

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

MEDIATEK INC.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

Notice to Readers

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

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of MediaTek Inc.

Opinion

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

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of MediaTek Inc. as of December 31, 2019 and 2018, and the parent company only financial performance and the parent company only cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

MediaTek Inc. recognized NT\$136,467,915 thousand as net sales, which includes sale of goods in the amount of NT\$131,729,250 thousand and services and other operating revenues in the amount of NT\$4,738,665 thousand for the year ended December 31, 2019. Main source of revenue comes from sales of chips. Due to the fact that the product portfolio and the pricing methods are varied and sales discounts are usually directly included or indirectly implied in purchase orders or in practice, it is necessary for the Company to judge and determine the performance obligation of a contract, the timing of its satisfaction, and the estimate of the variable considerations. As a result, we determined the matter to be a key audit matter.

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

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan

March 20, 2020

Notice to Readers

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

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

MEDIATEK INC.
PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$ 103,679,288	25	\$ 60,204,772	18
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	782,571	-	779,574	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	-	-	418,691	-
Financial assets measured at amortized cost-current	4, 6(4), 8	-	-	9,705	-
Trade receivables, net	4, 6(5), 6(20)	13,182,615	4	9,128,184	3
Trade receivables from related parties, net	4, 6(5), 6(20), 7	673,955	-	452,446	-
Other receivables	6(6)	4,205,208	1	3,226,167	1
Other receivables from related parties	7	687,669	-	7,661,565	3
Current tax assets	4, 5, 6(27)	423,785	-	473,886	-
Inventories, net	4, 5, 6(7)	12,916,017	3	8,999,711	3
Prepayments	6(8)	670,675	-	504,129	-
Other current assets		554,248	-	595,604	-
Total current assets		137,776,031	33	92,454,434	28
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 6(2)	192,990	-	-	-
Financial assets at fair value through other comprehensive income-noncurrent	4, 5, 6(3)	2,998,636	1	2,707,975	1
Financial assets measured at amortized cost-noncurrent	4, 6(4), 8	563,244	-	435,789	-
Investments accounted for using the equity method	4, 6(9)	192,782,688	47	191,249,878	57
Property, plant and equipment	4, 6(10)	20,003,889	5	12,988,180	4
Right-of-use assets	4, 6(21)	1,655,739	-	-	-
Intangible assets	4, 6(11), 6(12)	54,646,668	13	28,975,722	9
Deferred tax assets	4, 5, 6(27)	3,501,079	1	3,164,112	1
Refundable deposits		72,152	-	62,262	-
Total non-current assets		276,417,085	67	239,583,918	72
Total assets		<u>\$ 414,193,116</u>	<u>100</u>	<u>\$ 332,038,352</u>	<u>100</u>

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC.
PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Short-term borrowings	6(13)	\$ 51,601,684	13	\$ 24,555,667	8
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	-	-	4,520	-
Contract liabilities-current	4, 5, 6(19)	1,783,144	-	1,004,412	1
Trade payables		11,040,313	3	3,776,187	1
Trade payables to related parties	7	1,371,870	-	730,252	-
Other payables	6(14), 7	17,907,377	4	15,915,872	5
Current tax liabilities	4, 5, 6(27)	641,347	-	983,457	-
Lease liabilities-current	4, 6(21)	90,418	-	-	-
Other current liabilities	4, 6(15)	10,205,088	3	9,514,546	3
Current portion of long-term liabilities		661,680	-	750,394	-
Total current liabilities		95,302,921	23	57,235,307	18
Non-current liabilities					
Long-term payables		818,950	-	307,330	-
Net defined benefit liabilities-noncurrent	4, 6(16)	657,843	-	607,132	-
Deposits received	7	425,644	-	54,061	-
Deferred tax liabilities	4, 5, 6(27)	2,200,929	1	571,064	-
Lease liabilities-noncurrent	4, 6(21)	1,567,901	-	-	-
Non-current liabilities-others		468,584	-	317,237	-
Total non-current liabilities		6,139,851	1	1,856,824	-
Total liabilities		101,442,772	24	59,092,131	18
Equity					
Share capital	6(17)				
Common stock		15,896,473	4	15,915,070	5
Capital collected in advance		3,780	-	-	-
Capital surplus	6(17), 6(18)	82,392,203	20	85,237,214	25
Retained earnings	6(17)				
Legal reserve		41,507,689	10	39,431,639	12
Undistributed earnings		127,729,843	31	108,577,764	33
Other equity	6(18)	45,276,326	11	23,840,504	7
Treasury shares	4, 6(17)	(55,970)	-	(55,970)	-
Total equity		312,750,344	76	272,946,221	82
Total liabilities and equity		\$ 414,193,116	100	\$ 332,038,352	100

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

Description	Notes	2019	%	2018	%
Net sales	4, 5, 6(19), 7	\$ 136,467,915	100	\$ 88,795,775	100
Operating costs	4, 5, 6(7), 6(22), 7	(80,852,750)	(59)	(52,423,845)	(59)
Gross profit		55,615,165	41	36,371,930	41
Unrealized gross profit on sales		(150,628)	-	-	-
Realized gross profit on sales		84,166	-	81,656	-
Gross profit, net		55,548,703	41	36,453,586	41
Operating expenses	6(20), 6(22), 7				
Selling expenses		(6,286,976)	(5)	(4,762,776)	(5)
Administrative expenses		(2,937,472)	(2)	(2,505,329)	(3)
Research and development expenses		(36,868,477)	(27)	(26,437,628)	(30)
Expected credit gains		3,527	-	124,657	-
Total operating expenses		(46,089,398)	(34)	(33,581,076)	(38)
Operating income		9,459,305	7	2,872,510	3
Non-operating income and expenses					
Other income	4, 6(23), 7	1,911,630	2	1,647,868	2
Other gains and losses	4, 6(24), 7	185,783	-	83,713	-
Finance costs	6(25)	(980,383)	(1)	(947,792)	(1)
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	4	14,762,669	11	17,197,361	19
Total non-operating income and expenses		15,879,699	12	17,981,150	20
Net income before income tax		25,339,004	19	20,853,660	23
Income tax expense	4, 5, 6(27)	(2,306,283)	(2)	(93,162)	-
Net income		23,032,721	17	20,760,498	23
Other comprehensive income	4, 6(9), 6(16), 6(26), 6(27)				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of the defined benefit plan		(66,098)	-	(125,966)	-
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income		1,743,040	1	161,495	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method which may not be reclassified to profit or loss		30,863,517	23	(964,473)	(1)
Income tax relating to those items not to be reclassified to profit or loss		13,220	-	20,189	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		(2,727,299)	(2)	1,027,946	1
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		351	-	(1,665)	-
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method which may be reclassified to profit or loss		36,783	-	(17,234)	-
Other comprehensive income, net of tax		29,863,514	22	100,292	-
Total comprehensive income		\$ 52,896,235	39	\$ 20,860,790	23
Basic Earnings Per Share (in New Taiwan Dollars)	6(28)	\$ 14.69		\$ 13.26	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(28)	\$ 14.57		\$ 13.18	

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Share capital		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
Effects of retrospective application and restatement	-	-	-	-	2,221,085	-	27,945,391	(21,062,950)	-	-	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
Appropriation and distribution of 2017 earnings:											
Legal reserve	-	-	-	2,433,260	(2,433,260)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(11,844,548)	-	-	-	-	-	(11,844,548)
Total	-	-	-	2,433,260	(14,277,808)	-	-	-	-	-	(11,844,548)
Cash dividends distributed from capital surplus	-	-	(3,948,182)	-	-	-	-	-	-	-	(3,948,182)
Profit for the year ended December 31, 2018	-	-	-	-	20,760,498	-	-	-	-	-	20,760,498
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(137,225)	1,027,946	(790,429)	-	-	-	100,292
Total comprehensive income	-	-	-	-	20,623,273	1,027,946	(790,429)	-	-	-	20,860,790
Share-based payment transactions	447	(231)	30,648	-	-	-	-	-	-	-	30,864
Adjustments due to dividends that subsidiaries received from parent company	-	-	77,941	-	-	-	-	-	-	-	77,941
Differences of Associates Accounted for Using Equity Method	-	-	(4,327)	-	(31,091)	-	-	-	-	-	(35,418)
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	-	-	(1,379,861)	-	-	-	-	-	(1,379,861)
Changes in ownership interests in subsidiaries	-	-	38,318	-	-	-	-	-	-	-	38,318
Issuance of restricted stock for employees	100,483	-	837,359	-	66,351	-	-	-	(767,683)	-	236,510
Changes in other capital surplus	-	-	(5,362)	-	-	-	-	-	-	-	(5,362)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	726,618	-	(726,618)	-	-	-	-
Balance as of December 31, 2018	15,915,070	-	85,237,214	39,431,639	108,577,764	(1,222,342)	26,428,344	-	(1,365,498)	(55,970)	272,946,221
Appropriation and distribution of 2018 earnings:											
Legal reserve	-	-	-	2,076,050	(2,076,050)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(9,525,233)	-	-	-	-	-	(9,525,233)
Total	-	-	-	2,076,050	(11,601,283)	-	-	-	-	-	(9,525,233)
Cash dividends distributed from capital surplus	-	-	(4,762,617)	-	-	-	-	-	-	-	(4,762,617)
Profit for the year ended December 31, 2019	-	-	-	-	23,032,721	-	-	-	-	-	23,032,721
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(58,130)	(2,727,299)	32,648,943	-	-	-	29,863,514
Total comprehensive income	-	-	-	-	22,974,591	(2,727,299)	32,648,943	-	-	-	52,896,235
Share-based payment transactions	1,744	3,780	26,686	-	-	-	-	-	-	-	32,210
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,147	-	-	-	-	-	-	-	70,147
Changes in associates and joint ventures accounted for using the equity method	-	-	9,810	-	-	-	-	-	-	-	9,810
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	992	-	(997,074)	-	-	-	-	-	(996,082)
Changes in ownership interests in subsidiaries	-	-	(11,520)	-	-	-	-	-	-	-	(11,520)
Issuance of restricted stock for employees	(20,341)	-	1,692,596	-	37,237	-	-	-	268,785	-	1,978,277
Changes in other capital surplus	-	-	128,895	-	-	-	-	-	-	-	128,895
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	8,738,608	-	(8,754,607)	-	-	-	(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

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 25,339,004	\$ 20,853,660
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	2,129,051	1,580,054
Amortization	2,326,828	974,765
Excepted credit gains	(3,527)	(124,657)
(Gains) losses on financial assets and liabilities at fair value through profit or loss	(41,507)	7,028
Interest expenses	980,383	947,792
Interest income	(1,729,211)	(1,571,875)
Share-based payment expenses	1,922,383	151,151
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	(14,762,669)	(17,197,361)
(Gains) losses on disposal of property, plant and equipment	(2,087)	1,062
Property, plant and equipment transferred to expenses	-	1,200
Losses on disposal of investments	-	611
Realized gains on sales	(84,166)	(81,656)
Others	23,740	-
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	(159,000)	160,000
Trade receivables	3,383,759	(1,272,599)
Trade receivables from related parties	(137,085)	147,712
Other receivables	(80,601)	(689,099)
Other receivables from related parties	(82,836)	(13,404)
Inventories	1,706,253	(2,156,824)
Prepayments	(109,026)	(288,684)
Other current assets	69,368	875,350
Contract liabilities	778,732	181,164
Trade payables	3,489,486	(1,115,170)
Trade payables to related parties	522,768	361,189
Other payables	(1,166,166)	(1,358,205)
Other current liabilities	177,539	5,426,936
Long-term payables	(6,270)	13,275
Net defined benefit liabilities	(15,387)	(796)
Non-current liabilities-others	(2,318)	317,237
Cash generated from operating activities:		
Interest received	1,054,608	1,738,080
Dividend received	4,710,846	4,858,901
Interest paid	(970,905)	(952,823)
Income tax paid	(1,501,512)	(1,023,002)
Net cash provided by operating activities	<u>27,760,475</u>	<u>10,751,012</u>
Cash flows from investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	524,246	902,095
Acquisition of financial assets measured at amortized cost	(217,047)	(113,591)
Proceeds from redemption of financial assets measured at amortized cost	99,297	39,000
Acquisition of investments accounted for using the equity method	(2,199,986)	-
Proceeds from disposal of investments accounted for using the equity method	5,627,036	-
Proceeds from capital return of investments accounted for using the equity method	-	5,600,000
Cash received through merger	3,945,737	-
Acquisition of property, plant and equipment	(4,346,815)	(1,989,035)
Proceeds from disposal of property, plant and equipment	16,924	3,272
Decrease in refundable deposits	2,650	16,064
Acquisition of intangible assets	(996,511)	(805,527)
Net cash provided by investing activities	<u>2,455,531</u>	<u>3,652,278</u>
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings	27,046,017	(15,649,589)
Increase in deposits received	371,583	4,802
Cash payment for the principal portion of the lease liabilities	(94,523)	-
Proceeds from exercise of employee stock options	167,389	6,052
Cash dividends	(14,231,956)	(15,708,319)
Net cash provided by (used in) financing activities	<u>13,258,510</u>	<u>(31,347,054)</u>
Net increase (decrease) in cash and cash equivalents	43,474,516	(16,943,764)
Cash and cash equivalents at the beginning of the year	60,204,772	77,148,536
Cash and cash equivalents at the end of the year	<u>\$ 103,679,288</u>	<u>\$ 60,204,772</u>

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

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

1. Organization and Operation

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

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

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

3. Newly Issued or Revised Standards and Interpretations

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

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

A. IFRS 16 “Leases”

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

On January 1, 2019, the Company's right-of-use asset increased by NT\$1,692,464 thousand, lease liability-current increased by NT\$78,481 thousand and lease liability-noncurrent increased NT\$1,613,983 thousand.

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

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
- iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
- v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4 and Note 6. (21) for additional disclosure of lessees required by IFRS 16.

(c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

- i. The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.12%.
- ii. The difference of the amount NT\$1,483,099 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019 is presented as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$ 514,980
Discounted using the incremental borrowing rate on January 1, 2019	\$ 209,365
Less: adjustment to leases that meet and elect to be accounted in the same way as short-term leases	(7,595)
Add: adjustments to the options to extend or terminate the lease that is reasonably certain to exercise	1,490,694
The carrying value of lease liabilities recognized as at January 1, 2019	\$ 1,692,464

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

4. Summary of Significant Accounting Policies

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

Foreign currency transactions

The Company’s parent company only financial statements are presented in NT\$.

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

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

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

Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Company expects to settle the liability in its normal operating cycle.
- B. the Company holds the liability primarily for the purpose of trading.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

All other liabilities are classified as non-current.

Cash and cash equivalents

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

Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

a. Financial assets measured at amortized cost

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

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- (i) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

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

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

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

B. Impairment of financial assets

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

The loss allowance is measured as follows:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

D. Financial liabilities and equity

a. Classification between liabilities or equity

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

b. Equity instruments

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

c. Financial liabilities

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

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

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

A financial liability is classified as held for trading if:

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

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

- i. it eliminates or significantly reduces a measurement or recognition inconsistency;
- or

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

(b) Financial liabilities at amortized cost

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

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

(c) Derecognition of financial liabilities

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

E. Offsetting of financial instruments

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

Derivative instrument

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Fair value measurement

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

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

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

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

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

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

Inventories

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

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

Investments accounted for using the equity method

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

Property, plant and equipment

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Leases

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

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

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

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

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

A. The Company as a lessee

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

B. The Company as a lessor

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

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

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

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

A. The Company as a lessee

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

B. The Company as a lessor

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

Intangible assets

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

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

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

<u>Trademarks</u>	<u>Patents</u>	<u>Software</u>	<u>IPs and others</u>
6 years	2-7 years	2-5 years	2-7 years

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Impairment of non-financial assets

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

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

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

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

Treasury shares

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Provisions

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

Sales returns and allowances (Refund liabilities)

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

Revenue recognition

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

Sale of goods

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The credit period of the Company's sale of goods is from 45 to 60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the Company transfers the goods to customers and when the customers pay for that goods is usually short and there is no significant financing component to the contract. For a small part of the contracts, the Company has the right to transfer the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Silicon intellectual property license

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

Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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

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

Share-based payment transactions

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

The cost of restricted shares issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

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

A. Current income tax

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

B. Deferred tax

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

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

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

Business combinations and goodwill

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and assumptions

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

A. Fair value of Level 3 financial instruments

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

B. Valuation of inventory- estimation of obsolescence provision

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

C. Income tax

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

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

D. Revenue recognition - sales returns and discounts

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6. (15) for more details.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Checking and savings accounts	\$ 5,400,368	\$ 3,290,697
Time deposits	98,278,920	56,914,075
Total	<u>\$ 103,679,288</u>	<u>\$ 60,204,772</u>

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

Cash and cash equivalents were not pledged.

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

	December 31, 2019	December 31, 2018
<u>Current</u>		
<u>Financial assets mandatorily</u>		
<u>measured at fair value through</u>		
<u>profit or loss</u>		
Funds	\$ 782,571	\$ 750,297
Linked deposits	-	29,277
Total	<u>\$ 782,571</u>	<u>\$ 779,574</u>
 <u>Held for trading financial liabilities</u>		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 4,520</u>
 <u>Noncurrent</u>		
<u>Financial assets mandatorily</u>		
<u>measured at fair value through</u>		
<u>profit or loss</u>		
Stocks	<u>\$ 192,990</u>	<u>\$ -</u>

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

	December 31, 2019	December 31, 2018
<u>Current</u>		
<u>Debt instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Bonds	\$ -	\$ 149,994
<u>Equity instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Listed company stocks	-	268,697
Total	\$ -	\$ 418,691
<u>Noncurrent</u>		
<u>Equity instrument investments</u>		
<u>measured at fair value through</u>		
<u>other comprehensive income</u>		
Funds	2,993,489	2,707,975
Stocks	5,147	-
Total	\$ 2,998,636	\$ 2,707,975

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

Please refer to Note 6. (20) for more details on accumulated impairment of debt instrument investments measured at fair value through other comprehensive income and Note 12 for more details on credit risk.

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

	For the years ended December 31	
	2019	2018
The fair value of the investments at the date of derecognition	\$ 374,246	\$ 2,153
The cumulative loss on disposal	\$ 676,395	\$ 205

(4) Financial assets measured at amortized cost

	December 31, 2019	December 31, 2018
<u>Current</u>		
Time deposits	\$ -	\$ 9,705
<u>Noncurrent</u>		
Bonds	290,000	290,000
Time deposits	273,244	145,789
Subtotal	563,244	435,789
Total	\$ 563,244	\$ 445,494

The Company classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6. (20) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(5) Trade receivables and trade receivables from related parties

	December 31, 2019	December 31, 2018
Trade receivables	\$ 13,191,292	\$ 9,136,663
Less: allowance for doubtful debts	(8,677)	(8,479)
Subtotal	13,182,615	9,128,184
Trade receivables from related parties	673,955	452,446
Less: allowance for doubtful debts	-	-
Subtotal	673,955	452,446
Total	\$ 13,856,570	\$ 9,580,630

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

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

Trade receivables are generally on 45 to 60 day terms. The total carrying amount were NT\$13,865,247 thousand and NT\$9,589,109 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6. (20) for more details on impairment of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

Trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring without recourse were NT\$1,823,530 thousand and NT\$1,715,915 thousand as of December 31, 2019 and 2018, respectively.

(6) Other receivables

	December 31, 2019	December 31, 2018
Factoring receivables	\$ 2,588,179	\$ 1,457,977
Others	1,617,029	1,768,190
Total	<u>\$ 4,205,208</u>	<u>\$ 3,226,167</u>

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. Receivables from banks due to factoring agreement were NT\$2,588,179 thousand and NT\$1,457,977 thousand as of December 31, 2019 and 2018, respectively.

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

A. As of December 31, 2019:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin					
International Bank	-	\$ 50,727	-	\$ 50,727	\$ 108,000
BNP Paribas	-	35,089	-	35,089	155,000
CHB	-	153	-	153	1,200
CTBC	-	-	-	-	1,675
SKCB	-	-	-	-	2,500
Total		<u>\$ 85,969</u>	<u>\$ -</u>	<u>\$ 85,969</u>	<u>\$ 268,375</u>

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

B. As of December 31, 2018:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
Taishin					
International Bank	-	\$ 24,898	\$ -	\$ 24,898	\$ 76,000
BNP Paribas	-	22,542	-	22,542	157,000
HSBC	-	-	-	-	350
Total		\$ 47,440	\$ -	\$ 47,440	\$ 233,350

(7) Inventories

	December 31, 2019	December 31, 2018
Raw materials	\$ 534,157	\$ 273,945
Work in progress	8,351,228	5,100,353
Finished goods	4,030,632	3,625,413
Net amount	\$ 12,916,017	\$ 8,999,711

For the years ended December 31, 2019 and 2018, the cost of inventories recognized in expenses amounted to NT\$80,852,750 thousand and NT\$52,423,845 thousand, including the write-down of inventories of NT\$616,714 thousand and NT\$1,615,715 thousand for the years ended December 31, 2019 and 2018, respectively.

Inventories were not pledged.

(8) Prepayments

	December 31, 2019	December 31, 2018
Prepaid expenses	\$ 598,229	\$ 389,137
Others	72,446	114,992
Total	\$ 670,675	\$ 504,129

(9) Investments accounted for using the equity method

Investees	December 31, 2019		December 31, 2018	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
MediaTek Investment Singapore Pte. Ltd.	\$ 146,880,648	100	\$ 112,353,105	100
MStar Semiconductor, Inc.	-	-	41,057,508	100
(To be continued)				

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

(Continued)	December 31, 2019		December 31, 2018	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investees				
Hsu-Ta Investment Corp.	37,014,570	100	32,357,133	100
MediaTek Singapore Pte. Ltd.	6,365,067	100	4,966,591	100
MStar France SAS	823,679	100	-	-
MShining International Corporation	666,836	100	-	-
MStar Co., Ltd.	448,484	100	-	-
HFI Innovation Inc.	440,782	100	228,192	100
MStar International Technology Inc.	83,140	100	82,845	100
Digimoc Holdings Limited	55,809	100	-	-
Spidcom Technologies	3,673	100	-	-
Airoha Technology Corp.	-	-	204,504	7
Total	<u>\$ 192,782,688</u>		<u>\$ 191,249,878</u>	

MStar Semiconductor, Inc. was dissolved due to the merger with the Company on January 1, 2019. Subsidiaries previously owned by MStar Semiconductor, Inc., were transferred to the Company.

Hsu-Ta Investment Corp. returned NT\$5,600,000 thousand in July 2018 due to capital reduction.

The Company increased its investment in HFI Innovation Inc. by cash in the amount of NT\$180,000 thousand in March 2019 and by intellectual property in the amount of NT\$150,628 thousand in December 2019, respectively.

Hsu- Chuang Investment Corp. was renamed Hsu- Chuang Communication Corp. in February 2018 and renamed MStar International Technology Inc. again in September 2018.

The 7% ownership of Airoha Technology Corp., which was previously owned by the Company, was transferred to Hsu-Si Investment Corp. in August 2019.

Investments in subsidiaries were not pledged.

(10)Property, plant and equipment

	December 31, 2019	December 31, 2018 (Note)
Owner-occupied property, plant and equipment	<u>\$ 20,003,889</u>	

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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	\$ 1,540,249	\$ 9,701,894	\$ 8,502	\$ 3,234,182	\$ 5,406,479	\$ 258,497	\$ 1,382,836	\$ 21,532,639
Additions-acquired separately	116,430	363,622	89,098	1,431,598	1,115,627	7,181	1,159,268	4,282,824
Additions-acquired through business combinations	2,313,056	2,390,034	78,363	-	480,202	374,668	-	5,636,323
Disposals	(3,223)	(107,310)	-	(51,044)	(19,432)	(25,328)	-	(206,337)
Transfers	-	2,006,439	(78,363)	399,159	397,166	(359,412)	(2,317,103)	47,886
As of December 31, 2019	<u>\$ 3,966,512</u>	<u>\$ 14,354,679</u>	<u>\$ 97,600</u>	<u>\$ 5,013,895</u>	<u>\$ 7,380,042</u>	<u>\$ 255,606</u>	<u>\$ 225,001</u>	<u>\$ 31,293,335</u>
Depreciation and impairment:								
As of January 1, 2019	\$ -	\$ 2,864,130	\$ 5,269	\$ 2,276,645	\$ 3,223,456	\$ 174,959	\$ -	\$ 8,544,459
Depreciation-acquired separately	-	402,030	3,496	731,263	867,275	27,873	-	2,031,937
Depreciation-acquired through business combinations	-	387,794	64,318	-	157,069	240,149	-	849,330
Disposals	-	(101,626)	-	(47,232)	(17,313)	(25,329)	-	(191,500)
Transfers	-	(11,751)	(64,318)	251,655	116,963	(237,329)	-	55,220
As of December 31, 2019	<u>\$ -</u>	<u>\$ 3,540,577</u>	<u>\$ 8,765</u>	<u>\$ 3,212,331</u>	<u>\$ 4,347,450</u>	<u>\$ 180,323</u>	<u>\$ -</u>	<u>\$ 11,289,446</u>
Net carrying amount as of:								
December 31, 2019	<u>\$ 3,966,512</u>	<u>\$ 10,814,102</u>	<u>\$ 88,835</u>	<u>\$ 1,801,564</u>	<u>\$ 3,032,592</u>	<u>\$ 75,283</u>	<u>\$ 225,001</u>	<u>\$ 20,003,889</u>

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

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

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2018	\$ 1,459,149	\$ 9,441,539	\$ 15,137	\$ 3,126,431	\$ 4,662,161	\$ 275,087	\$ 582,719	\$ 19,562,223
Additions-acquired separately	-	24,260	-	189,855	804,447	105	1,132,494	2,151,161
Disposals	-	-	(6,635)	(82,104)	(72,321)	(16,695)	-	(177,755)
Transfers	81,100	236,095	-	-	12,192	-	(332,377)	(2,990)
As of December 31, 2018	<u>\$ 1,540,249</u>	<u>\$ 9,701,894</u>	<u>\$ 8,502</u>	<u>\$ 3,234,182</u>	<u>\$ 5,406,479</u>	<u>\$ 258,497</u>	<u>\$ 1,382,836</u>	<u>\$ 21,532,639</u>
Depreciation and impairment:								
As of January 1, 2018	\$ -	\$ 2,578,699	\$ 10,641	\$ 1,707,252	\$ 2,668,947	\$ 171,087	\$ -	\$ 7,136,626
Depreciation	-	285,431	1,263	650,240	622,553	20,567	-	1,580,054
Disposals	-	-	(6,635)	(80,847)	(68,044)	(16,695)	-	(172,221)
As of December 31, 2018	<u>\$ -</u>	<u>\$ 2,864,130</u>	<u>\$ 5,269</u>	<u>\$ 2,276,645</u>	<u>\$ 3,223,456</u>	<u>\$ 174,959</u>	<u>\$ -</u>	<u>\$ 8,544,459</u>
Net carrying amount as of:								
December 31, 2018	<u>\$ 1,540,249</u>	<u>\$ 6,837,764</u>	<u>\$ 3,233</u>	<u>\$ 957,537</u>	<u>\$ 2,183,023</u>	<u>\$ 83,538</u>	<u>\$ 1,382,836</u>	<u>\$ 12,988,180</u>

Property, plant and equipment were not pledged.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(11) Intangible assets

	Trademarks	Software	Patents, IPs and others	Goodwill	Total
Cost:					
As of January 1, 2019	\$ -	\$ 938,831	\$ 3,586,699	\$ 27,712,833	\$ 32,238,363
Additions-acquired separately	-	114,883	533,630	-	648,513
Additions-acquired through business combinations	390,512	3,047,077	5,460,846	24,891,620	33,790,055
Disposals	-	-	(27,570)	-	(27,570)
Transfers	-	(3,047,009)	3,024,382	-	(22,627)
As of December 31, 2019	<u>\$ 390,512</u>	<u>\$ 1,053,782</u>	<u>\$ 12,577,987</u>	<u>\$ 52,604,453</u>	<u>\$ 66,626,734</u>
As of January 1, 2018	\$ -	\$ 752,869	\$ 3,206,509	\$ 27,712,833	\$ 31,672,211
Additions-acquired separately	-	196,906	137,915	-	334,821
Disposals	-	(13,934)	-	-	(13,934)
Transfers	-	2,990	242,275	-	245,265
As of December 31, 2018	<u>\$ -</u>	<u>\$ 938,831</u>	<u>\$ 3,586,699</u>	<u>\$ 27,712,833</u>	<u>\$ 32,238,363</u>

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

	Trademarks	Software	Patents, IPs and others	Goodwill	Total
Amortization and impairment:					
As of January 1, 2019	\$ -	\$ 703,857	\$ 2,558,784	\$ -	\$ 3,262,641
Amortization-acquired separately	65,085	128,487	2,133,256	-	2,326,828
Amortization-acquired through business combinations	320,003	2,501,585	3,619,206		6,440,794
Disposals	-	-	(27,570)	-	(27,570)
Transfers	-	(2,501,564)	2,478,937	-	(22,627)
As of December 31, 2019	<u>\$ 385,088</u>	<u>\$ 832,365</u>	<u>\$ 10,762,613</u>	<u>\$ -</u>	<u>\$ 11,980,066</u>
As of January 1, 2018	\$ -	\$ 613,150	\$ 1,609,487	\$ -	\$ 2,222,637
Amortization	-	104,641	870,124	-	974,765
Disposals	-	(13,934)	-	-	(13,934)
Transfers	-	-	79,173	-	79,173
As of December 31, 2018	<u>\$ -</u>	<u>\$ 703,857</u>	<u>\$ 2,558,784</u>	<u>\$ -</u>	<u>\$ 3,262,641</u>
Net carrying amount as of:					
December 31, 2019	<u>\$ 5,424</u>	<u>\$ 221,417</u>	<u>\$ 1,815,374</u>	<u>\$ 52,604,453</u>	<u>\$ 54,646,668</u>
December 31, 2018	<u>\$ -</u>	<u>\$ 234,974</u>	<u>\$ 1,027,915</u>	<u>\$ 27,712,833</u>	<u>\$ 28,975,722</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(12) Impairment testing of goodwill

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

The recoverable amount of the cash-generating unit is determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from financial budgets approved by management covering a five-year period. The projected cash flows reflect the change in demand for products and services. As a result of the analysis, the Company did not identify any impairment for goodwill of NT\$52,604,453 thousand.

Key assumptions used in value-in-use calculations

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

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

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

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

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

Sensitivity to changes in assumptions

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(13) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	\$ 51,601,684	\$ 24,555,667
Interest rates	2.05%-2.55%	2.81%-3.20%

(14) Other payables

	December 31, 2019	December 31, 2018
Accrued salaries and bonuses	\$ 11,845,141	\$ 9,494,126
Accrued royalties	1,753,034	1,187,949
Other payables to related parties	16,312	-
Others	4,292,890	5,233,797
Total	\$ 17,907,377	\$ 15,915,872

(15) Other current liabilities

	December 31, 2019	December 31, 2018
Refund liabilities	\$ 9,815,557	\$ 9,414,815
Others	389,531	99,731
Total	\$ 10,205,088	\$ 9,514,546

(16) Post-employment benefits plans

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT\$734,067 thousand and NT\$552,328 thousand, respectively.

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

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

The funds are operated and managed by the government's designated authorities. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT\$1,808 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

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

Pension costs recognized in profit or loss are as follows:

	For the years ended December 31	
	2019	2018
Current service cost	\$ 1,355	\$ 1,280
Net interest on the net defined benefit liabilities	8,135	7,711
Subtotal	9,490	8,991
Underestimate on book	(1,141)	-
Total	\$ 8,349	\$ 8,991

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

	December 31, 2019	December 31, 2018
Defined benefit obligation	\$ 812,974	\$ 693,977
Plan assets at fair value	(155,131)	(86,845)
Net defined benefit liabilities	\$ 657,843	\$ 607,132

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2019	\$ 693,977	\$ (86,845)	\$ 607,132
Current service cost	1,355	-	1,355
Interest expenses (income)	9,299	(1,164)	8,135
Subtotal	10,654	(1,164)	9,490
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	22,457	-	22,457
Actuarial gains and losses arising from changes in financial assumptions	68,411	-	68,411
Experience adjustments	(19,319)	-	(19,319)
Remeasurements of the defined benefit assets	-	(5,451)	(5,451)
Subtotal	71,549	(5,451)	66,098
Payment of benefit obligation	(17,091)	17,091	-
Contributions by employer	-	(8,911)	(8,911)
Acquired through business combinations	53,885	(69,851)	(15,966)
As of December 31, 2019	\$ 812,974	\$ (155,131)	\$ 657,843
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
As of January 1, 2018	\$ 558,277	\$ (76,315)	\$ 481,962
Current service cost	1,280	-	1,280
Interest expenses (income)	8,932	(1,221)	7,711
Subtotal	10,212	(1,221)	8,991
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	(6,957)	-	(6,957)
Actuarial gains and losses arising from changes in financial assumptions	147,477	-	147,477
Experience adjustments	(12,420)	-	(12,420)
Remeasurements of the defined benefit assets	-	(2,134)	(2,134)
Subtotal	128,100	(2,134)	125,966
Payment of benefit obligation	(2,612)	2,612	-
Contributions by employer	-	(9,787)	(9,787)
As of December 31, 2018	\$ 693,977	\$ (86,845)	\$ 607,132

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

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

	December 31, 2019	December 31, 2018
Discount rate	0.85%	1.34%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended December 31			
	2019		2018	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increases by 0.5%	\$ -	\$ (71,298)	\$ -	\$ (63,215)
Discount rate decreases by 0.5%	78,935	-	70,244	-
Rate of future salary increases by 0.5%	76,811	-	68,700	-
Rate of future salary decreases by 0.5%	-	(70,206)	-	(62,536)

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

B. Capital surplus

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

C. Treasury shares

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

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

D. Retained earnings and dividend policy

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(18) Share-based payment plans

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

Restricted stocks plan for employees

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

	For the years ended	
	December 31	
	2019	2018
Restricted stocks for employees	\$ 1,922,383	\$ 151,151

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(19) Sales

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

A. Disaggregation of revenue

	For the years ended December 31	
	2019	2018
Sale of goods	\$ 131,729,250	\$ 85,785,636
Services and other operating revenues	4,738,665	3,010,139
Total	<u>\$ 136,467,915</u>	<u>\$ 88,795,775</u>
Revenue recognition point:		
At a point in time	\$ 133,252,758	\$ 87,001,071
Satisfies the performance obligation over time	3,215,157	1,794,704
Total	<u>\$ 136,467,915</u>	<u>\$ 88,795,775</u>

B. Contract balances

Contract liabilities – current

	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	\$ 1,468,620	\$ 771,684	\$ 462,012
Services and other operating revenues	314,524	232,728	361,236
Total	<u>\$ 1,783,144</u>	<u>\$ 1,004,412</u>	<u>\$ 823,248</u>

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

	For the years ended December 31	
	2019	2018
Revenue recognized during the period that was included in the beginning balance	<u>\$ 533,979</u>	<u>\$ 414,671</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$ 1,040,495</u>	<u>\$ 595,835</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

C. Transaction price allocated to unsatisfied performance obligations

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

(20) Expected credit gains (losses)

	For the years ended December 31	
	2019	2018
Operating expense – Expected credit gains (losses)		
Trade receivables	\$ 3,527	\$ 124,657

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

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

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

2019.12.31

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 12,291,255	\$ 799,318	\$ 77,898	\$ 3,176	\$ 19,645	\$ 13,191,292
Loss ratio	0%	0%	0%	10%	50%	
Lifetime expected credit losses	-	-	-	(259)	(8,418)	(8,677)
Carrying amount of trade receivables	\$ 12,291,255	\$ 799,318	\$ 77,898	\$ 2,917	\$ 11,227	\$ 13,182,615

MEDIATEK INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**2018.12.31

	Neither past due		Past due				
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	Total	
Gross carrying amount	\$ 8,682,142	\$ 308,155	\$ 122,747	\$ 8,327	\$ 15,292	\$ 9,136,663	
Loss ratio	0%	0%	0%	10%	50%		
Lifetime expected credit losses	-	-	-	(833)	(7,646)	(8,479)	
Carrying amount of trade receivables	\$ 8,682,142	\$ 308,155	\$ 122,747	\$ 7,494	\$ 7,646	\$ 9,128,184	

Note: The Company's trade receivables from related parties were not overdue.

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

	Note receivables	Trade receivables
As of January 1, 2019	\$ -	\$ 8,479
Acquired through business combinations	-	3,725
Reversal for the current period	-	(3,527)
As of December 31, 2019	<u>\$ -</u>	<u>\$ 8,677</u>
	Note receivables	Trade receivables
As of January 1, 2018 (in accordance with IAS 39)	\$ -	\$ 133,136
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	133,136
Reversal for the current period	-	(124,657)
As of December 31, 2018	<u>\$ -</u>	<u>\$ 8,479</u>

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	December 31, 2019	December 31, 2018 (Note)
Land	\$ 1,512,529	
Buildings and facilities	115,677	
Machinery equipment	24,209	
Transportation equipment	3,191	
Office equipment	133	
Total	<u>\$ 1,655,739</u>	

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

During the year ended December 31, 2019, the additions to right-of-use assets of the Company amounted to NT\$64,417 thousand.

(b) Lease liability

	December 31, 2019	December 31, 2018 (Note)
Lease liability-current	\$ 90,418	
Lease liability-noncurrent	1,567,901	
Total	<u>\$ 1,658,319</u>	

Please refer to Note 6. (25) for the interest on lease liability recognized during 2019 and refer to Note 12. (2) C. for the maturity analysis of lease liabilities as of December 31, 2019.

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2019	2018(Note)
Land	\$ 37,934	
Buildings and facilities	53,705	
Machinery equipment	3,026	
Transportation equipment	2,130	
Office equipment	319	
Total	<u>\$ 97,114</u>	

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

c. Income and costs relating to leasing activities

	For the years ended December 31	
	2019	2018 (Note)
The expense relating to short-term leases	<u>\$ 32,431</u>	
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	<u>\$ 2,169</u>	
Income from subleasing right-of-use assets	<u>\$ 19,360</u>	

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

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT\$152,952 thousand.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$ 50,546
Later than one year and not later than five years		196,353
Later than five years		190,532
Total		<u>\$ 437,431</u>

Operating lease expenses recognized are as follows:

	For the years ended December 31	
	2019(Note)	2018
Minimum lease payments		<u>\$ 108,328</u>

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

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

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 24,301	\$ 718,115	\$ 742,416	\$ 15,598	\$ 545,721	\$ 561,319
Others	\$ 622,907	\$ 26,028,683	\$ 26,651,590	\$ 371,818	\$ 18,487,025	\$ 18,858,843
Depreciation	\$ 8,234	\$ 2,120,817	\$ 2,129,051	\$ 2,490	\$ 1,577,564	\$ 1,580,054
Amortization	\$ 960	\$ 2,325,868	\$ 2,326,828	\$ 960	\$ 973,805	\$ 974,765

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

MEDIATEK INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(23) Other income**

	For the years ended December 31	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$ 1,631,251	\$ 1,407,416
Financial assets at fair value through other comprehensive income	78,904	83,440
Subtotal	1,710,155	1,490,856
Financial assets at fair value through profit or loss	19,056	81,019
Subtotal	1,729,211	1,571,875
Rental income	86,884	53,431
Others	95,535	22,562
Total	<u>\$ 1,911,630</u>	<u>\$ 1,647,868</u>

(24) Other gains and losses

	For the years ended December 31	
	2019	2018
Gains (losses) on disposal of property, plant and equipment	\$ 2,087	\$ (1,062)
Losses on disposal of investments		
Debt instruments measured at fair value through other comprehensive income	-	(611)
Foreign exchange gains	207,592	14,134
Gains on financial assets at fair value through profit or loss	1,318	75,772
Losses on financial liabilities at fair value through profit or loss	-	(4,520)
Others	(25,214)	-
Total	<u>\$ 185,783</u>	<u>\$ 83,713</u>

(25) Finance costs

	For the years ended December 31	
	2019	2018
Interest expenses on borrowings	\$ 956,554	\$ 947,792
Interest expenses on lease liabilities	23,829	(Note)
Total	<u>\$ 980,383</u>	<u>\$ 947,792</u>

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(26) Components of other comprehensive income

For the year ended December 31, 2019 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (66,098)	\$ -	\$ (66,098)	\$ 13,220	\$ (52,878)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	1,743,040	-	1,743,040	-	1,743,040
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	30,863,517	-	30,863,517	-	30,863,517
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(2,727,299)	-	(2,727,299)	-	(2,727,299)
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	351	-	351	-	351
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	36,783	-	36,783	-	36,783
Total	\$ 29,850,294	\$ -	\$ 29,850,294	\$ 13,220	\$ 29,863,514

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2018 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ (125,966)	\$ -	\$ (125,966)	\$ 20,189	\$ (105,777)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	161,495	-	161,495	-	161,495
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(964,473)	-	(964,473)	-	(964,473)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	1,027,946	-	1,027,946	-	1,027,946
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(2,276)	611	(1,665)	-	(1,665)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(17,234)	-	(17,234)	-	(17,234)
Total	<u>\$ 79,492</u>	<u>\$ 611</u>	<u>\$ 80,103</u>	<u>\$ 20,189</u>	<u>\$ 100,292</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of NT\$0 thousand and NT\$(611) thousand for the years ended December 31, 2019 and 2018, respectively, which were recognized in other comprehensive income, were reclassified to profit or loss.

(27) Income Tax

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

The major components of income tax expense are as follows:

	For the years ended	
	December 31	
	2019	2018
Current income tax	\$ 517,997	\$ 1,233,206
Deferred tax expense (income):	1,750,868	(1,159,802)
Others	37,418	19,758
Income tax expense recognized in loss	<u>\$ 2,306,283</u>	<u>\$ 93,162</u>

Income tax recognized in other comprehensive income

	For the years ended	
	December 31	
	2019	2018
Deferred tax income		
Remeasurements of defined benefit plan	<u>\$ (13,220)</u>	<u>\$ (20,189)</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

	For the years ended	
	December 31	
	2019	2018
Accounting profit before tax from continuing operations	\$ 25,339,004	\$ 20,853,660
Tax at the domestic rates applicable to profits in the country concerned	5,067,801	4,170,732
Tax effect of revenues exempt from taxation	(10,428)	(831,241)
Investment tax credits	(887,177)	(546,380)
Tax effect of deferred tax assets/liabilities	(1,717,911)	(3,030,869)
Corporate income surtax on undistributed retained earnings	598,485	1,022,742
Adjustments in respect of current income tax of prior periods	-	(236,253)
Others	(744,487)	(455,569)
Total income tax expense recognized in loss	\$ 2,306,283	\$ 93,162

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Acquired thought business combinations	Ending balance
Temporary differences					
Unrealized allowance for					
inventory obsolescence	\$ 1,561,304	\$ 53,743	\$ -	\$ 207,466	\$ 1,822,513
Allowance for sales returns					
and discounts	1,288,664	33,889	-	83,550	1,406,103
Amortization of difference for					
tax purpose	258,157	(43,200)	-	-	214,957
Amortization of goodwill					
difference for tax purpose	(464,556)	(1,492,875)	-	-	(1,957,431)
Others	(50,521)	(302,425)	13,220	153,734	(185,992)
Deferred tax income (expense)		<u>\$ (1,750,868)</u>	<u>\$ 13,220</u>	<u>\$ 444,750</u>	
Net deferred tax assets	<u>\$ 2,593,048</u>				<u>\$ 1,300,150</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$ 3,164,112</u>				<u>\$ 3,501,079</u>
Deferred tax liabilities	<u>\$ (571,064)</u>				<u>\$ (2,200,929)</u>

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

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized allowance for inventory obsolescence	\$ 1,144,374	\$ 416,930	\$ -	\$ 1,561,304
Allowance for sales returns and discounts	479,152	809,512	-	1,288,664
Amortization of difference for tax purpose	125,362	132,795	-	258,157
Amortization of goodwill difference for tax purpose	(363,183)	(101,373)	-	(464,556)
Others	27,352	(98,062)	20,189	(50,521)
Deferred tax income		<u>\$ 1,159,802</u>	<u>\$ 20,189</u>	
Net deferred tax assets	<u>\$ 1,413,057</u>			<u>\$ 2,593,048</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$ 1,847,927</u>			<u>\$ 3,164,112</u>
Deferred tax liabilities	<u>\$ (434,870)</u>			<u>\$ (571,064)</u>

The assessment of income tax returns

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

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

(28) Earnings per share

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

MEDiatek INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****7. Related Party Transactions**

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

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
EcoNet (HK) Limited	Subsidiary
EcoNet Limited	Subsidiary
MediaTek Singapore Pte. Ltd.	Subsidiary
MediaTek USA Inc.	Subsidiary
MediaTek Wireless Finland Oy	Subsidiary
MTK Wireless Limited (UK)	Subsidiary
Nephos Inc.	Subsidiary
Nephos Pte. Ltd.	Subsidiary
ILI Technology Holding Corporation	Subsidiary
Richtek Technology Corp.	Subsidiary
Zelus Technology (HangZhou) Ltd.	Subsidiary
ILI Technology Corporation	Subsidiary
MStar Semiconductor, Inc.	Subsidiary (Note 2)
EcoNet (Suzhou) Limited	Subsidiary
Velocenet Inc.	Subsidiary (Note 3)
Sigmastar Technology Corp.	Subsidiary
HFI Innovation Inc.	Subsidiary
Nephos (Hefei) Co., Ltd.	Subsidiary
Nephos (Taiwan) Inc.	Subsidiary (Note 4)
MediaTek China Limited	Subsidiary
E-Vehicle Semiconductor Technology Co., Ltd.	Subsidiary (Note 1)
Airoha Technology Corp.	Subsidiary
Hsu-Si Investment Corp.	Subsidiary
E-Vehicle Semiconductor Technology Co., Ltd.	Associate (Note 1)
Intelligo Technology Inc.	Associate
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
Andes Technology Corp.	Substantive related party

Note 1: The Company lost control over E-Vehicle Semiconductor Technology Co., Ltd. (E-Vehicle) on December 27, 2018, and the Company adopted the equity method for the investment. As a result, E-Vehicle became an associate of the Company after that date.

Note 2: MStar Semiconductor, Inc. was dissolved due to the merger with the Company on January 1, 2019. As a result, MStar Semiconductor, Inc. was no longer a subsidiary.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Note 3: Velocenet Inc. was dissolved due to the merger with Mediatek Capital Co. in December 2019. As a result, Velocenet Inc. was no longer a subsidiary.

Note 4: Nephos (Taiwan) Inc. was dissolved due to the merger with Mediatek Capital Co. in December 2019. As a result, Nephos (Taiwan) Inc. was no longer a subsidiary.

Significant transactions with the related parties

(1) Sales

	For the years ended December 31	
	2019	2018
Subsidiaries	\$ 1,712,118	\$ 927,566
Associates	12,095	12,944
Total	<u>\$ 1,724,213</u>	<u>\$ 940,510</u>

The trade credit terms for related parties and third-party customers were both 45 to 60 days. Third-party customers may pay their accounts in advance. Above sales include royalty revenues, which were charged based on the royalty agreement and collected with certain period.

(2) Purchases

	For the years ended December 31	
	2019	2018
Subsidiaries	<u>\$ 64,282</u>	<u>\$ -</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The trade credit terms for related parties and third-party suppliers were both 30 days.

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

	For the years ended December 31	
	2019	2018
Other related parties	<u>\$ 2,009,316</u>	<u>\$ 1,755,668</u>

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

(4) Consign research and development expenses and license expenses

	For the years ended December 31	
	2019	2018
Subsidiaries	\$ 116,353	\$ 137,734
Associate	28,557	-
Other related parties	14,187	26,231
Total	<u>\$ 159,097</u>	<u>\$ 163,965</u>

(5) Rental expenditure

	For the years ended December 31	
	2019	2018
Subsidiaries		
MStar Semiconductor, Inc.	\$ -	\$ 41,056

(6) Rental income

	For the years ended December 31	
	2019	2018
Subsidiaries		
Airoha Technology Corp.	\$ 18,297	\$ 16,728
Nephos (Taiwan) Inc.	5,961	8,937
Velocenet Inc.	5,114	7,817
ILI Technology Corporation	25,644	7,797
Others	1,988	1,293
Subtotal	57,004	42,572
Other related parties	-	790
Total	<u>\$ 57,004</u>	<u>\$ 43,362</u>

(7) Other income due to technology service

	For the years ended December 31	
	2019	2018
Subsidiaries		
EcoNet (Suzhou) Limited	\$ 24,929	\$ 25,685
Others	3,000	324
Total	<u>\$ 27,929</u>	<u>\$ 26,009</u>

MEDIATEK INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(8) Endorsement amount for office lease, bank financing and IP purchasing**

	December 31, 2019		December 31, 2018	
	Endorsement limit	Actual amount	Endorsement limit	Actual amount
Subsidiaries				
Gaintech Co. Limited	\$ 24,000,000	\$ -	\$ 24,000,000	\$ -
MediaTek China Limited	9,000,000	2,980,313	9,000,000	4,004,033
Others	17,356	17,356	17,445	17,445
Total	<u>\$ 33,017,356</u>	<u>\$ 2,997,669</u>	<u>\$ 33,017,445</u>	<u>\$ 4,021,478</u>

(9) Acquired property, plant and equipment

	For the years ended December 31	
	2019	2018
	\$	\$
Subsidiaries	<u>56,022</u>	<u>-</u>

(10) Disposals property, plant and equipment

	For the years ended December 31			
	2019		2018	
	Carrying amount	Proceeds	Carrying amount	Proceeds
Subsidiaries	<u>\$ 1,949</u>	<u>\$ 2,173</u>	<u>\$ -</u>	<u>\$ -</u>

(11) Trade receivables from related parties

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 668,955	\$ 445,841
Associates	5,000	6,605
Total	<u>\$ 673,955</u>	<u>\$ 452,446</u>

(12) Other receivables from related parties

	December 31, 2019	December 31, 2018
Subsidiaries		
MStar Semiconductor, Inc.	\$ -	\$ 7,229,149
Nephos (Hefei) Co., Ltd.	298,154	401,137
Others	389,515	31,279
Total	<u>\$ 687,669</u>	<u>\$ 7,661,565</u>

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

Other receivables from related parties were composed mainly of dividends income, rental income and technology service revenue.

(13) Trade payables to related parties

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 897,491	\$ 353,678
Other related parties	474,379	376,574
Total	<u>\$ 1,371,870</u>	<u>\$ 730,252</u>

(14) Other payables to related parties

	December 31, 2019	December 31, 2018
Associates	<u>\$ 16,312</u>	<u>\$ -</u>

(15) The Company sold 343,617,200 shares of ILI Technology Corporation to ILI Technology Holding Corporation in the amount of NT\$3,576,931 thousand for the year ended December 31, 2019.

(16) The Company sold 4,106,000 shares of Airoha Technology Corp. to Hsu-Si Investment Corp. in the amount of NT\$160,267 thousand for the year ended December 31, 2019.

(17) The Company sold 915,000 shares of MStar Semiconductor UK Ltd. to MTK Wireless Limited (UK) in the amount of NT\$101,112 thousand for the year ended December 31, 2019.

(18) The Company sold 52,031,546 shares of Sigmastar Technology Inc. to MediaTek Investment Singapore Pte. in the amount of NT\$1,788,726 thousand for the year ended December 31, 2019.

(19) Key management personnel compensation

	For the years ended December 31	
	2019	2018
Short-term employee benefits (Note)	\$ 655,637	\$ 541,995
Share-based payment	325,540	-
Post-employment benefits	1,620	1,512
Total	<u>\$ 982,797</u>	<u>\$ 543,507</u>

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

MEDIATEK INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)**

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

8. Assets Pledged as Collateral

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

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2019	December 31, 2018	
Financial assets measured at amortized cost-current	\$ -	\$ 9,705	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	9,180	9,180	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	24,000	24,000	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	23,017	23,017	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	101,132	-	Performance bond
Financial assets measured at amortized cost-noncurrent	115,915	89,592	Performance bond
Total	<u>\$ 273,244</u>	<u>\$ 155,494</u>	

9. Contingencies and Off Balance Sheet Commitments

Legal claim contingency

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

- (3) Dynamic Data Technologies, LLC (“Dynamic Data”) filed a complaint in the United States District Court for the District of Delaware against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on November 30, 2018, alleging infringement of United States Patent Nos. 7,058,227, 6,639,944, 6,760,376 and 6,782,054. On March 6, 2019, Dynamic Data filed an amended complaint in this matter, alleging infringement by the Company and subsidiary MediaTek USA Inc. of United States Patent Nos. 6,639,944, 6,760,376, 6,774,918, 6,996,175, 6,996,177, 7,010,039, 7,894,529, 7,929,609, 7,982,799, 8,073,054, 8,135,073, 8,189,105 and 8,311,112. On July 10, 2019, the court dismissed the claims against the Company and subsidiary MediaTek USA Inc. with prejudice pursuant to the parties’ joint stipulation.
- (4) Innovative Foundry Technologies LLC (“IFT”) filed a complaint with the Commission against the Company, subsidiary MediaTek USA Inc., and subsidiary MStar Semiconductor, Inc. on February 15, 2019, alleging infringement of United States Patent Nos. 6,583,012, 6,797,572, 7,009,226, 7,880,236 and 9,373,548. On September 27, 2019, the Administrative Law Judge entered an initial determination to terminate the investigation based on parties’ agreement.

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

(6) Vantage Micro LLC ("VM") filed a complaint in the United States District Court for the Western District of Texas against the Company and subsidiary MediaTek USA Inc. on October 8, 2018, alleging infringement of United States Patent Nos. 6,678,838, 7,414,606, and 9,959,593. The operations of the Company and subsidiary MediaTek USA Inc., will not be materially affected by these cases

(7) M-Red Inc. ("M-Red") filed a complaint in the United States District Court for the Eastern District of Texas against the Company on April 29, 2019, alleging infringement of United States Patent Nos. 6,853,259, 7,068,557, and 7,209,401. The complaint was not served on the Company until February 2020. The operations of the Company will not be materially affected by this case.

The Company will handle these cases carefully.

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss (Note 1)	\$ 2,799,091	\$ 2,495,489
Financial assets at fair value through other comprehensive income	2,998,636	3,126,666
Financial assets measured at amortized cost (Note 2)	121,168,449	79,402,713
Total	\$ 126,966,176	\$ 85,024,868

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

	December 31, 2019	December 31, 2018
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	\$ -	\$ 4,520
Financial liabilities at amortized cost:		
Short-term borrowings	51,601,684	24,555,667
Trade payables (including related parties)	12,412,183	4,506,439
Other payables (including related parties)	17,907,377	15,915,872
Long-term payables (including current portion)	1,480,630	1,057,724
Lease liabilities	1,658,319	(Note 3)
Subtotal	85,060,193	46,035,702
Total	\$ 85,060,193	\$ 46,040,222

Notes:

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\$1,823,530 thousand and NT\$1,715,915 thousand, respectively. Please refer to Note 6. (5) for further explanation.
2. Includes cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, trade receivables (excluding financial assets measured at fair value through profit or loss for December 31, 2019 and 2018 which were in the amount of NT\$1,823,530 thousand and NT\$1,715,915 thousand, respectively. Please refer to Note 6. (5) for further explanation.) and other receivables.
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 (including related parties), short-term borrowings, trade payables (including related parties) and other payables (including related parties) approximate their fair value due to their short maturities.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

c. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

Level 3: Unobservable inputs for the assets or liabilities.

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

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

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

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value:</u>				
Financial assets at fair value through profit or loss				
Stocks	\$ 192,990	\$ -	\$ -	\$ 192,990
Funds	782,571	-	-	782,571
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	2,993,489	-	5,147	2,998,636
Total	<u>\$ 3,969,050</u>	<u>\$ -</u>	<u>\$ 5,147</u>	<u>\$ 3,974,197</u>

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value:</u>				
Financial assets at fair value through profit or loss				
Linked deposits	\$ -	\$ -	\$ 29,277	\$ 29,277
Funds	750,297	-	-	750,297
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	2,976,672	-	-	2,976,672
Debt instruments measured at fair value through other comprehensive income	149,994	-	-	149,994
Total	\$ 3,876,963	\$ -	\$ 29,277	\$ 3,906,240

Liabilities measured at fair value:

Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 4,520	\$ -	\$ 4,520

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

	Financial assets mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
	Link deposits	Stocks	Total
As of January 1, 2019	\$ 29,277	\$ -	\$ 29,277
Amount recognized in profit or loss	723	-	723
Amount recognized in OCI	-	(814)	(814)
Acquired through business combinations	-	5,961	5,961
Settlements	(30,000)	-	(30,000)
As of December 31, 2019	\$ -	\$ 5,147	\$ 5,147

	Financial assets mandatorily measured at fair value through profit or loss
	Link deposits
As of January 1, 2018	\$ 190,211
Amount recognized in profit or loss	(934)
Settlements	(160,000)
As of December 31, 2018	\$ 29,277

Total gains (losses) related to assets recognized for the years ended December 31, 2019 and 2018 amounted to NT\$0 dollar and NT\$(687) thousand, respectively.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

As of December 31, 2019:

None

As of December 31, 2018:

None

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

D. Derivative financial instruments

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

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

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of December 31, 2018	TWD to USD	Sell USD 95,000	January 2019

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

(2) Financial risk management objectives and policies

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

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

A. Market risk

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

a. Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 0.1%, the profit for the years ended December 31, 2019 and 2018 increases / decreases by NT\$1,255 thousand and decreases / increases by NT\$4,735 thousand, respectively.

b. Interest rate risk

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, there is no significant impact of the related rate increase/ decrease on the Company.

c. Other price risk

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

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$1,930 thousand and NT\$0 dollar, respectively.

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through other comprehensive income could cause the other comprehensive income for the years ended December 31, 2019 and 2018 to increase/decrease by NT\$29,935 thousand and NT\$29,767 thousand, respectively.

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

B. Credit risk management

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

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

As of December 31, 2019 and 2018, receivables from top ten customers represented 39.93%, and 51.96% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

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

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

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount	
			December 31, 2019	December 31, 2018
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 290,000	\$ 439,994
	Counter parties with investment grade credit rating			
Credit risk significantly increased	Credit risk measure reduced from IG category to HY category	Lifetime expected credit losses	\$ -	\$ -
	Contract payment overdue 30 days			
Credit-impaired	Credit risk measure belongs to DS category or above	Lifetime expected credit losses	\$ -	\$ -
	Contract payment overdue 90 days			
	Other impaired evidence			
Simplified method (Note)	(Note)	Lifetime expected credit losses	\$ 13,865,247	\$ 9,589,109

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

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

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

C. Liquidity risk management

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

MEDIATEK INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**Non-derivative financial instruments

	Less than 1 year	1 to 5 years	Total
<u>As of December 31, 2019</u>			
Short-term borrowings	\$ 51,672,232	\$ -	\$ 51,672,232
Trade payables (including related parties)	12,412,183	-	12,412,183
Other payables (including related parties)	17,863,458	-	17,863,458
Lease liabilities	90,418	1,567,901	1,658,319
Long-term payables	661,680	818,950	1,480,630
Total	<u>\$ 82,699,971</u>	<u>\$ 2,386,851</u>	<u>\$ 85,086,822</u>

	Less than 1 year	1 to 5 years	Total
<u>As of December 31, 2018</u>			
Short-term borrowings	\$ 24,608,214	\$ -	\$ 24,608,214
Trade payables (including related parties)	4,506,439	-	4,506,439
Other payables	15,881,431	-	15,881,431
Long-term payables	750,394	307,330	1,057,724
Total	<u>\$ 45,746,478</u>	<u>\$ 307,330</u>	<u>\$ 46,053,808</u>

Derivative financial instrumentsAs of December 31, 2019

None

<u>As of December 31, 2018</u>	Less than 1 year	1 to 5 years	Total
Net settlement			
Forward exchange contracts	<u>\$ (7,262)</u>	<u>\$ -</u>	<u>\$ (7,262)</u>

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

MEDIATEK INC.**NOTES TO FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****D. Reconciliation of liabilities arising from financing activities**

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

	Short-term borrowings	Lease Liabilities	Deposits received	Total liabilities from financing activities
As of January 1, 2019	\$ 24,555,667	\$ 1,692,464	\$ 54,061	\$ 26,302,192
Cash flows	27,046,017	(94,523)	371,583	27,323,077
Non-cash movement	-	60,378	-	60,378
As of December 31, 2019	<u>\$ 51,601,684</u>	<u>\$ 1,658,319</u>	<u>\$ 425,644</u>	<u>\$ 53,685,647</u>

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

	Short-term borrowings	Deposits received	Total liabilities from financing activities
As of January 1, 2018	\$ 40,205,256	\$ 49,259	\$ 40,254,515
Cash flows	(15,649,589)	4,802	(15,644,787)
As of December 31, 2018	<u>\$ 24,555,667</u>	<u>\$ 54,061</u>	<u>\$ 24,609,728</u>

(3) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 2,482,244	30.106	\$ 74,730,451
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,523,921	30.106	\$ 75,985,154

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

	December 31, 2018		
	Foreign Currency		NT\$ (thousand)
	(thousand)	Exchange rate	
<u>Financial assets</u>			
Monetary item:			
USD	\$ 1,533,996	30.733	\$ 47,144,296
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 1,285,090	30.733	\$ 39,494,677

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT\$207,592 thousand and NT\$14,134 thousand for the years ended December 31, 2019 and 2018, respectively.

(4) Capital management

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

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

- A. Financing provided to others for the year ended December 31, 2019: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the year ended December 31, 2019: Please refer to Attachment 2.
- C. Securities held as of December 31, 2019: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 4.

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS-(Continued)

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

- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 5.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 6.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2019: Please refer to Attachment 7.
- I. Financial instruments and derivative transactions: Please refer to Note 12.

(2) Information on investees

Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control (excluding investees in Mainland China). Please refer to Attachment 8.

(3) Investment in Mainland China

- A. Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control, which discloses investee company name, main business and products, total amount of capital, method of investment, accumulated inflows and outflows of investments from Taiwan, percentage of ownership, net income (loss), investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 9.
- B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 1.

MEDIATEK INC.
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.
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.
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% \$	3,441	-
		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 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.
SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, AFFILIATES AND JOINT VENTURE)
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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)

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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 Mobikwit 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	-	-	-
		ADBCH 3.18 11/06/22	Financial assets measured at amortized cost- noncurrent	-	CNY 47,000,000	-	-	-
	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	-
		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)

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				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.	Capital	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.
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.
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 Supervision Co.,Ltd., etc.	None	-	-	-	\$-	Valuation report issued by the real estate appraiser	Space requirements for staff expansion	None
MediaTek (Wuhan) Inc.	Construction in progress	2019.10.25	CNY 371,000,000	CNY 2,057,693	Jiangsu Wannianda Construction Group Co., Ltd., Lianxing Construction Hubei Co.,Ltd.	None	-	-	-	\$-	Not applicable	Space requirements for staff expansion	None

MEDIATEK INC.
RELATED PARTY TRANSACTIONS FOR PURCHASES AND SALES AMOUNTS EXCEEDING THE LOWER OF NT\$100 MILLION OR 20 PERCENT OF THE CAPITAL STOCK
For the year ended December 31, 2019

Attachment 6

(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.
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.
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEES IN MAINLAND CHINA)
As of December 31, 2019

Attachment 8

(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)

MEDIATEK INC.
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
	Nephos Pte. Ltd.	Note 7	Research	USD 2,197,493	USD 2,197,493	3,039,240	100%	USD 3,425,839	USD 613,848	-	Note 18
	Nephos Inc.	Note 6	Research	USD -	USD 4,200,000	-	-	USD -	USD 252,058	-	Note 18 and Note 29
	Nephos Cayman Co. Limited	Note 2	General investing	USD 113,110,426	USD 82,164,964	113,110,426	100%	USD (2,969,954)	USD (7,974,788)	-	Note 18
	MOUNTAIN CAPITAL FUND, L.P.	Note 2	General investing	USD 27,200,000	USD 27,200,000	27,200,000	90%	USD 66,796,722	USD (32,230)	-	Note 18 and Note 30
	White Dwarf Limited	Note 3	General investing	USD -	USD 15,853,000	-	-	USD -	USD (5,359)	-	Note 18
	CSVI VENTURES, L.P.	Note 2	General investing	USD 12,000,000	USD 7,500,000	12,000,000	39%	USD 10,113,415	USD (2,175,457)	-	-
	INTELLIGO TECHNOLOGY INC.	Note 2	General investing	USD 8,000,000	USD 8,000,000	8,928,270	24%	USD 4,250,419	USD (4,829,310)	-	-
	IStar Technology Ltd.	Note 2	General investing	USD 7,737,673	USD 7,737,673	50,000	100%	USD 7,780,468	USD 198,032	-	Note 18
	MediaTek Research UK Limited	Note 12	Research	USD 358,340	USD -	280,000	100%	USD 447,677	USD 73,570	-	Note 18
	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
	Nephos 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.
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE (EXCLUDING INVESTEEES 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) Limied.	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.
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.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2019

Attachment 9

(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.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2019

(Continued)

Mainland China Investee Company	Main Business	Total Amount of Paid-in Capital	Method of Investment (Note 5. B)	Accumulated Outflow of Investment From Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment From Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Direct or Indirect Percentage of Ownership	Investment Income (Loss) Recognized (Note 6)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Beijing Ilitek Technology Co., Ltd.	Note 2	\$ 90,318	IStar Technology Ltd.	\$ 90,318	-	-	\$ 90,318	\$ 1,519	100%	\$ 1,519	\$ 76,384	-
		USD 3,000,000		USD 3,000,000	-	-	USD 3,000,000	CNY 339,320		CNY 339,320	CNY 17,666,722	
ShenZhen ZhongChen Semiconductor Ltd.	Note 2	\$ 150,530	IStar Technology Ltd.	\$ 150,530	-	-	\$ 150,530	\$ 4,792	100%	\$ 4,792	\$ 151,389	-
		USD 5,000,000		USD 5,000,000	-	-	USD 5,000,000	USD 154,968		USD 154,968	USD 5,028,516	
Nephos (Hefei) Co., Ltd.	Note 3	\$ 1,241,873	Nephos Cayman Co. Limited	\$ 2,424,386	\$ 961,443	-	\$ 3,385,829	\$ (284,137)	100%	\$ (246,015)	\$ (136,445)	-
		USD 41,250,000		USD 80,528,321	USD 31,935,274	-	USD 112,463,595	USD (9,188,678)		USD (7,955,844)	USD (4,532,138)	
Airotek (Shenzhen) Inc.	Note 2	\$ 28,601	Airoha (Cayman) Inc.	\$ 28,601	-	-	\$ 28,601	\$ 8,707	100%	\$ 8,707	\$ 24,368	-
		USD 950,000		USD 950,000	-	-	USD 950,000	USD 281,582		USD 281,582	USD 809,397	
Airotek (Chengdu) Inc.	Note 2	\$ 28,601	Airoha (Cayman) Inc.	\$ 28,601	-	-	\$ 28,601	\$ 6,235	100%	\$ 6,235	\$ 29,350	-
		USD 950,000		USD 950,000	-	-	USD 950,000	USD 201,628		USD 201,628	USD 974,900	
Xiamen Sigmastar Technology Inc.	Note 3	\$ 60,212	Sigmastar Technology Inc.	\$ 60,212	-	-	\$ 60,212	\$ 152,308	80%	\$ 137,241	\$ 411,492	-
		USD 2,000,000		USD 2,000,000	-	-	USD 2,000,000	USD 4,925,466		USD 4,438,226	USD 13,668,099	
Shenzhen Sing Chen Technology Inc.	Note 2	\$ 12,971	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ 8,956	80%	\$ 7,040	\$ 21,619	-
		CNY 3,000,000		-	-	-	-	CNY 2,000,174		CNY 1,572,242	CNY 5,000,174	
SigmaStar Technology Inc. (Shanghai)	Note 2	\$ 4,324	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ 9,512	80%	\$ 7,040	\$ 13,612	-
		CNY 1,000,000		-	-	-	-	CNY 2,124,393		CNY 1,572,242	CNY 3,148,323	
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505	Xuxin Investment (Shanghai) Inc.	-	-	-	-	\$ (71,304)	10%	\$ (5,843)	\$ 35,035	-
		CNY 85,000,000		-	-	-	-	CNY (15,924,518)		CNY (1,304,930)	CNY 8,105,954	
PuTian Joint Micro Technology Inc.	Note 3	\$ 367,505	Xiamen Sigmastar Technology Inc.	-	-	-	-	\$ (71,304)	16%	\$ (19,250)	\$ 67,773	-
		CNY 85,000,000		-	-	-	-	CNY (15,924,518)		CNY (4,299,250)	CNY 15,700,750	
Xuxi (Shanghai) Management Consulting Co., Ltd.	Note 4	\$ 724,201	Xuxin Investment (Shanghai) Inc.	-	-	-	-	\$ 16,937	100%	\$ 16,937	\$ 740,555	-
		CNY 167,500,000		-	-	-	-	CNY 3,782,514		CNY 3,782,514	CNY 171,282,514	
Hefei Xuhui Management Consulting Co., Ltd.	Note 4	\$ 724,201	Xuxi (Shanghai) Management Consulting Co., Ltd.	-	-	-	-	\$ 16,821	100%	\$ 16,821	\$ 740,444	-
		CNY 167,500,000		-	-	-	-	CNY 3,756,686		CNY 3,756,686	CNY 171,256,686	

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 20,542,387	\$ 27,698,888	\$ 187,650,206
USD 682,335,325	USD 920,045,448	

Note 1: Based on Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China promulgated by Investment Commission, MOEA.

Note 2: Development of consumer electronics products and software and related technology consulting services.

Note 3: Development, manufacture, and marketing of consumer electronics products and software.

Note 4: General investing.

(To be continued)

MEDIATEK INC.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
For the year ended December 31, 2019

(Continued)

Note 5: The methods for engaging in investment in Mainland China include the following:

- A. Direct investment in Mainland China.
- B. Indirect investment in Mainland China through companies registered in a third region.
- C. Other method.

Note 6: Recognized in financial statements audited by the auditors of the parent company in Taiwan.

Note 7: Amounts are listed in New Taiwan Dollars. For foreign currency conversion, net income (loss) of investee and investment income (loss) are converted by the average exchange rate during financial statement period (1 USD=30.92249 NTD; 1 CNY=4.47762 NTD).

Other amounts are converted by the exchange rate at reporting date. (1 USD=30.106 NTD; 1 CNY=4.32359 NTD)

MEDIATEK INC.
1. STATEMENT OF CASH AND CASH EQUIVALENTS
As of December 31, 2019

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

Item	Description	Amount	Amount in Foreign Currencies	Note
Bank Deposits				1. Cash and cash equivalents were not pledged.
Foreign currency deposits		\$ 2,143,982	USD 70,756 CNY 1,725 EUR 188 KRW 1	2. USD1=NTD30.106 CNY1=NTD4.324 EUR1=NTD33.758 KRW1=NTD0.026
Savings and checking deposits		<u>3,256,386</u>		
Subtotal		<u>5,400,368</u>		
Time Deposits				
Time Deposits - NT Dollars		41,544,500		
Time Deposits - US Dollars		<u>56,734,420</u>	USD 1,884,489	
Subtotal		<u>98,278,920</u>		
Total		<u>\$ 103,679,288</u>		

MEDIATEK INC.

2. STATEMENT FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Financial Instruments	Units	Contract Amount/ Acquisition Cost	Contract Period	Fair Value	Note
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss		<u>Acquisition Cost</u>			
KGI Fengli Fund	27,806,950	\$ 310,097		\$ 377,830	
KGI Fuli Strategic Fund	32,069,875	<u>354,184</u>		<u>404,741</u>	
Total		<u>\$ 664,281</u>		<u>\$ 782,571</u>	

MEDIATEK INC.

3. STATEMENT OF TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED PARTIES

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
Trade receivables			
Client A		\$ 1,408,626	
Client B		1,117,679	
Client C		1,050,816	
Client D		999,176	
Client E		983,650	
Client F		702,287	
Others	The amount of individual client in others does not exceed 5% of the account balance.	6,929,058	
Subtotal		13,191,292	
Less: Allowance for doubtful debts		(8,677)	
Net amount		13,182,615	
Trade receivables from related parties			
Airoha Technology Corp.		388,072	
Nephos (Hefei) Co., Ltd.		170,278	
MediaTek Singapore Pte. Ltd.		107,110	
Other		8,495	
Subtotal		673,955	
Total		\$ 13,856,570	

MEDIATEK INC.
4. STATEMENT OF OTHER RECEIVABLES AND OTHER RECEIVABLES FROM
RELATED PARTIES
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Factoring receivables		\$ 2,588,179	
VAT deductibles		721,685	
Interest receivables		887,441	
Others	The amount of individual item in others does not exceed 5% of the account balance.	7,903	
Total		<u>\$ 4,205,208</u>	
Other receivables from related parties			
ILI Technology Corporation	Capital reduction and return of shares	\$ 261,532	
Nephos (Hefei) Co., Ltd.	Technical service revenue	298,154	
Sigmastar Technology Corp.		113,752	
Others	The amount of individual item in others does not exceed 5% of the account balance.	14,231	
Total		<u>\$ 687,669</u>	

MEDIATEK INC.
5. STATEMENT OF INVENTORIES
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 867,198	\$ 766,304	Inventories were not pledged.
Work in process		18,407,915	33,500,428	
Finished goods		<u>6,658,856</u>	<u>13,139,166</u>	
Total		25,933,969	<u>\$ 47,405,898</u>	
Less : Allowance for inventory valuation losses		<u>(13,017,952)</u>		
Net Amount		<u>\$ 12,916,017</u>		

MEDIATEK INC.

6. STATEMENT OF PREPAYMENTS AND OTHER CURRENT ASSETS

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayments			
Prepaid expenses		\$ 598,229	
Others	The amount of individual item in others does not exceed 5% of the account balance.	72,446	
Subtotal		<u>670,675</u>	
Other Current Assets			
Temporary payments of tax	Sales tax and withholding income tax	355,394	
Others	The amount of individual item in others does not exceed 5% of the account balance.	198,854	
Subtotal		<u>554,248</u>	
Total		<u>\$ 1,224,923</u>	

MEDIATEK INC.

7. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NONCURRENT

For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance		Acquisition		Disposal		Adjustments	Ending Balance		Collateral	Note
	Units	Fair Value	Units	Amount	Units	Amount		Units	Fair Value		
Financial assets mandatorily measured at fair value through profit or loss											
Shin Kong Financial Holding Co., Ltd.											
Preferred Stock A	-	\$ <u>-</u>	4,200,000	\$ <u>189,000</u>	-	\$ <u>-</u>	\$ <u>3,990</u>	4,200,000	\$ <u>192,990</u>	None	

MEDIATEK INC.

8. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance		Acquisition		Disposal		Reclassified		Acquired in a business combination		Amortization	Adjustments	Ending Balance		Accumulated Impairment	Collateral	Note
	Units	Fair Value	Units	Amount	Units	Amount	Units	Amount	Units	Amount			Units	Fair Value			
Equity instrument investments measured at fair value through other comprehensive income																	
Cathay No.1 Real Estate Investment Trust	81,200,000	\$ 1,206,632	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ 230,608	81,200,000	\$ 1,437,240	Not applicable	None	
Cathay No.2 Real Estate Investment Trust	64,503,000	969,480	-	-	-	-	-	-	-	-	-	133,521	64,503,000	1,103,001	Not applicable	None	
Fubon No.1 Real Estate Investment Trust	18,188,000	267,364	-	-	(1,444,000)	(21,639)	-	-	-	-	-	22,179	16,744,000	267,904	Not applicable	None	
Fubon No.2 Real Estate Investment Trust	20,992,000	264,499	-	-	(7,571,000)	(99,975)	-	-	-	-	-	20,820	13,421,000	185,344	Not applicable	None	
EosTek Limited (Cayman)		-	-	-	-	-	-	-	640,000	5,961	-	(814)	640,000	5,147	Not applicable	None	
Total		<u>\$ 2,707,975</u>		<u>\$ -</u>		<u>\$ (121,614)</u>		<u>\$ -</u>		<u>\$ 5,961</u>	<u>\$ -</u>	<u>\$ 406,314</u>		<u>\$ 2,998,636</u>			

MEDIATEK INC.

9. STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORITIZED COST - NONCURRENT

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Interest Rate	Period	Note
Time deposits					Please refer to Note 8 of the notes to the financial statement.
Taiwan Cooperative Bank	Science Park Administration				
	Lease execution deposits	\$ 23,017	0.110%-1.035%	2019/05/12-2023/08/07	
	Customs clearance deposits	9,180	0.640%-1.035%	2019/05/12-2023/05/12	
Mega Bank	Customs clearance deposits	24,000	0.59%	2019/12/28-2020/01/28	
First Commercial Bank	Performance bond	217,047	0.09%-0.66%	2019/12/24-2020/07/24	
	Subtotal	273,244			
Financial assets measured at amortized cost - noncurrent	Cathay Life Insurance Co., Ltd. Cumulative Perpetual Subordinated bond-106-1	\$ 290,000			
	Total	\$ 563,244			

MEDIATEK INC.
10. STATEMENT OF CHANGED IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Acquisition (Note 1)		Disposal (Note 2)		Acquired in a business combination		Investment Income (Loss)	Ending Balance			Net Assets Value/ Fair Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		Shares	%	Amount	Unit price	Total Amount		
MediaTek Investment Singapore Pte. Ltd.	2,193,635,278	\$ 112,353,105	57,522,700	\$ 33,628,848	-	\$ (3,389,488)	-	\$ -	\$ 4,288,183	2,251,157,978	100%	\$ 146,880,648	\$ 65.25	146,880,648	None	
MStar Semiconductor, Inc.	145,253,238	41,057,508	-	-	(145,257,238)	(41,057,508)	-	-	-	-	-	-	-	-	None	
Hsu-Ta Investment Corp.	3,398,981,889	32,357,133	-	580,443	-	(139,437)	-	-	4,216,431	3,398,981,889	100%	37,014,570	10.89	37,014,570	None	
MStar International Technology Inc.	30,000,000	82,845	-	-	-	-	-	-	295	30,000,000	100%	83,140	2.77	83,140	None	
HFI Innovation Inc.	80,828,122	228,192	33,062,830	330,628	-	(66,462)	-	-	(51,576)	113,890,952	100%	440,782	3.87	440,782	None	
MediaTek Singapore Pte. Ltd.	111,993,960	4,966,591	-	-	-	(4,791,235)	-	-	6,189,711	111,993,960	100%	6,365,067	56.83	6,365,067	None	
Airoha Technology Corp.	4,106,000	204,504	-	634	(4,106,000)	(266,363)	-	-	61,225	-	-	-	-	-	None	
Mstar France SAS	-	-	-	-	-	(36,413)	458,900	868,611	(8,519)	458,900	100%	823,679	1,794.90	823,679	None	
Digimoc Holdings Limited	-	-	-	20,108	-	(844)	50,000	36,602	(57)	50,000	100%	55,809	1,116.18	55,809	None	
Mstar Co., Ltd.	-	-	7,500,000	231,260	-	(21,602)	5,850,000	294,882	(56,056)	13,350,000	100%	448,484	33.59	448,484	None	
Spidcom Technologies	-	-	-	-	-	-	14,620	4,723	(1,050)	14,620	100%	3,673	251.23	3,673	None	
Mstar Semiconductor UK Ltd.	-	-	-	-	(915,000)	(104,823)	915,000	104,758	65	-	-	-	-	-	None	
ILI Technology Corporation	-	-	-	-	(369,770,200)	(3,915,020)	369,770,200	3,798,727	116,293	-	-	-	-	-	None	
MShining International Corporation	-	-	-	-	-	(35,714)	63,138,811	682,336	20,214	63,138,811	100%	666,836	10.56	666,836	None	
Sigmastar Technology Inc.	-	-	-	-	(52,031,546)	(1,778,255)	52,031,546	1,790,745	(12,490)	-	-	-	-	-	None	
Total		<u>\$ 191,249,878</u>		<u>\$ 34,791,921</u>		<u>\$ (55,603,164)</u>		<u>\$ 7,581,384</u>	<u>\$ 14,762,669</u>			<u>\$ 192,782,688</u>				

Note 1: The increase in the current period include changes in the net value of the equity of the invested company, unrealized gains from financial assets measured at fair value through other comprehensive income, unrealized gross profit on sales, exchange differences resulting from translating the financial statements of foreign operations, profit or loss of the defined benefit plan, income tax related to other comprehensive income's components, etc.

Note 2: The decrease in the current period include changes in the net value of the equity of the invested company, unrealized profit or loss of financial assets measured at fair value through other comprehensive income, cash dividends distribution, capital reduction and return of shares, exchange differences resulting from translating the financial statements of foreign operations, profit or loss of the defined benefit plan, income tax related to other comprehensive income, etc.

MEDIATEK INC.

11. STATEMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS
AND OTHER NONCURRENT ASSETS

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Property, plant and equipment		<u>\$ 20,003,889</u>	Please refer to Note 6(10) of the notes to the financial statement.
Intangible assets		<u>\$ 54,646,668</u>	
Other noncurrent assets			Please refer to Note 6(11) of the notes to the financial statement.
Deferred tax assets		\$ 3,501,079	
Refundable deposits		<u>72,152</u>	
Total		<u>\$ 3,573,231</u>	

MEDIATEK INC.
12. RIGHT-OF-USE ASSET
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance (Note)	Acquisition	Disposal	Ending Balance	Note
Cost					
Land	\$ 1,550,463	\$ -	\$ -	\$ 1,550,463	
Buildings and facilities	136,228	37,182	(4,795)	168,615	
Machinery equipment	-	27,235	-	27,235	
Transportation equipment	5,321	-	-	5,321	
Office equipment	452	-	-	452	
Total	<u>\$ 1,692,464</u>	<u>\$ 64,417</u>	<u>\$ (4,795)</u>	<u>\$ 1,752,086</u>	
Amortization and impairment					
Land	\$ -	\$ 37,934	\$ -	\$ 37,934	
Buildings and facilities	-	53,705	(767)	52,938	
Machinery equipment	-	3,026	-	3,026	
Transportation equipment	-	2,130	-	2,130	
Office equipment	-	319	-	319	
Total	<u>\$ -</u>	<u>\$ 97,114</u>	<u>\$ (767)</u>	<u>\$ 96,347</u>	

Note: In accordance with IFRS16, the Company chose, on a lease-by lease basis, to measure the right-of-use asset at an amount equal to the lease liability.

MEDIATEK INC.
13. STATEMENT OF SHORT-TERM BORROWINGS
As of December 31, 2019

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

Type	Description	Amount	Contract Period	Interest Rate	Loan Commitments	Collateral	Note
Unsecured loans							
	Crédit Agricole Corporate and Investment Bank	\$ 9,031,800	2019/12/26-2020/1/02	2.28%	USD 300,000	None	
	First Commercial Bank	2,829,964	2019/12/30-2020/1/30	2.25%	TWD 3,000,000	None	
	HSBC Bank	3,010,600	2019/12/16-2020/01/16	2.15%	USD 150,000	None	
	Land Bank of Taiwan	2,107,420	2019/12/24-2020/01/07	2.55%	TWD 3,900,000	None	
	MUFG Bank	3,010,600	2019/12/13-2020/01/03	2.25%	USD 100,000	None	
	Standard Chartered Bank	1,806,360	2019/11/27-2020/01/03	2.05%	USD 160,000	None	
	SMBC Bank	4,214,840	2019/12/09-2020/01/09	2.08%	USD 140,000	None	
	Mega Bank	3,010,600	2019/12/30-2020/01/30	2.25%	USD 150,000	None	
	MHCB Bank	1,505,300	2019/12/26-2020/01/09	2.46%	USD 200,000	None	
	Citibank	9,031,800	2019/12/06-2020/01/03	2.13%	USD 350,000	None	
	Standard Chartered Bank	3,010,600	2019/12/09-2020/01/09	2.08%	USD 160,000	None	
	China Construction Bank	6,021,200	2019/12/27-2020/01/03	2.20%	USD 250,000	None	
	BNP Paribas	3,010,600	2019/12/13-2020/01/13	2.16%	USD 100,000	None	
Total		<u>\$ 51,601,684</u>					

MEDIATEK INC.

14. STATEMENT OF TRADE PAYABLES AND TRADE PAYABLES TO RELATED PARTIES

As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
Trade payables			
Vendor A		\$ 2,624,398	
Vendor B		1,357,802	
Vendor C		1,309,452	
Vendor D		954,048	
Vendor E		682,150	
Vendor F		585,073	
Vendor G		552,295	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	3,041,715	
Subtotal		<u>11,106,933</u>	
Trade payables to related parties			
Richtek Technology Corp.		757,291	
King Yuan Electronics Co., Ltd.		443,785	
Airoha Technology Corp.		101,537	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	69,257	
Subtotal		<u>1,371,870</u>	
Total		<u>\$ 12,478,803</u>	

MEDIATEK INC.
15. STATEMENT OF OTHER PAYABLES
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other Payables			
Accrued salaries and bonuses		\$ 11,845,141	
Accrued royalties		1,753,034	
Other payables to related parties		16,312	
Others	The amount of individual item in others does not exceed 5% of the account balance.	4,292,890	
Total		<u>\$ 17,907,377</u>	

MEDIATEK INC.
16. STATEMENT OF OTHER CURRENT LIABILITIES
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other current liabilities			
Refund liabilities		\$ 9,815,557	
Others	The amount of individual item in others does not exceed 5% of the account balance.	389,531	
Total		<u>\$ 10,205,088</u>	

MEDIATEK INC.
17. STATEMENT OF LEASE LIABILITIES
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Lease term	Discount rates (annual)	Ending Balance	Note
Land	2019/01/01-2068/04/30	1.480%	\$ 1,522,614	
Buildings and facilities	2019/01/01-2024/03/31	0.775%	116,328	
Machinery equipment	2019/09/09-2022/09/08	0.775%	16,041	
Transportation equipment	2019/01/01-2021/12/02	0.775%	3,203	
Office equipment	2019/01/01-2020/06/04	0.575%	133	
Total			<u>1,658,319</u> <u>(90,418)</u>	
Less: current portion			<u>\$ 1,567,901</u>	
Noncurrent portion				

MEDIATEK INC.
18. STATEMENT OF NONCURRENT LIABILITIES
As of December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Long-term payables		\$ 818,950	
Net defined benefit liabilities - noncurrent		657,843	
Deposits received		425,644	
Deferred tax liabilities		2,200,929	
Lease liability - noncurrent		1,567,901	
Accrued unused vacation		452,413	
Others		16,171	
Total		<u>\$ 6,139,851</u>	

MEDIATEK INC.
19. STATEMENT OF NET SALES
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Units (Die)	Amount	Note
Sales of goods - multimedia chip and mobile phone chip	2,699,207,292	\$ 131,729,250	
Services and other revenues		<u>4,738,665</u>	
Net operating revenues		<u>\$ 136,467,915</u>	

MEDIATEK INC.
20. STATEMENT OF OPERATING COSTS
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Amount		Note
	Subtotal	Total	
Cost of Goods Sold of Self-made Product			
Direct material			
Beginning of year	\$ 1,012,704		
Add: Raw material purchased	47,264,917		
Less: Raw material, end of year	(867,198)		
Direct material used		\$ 47,410,423	
Manufacturing Expenses	22,140,919	22,140,919	
Manufacturing Costs		69,551,342	
Add: Work in process, beginning of year	11,495,361		
Work in process purchased	11,724,485		
Less: Work in process, end of year	(18,407,915)	4,811,931	
Cost of Finished Goods		74,363,273	
Add: Finished goods, beginning of year	7,643,817		
Finished goods purchased	3,317,527		
Less: Finished goods, ending of year	(6,658,856)		
Transferred to operating expenses	(540,345)	3,762,143	
Subtotal		78,125,416	
Other Operating Costs			
Loss as a result of the net realized value of inventory being lower than its cost		616,714	
Gain on sales of scrap		(5,860)	
Others		2,116,480	
Total Operating Costs		<u>\$ 80,852,750</u>	

MEDIATEK INC.
21. STATEMENT OF OPERATING EXPENSES
For the year ended December 31, 2019

(Amounts in Thousands of New Taiwan Dollars)

Item	Research and Development Expenses	Administrative Expenses	Selling Expenses
Payroll expenses	\$ 22,580,746	\$ 1,401,421	\$ 434,857
Depreciation	1,632,165	487,696	956
Amortization	2,300,407	25,461	-
Service fee and advertisement expenses	1,220,355	165,387	1,672,259
License fee	1,721,293	-	3,784,646
Design and experiment expenses	1,800,587	6,941	-
Others	5,612,924	850,566	394,258
Total	<u>\$ 36,868,477</u>	<u>\$ 2,937,472</u>	<u>\$ 6,286,976</u>

MEDIATEK INC.

22. STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION, AND AMORTIZATION EXPENSES

For the years ended December 31, 2019 and 2018

(Amounts in Thousands of New Taiwan Dollars)

Function Nature	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expenses (Note)						
Payroll	\$ 573,961	\$ 24,417,024	\$ 24,990,985	\$ 341,561	\$ 17,249,333	\$ 17,590,894
Labor and health	37,293	1,115,694	1,152,987	23,717	833,789	857,506
Pension	24,301	718,115	742,416	15,598	545,721	561,319
Board compensation	-	48,421	48,421	-	42,282	42,282
Others	11,653	447,544	459,197	6,540	361,621	368,161
Depreciation	8,234	2,120,817	2,129,051	2,490	1,577,564	1,580,054
Amortization	960	2,325,868	2,326,828	960	973,805	974,765

NOTE:

1. For the years end December 31, 2019 and 2018, the Company had 8,561 and 6,351 employees, respectively, which included 6 non-employee directors for both years.
2. Employee benefits expenses in average were NT\$3,196,445 dollars and NT\$3,054,039 dollars for the years ended December 31, 2019 and 2018, respectively.
3. Payroll expenses in average were NT\$2,921,214 dollars and NT\$2,772,402 dollars for the years ended December 31, 2019 and 2018, respectively.
4. The adjustment of average payroll increased by 5% for the year ended December 31, 2019.