UK)	C	Trade Payables to related party	\$ 76,141	By contract	0.02%
			C	Research and development expenses	\$ 722,733		0.29%
		MediaTek India Technology Pvt. Ltd.	C	Trade Payables to related party	\$ 56,745		0.01%
			C	Research and development expenses	\$ 540,111		0.22%
		MediaTek Korea Inc.	C	Trade Payables to related party	\$ 52,399		0.01%
			C	Research and development expenses	\$ 514,945		0.21%
		MediaTek (Chengdu) Inc.	C	Trade Payables to related party	\$ 101,210		0.02%
			C	Research and development expenses	\$ 942,436		0.38%
		MediaTek (Beijing) Inc.	C	Research and development expenses	\$ 1,769,543		0.72%
		MediaTek (Wuhan) Inc.	C	Research and development expenses	\$ 412,586		0.17%
		MediaTek (Shenzhen) Inc.	C	Trade Payables to related party	\$ 283,719		0.06%
			C	Research and development expenses	\$ 2,838,895		1.15%
		MediaTek (Hefei) Inc.	C	Research and development expenses	\$ 1,746,208		0.71%
		MediaTek (Shanghai) Inc.	C	Other Payables to related party	\$ 133,042		0.03%
			C	Research and development expenses	\$ 1,412,928		0.57%
		MediaTek Bangalore Private Limited	C	Trade Payables to related party	\$ 113,284		0.02%
			C	Research and development expenses	\$ 1,026,576		0.42%
		MediaTek Wireless Finland Oy	C	Trade Payables to related party	\$ 144,166		0.03%

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES**  
**THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES**  
**For the year ended December 31, 2019**

(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 Wireless Finland Oy	C	Research and development expenses	\$ 804,157	By contract	0.33%
		MediaTek USA Inc.	C	Trade Payables to related party	\$ 451,865		0.10%
			C	Research and development expenses	\$ 4,565,124		1.85%
		Airoha Technology Corp.	C	Operating Revenue from Related Party	\$ 156,017		0.06%
		HFI Innovation Inc.	C	Operating Revenue from Related Party	\$ 81,106		0.03%
		MediaTek Japan Inc.	C	Research and development expenses	\$ 147,813		0.06%
		MediaTek Wireless FZ-LLC	C	Research and development expenses	\$ 32,706		0.01%
		MediaTek Sweden AB	C	Research and development expenses	\$ 98,953		0.04%
2	EcoNet Limited	EcoNet (Suzhou) Limited	C	Trade Payables to related party	\$ 228,567		0.05%
			C	Purchases from related party	\$ 1,651,086		0.67%
3	Hsu Chia (Samoa) Investment Ltd.	MediaTek (Shanghai) Inc.	C	Other Receivables from related party	\$ 2,161,795		0.47%
			C	Non-operating income	\$ 67,155		0.03%
4	Hsu Fa (Samoa) Investment Ltd.	MediaTek (Hefei) Inc.	C	Other Receivables from related party	\$ 735,010		0.16%
			C	Other Receivables from related party	\$ 3,023,551		0.66%
5	Hsu Kang (Samoa) Investment Ltd.	MediaTek (Shenzhen) Inc.	C	Non-operating income	\$ 93,925		0.04%
			C	Operating Revenue from Related Party	\$ 133,713		0.05%
6	Nephos Inc.	Nephos (Hefei) Co., Ltd.	C	Operating Revenue from Related Party	\$ 289,379		0.12%
7	Nephos Pte. Ltd.	Nephos (Hefei) Co., Ltd.	C	Operating Revenue from Related Party	\$ 224,671		0.09%
		Velocenet Inc.	C	Research and development expenses	\$ 133,476		0.05%
8	Corporate Event Limited	Richpower Microelectronics Corp.	C	Operating Revenue from related Party	\$ 133,414		0.05%
		Li-We Technology Corp.	C	Research and development expenses	\$ 110,061		0.04%
9	Airoha Technology Corp.	Airotek (Chengdu) Inc.	C	Research and development expenses	\$ 30,438		0.01%
		Airotek (Shenzhen) Inc.	C	Other Receivables from related party	\$ 153,161		0.06%
			C	Research and development expenses	\$ 60,340		0.02%
10	Richtek Technology Corp.	Richpower Microelectronics Co., Ltd.	C	Selling expenses	\$ 49,330		0.02%
		Richtek Korea LLC.	C	Selling expenses	\$ 35,085		0.01%
		Richtek USA Inc.	C	Selling expenses	\$ 45,768		0.02%
11	Richpower Microelectronics Corp.	Ironman Overseas Co., Ltd.	C	Selling expenses	\$ 77,805		0.03%
		Richstar Group Co., Ltd.	C	Selling expenses	\$ 64,948		0.03%
		Richtek Global Marketing Co., Ltd.	C	Selling expenses	\$ 65,982		0.03%
		Richtek Holding International Limited	C	Selling expenses	\$ 64,948		0.03%
			C	Selling expenses	\$ 304,798		0.07%
12	Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	C	Trade Receivables from related party	\$ 307,813		0.13%
			C	Operating Revenue from Related Party	\$ 45,268		0.01%
13	Sigmaster Technology Corp.	Xiamen Sigmaster Technology Inc.	C	Trade Payables to related party	\$ 127,270		0.05%
			C	Research and development expenses			
14	Xiamen Sigmaster Technology Inc.	SigmaStar Technology Inc. (Shanghai)	C	Trade Payables to related party			
			C	Research and development expenses			

(To be continued)



**MEDIATEK INC. AND SUBSIDIARIES**  
**THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES**  
**For the year ended December 31, 2019**

(Continued)

No. (Note 1)	Company Name	Counter-party	Relationship (Note 2)	Intercompany Transaction			
				Accounts	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
14	Xiamen Sigmastar Technology Inc.	Shenzhen Sing Chen Technology Inc.	C	Research and development expenses	\$ 150,631	By contract	0.06%
15	EcoNet (HK) Limited	EcoNet (Suzhou) Limited	C	Operating Revenue from Related Party	\$ 161,027		0.07%
16	ILI Technology Corporation	ILI Technology (SZ) Ltd.	C	Other Payables to related party	\$ 56,053		0.01%
			C	Selling expenses	\$ 188,927		0.08%
17	Nephos (Hefei) Co., Ltd.	EcoNet (Suzhou) Limited	C	Operating Revenue from Related Party	\$ 72,793		0.03%
18	Nephos (Taiwan) Inc.	Nephos (Hefei) Co., Ltd.	C	Operating Revenue from Related Party	\$ 103,868		0.04%
19	Nephos (Beijing) Co., Ltd.	Nephos (Hefei) Co., Ltd.	C	Operating Revenue from Related Party	\$ 44,264		0.02%

Note 1: MediaTek Inc. and its subsidiaries are coded as follows:

A. MediaTek Inc. is coded 0.

B. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: There are three types of relationship categorized as follow:

A. The holding companies to subsidiaries.

B. Subsidiaries to the holding companies.

C. Subsidiaries to subsidiaries.

Note 3: Percentage of consolidated operating revenues or total assets is calculated as follows: for the balance sheet accounts, the ending balance of assets or liabilities divided by consolidated total assets, or for the income statement accounts, the interim accumulated amounts divided by consolidated sales.

Note 4: The disclosure standard of above transactions between the holding company and subsidiaries are amounts exceeding NT\$ 30,000 thousand, including purchases, sales, trade payables to related party and trade receivables from related party.

**MEDIA TEK INC. AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEEs IN MAINLAND CHINA)**  
**As of December 31, 2019**

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, 2019			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
MediaTek Inc.	MStar International Technology Inc.	Note 1	Research	\$ 300,000	\$ 300,000	30,000,000	100%	\$ 83,140	\$ 295	\$ 295	Note 18
	HFI Innovation Inc.	Note 1	Intellectual property right management	\$ 1,138,910	\$ 808,281	113,890,952	100%	\$ 440,782	\$ (77,349)	\$ (51,576)	Note 18
	Hsu-Ta Investment Corp.	Note 1	General investing	\$ 35,264,009	\$ 35,264,009	3,398,981,889	100%	\$ 37,014,570	\$ 4,278,173	\$ 4,216,431	Note 18
	MediaTek Investment Singapore Pte. Ltd.	Note 7	General investing	\$ 53,067,384	\$ 51,278,658	2,251,157,978	100%	\$ 146,880,648	\$ 4,226,299	\$ 4,288,183	Note 18
	MediaTek Singapore Pte. Ltd.	Note 7	Research, manufacturing and sales	\$ 2,745,519	\$ 2,745,519	111,993,960	100%	\$ 6,365,067	\$ 6,214,071	\$ 6,189,711	Note 18
	MStar Semiconductor, Inc.	Note 1	Research, manufacturing and sales	\$ -	\$ 85,302,953	-	-	\$ -	\$ -	\$ -	Note 19
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ -	\$ 451,660	-	-	\$ -	\$ 1,558,185	\$ 61,225	Note 18 and Note 22
	MStar France SAS	Note 13	Research	\$ 868,611	\$ -	458,900	100%	\$ 823,679	\$ (8,519)	\$ (8,519)	Note 18 and Note 19
	MStar Co., Ltd.	Note 15	General investing	\$ 526,142	\$ -	13,350,000	100%	\$ 448,484	\$ (56,056)	\$ (56,056)	Note 18 and Note 19
	Digimoc Holdings Limited	Note 3	General investing	\$ 36,603	\$ -	3,805	100%	\$ 55,809	\$ (57)	\$ (57)	Note 18 and Note 19
	MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ -	\$ -	-	-	\$ -	\$ (130)	\$ 65	Note 18, Note 19 and Note 23
	ILI Technology Corporation	Note 1	Research, manufacturing and sales	\$ -	\$ -	-	-	\$ -	\$ 255,387	\$ 116,293	Note 19 and Note 20
	MShining International Corporation	Note 1	Sales	\$ 682,336	\$ -	63,138,811	100%	\$ 666,836	\$ 20,214	\$ 20,214	Note 18 and Note 19
	Sigmastar Technology Inc.	Note 2	General investing	\$ -	\$ -	-	-	\$ -	\$ 26,116	\$ (12,490)	Note 18, Note 19 and Note 24
	Spidcom Technologies	Note 13	Research	\$ 4,722	\$ -	14,620	100%	\$ 3,673	\$ (1,050)	\$ (1,050)	Note 18 and Note 19
MStar Semiconductor, Inc.	MStar France SAS	Note 13	Research	\$ -	\$ 202,148	-	-	\$ -	\$ (8,519)	-	Note 19
	MStar Co., Ltd.	Note 15	General investing	\$ -	\$ 933,852	-	-	\$ -	\$ (56,056)	-	Note 19
	Digimoc Holdings Limited	Note 3	General investing	\$ -	\$ 428,193	-	-	\$ -	\$ (57)	-	Note 19
	MStar Semiconductor UK Ltd.	Note 12	Research and technical services	\$ -	\$ 133,057	-	-	\$ -	\$ (130)	-	Note 19
	ILI Technology Corporation	Note 1	Research, manufacturing and sales	\$ -	\$ 3,697,702	-	-	\$ -	\$ 255,387	-	Note 19
	MShining International Corporation	Note 1	Sales	\$ -	\$ 631,388	-	-	\$ -	\$ 20,214	-	Note 19
	Sigmastar Technology Inc.	Note 2	General investing	\$ -	\$ 61,838	-	-	\$ -	\$ 26,116	-	Note 19
	Spidcom Technologies	Note 13	Research	\$ -	\$ 5,247	-	-	\$ -	\$ (1,050)	-	Note 19
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	Note 2	General investing	USD 1,921,541,067	USD 1,864,018,366	383,813,853	100%	USD 4,787,399,559	USD 130,318,383	-	Note 18
	Cloud Ranger Limited	Note 5	General investing	USD 23,139,000	USD 23,139,000	23,139,000	100%	USD 37,207,187	USD (387,508)	-	Note 18
	MediaTek Bangalore Private Limited	Note 4	Research	USD 339,847	USD 339,847	1,999,999	100%	USD 19,810,005	USD 5,596,169	-	Note 18
	MStar Semiconductor India Private Limited	Note 4	Research and technical services	USD -	USD 454,000	-	-	USD -	USD (125,307)	-	Note 18 and Note 25
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	Note 3	General investing	\$ 3,357,608	\$ 3,357,608	102,200,000	100%	\$ 4,748,743	\$ 140,893	-	Note 18
	MediaTek Capital Co.	Note 1	General investing	\$ 3,915,188	\$ 3,765,188	146,411,975	100%	\$ 6,268,673	\$ 73,771	-	Note 18
	MediaTek Bangalore Private Limited	Note 4	Research	\$ -	\$ -	1	-	\$ -	USD 5,596,169	-	Note 18
	Hsu-Si Investment Corp.	Note 1	General investing	\$ 27,300,000	\$ 30,700,000	2,730,000,000	100%	\$ 27,280,365	\$ 4,065,347	-	Note 18
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Note 4	Research	\$ -	\$ -	1	-	\$ -	USD 2,201,236	-	Note 18
MediaTek Capital Co.	RollTech Technology Co., Ltd.	Note 1	Research	\$ 140,020	\$ 138,268	5,262,000	100%	\$ 54,138	\$ 2,965	-	Note 18
	E-Vehicle Semiconductor Technology Co., Ltd.	Note 1	Research, manufacturing and sales	\$ 16,796	\$ 16,796	7,600,000	30%	\$ 16,770	\$ (18,962)	-	-
	Chingis Technology Corporation	Note 1	Research	\$ 887,932	\$ 887,932	116,936,991	100%	\$ 615,555	\$ (36,643)	-	Note 18
	Velocenet Inc.	Note 1	Research	\$ -	\$ 154,286	-	-	\$ -	\$ 6,025	-	Note 18 and Note 26
	Nephos (Taiwan) Inc.	Note 1	Research	\$ -	\$ 136,794	-	-	\$ -	\$ 10,542	-	Note 18 and Note 27
	CMOS-Crystal Ltd.	Note 1	Research	\$ 18,189	\$ 18,189	25,001	20%	\$ 17,153	\$ (2,291)	-	-

(To be continued)

**MEDIA TEK INC. AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEEs IN MAINLAND CHINA)**  
**As of December 31, 2019**

(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, 2019			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
MediaTek Capital Co.	Cyberon Corp.	Note 1	Research	\$ 250,737	\$ 250,737	3,119,748	30%	\$ 255,304	\$ 35,003	-	-
	MediaTek Research Corp.	Note 1	Research	\$ 800	\$ -	80,000	100%	\$ 1,088	\$ 288	-	Note 18
Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	Note 4	Research	USD 1,797,222	USD 1,797,222	5,499,999	100%	USD 12,703,489	USD 2,201,236	-	Note 18
	MediaTek Korea Inc.	Note 9	Research	USD 2,074,740	USD 2,074,740	200,000	100%	USD 6,750,536	USD 1,037,407	-	Note 18
	MediaTek China Limited	Note 11	General investing	USD 351,444,293	USD 315,137,435	2,730,102,500	100%	USD 500,303,378	USD 21,130,119	-	Note 18
	MediaTek Japan Inc.	Note 10	Technical services	USD 61,978	USD 61,978	7,100	100%	USD 2,699,752	USD 155,176	-	Note 18
	ZENA TECHNOLOGIES INTERNATIONAL, INC.	Note 3	General investing	USD 3,200,000	USD 3,200,000	600,000	33%	USD -	USD -	-	-
	CMC CAPITAL INVESTMENTS, L.P.	Note 2	General investing	USD 7,215,598	USD 9,692,083	-	67%	USD 4,548,486	USD (2,272,598)	-	-
	Smarthead Limited	Note 15	General investing	USD 700,000	USD 700,000	700,000	100%	USD 1,835,761	USD (98,038)	-	Note 18
	Gold Rich International (Samoa) Limited	Note 5	General investing	USD 4,290,000	USD 4,290,000	4,290,000	100%	USD 1,385,175,073	USD 5,851,637	-	Note 18
	Ralink Technology (Samoa) Corp.	Note 5	General investing	USD 5,626,623	USD 5,626,623	7,150,000	100%	USD 23,125,359	USD 19,011,497	-	Note 18
	MTK Wireless Limited (UK)	Note 12	Research	USD 111,688,604	USD 110,610,756	66,394,826	100%	USD 156,609,622	USD 18,614,865	-	Note 18
	EcoNet (Cayman) Inc.	Note 2	General investing	USD 55,952,726	USD 55,952,726	14,362,660	75%	USD 110,283,158	USD 24,314,109	-	Note 18
	FONTAINE CAPITAL FUND, L.P.	Note 2	General investing	USD 17,142,857	USD 20,000,000	17,142,857	57%	USD 39,220,539	USD (391,350)	-	-
	MediaTek Wireless FZ-LLC	Note 14	Technical services	USD 13,753	USD 13,753	50	100%	USD 325,076	USD 50,380	-	Note 18
	Digital Lord Limited	Note 5	General investing	USD -	USD 3,100,000	-	-	USD -	USD (47,789)	-	Note 18 and Note 28
	Hsu Chia (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 164,049,698	USD 5,010,782	-	Note 18
	Hsu Fa (Samoa) Investment Ltd.	Note 5	General investing	USD 156,422,064	USD 156,422,064	1,000,000,000	100%	USD 163,569,347	USD 4,722,560	-	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 163,740,978	USD 4,942,981	-	Note 18
	Nepfos Pte. Ltd.	Note 7	Research	USD 2,197,493	USD 2,197,493	3,039,240	100%	USD 3,425,839	USD 613,848	-	Note 18
	Nepfos Inc.	Note 6	Research	USD -	USD 4,200,000	-	-	USD -	USD 252,058	-	Note 18 and Note 29
	Nepfos Cayman Co. Limited	Note 2	General investing	USD 113,110,426	USD 82,164,964	113,110,426	100%	USD (2,969,954)	USD (7,974,788)	-	Note 18
	MOUNTAIN CAPITAL FUND, L.P.	Note 2	General investing	USD 27,200,000	USD 27,200,000	27,200,000	90%	USD 66,796,722	USD (32,230)	-	Note 18 and Note 30
	White Dwarf Limited	Note 3	General investing	USD -	USD 15,853,000	-	-	USD -	USD (5,359)	-	Note 18
	CSV1 VENTURES, L.P.	Note 2	General investing	USD 12,000,000	USD 7,500,000	12,000,000	39%	USD 10,113,415	USD (2,175,457)	-	-
	INTELLIGO TECHNOLOGY INC.	Note 2	General investing	USD 8,000,000	USD 8,000,000	8,928,270	24%	USD 4,250,419	USD (4,829,310)	-	-
	IStar Technology Ltd.	Note 2	General investing	USD 7,737,673	USD 7,737,673	50,000	100%	USD 7,780,468	USD 198,032	-	Note 18
	MediaTek Research UK Limited	Note 12	Research	USD 358,340	USD -	280,000	100%	USD 447,677	USD 73,570	-	Note 18
	ILI Technology Holding Corporation	Note 2	General investing	USD 113,600,448	USD -	344,243,782	100%	USD 123,695,507	USD 3,962,999	-	Note 18
	Amobile Intelligent Corp. Limited	Note 11	General investing	USD 1,884,921	USD 1,193,783	1,884,921	22%	USD 2,128,419	USD 1,446,788	-	Note 21
	Sigmastar Technology Inc.	Note 2	General investing	USD 57,522,701	USD -	52,031,546	100%	USD 62,182,991	USD 2,842,160	-	Note 18 and Note 24
	Lepower (HK) Limited.	Note 11	General investing	USD 26,851	USD -	3,050,000	100%	USD 25,763	USD (3,714)	-	Note 18 and Note 28
MTK Wireless Limited (UK)	MediaTek Sweden AB	Note 8	Research	GBP 19,361,957	GBP 19,361,957	1,008,371	100%	GBP 11,938,238	GBP 159,535	-	Note 18
	MediaTek USA Inc.	Note 6	Research	GBP 36,696,645	GBP 36,696,645	111,815	100%	GBP 84,388,427	GBP 12,614,850	-	Note 18
	MediaTek Wireless Finland Oy	Note 17	Research	GBP 4,733,036	GBP 4,733,036	1,000	100%	GBP 8,832,710	GBP 1,096,136	-	Note 18
	Mstar Semiconductor UK Ltd.	Note 12	Research and technical services	GBP 1,759,253	GBP -	1	100%	GBP 1,754,249	GBP (3,101)	-	Note 18 and Note 23
	Nepfos Inc.	Note 6	Research	GBP -	GBP -	-	-	GBP -	GBP 199,825	-	Note 18 and Note 29
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 1,385,089,667	USD 5,852,824	-	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, 2019**

(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, 2019			Net Income (Loss) of Investee	Investment Income (Loss) Recognized	Note
				Ending balance	Beginning balance	Units and Shares	Percentage of ownership	Carrying amount			
Smarthead Limited	MOMAGIC TECHNOLOGIES PRIVATE LIMITED	Note 4	Software development	USD 500,000	USD 500,000	2,385,927	23%	USD 1,643,314	USD 134,028	-	-
EcoNet (Cayman) Inc.	Shadow Investment Limited	Note 5	General investing	USD 1,491,120	USD 1,491,120	15,000,000	100%	USD 2,569,631	USD 43,732	-	Note 18
	EcoNet (HK) Limited	Note 11	General investing and research	USD 67,534,520	USD 67,534,520	67,534,520	100%	USD 139,384,711	USD 24,162,944	-	Note 18
EcoNet (Suzhou) Limited	EcoNet Limited	Note 3	General investing and sales	CNY 2,639,504	CNY 2,639,504	400,000	100%	CNY 25,872,136	CNY 8,882,606	-	Note 18
Digital Lord Limited	Lepower (HK) Limited.	Note 11	General investing	USD -	USD 3,050,000	-	-	USD -	USD (3,714)	-	Note 18 and Note 28
Sigmastar Technology Inc.	Sigmastar Technology Corp.	Note 1	Research, manufacturing and sales	USD 53,474,665	USD 53,474,665	152,795,000	100%	USD 48,615,243	USD (1,480,511)	-	Note 18
ILI Technology Corporation	ILITEK Holding Inc.	Note 3	General investing	\$ 399,927	\$ 399,927	13,050	100%	\$ 387,440	\$ 7,898	-	Note 18
Richtek Technology Corp.	Li-Yu Investment Corp.	Note 1	General investing	\$ 88,479	\$ 88,479	31,275,100	100%	\$ 336,463	\$ 1,522	-	Note 18
	Ironman Overseas Co., Ltd.	Note 3	General investing	\$ 373,359	\$ 373,359	8,930,000	100%	\$ 148,136	\$ 49,471	-	Note 18
	Richstar Group Co., Ltd.	Note 3	General investing	\$ 619,110	\$ 619,110	10,765,000	100%	\$ 243,932	\$ 108,530	-	Note 18
	Richnex Microelectronics Corp.	Note 1	Research, manufacturing and sales	\$ 278,032	\$ 278,032	26,963,153	82%	\$ 23,160	\$ (3,096)	-	Note 18
	Richtek Europe Holding B.V.	Note 16	General investing	\$ 84,724	\$ 84,724	2,000,000	100%	\$ 51,718	\$ 2,403	-	Note 18
	Richtek Holding International Limited	Note 3	General investing	\$ 292,264	\$ 292,264	30,000	100%	\$ 46,790	\$ (1,629)	-	Note 18
	Richpower Microelectronics Corp.	Note 2	Manufacturing and sales	\$ 263,830	\$ 263,830	12,600,000	100%	\$ 367,813	\$ (185,118)	-	Note 18
	Richtek Global Marketing Co., Ltd.	Note 3	General investing	\$ -	\$ 29,935	-	-	\$ -	\$ 6,123	-	Note 18 and Note 31
	Richtek Korea LLC.	Note 9	Sales and technical services	\$ 26,696	\$ -	10,000	100%	\$ 24,105	\$ 9,979	-	Note 18 and Note 31
Li-Yu Investment Corp.	Corporate Event Limited	Note 3	Technical services	\$ 1,537	\$ 1,537	52,000	51%	\$ 1,606	\$ 68	-	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 1,034,583	EUR 70,450	-	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 2,253,992	USD 6,663	-	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 4,846,075	USD 495,975	-	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 2,384,145	USD 114,393	-	Note 18
Richtek Global Marketing Co., Ltd.	Richtek Korea LLC.	Note 9	Sales and technical services	USD -	USD 1,000,000	-	-	USD -	USD 320,278	-	Note 18 and Note 31
Hsu-Si Investment Corp.	Richtek Technology Corp.	Note 1	Research, manufacturing and sales	\$ 28,954,147	\$ 28,954,147	148,482,806	100%	\$ 19,938,339	\$ 3,307,104	-	Note 18
	Airoha Technology Corp.	Note 1	Research, manufacturing and sales	\$ 6,428,827	\$ 6,268,560	61,092,908	100%	\$ 5,906,443	\$ 1,558,185	-	Note 18
	Airoha (Cayman) Inc.	Note 2	General investing	\$ 59,579	\$ 59,579	1,248,583	100%	\$ 49,592	\$ 14,560	-	Note 18
Airoha Technology Corp.	Airoha Technology (Samoa) Corp.	Note 5	General investing	\$ 68,580	\$ 68,580	1,762,000	100%	\$ 5,171	\$ 27	-	Note 18
ILI Technology Holding Corporation	ILI Technology Corporation	Note 1	Research, manufacturing and sales	USD 113,600,448	USD -	343,617,000	100%	USD 123,863,282	USD 3,962,999	-	Note 18 and Note 20
MediaTek India Technology Pvt. Ltd.	MStar Semiconductor India Private Limited	Note 4	Research and technical services	INR 26,422,200	INR -	1,500	100%	INR 24,404,198	INR (8,792,816)	-	Note 18 and Note 25

Note 1: Taiwan

Note 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, MStar Semiconductor, Inc. was dissolved due to the merger with MediaTek Inc. on January 1, 2019. Subsidiaries previously owned by MStar Semiconductor, Inc., were transferred to MediaTek Inc.

Note 20: For the purpose of reorganization, the 100% ownership of ILI Technology Corporation, which was previously owned by MediaTek Inc., was transferred to ILI Technology Holding Corporation in May 2019.

Note 21: Amobile Intelligent Holding Corporation issued new shares in June 2019, Gaintech Co. Limited subscribed 22% ownership in total of Amobile Intelligent Holding Corporation, therefore Gaintech Co. Limited has significant influence over Amobile Intelligent Holding Corporation since then.

Hence, Gaintech Co. Limited reclassified Amobile Intelligent Holding Corporation from equity instrument investments measured at fair value through other comprehensive income- noncurrent to investments accounted for using the equity method.

Note 22: For the purpose of reorganization, the 7% ownership of Airoha Technology Corp., which was previously owned by MediaTek Inc., was transferred to Hsu-Si Investment Corp. in August 2019.

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEEs IN MAINLAND CHINA)**  
**As of December 31, 2019**

(Continued)

Note 23: For the purpose of reorganization, the 100% ownership of MStar Semiconductor UK Ltd., which was previously owned by MediaTek Inc., was transferred to MTK Wireless Limited (UK) in August 2019.

Note 24: For the purpose of reorganization, the 100% ownership of Signastar Technology Inc., which was previously owned by MediaTek Inc., was transferred to Gaintech Co. Limited in August 2019.

Note 25: For the purpose of reorganization, the 100% ownership of MStar Semiconductor India Private Limited, which was previously owned by MStar Technology Pte. Ltd., was transferred to MediaTek Investment Singapore Pte. Ltd. in December 2018.

Moreover, the 100% ownership of MStar Semiconductor India Private Limited was transferred to MediaTek India Technology Pvt. Ltd. in November 2019.

Note 26: For the purpose of reorganization, Velocenet Inc. has been liquidated in December 2019.

Note 27: For the purpose of reorganization, Nephos (Taiwan) Inc. has been liquidated in December 2019.

Note 28: For the purpose of reorganization, Digital Lord Limited has been liquidated in December 2019. The 100% ownership of Lepower (HK) Limited, which was previously owned by Digital Lord Limited, was transferred to Gaintech Co. Limited.

Note 29: For the purpose of reorganization, the 100% ownership of Nephos Inc., which was previously owned by Gaintech Co. Limited, was transferred to MTK Wireless Limited (UK) in September 2019. Moreover, Nephos Inc. was dissolved due to merger with MediaTek USA Inc. in October 2019.

Note 30: The Company has controlled over Mountain Capital Fund, L.P. and the Company included it in consolidation.

Note 31: For the purpose of reorganization, Richtek Global Marketing Co., Ltd. has been liquidated in November 2019. The 100% ownership of Richtek Korea LLC., which was previously owned by Richtek Global Marketing Co., Ltd., was transferred to Richtek Technology Corp.

**MEDIATEK INC. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
For the year ended December 31, 2019

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, 2019	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
MediaTek (Shenzhen) Inc.	Note 2	\$ 2,709,540	MediaTek China Limited	\$ 2,709,540	-	-	\$ 2,709,540	\$ 106,971	100%	\$ 106,971	\$ 3,104,442	-
		USD 90,000,000		USD 90,000,000	-	-	USD 90,000,000	USD 3,459,331		USD 3,459,331	USD 103,117,038	
MediaTek (Hefei) Inc.	Note 2	\$ 511,802	MediaTek China Limited	\$ 511,802	-	-	\$ 511,802	\$ 93,123	100%	\$ 93,123	\$ 1,256,069	-
		USD 17,000,000		USD 17,000,000	-	-	USD 17,000,000	USD 3,011,510		USD 3,011,510	USD 41,721,536	
MediaTek (Beijing) Inc.	Note 2	\$ 3,010,600	MediaTek China Limited	\$ 3,010,600	-	-	\$ 3,010,600	\$ 179,551	100%	\$ 179,551	\$ 4,728,209	-
		USD 100,000,000		USD 100,000,000	-	-	USD 100,000,000	USD 5,806,489		USD 5,806,489	USD 157,052,058	
MediaTek (Chengdu) Inc.	Note 2	\$ 1,499,279	MediaTek China Limited	\$ 1,499,279	-	-	\$ 1,499,279	\$ 102,620	100%	\$ 102,620	\$ 1,993,100	-
		USD 49,800,000		USD 49,800,000	-	-	USD 49,800,000	USD 3,318,623		USD 3,318,623	USD 66,202,742	
MediaTek (Wuhan) Inc.	Note 2	\$ 499,966	MediaTek China Limited	\$ 144,509	\$ 355,457	-	\$ 499,966	\$ 44,250	100%	\$ 44,250	\$ 756,864	-
		USD 16,606,858		USD 4,800,000	USD 11,806,858	-	USD 16,606,858	USD 1,430,991		USD 1,430,991	USD 25,139,983	
Xuxin Investment (Shanghai) Inc.	Note 4	\$ 1,101,880	MediaTek China Limited	\$ 304,071	\$ 797,809	-	\$ 1,101,880	\$ 18,397	100%	\$ 18,397	\$ 1,431,540	-
		USD 36,600,000		USD 10,100,000	USD 26,500,000	-	USD 36,600,000	USD 594,935		USD 594,935	USD 47,549,995	
MediaTek (Shanghai) Inc.	Note 2	\$ 1,284,106	MediaTek China Limited	\$ 1,459,214	-	-	\$ 1,459,214	\$ 76,666	100%	\$ 76,666	\$ 1,504,556	-
		CNY 297,000,000		USD 48,469,221	-	-	USD 48,469,221	USD 2,479,302		USD 2,479,302	USD 49,975,273	
Nephos (Beijing) Co., Ltd.	Note 2	\$ 90,318	Nephos (Hefei) Co., Ltd.	\$ 72,881	-	-	\$ 72,881	\$ 2,223	100%	\$ 1,909	\$ 6,104	-
		USD 3,000,000		USD 2,420,803	-	-	USD 2,420,803	CNY 496,394		CNY 426,237	CNY 1,411,884	
MStar Software R&D (Shenzhen), Ltd.	Note 2	\$ 903,180	MStar Co., Ltd.	\$ 903,180	-	-	\$ 903,180	\$ (41,486)	100%	\$ (41,486)	\$ 453,420	-
		USD 30,000,000		USD 30,000,000	-	-	USD 30,000,000	USD (1,341,613)		USD (1,341,613)	USD 15,060,771	
MStar Chen Xi Software Shanghai Ltd.	Note 2	\$ 38,912	MStar Software R&D (Shenzhen), Ltd.	-	-	-	-	\$ (4,571)	100%	\$ (4,571)	\$ 41,316	-
		CNY 9,000,000		-	-	-	-	CNY (1,020,855)		CNY (1,020,855)	CNY 9,555,847	
EcoNet (Suzhou) Limited	Note 3	\$ 301,060	EcoNet (HK) Limited	\$ 282,439	-	-	\$ 282,439	\$ 821,320	75%	\$ 821,320	\$ 3,390,202	-
		USD 10,000,000		USD 9,381,500	-	-	USD 9,381,500	USD 26,560,596		USD 26,560,596	USD 112,608,837	
Richpower Microelectronics Co., Ltd.	Note 2	\$ 96,339	Richpower Microelectronics Corp.	\$ 96,339	-	-	\$ 96,339	\$ 3,054	100%	\$ 3,054	\$ 19,442	-
		USD 3,200,000		USD 3,200,000	-	-	USD 3,200,000	USD 98,772		USD 98,772	USD 645,780	
Li-We Technology Corp.	Note 2	\$ 75,265	Cosmic-Ray Technology Limited	\$ 75,265	-	-	\$ 75,265	\$ 3,383	100%	\$ 3,383	\$ 38,372	-
		USD 2,500,000		USD 2,500,000	-	-	USD 2,500,000	USD 109,411		USD 109,411	USD 1,274,552	
Yuan Ke (Pingtan) Investment Fund Limited Partnership	Note 4	\$ 4,813,233	Gaintech Co. Limited	\$ 3,901,738	-	-	\$ 3,901,738	\$ 146,636	81%	\$ 111,965	\$ 11,360,790	-
		USD 159,876,218		USD 129,600,000	-	-	USD 129,600,000	USD 4,742,062		USD 3,889,259	USD 377,359,670	
Zelus Technology (HangZhou) Ltd.	Note 3	\$ 155,046	Gaintech Co. Limited	\$ 155,046	-	-	\$ 155,046	\$ (24,319)	90%	\$ (23,339)	\$ 99,709	-
		USD 5,150,000		USD 5,150,000	-	-	USD 5,150,000	USD (786,460)		USD (754,762)	USD 3,311,936	
ILI Technology (SZ) Ltd.	Note 2	\$ 391,378	ILITEK Holding Inc.	\$ 391,378	-	-	\$ 391,378	\$ 7,984	100%	\$ 7,984	\$ 386,153	-
		USD 13,000,000		USD 13,000,000	-	-	USD 13,000,000	CNY 1,783,025		CNY 1,783,025	CNY 89,312,947	

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
For the year ended December 31, 2019

(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, 2019	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Beijing Ilitek Technology Co., Ltd.	Note 2	\$ 90,318 USD 3,000,000	IStar Technology Ltd.	\$ 90,318 USD 3,000,000	- -	- -	\$ 90,318 USD 3,000,000	\$ 1,519 CNY 339,320	100%	\$ 1,519 CNY 339,320	\$ 76,384 CNY 17,666,722	-
ShenZhen ZhongChen Semiconductor Ltd.	Note 2	\$ 150,530 USD 5,000,000	IStar Technology Ltd.	\$ 150,530 USD 5,000,000	- -	- -	\$ 150,530 USD 5,000,000	\$ 4,792 USD 154,968	100%	\$ 4,792 USD 154,968	\$ 151,389 USD 5,028,516	-
Nephos (Hefei) Co., Ltd.	Note 3	\$ 1,241,873 USD 41,250,000	Nephos Cayman Co. Limited	\$ 2,424,386 USD 80,528,321	\$ 961,443 USD 31,935,274	- -	\$ 3,385,829 USD 112,463,595	\$ (284,137) USD (9,188,678)	100%	\$ (246,015) USD (7,955,844)	\$ (136,445) USD (4,532,138)	-
Airotek (Shenzhen) Inc.	Note 2	\$ 28,601 USD 950,000	Airoha (Cayman) Inc.	\$ 28,601 USD 950,000	- -	- -	\$ 28,601 USD 950,000	\$ 8,707 USD 281,582	100%	\$ 8,707 USD 281,582	\$ 24,368 USD 809,397	-
Airotek (Chengdu) Inc.	Note 2	\$ 28,601 USD 950,000	Airoha (Cayman) Inc.	\$ 28,601 USD 950,000	- -	- -	\$ 28,601 USD 950,000	\$ 6,235 USD 201,628	100%	\$ 6,235 USD 201,628	\$ 29,350 USD 974,900	-
Xiamen Sigmastar Technology Inc.	Note 3	\$ 60,212 USD 2,000,000	Sigmastar Technology Inc.	\$ 60,212 USD 2,000,000	- -	- -	\$ 60,212 USD 2,000,000	\$ 152,308 USD 4,925,466	80%	\$ 137,241 USD 4,438,226	\$ 411,492 USD 13,668,099	-
Shenzhen Sing Chen Technology Inc.	Note 2	\$ 12,971 CNY 3,000,000	Xiamen Sigmastar Technology Inc.	- -	- -	- -	- CNY 2,000,174	\$ 8,956 CNY 2,000,174	80%	\$ 7,040 CNY 1,572,242	\$ 21,619 CNY 5,000,174	-
SigmaStar Technology Inc. (Shanghai)	Note 2	\$ 4,324 CNY 1,000,000	Xiamen Sigmastar Technology Inc.	- -	- -	- -	- CNY 2,124,393	\$ 9,512 CNY 2,124,393	80%	\$ 7,040 CNY 1,572,242	\$ 13,612 CNY 3,148,323	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505 CNY 85,000,000	Xuxin Investment (Shanghai) Inc.	- -	- -	- -	- CNY (15,924,518)	\$ (71,304) CNY (15,924,518)	10%	\$ (5,843) CNY (1,304,930)	\$ 35,035 CNY 8,105,954	-
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505 CNY 85,000,000	Xiamen Sigmastar Technology Inc.	- -	- -	- -	- CNY (15,924,518)	\$ (71,304) CNY (15,924,518)	16%	\$ (19,250) CNY (4,299,250)	\$ 67,773 CNY 15,700,750	-
Xuxi (Shanghai) Management Consulting Co., Ltd.	Note 4	\$ 724,201 CNY 167,500,000	Xuxin Investment (Shanghai) Inc.	- -	- -	- -	- CNY 3,782,514	\$ 16,937 CNY 3,782,514	100%	\$ 16,937 CNY 3,782,514	\$ 740,555 CNY 171,282,514	-
Hefei Xuhui Management Consulting Co., Ltd.	Note 4	\$ 724,201 CNY 167,500,000	Xuxi (Shanghai) Management Consulting Co., Ltd.	- -	- -	- -	- CNY 3,756,686	\$ 16,821 CNY 3,756,686	100%	\$ 16,821 CNY 3,756,686	\$ 740,444 CNY 171,256,686	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 20,542,387	\$ 27,698,888	\$ 187,650,206
USD 682,335,325	USD 920,045,448	

Note 1: Based on Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China promulgated by Investment Commission, MOEA.

Note 2: Development of consumer electronics products and software and related technology consulting services.

Note 3: Development, manufacture, and marketing of consumer electronics products and software.

Note 4: General investing.

(To be continued)

**MEDIATEK INC. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**For the year ended December 31, 2019**

(Continued)

Note 5: The methods for engaging in investment in Mainland China include the following:

- A. Direct investment in Mainland China.
- B. Indirect investment in Mainland China through companies registered in a third region.
- C. Other method.

Note 6: Recognized in financial statements audited by the auditors of the parent company in Taiwan.

Note 7: Amounts are listed in New Taiwan Dollars. For foreign currency conversion, net income (loss) of investee and investment income (loss) are converted by the average exchange rate during financial statement period (1 USD=30.92249 NTD; 1 CNY=4.47762 NTD).

Other amounts are converted by the exchange rate at reporting date. (1 USD=30.106 NTD; 1 CNY=4.32359 NTD)