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Annual Report 2014

MEDIATEK

Stock code : 2454 Date : April 30, 2015
This Annual Report is accessible through the websites below Market Observation Post System website of Taiwan Stock Exchange Corporation : http://mops.twse.com.tw
Annual Report website of MediaTek Inc. : http://www.mediatek.com/en/about/investor-relations/annual-reports/

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Company: Ernst & Young

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I. Letter to Shareholders

Dear Shareholders:

2014 is a year of asset expansion and growth for MediaTek with both revenue and net profit achieving record-highs. On February 1st, MediaTek officially merged with MStar and achieved full year consolidated net revenues of NT $213.1 billion, a substantial growth of 56.6% over the previous year. The consolidated operating margin was 48.8%, an increase of 4.8 percentage points over last year. The consolidated net income reached NT$46.4 billion, up 68.8% year-over-year, with an after-tax net profit margin of 21.8%. The consolidated earnings per share was NT $ 30.04.

As a result of diligent efforts from MediaTek employees for the last 3 years, revenue contribution from smartphones has risen close to 50%. Paced closely along market trends such as the fast-changing smartphone features and technologies, the rapid migration to LTE in Mainland China, and the massive growth in emerging markets, MediaTek continuously introduced highly competitive solutions to enable customer success in a highly competitive market. For example, MediaTek's True Octa-Core series were highly recognized by consumers and has become the standard of high-end phones and tablets. In addition, LTE solutions started commercial production in the second quarter last year, supporting TDD/FDD-LTE, WCDMA, TD-SCDMA and GSM. By obtaining a number of LTE certifications from operators in Mainland China and Europe and upgrading to 64 bit CPUs for all SoCs, MediaTek continued its innovations and leadership in advanced specifications, and also launched the world's first HDTV SoC supporting HEVC 4K, a new wearable device platform- LinkIt, multimode wireless charging chip, and multiple wireless communication solutions designed for Internet of Things and Smart Home.

With the rise of the global middle class, MediaTek believes that advanced specified and reasonably priced products will enable the company to expand its businesses to the entire world and consumers to use technology to create endless possibilities (Everyday Genius). MediaTek has started well in expanding to international markets, such as partnering with Google on Android One phone, leading the industry to launch Android TV, Google cast for audio, and Android Wear solutions. In addition, Amazon became a tablet customer and a number of international smartphone brands have strengthened cooperation with MediaTek. With a increasingly competitive LTE product portfolio, we believe MediaTek can explore more market opportunities.

Moreover, MediaTek received a number of international honors. For the second consecutive year and the only business leader from Taiwan, chairman Mr. Ming-Kai Tsai was elected "The Best-Performing CEOs in the World" by Harvard Business Review. For the fourth consecutive year, MediaTek is the winner of "Outstanding Asia-Pacific Semiconductor Company Award" selected by GSA (Global Semiconductor Alliance), which is committed to promote the fabless industry. MediaTek also was listed in the IHS ranking of the world's top ten semiconductor fabless company for the first time. Furthermore, MediaTek published five research papers in the ISSCC, which set the record as the only Taiwanese company to be selected for 12 consecutive years. Finally, MediaTek was included by Thomson Reuters in "The World's 100 Most Innovative Companies" for the first time.

MediaTek firmly believes that technology leadership is the only way to succeed. On top of talents from MStar merger, MediaTek established new offices in Finland, San Diego, and India last year and are recruiting top talents in 27 offices around the world. In addition to develop existing businesses, MediaTek will proactively pursue new opportunities by innovating in Internet of Things, wearables, automotive electronics and other fields, and investing in leading manufacturing processes, advanced technology, and new markets. Last but not least, we would like to thank you - our shareholders - for your continuous support and belief in our efforts. MediaTek will continue to plan for future growth and deliver more shareholder values.

Chairperson: Ming-Kai Tsai
President: Ching-Jiang Hsieh

II. Company Profile

1. MediaTek Company Profile

MediaTek Inc. was founded on May 28, 1997 and listed on the Taiwan Stock Exchange (TSE) in July 2001. The company is headquartered in Taiwan, with sales and research subsidiaries in Singapore, Mainland China, India, US, Japan, Korea, Denmark, England, Finland, Sweden and Dubai.

MediaTek Inc. provides innovative system-on-chip solutions in the following areas: optical storage solutions, digital home solutions (such as digital TV, DVD players, and Blu-Ray related products), and mobile communication solutions. The Company is the only IC design firm in the world that delivers IC solutions across computer technology, consumer electronics, and wireless communication fields. MediaTek Inc. is one of the top 3 IC design companies in the world. As an industry leader committed to constant innovations, MediaTek pioneered the development of the world's first true octa-core LTE smartphone platform, which demonstrates its leadership in the global semiconductor supply chain, in particular in the wireless communication field.

2. Milestones

Year	Milestones
2015	■ Published 5 papers in ISSCC, and hit a new record of papers selected by ISSCC for twelve consecutive years among Taiwan companies-- 「A Highly Integrated Smartphone SoC Featuring a 2.5GHz Octa-Core CPU with Advanced High-Performance and Low-Power Techniques」、「An LTE SAW-less Transmitter Using 33% Duty-Cycle LO Signals for Harmonic Suppression」、「A Wideband Fractional-N Ring PLL Using a Near-Ground Pre-Distorted Switched-Capacitor Loop Filter」、「A 4.5mW CT Self-Coupled rΣ Modulator with 2.2MHz BW and 90.4dB SNDR Using Residual ELD Compensation」、「A 0.5nJ/Pixel 4K H.265/HEVC Codec LSI for Multi-format Smartphone Applications」
2014	■ Awarded "Outstanding Asia-Pacific Semiconductor Company Award" by GSA (Global Semiconductor Alliance) for four consecutive years ■ Selected by Thomson Reuters in "The World's 100 Most Innovative Companies in 2014", ■ Mr. Ming-Kai Tsai, Chairman of MediaTek Inc., is honored by Harvard Business Review as one of "The Best-Performing CEOs in the World" for two consecutive years, and is the only leader from Taiwan on this list ■ Awarded "2014 Most Admired Company in Taiwan Top 3" by "CommonWealth Magazine" ■ Awarded seventh place in the "2014 Top 20Taiwan Innovative Corporations" by the Ministry of Economic Affairs, China Productivity Center and Boston Consulting Group ■ Published 8 papers in ISSCC, not only ranked no.1 in Taiwan, but also a record high for the semiconductor industry -- 「Heterogeneous Multi-Processing Quad-core CPU and Dual-GPU design for optimal Performance, Power and Thermal

Year	Milestones
	tradeoffs in a 28nm Mobile Application Processor 」、「A Digitally Assisted Self-Calibrating NFC SoC with a Triple-Mode Reconfigurable PLL and a Single-Path PICC-PCD Receiver in 110nm CMOS」、「A 2.4GHz ADPLL with Digital-Regulated Supply Noise Insensitive and Temperature Self-Compensated Ring DCO」、「A 1.89nW/0.15V self-charged XO for real-time clock generation.」、「A Multi-band Inductor-less SAW-less 2G/3G Cellular Receiver in 40nm CMOS」、「A 2.667 Gb/s DDR3 Memory Interface with Asymmetric ODT on Wirebond Package and Single-Side Mounted PCB」、「A 0.29mm2 Frequency Synthesizer in 40nm CMOS with 0.19ps RMS Jitter and <-100dBc Reference Spur for 802.11ac」、「Cloud 2.0 Clients and Connectivity 40nm CMOS with 0.19ps RMges」
2013	■ The winner of "Outstanding Asia-Pacific Semiconductor Company Award" selected by GSA (Global Semiconductor Alliance) ■ Selected by Forbes Magazine in "The World's 100 Most Innovative Companies", and the only company in Taiwan in this list ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTek Inc., was named in "The Best-Performing CEOs in the World" by Harvard Business Review ■ Selected as a test bed for the Wi-Fi Alliance's Wi-Fi CERTIFIED™ ac certification program ■ Awarded "2013 Most Admired Company in Taiwan Top 3" by "CommonWealth Magazine" ■ Published 6 papers in ISSCC, the most among Taiwan technology companies --「A Wideband Fractional-N Ring PLL with Fractional Suppression using Spectrally Shaped Segmentation」、「A 0.27mm2, 13.5dBm, 2.4GHz All-digital Polar Transmitter with 34%-Efficiency Class-D DPA in 40nm CMOS」、「An AC-Coupled Hybrid Envelope Modulator for HSUPA Transmitters with 80% Modulator Efficiency」、「A 24.7dBm All-Digital RF Transmitter for Multimode Broadband Applications in 40nm CMOS」、「A 28fj/conv-step CT Modulator with 78dB DR and 18MHz BW in 28nm CMOS Using a Highly Digital Multibit Quantizer」and「A Universal GNSS (GPS/Galileo/Glonass/Beidou) SoC 10:15 AM with a 0.25mm2 Radio in 40nm CMOS」
2012	■ MediaTek Android smartphone platform included in the Wi-Fi CERTIFIED Passpoint™ test bed as the first and only mobile benchmark platform ■ Ralink Technology, a wholly owned subsidiary of MediaTekInc, was selected to be in the Wi-Fi CERTIFIED WMM® - Admission Control test bed as the benchmark for advanced Wi-Fi performance and interoperability ■ 2012 SIPA Innovative Product Award, MT6620 Highly Integrated WiFi/BT/FM/GPS 4-in-1 SOC ■ The winner of "Outstanding Asia-Pacific Semiconductor Company Award" selected by GSA (Global Semiconductor Alliance) ■ Awarded "2012 Top 10 Taiwan Innovative Corporations" by Ministry of Economic Affairs, China Productivity Center and Boston Consulting Group ■ 2012 Thomson Reuters Taiwan Innovation Awards : Top 5 Corporate Innovators in Taiwan ■ Awarded "2012 Most Admired Company in Taiwan Top 3" by "Common Wealth Magazine" ■ Awarded "2012 INFO TECH TOP 100 in Asia" by "Business Next" magazine ■ Awarded 6th National Telecom Award 2012–"Best Innovation in Mobile Video Technology" by "CMAI Association of India" ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTekInc, awarded "Academician of ITRI (Industrial Technology Research Institute), R.O.C." ■ Mr. Ming-Kai Tsai, Chairman & CEO of MediaTekInc, awarded as "The Best-Performing CEOs in the World" by Harvard Business Review ■ MediaTek papers selected for presentation at 2012 Symposium on VLSI Circuits- the only fabless semiconductor company to have more than two papers selected for presentation at the 2012 Symposium ■ Published papers in ISSCC – "A 4-in-1 (WiFi/BT/FM/GPS) Connectivity SoC with Enhanced Co-Existence Performance in 65nm CMOS" – "Near Independently Regulated 5-Output Single-Inductor DC-DC Buck Converter Delivering 1.2W/mm2 in 65 nm CMOS"

Year	Milestones
2011	■ Awarded "2011 The Most Innovative Product" by Science Park ((MT5395 highly-integrated 3D/Internet TV SoC) ■ Awarded "2011 The Best Telecommunication Technology" by CMAI Association of India) ■ Awarded "The Boldness in Business" by UK Financial Times ■ Awarded Top 10 Most Admired Companies in Taiwan" by CommonWealth Magazine for 9 continuous years ■ Published five research papers in the ISSCC – "An Injection-Locked Ring PLL with Self-Aligned Injection Window", "A 70Mb/s -100.5dBm Sensitivity 65nm IP MIMO Chipset for WiMAX Portable Router (Industrial Demo)", "A Saw-Less GSM/GPRS/EDGE Receiver Embedded in a 65nm CMOS SOC (Industrial Demo)", "A Receiver for WCDMA/EDGE Mobile Phones with Inductorless Front-End in 65nm CMOS", and "A GPS/Galileo SOC with Adaptive in-Band Blocker Cancellation in 65nm CMOS"
2010	■ MediaTek's "WiMAX 802.16e device chipset project" awarded "Outstanding Contribution Award" by Ministry of Economic Affairs ■ Awarded "Top 50 Corporate Citizens" by CommonWealth Magazine for four continuous years ■ Awarded "Top 10 Most Admired Companies in Taiwan" by CommonWealth Magazine for 8 continuous years ■ Ranked Top 10 of "2010 Asia's 200 most-admired companies" by The Wall Street Journal ■ Awarded no. 12 of "Global Top 100 High-Tech Companies" by Bloomberg Business Week ■ Awarded "2010 Corporate Social Responsibility Top 65" by Global Views Monthly ■ Awarded "Best Annual Report in Taiwan" and "Best One-on-One Meetings in Taiwan" by IR Magazine ■ Published research papers in the ISSCC – "23.6 A 1V 17.9dBm 60GHz Power Amplifier
2009	■ Awarded "Innovative Product Award" for the company's High Sensitivity GPS SoC by Science-based Industrial Park Administration (SIPA) ■ Awarded "Asia Pacific Leadership Council Award" by Global Semiconductor Alliance (GSA) ■ Awarded "Best Investor Relations by a CEO Award" and "Best Investor Relations for a Corporate Transaction" by IR Magazine ■ Awarded "Best Corporate Governance in Taiwan and in Asia" by Asiamoney Magazine ■ Awarded the third annual "Top 50 Corporate Citizens" by CommonWealth Magazine ■ Published four research papers in the ISSCC itizens" by CommonWealthMagazineSoC in 90nm CMOSesearch.2V 2MHz BW 0.084mm2 CT ΔΣ ADC with -97.7dBc THD and 80dB DR Using Low-Latency DEMCommonWealthMagazineb/s HDMI Receiver with Adaptive Loop Updating Frequencies and an Adaptive Equalizer", and "A 110nm RFCMOS GPS SoC with 34mW -165dBm Tracking Sensitivity"
2008	■ Awarded "Innovative Product Award" for the company's Full-HD ATSC DTV SoC, by Science-based Industrial Park Administration (SIPA) ■ Launched Blu-ray DVD player chipset, GSM/GPRS/EDGE handset baseband chip, and next-generation ATSC and DVB-T digital TV single-chip ■ Awarded "Best Financially Managed Company" by Global Semiconductor Alliance (GSA) ■ Awarded "Corporate Social Responsibility Award" by Global View Magazine ■ Awarded the second annual "Top 50 Corporate Citizens" by CommonWealth Magazine ■ Published seven research papers in the ISSCC – "A 1V 11b 200MS/s Pipelined ADC with Digital Background Calibration in 65nm CMOS," and "A Fractional Spur Free All-Digital PLL with Loop Gain Calibration and Phase Noise Cancellation for GSM/GPRS/EDGE"
2007	■ Awarded "Distinguished Innovation Accomplishment" at the 15th ITA Award by the Ministry of Economic Affairs ■ Launched high-performance GPS signal receiver single-chip, first generation Bluetooth chip, and next-generation 120Hz video processing chip ■ Awarded "Best Financially Managed Company" by Global Semiconductor Alliance (GSA) ■ Awarded "The Asian Top 50" by Forbes Asia

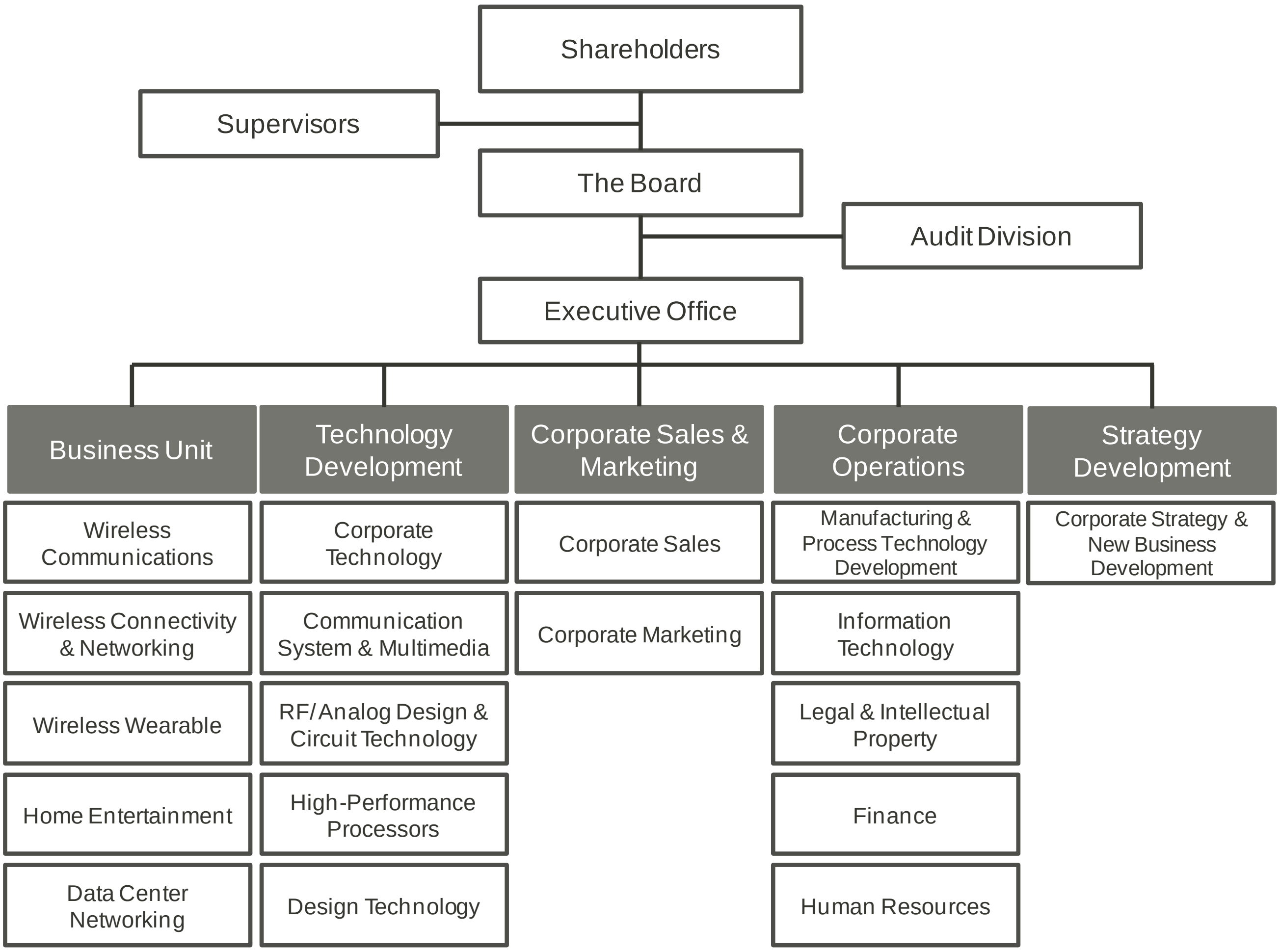
Year	Milestones
	■ Awarded "Corporate Social Responsibility Award" by Global View Magazine ■ Awarded the 12th annual "Most Admired Company in Taiwan" by CommonWealth Magazine ■ Awarded "Top 50 Corporate Citizens" by CommonWealth Magazine ■ Published research paper in the ISSCC – "RTL-based Clock recovery architecture with all-digital duty-cycle correction" ■ Published research paper in the IEEE IRPS (International Reliability Physics Symposium) "A New Device Reliability Evaluation Method for Overdrive Voltage Circuit Application."
2006	■ Awarded "Innovative Product Award" for the company's Blu-ray DVD player chipset, by SIPA ■ Launched GSM/GPRS/EDGE high-resolution camcorder chipset for mobile phones ■ Awarded "The Asian Top 50" by Forbes Asia ■ Published research paper in the ISSCC – "Fully Integrated CMOS SoC for 56/18/16 CD/DVD-dual/RAM Applications" ■ Awarded "Best Financially Managed Company" by Fabless Semiconductor Association (FSA, now renamed as GSA)
2005	■ Awarded "Innovative Product Award" for the company's multimedia GSM/GPRS mobile phone chipset, by SIPA ■ Launched ATSC and DVB-T high-resolution LCD TV chipset ■ Awarded "The Asian Top 50" by Forbes Asia ■ Awarded the 10th annual "Most Admired Company in Taiwan" by CommonWealth Magazine ■ Published research papers in the ISSCC – "Multi-Format Read/Write SoC for 7x Blu-ray/16x DVD/56x CD" and "DLL-Based Clock Recovery in a PRML Channel"
2004	■ Awarded "Innovative Product Award" for the company's DVD-Recorder Backend single-chip, by SIPA ■ Launched GSM/GPRS baseband handset chips ■ Ranked no.3 in the high-tech industry in Taiwan as part of Euromoney's "Best Corporate Governance" survey in 2004 ■ Awarded the 9th annual "Most Admired Company in Taiwan" by CommonWealth Magazine
2003	■ Awarded "Innovative Product Award" for the company's 8x DVD-read/write (DVD-R/W) optical storage chipset, by SIPA ■ Awarded "National Quality Award" by the Executive Yuan of Taiwan R.O.C. ■ Launched DVD-Dual chipset ■ Awarded Top High-Tech Company in Taiwan by "Business Next Magazine"
2002	■ Awarded "Innovative Product Award" for the company's high-speed COMBI optical storage chipset by SIPA ■ Launched 48x CD-R/W chipset ■ Launched CD/DVD COMBI chipset
2001	■ Awarded "Innovative Product Award" for the company's high-integration DVD-Player chipset by SIPA ■ Awarded the 9th annual MOEA Award for Industrial Technology Advancement ■ Listed on the Taiwan Stock Exchange (TSE) under the ticker of "2454"
2000	■ Awarded "Innovative Product Award" for the company's high-speed CD-R/RW chipset by SIPA ■ Launched 12x DVD-ROM chipset
1999	■ Awarded "Innovative Product Award" for the company's 12x DVD-ROM chipset by SIPA ■ Launched 12-x DVD-ROM chipset
1998	■ Awarded "Innovative Product Award" for the company's CD-ROM digital data/servo processor by SIPA ■ Launched the highest performance 48x CD-ROM chipset in the world
1997	■ Founded on May 28th

III. Corporate Governance

1. Organization

1.1. Organization Chart

As of April 30, 2015



1.2. Major Corporate Functions

Department	Functions
Wireless Communications	Research, design and promotion of mobile communication chips
Wireless Connectivity & Networking	Research, design and promotion of wireless local area network (LAN) and personal area network (PAN) chips
Wireless Wearable	Research, design and promotion of wireless wearable device chips
Home Entertainment	Research, design and promotion of digital consumer and digital TV chips
Data Center Networking	Research, design and promotion of data center networking related chips
Corporate Technology	Advanced technology development and industry/academy collaboration management
Communication System and Multimedia	Research and design of communication system architecture and multimedia technologies for video and imaging applications
RF / Analog Design and Circuit Technology	Analog technology development for wireless communication field, including RF, audio/video, transmission interface, server and power; packaging and circuit board design
High-Performance Processors	Strategy, development and applications of high-performance processors
Design Technology	Design services and development of technology platforms
Corporate Sales	Product sales, customer development, client relationship management, and sales operation management etc.
Corporate Marketing	Corporate image, industry value chain partnerships, market surveys and promotion communications
Manufacturing & Process Technology Development	Pilot production of R&D products, technology development, quality and reliability management, service satisfaction management, production planning and procurement affairs. Advanced process development, pilot production of high-end products and technological development of components
Information Technology	Information system architecture, e-commerce strategy, information system development and operation
Legal & Intellectual Property	Corporate legal affairs, contracts, patents, and other intellectual property management
Finance	Finance and accounting, tax, treasury and asset management, strategic investments, and investor relations
Human Resources	Human resource management and organization development, general affairs, plant administration, and labor safety
Corporate Strategy & New Business Development	Corporate strategy analysis, development, and execution. Assessment and assurance of new market opportunities
Audit Division	Internal audit and operational procedure management

2. Directors and Supervisors

2.1. Information Regarding Board Members & Supervisors

As of April 30, 2015 / Unit: Shares

Title/Name	Nationality or Registry	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Current Positions at MediaTek and Other Companies
					Shares	%	Shares	%	Shares	%		
Chairman **Ming-Kai Tsai**	R.O.C	June 13, 2012	3	May 21, 1997	40,873,162	3.56%	41,006,187	2.61%	46,351,145	2.95%	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- CEO, MediaTek, Inc. - Chairman, Andes Technology and JMicro Technology
Vice Chairman **Jyh-Jer Cho**	R.O.C	June 13, 2012	3	May 21, 1997	30,281,447	2.64%	30,325,222	1.93%	10,784,414	0.69%	- Master, Electronics Engineering, National Chiao Tung University - Manager, Multimedia R&D Team, UMC	None
Director **Ching-Jiang Hsieh**	R.O.C	June 13, 2012	3	June 13, 2005	4,203,271	0.37%	4,004,921	0.25%	1,469,489	0.09%	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- President, MediaTek, Inc. - Director/Chairman, MediaTek's Affiliates
Director **Cheng-Yaw Sun**	R.O.C	June 13, 2012	3	June 13, 2012	49,244	0.00%	29,244	0.00%	-	-	- B.S., Chung Yuan Christian University of Taiwan - Managing Director, HP China	None
Director **Kenneth Kin**	R.O.C	June 13, 2012	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Nuclear Engineering and Applied Physics, Columbia University, USA - Senior VP, Worldwide Sales & Services, TSMC	- Independent director, eMemory Technology Inc., AzureWave Technologies Inc., Vanguard International Semiconductor Corp. and Hermes Microvision, Inc. - Vice Dean, College of Technology Management, National Tsing Hua University
Independent Director **Chung-Yu Wu**	R.O.C	June 13, 2012	3	June 13, 2012	-	-	-	-	891,118	0.06%	- Ph.D., Electronics Engineering, National Chiao Tung University - President, National Chiao Tung University	- Independent director / remuneration committee member/audit committee member, Global Unichip Corp. -Independent director / remuneration committee member, Leadtrend Technology Corp and Amazing Microelectronics Corp. - Chair Professor, Electronics Engineering, National Chiao Tung University - Principal Investigator Biomedical Electronics Translational Research Center
Independent Director **Peng-Heng Chang**	R.O.C / U.S.A	June 13, 2012	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Materials Engineering, Purdue University - VP, Human Resources / Materials Management & Risk Management, TSMC	- President & CEO, Motech Industries Inc.

Title/Name	Nationality or Registry	Date Elected	Term (Yrs)	Date First	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education & Past Positions	Current Positions at MediaTek and Other Companies
Supervisor MediaTek Capital Co. Representative: Chung-Lang Liu	R.O.C	June 13, 2012	3	June 21, 2006	7,794,085	0.68%	7,794,085	0.50%	-	-	- Ph.D., Electrical Engneering, , MIT, USA - President, National Tsing Hua University	- Chairman, Dramexchange Technology Inc. - Independent Director, Richtek Technology Corp., United Microelectronics Corp., and Powerchip Technology Corp. - Director, Macronix Intl. Co. Ltd - Supervisor, Andes Technology Corp.
Supervisor National Taiwan University Representative: Ruey-Shan Guo	R.O.C	June 13, 2012	3	June 13, 2012	2,873	0.00%	2,873	0.00%	-	-	- Ph.D. Mechanical Engineering, MIT, USA	- Dean and professor, National Taiwan University College of Management
Supervisor Paul Wang	R.O.C	June 13, 2012	3	June 13, 2012	-	-	-	-	-	-	- Ph.D., Physics, Carnegie-Mellon, USA - Senior Consultant of IBM, USA	- Chairman of Pacific Venture Group and SerComm Corp. - Director Taiwan Prosperity Chemical Corp,, Prosperity Dielectrics Co., Ltd. (PDC) and Taiwan Cement. - Independent Director, UPC Technology Corporation - President, Monte Jade Science and Technology Association

2.2. Major Shareholders of Important Institutional Shareholders

MediaTek Capital Co. is 100% owned by Hsu-Ta Investment Co., which is 100% owned by MediaTek Inc.

2.3. Professional qualifications and independence analysis of directors and supervisors

Name/ Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Ming-Kai Tsai			√				√	√	√	√	√	√	√	0
Jyh-Jer Cho			√				√	√	√	√	√	√	√	0
Ching-Jiang Hsieh			√			√	√	√	√	√	√	√	√	0
Cheng-Yaw Sun			√	√		√	√	√	√	√	√	√	√	0
Kenneth Kin	√		√	√		√	√	√	√	√	√	√	√	4
Chung-Yu Wu	√		√	√	√	√	√	√	√	√	√	√	√	3
Peng-Heng Chang			√	√	√	√	√	√	√	√	√	√	√	0
Supervisor National Taiwan University Representative: Ruey-Shan Guo	√		√	√		√	√	√	√	√	√	√		0
MediaTek Capital Co. Representative: Chung-Lang Liu	√		√	√		√	√	√	√	√	√	√		3
Paul Wang			√	√		√	√	√	√	√	√	√	√	1

Note: Directors or Supervisors with a "√" sign meets the following criteria:
1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.4. Remunerations Paid to Directors and Supervisors

2.4.1. Remunerations Paid to Directors (Note 1)

Unit: Share / NT$ thousands

Title/Name	Remunerations Paid to Directors								(A+B+C+D) as % of 2014 Net Income		Compensations Earned as Employee of MediaTek or of MediaTek Affiliates														(A+B+C+D+E+F+G) as % of 2014 Net Income (Note 5)		Other compensations from non-subsidiary affiliates
	Salary (A)		Pension (B)		Profit Sharing (C) (Note 2)		Allowances (D)				Salary, Bonus, etc. (E)		Pension (F) (Note 3)		Employee Profit Sharing (G) (Note 4)				Employee Option (H)		Granted Employee Restricted Stock (I)				
															MediaTek		Consolidated Entities								
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	Cash	Stock	Cash	Stock	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
Chairman Ming-Kai Tsai Vice Chairman Jyh-Jer Cho Director Ching-Jiang Hsieh Director Cheng-Yaw Sun Director Kenneth Kin Independent Director Chung-Yu Wu Independent Director Peng-Heng Chang	-	-	-	-	64,669	64,669	300	300	0.14	0.14	235,532	235,532	216	216	-	-	-	-	-	-			0.65	0.65	

Notes: 1) The policies, standards, combinations, decision procedures and performance linkage of remunerations paid to directors: The compensations are determined in accordance with the procedures set forth in MediaTek's Articles of Incorporation which authorized the Board of Directors to resolve the compensation based on industry levels. The Articles of Incorporation also provides that MediaTek shall allocate the compensations to its directors and supervisors at 0.5% maximum of the earnings available after deducting the amount of legal reserve.
2) The Board of Directors resolved on April 30, 2015 meeting that NT$64,669 thousand to be allocated as remunerations to Directors. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website.
3) The Company's didn't have pension payment in 2014. The total pension expense provision in 2014 was NT$216 thousand.
4) The Board of Directors resolved on April 30, 2015 meeting that NT$579,974 thousand to be allocated as employee profit sharing. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website. As of the printing date of this annual report, the distribution plan of employee bonus has not been finalized and the above mentioned numbers are estimates.
5) Remunerations of the Company and its consolidated entities paid to directors in 2013, including their employee bonus, totaled NT$229,381 thousand, which was 0.83% of 2013 net profit.

2.4.2. Remunerations Paid to Directors

	Compensation Paid to Directors (A+B+C+D)		Total Compensation Paid to Directors (A+B+C+D+E+F+G)	
	MediaTek	Consolidated Entities of MediaTek	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	-	-	-	-
NT$2 million ~ $5 million	-	-	-	-
NT$5 million ~ $10 million	Ming-Kai Tsai, Jyh-Jer Cho, Ching-Jiang Hsieh, Chung-Yu Wu		Chung-Yu Wu	
NT$10 million ~ $15 million	Cheng-Yaw Sun, Kenneth Kin, Peng-Heng Chang		Cheng-Yaw Sun, Kenneth Kin, Peng-Heng Chang	
NT$15 million ~ $30 million	-	-	-	-
NT$30 million ~ $50 million	-	-	Jyh-Jer Cho	
NT$50 million ~ $100 million	-	-	-	-
Above NT$100 million	-	-	Ming-Kai Tsai, Ching-Jiang Hsieh	
Total	7		7	

2.4.3. Remunerations Paid to Supervisors (Note 1)

Unit: NT$ thousands

Title/Name	Remunerations Paid to Supervisors						(A+B+C) as % of 2014 Net Income (Note 3)		Other compensations from non-subsidiary affiliates
	Salary (A)		Profit Sharing (B) (Note 2)		Business Expense (C)				
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
Supervisor Paul Wang; Supervisor MediaTek Capital Co. Representative: Chung-Lang Liu; Supervisor National Taiwan University Representative: Ruey-Shan Guo	-	-	20,639	20,639	210	210	0.04	0.04	None

Note:
1. The policies, standards, combinations, decision procedures and performance linkage of remunerations paid to directors: The compensations are determined in accordance with the procedures set forth in MediaTek's Articles of Incorporation which authorized the Board of Directors to resolve the compensation based on industry levels. The Articles of Incorporation also provides that MediaTek shall allocate the compensations to its directors and supervisors at 0.5% maximum of the earnings available after deducting the amount of legal reserve.
2. The Board of Directors resolved on April 30, 2015 meeting that NT$20,639 thousand to be allocated as remunerations to Supervisors. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website.
3. Remunerations of the Company and its consolidated entities paid to supervisors totaled NT$14,243 thousand, which was 0.05% of 2013 net profit.

2.4.4. Remunerations Paid to Supervisors

	Compensation Paid to Supervisors	
	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	-	-
NT$2 million ~ $5 million	-	-
NT$5 million ~ $10 million	Paul Wang, MediaTek Capital Co., Ltd, National Taiwan University	
NT$10 million ~ $15 million	-	-
NT$15 million ~ $30 million	-	-
NT$30 million ~ $50 million	-	-
NT$50 million ~ $100 million	-	-
Above NT$100 million	-	-
Total	3	

3. Management Team

3.1. Profiles of Key Managers

As of April 30, 2015 / Unit: Shares

Title/Name	Nationality	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Past Positions	Current Positions at Other Companies
			Shares	%	Shares	%	Shares	%		
Chairman & CEO Ming-Kai Tsai	R.O.C	May 21, 1997	41,006,187	2.61%	46,351,145	2.95%	-	-	- Master, Electrical Engineering, University of Cincinnati, USA - President of the 2nd Business Group, UMC	- Chairman, Andes Technology Corp. and JMicron Technology Corp.
Vice Chairman Jyh-Jer Cho	R.O.C	Sep. 15, 2005	30,325,222	1.93%	10,784,414	0.69%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Manager, Multimedia R&D Team, UMC	(None)
President Ching-Jiang Hsieh	R.O.C	Sep. 15, 2005	4,004,921	0.25%	1,469,489	0.09%	-	-	- Master, Electrical Engineering, National Taiwan University - Engineer, Multimedia R&D Team, UMC	- Chairman/Director, MediaTek's affiliates
Senior Vice President Chwei-Huang Chang	R.O.C	July 1, 2006	803,110	0.05%	673,318	0.04%	-	-	- Master, Electrical Engineering, Polytechnic University, USA - Engineer, Multimedia R&D Team, UMC	(None)
Senior Vice President Kou-Hung Loh	R.O.C	July 1, 2006	-	-	-	-	-	-	- Ph.D., Electrical Engineering, Texas A&M University - CEO and founder of Silicon Bridge	(None)
Senior Vice President Cheng-Te Chuang	R.O.C	April 7, 2009	1,034,207	0.07%	328,077	0.02%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, UMC	(None)
Senior Vice President Jeffrey Ju	R.O.C	May 1, 2012	22,401	0.00%	28,744	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, Winbond	- Director, MediaTek's affiliates
Senior Vice President Joe Chen	R.O.C	July 1, 2012	177,787	0.01%	30,414	0.00%	-	-	- Master, Electronics Engineering, National Chiao Tung University - Engineer, SiS Corp	(None)
Senior Vice President & CTO Kevin Jou	R.O.C	May 30, 2011	-	-	-	-	-	-	- Ph.D, Electrical Engineering, University of Southern California - Vice President, Qualcomm Inc.	- Director, MediaTek's affiliates
Senior Vice President & CFO & Spokesperson David Ku	R.O.C	Jan. 1, 2011	37,842	0.00%	-	-	-	-	- MBA, University of Illinois at Urbana Champaign - Vice President of JPMorgan Investment bank	-Chariman/Director, MediaTek's affiliates and invested companies
Vice President & General Counsel WF Hsu	R.O.C	May 12, 2010	-	-	-	-	-	-	- Ph.D., Law School, University of Washington - Lawyer, Johns Day	- Director, Asia Pacific Intellectual Property Association

Title/Name	Nationality	Date Effective	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Past Positions	Current Positions at Other Companies
			Shares	%	Shares	%	Shares	%		
Vice President & CMO **Johan Erik Lodenius**	Sweden	Dec. 20, 2012	-	-	-	-	-	-	- Bachelor, Electronics and Computer Technology, Lund Institute of Technology - Senior Vice President, Qualcomm Inc.	- Director, MediaTek's affiliates
Vice President **Jen-Chieh Yu (Note1)**	R.O.C	Feb. 16, 2015	2	0.00%	-	-	-	-	-Master, Electrical Engineering, National Taiwan University -Technical Director, Afreey Inc.	- Director, MediaTek's affiliates

Note 1: Mr. Jen-Chieh Yu was appointed as the Company's Vice President on February 16, 2015.

3.2. Remunerations and Employee Bonus Paid to Key Managers (Note 1)

Unit: Share / NT$ thousands

Name / Title	Salary (A)		Pension (B) (Note 2)		Bonus (C)		Employee Profit Sharing (D)				(A+B+C+D) as % of 2014 Net Income (Note 4)		Employee Stock Options		Restricted Stock		Remuneration from non-subsidiary affiliates
	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek (Note 3)		Consolidated Entities		MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	MediaTek	Consolidated Entities	
							Cash	Stock	Cash	Stock							
Chairman & CEO Ming-Kai Tsai Vice Chairman Jyh-Jer Cho President Ching-Jiang Hsieh Senior Vice President Chwei-Huang Chang Senior Vice President Kou-Hung Loh Senior Vice President Cheng-Te Chuang Senior Vice President Jeffrey Ju Senior Vice President Joe Chen Senior Vice President & CTO Kevin Jou Senior Vice President & CFO & Spokesperson David Ku Vice President & General Counsel WF Hsu Vice President & CMO Johan Erik Lodenius	31,103	50,473	972	3,076	566,741	639,510	-	-	-	-	1.29	1.49	-	-	-	-	(None)

Note:
1. The policies, standards, combinations, decision procedures and performance linkage of remunerations paid to managers: The compensations are determined in accordance with managers' position, responsibility, contribution, performance and uncertainties and risks of the Company.
2. The company did not have pension payment in 2014. The provision for pension expense in 2014 at MediaTek and the consolidated entities were NT$972 thousand and NT$3,076 thousand, respectively.
3. The Board of Directors resolved on April 30, 2015 meeting that NT$579,974 thousand to be allocated as employee bonus. The proposed compensation will be effective upon the approval of shareholders at the Annual Shareholders Meeting. The updated information shall be posted on the Company's website. As of the printing date of this annual report, the distribution plan of employee bonus has not been finalized and the above mentioned numbers are estimates.
4. Remunerations and bonus of MediaTek and its consolidated entities paid to key managers in 2013 were NT$473,515 thousand and NT$558,849 thousand respectively which were 1.72% and 2.03% of 2013 net income, respectively.
5. Mr. Jen-Chieh Yu was appointed as the Company's Vice President on February 16, 2015 and his 2014 remuneration is not included.

3.3. Key Managers Remunerations Scale

Remuneration scale for individual key managers	Compensation Paid to Key Managers	
	MediaTek	Consolidated Entities of MediaTek
Less than NT$2 million	-	-
NT$2 million ~ $5 million	-	-
NT$5 million ~ $10 million	-	-
NT$10 million ~ $15 million	-	-
NT$15 million ~ $30 million	-	-
NT$30 million ~ $50 million	Jyh-Jer Cho,WF Hsu, Kevin Jou, Johan Erik Lodenius	
NT$50 million ~ $100 million	Chwei-Huang Chang,Kuo-Hung Loh, Cheng-Te Chuang, David Ku, Jeffrey Ju, Joe Chen	
Above NT$100 million	Ming-Kai Tsai, Ching-Jiang Hsieh	
Total	12	

3.4. Employee Bonus Paid to Key Managers: None

4. Corporate Governance Report

4.1. Operation of the Board

4.1.1 Board of Directors' Meeting Status

The Company's shareholders elected the 6th Board of Directors and Supervisors in Annual General Meeting on June 13, 2012, effective immediately. (From June 13, 2012 to June 12, 2015)

The 6th Board of Directors held 8 sessions in 2014. The attendance of the Directors is shown in the following table:

Title/Name	Attend in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman: Ming-Kai Tsai	8	0	100%	Re-elected
Vice Chairman: Jyh-Jer Cho	8	0	100%	Re-elected
Director: Ching-Jiang Hsieh	8	0	100%	Re-elected
Director: Cheng-Yaw Sun	8	0	100%	Newly-elected
Director: Kenneth Kin	8	0	100%	Newly-elected
Independent Director: Chung-Yu Wu	7	0	88%	Newly-elected
Independent Director: Peng-Heng Chang	7	1	88%	Newly-elected

4.1.2. Other Required Notes for the Board of Directors Meetings:

A. Items listed in Article 14-3 in Securities and Exchange Act or Board resolutions independent directors have dissenting opinions or qualified opinions with notes in minutes of the directors meetings: None.

B. Execution status for Article 206 of the Company Act regarding matters bearing on the personal interests of directors: None.

C. Goals to enhance the Board's operations:

a. Establishment of the remuneration committee and independent directors: the Company established the remuneration committee on Aug 24, 2011 and elected 2 seats of independent directors in 2012 AGM to enhance the Board's operation. In addition, the Company will elect 3 seats of independent directors in the 2015 AGM and establish an audit committee to enhance corporate governance operations.

b. Information transparency improvement: the Company's Board approved "Procedures for Internal Material Information" on December 29, 2011.

4.2. Operation of Supervisors' Participation on the Board of Directors

4.2.1 Supervisors' Participation on the Board of Directors' Meeting

The Company's shareholders elected the 6th Board of Directors and Supervisors at the Annual General Meeting held on June 13, 2012, effective immediately. (From June 13, 2012 to June 12, 2015)

The 6th Board of Directors held 8 sessions in 2014. The attendance of the Supervisors is shown in the following table:

Title/Name	Attend in Person	Attendance Rate in Person (%)	Note
Supervisor MediaTek Capital Co. Representative: Chung-Lang Liu	7	88%	Re-elected
Supervisor National Taiwan University Representative: Ruey-Shan Guo	6	75%	Newly-elected
Supervisor Paul Wang	4	50%	Newly-elected

4.2.2. Other Required Notes for Supervisors' Participation on the Board of Directors Meetings

A. Supervisors and responsibilities:

a. Communication between Supervisors and employees, shareholders: The Company reports to Supervisors on a regular basis. Supervisors' information is made public, employees, shareholders, and interested parties are able to contact them freely.

b. Communication between Supervisors and auditors and CPAs: The Company's internal audit managers and the Finance Division report to the Supervisors on issues relating to finance and business operations. The Supervisors audit the Company's financial reports regularly and keep communication channels with the CPAs open.

B. If any Supervisor made a statement of opinion during the Board of Directors meeting, the following items shall be recorded: date of Board of Directors' meeting, proposal, board resolution, and how the company's response to the statement: None.

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

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/ Listed Companies"?		✓	The Company has set up independent directors and the remuneration committee and will establish an audit committee this year. All the directors of The Company are world class professionals coming from industry and academic circles, and the board has established a comprehensive corporate governance framework. The Company also established a complete internal control system based on corporate governance best-practice principles, and fairly treat shareholders while protect their rights. Although the Company has not yet formally created a document for the corporate governance principles, the Implementation Status is fully in accordance with the TSE Corporate Governance Best Practice Principles.	Same as the summary description
2.Equity structure and shareholders' equity				None
(1). Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has designated relevant departments, such as Investor Relations, Public Relations, Legal, etc. to handle shareholder suggestions or disputes.	
(2). Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company tracks the shareholdings of directors, supervisors, officers, and shareholders holding more than 10% of the outstanding MediaTek shares.	None
(3). Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		When designing the structure of its subsidiaries, the Company has implemented a firewall mechanism. The Company and its subsidiaries have established appropriate internal control systems.	None
(4). Does the company establish internal rules against insiders trading with undisclosed information?	✓		The Company published "Standards of Behavior Regarding Insider Trading" in 2008, strictly prohibiting staffs and managers from insider trading with material nonpublic information. Violators are subject to punishment, investigation, and legal liability.	None
3. Composition and Responsibilities of the Board of Directors				None
(1). Does the Board develop and implement a diversified policy for the composition of its members?	✓		The board members of the Company have diversified backgrounds, such as engineering and finance, in accordance with a policy of diversification.	
(2). Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		A remuneration committee is established under the board, and will establish the audit committee in 2015, after the board of directors' election in AGM.	None
(3). Does the company establish a standard to measure the performance of the Board, and	✓		The remuneration committee sets up and reviews the performance evaluation and remuneration policy, standard, system and framework for board of directors.	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
implement it annually? (4). Does the company regularly evaluate the independence of CPAs?	✓		The approval of the Board is required for employment or replacement of independent auditors. The board will regularly conduct evaluations of auditor independence. In order to strengthen the external auditors' independence, the board will also replace auditors every 7 years. In addition, starting from this year, after establishment of the audit committee after 2015 AGM, the audit committee will conduct evaluations of auditor independence to the board of directors every year..	None
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?		✓	The Company will publish a CSR report this year, and also establish a Stakeholder section on the company website	Same as the summary description
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed CTBC Bank's Transfer Agency Department to perform services required in regards to the general meeting.	None
6. Information Disclosure (1). Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2). Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓ ✓		1. MediaTek discloses financial information and corporate governance items on its company website: www.mediatek.com 2. MediaTek has designated appropriate persons to handle information collection and disclosure. Contact person: Sophia Liang, TEL: +886-(0)3-567-0766 ext.26568 3. MediaTek has established a spokesperson policy. Spokesperson: David Ku; Deputy Spokesperson: Jane Chen. 4. MediaTek provides investor conferences webcasts and presentation materials on its website in a timely manner 5. MediaTek discloses real-time information to shareholders and stakeholders on both Company website and MOPS website.	None None
7. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for	✓		1. MediaTek discloses its financial statements and corporate governance information on its Chinese and English websites (www.mediatek.com). The Company aims to provide free access to transparent information for employees, investors, suppliers and stakeholders. 2. MediaTek's Directors and Supervisors are experts in their professional specialties. The Company provides new regulation updates that require the attention of Directors and Supervisors. The executive team of the Company also reports to the Board and the Supervisors periodically. Director and Supervisor training records can be found on the MOPS website. 3. The Company has already instituted internal control systems as required by law and has properly implemented the system. The Company also conducts risk assessments on banks, customers, and	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
directors and supervisors)?			suppliers in order to reduce credit risks. 4. All Directors of the Company avoid issues when there are conflicts of interests. 5. MediaTek maintains D&O insurance for its Directors, Supervisors, and key officers.	
8. Has the company implemented a self-evaluation report 2 on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.	✓		The Company participated in the self-evaluation of corporate governance accord with the Corporate Governance Evaluation System of the TSE. In the future, the Company will improve the process of self-evaluation of corporate governance according to the results. In addition, MediaTek was awarded "2014 The most reputable Taiwan Corporation – Across industries TOP3" by CommonWealth Magazine and received an A ranking among listed companies in the 12th Information Disclosure and Transparency Ranking System held by the Securities & Futures Institute.	None

4.4. Operation of the Company's Remuneration Committee

4.4.1. Responsibilities of the Company's Remuneration Committee:

The remuneration committee aims at establishing and regularly reviewing the performance evaluation procedure for directors, supervisors and managers as well as establishing compensation policy, system, standard and structure and regularly reviewing the compensation of directors, supervisors and managers.

4.4.2. Composition of the Company's remuneration committee:

The Company's remuneration committee was established on August 24, 2011 and has three members. According to related regulations of the Securities and Futures Bureau, Financial Supervisory Commission, the professional qualification and independence criteria of the remuneration committee's members are below:

Criteria / Title / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)								Number of other public companies concurrently serving as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	
Independent Director Chung-Yu Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Other Wen-Tsuen Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Peng-Heng Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

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

4.4.3. Remuneration Committee Meeting Status

The tenure of the Company's 2nd remuneration committee is from June 22, 2012 to June 12, 2015. The convener, Mr. Chung-Yu Wu held two sessions in 2014 and the attendance of members is shown in the following table:

Title	Name	Attend in Person	Attendance Rate in Person (%)	Note
Convener	Chung-Yu Wu	2	100%	None
Member	Wen-Tsuen Chen	2	100%	
Member	Peng-Heng Chang	2	100%	

4.4.4. Other Required Notes for Remuneration Committee:

A. In cases the Board doesn't adopt or revise remuneration committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to remuneration committee's proposal: None.

B. In cases remuneration committee members have dissenting opinions or qualified opinions against the resolution and recorded with notes in paper, the Company shall list date/number of the remuneration committee meeting and agenda: None.

4.5. Status of Fulfilling Corporate Social Responsibility

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Implementation of corporate governance **(1). Does the company declare its corporate social responsibility policy and examine the results of the implementation?**		✓	The company has not yet formally set up a "corporate social responsibility policy" in written. However, the company's implementation of corporate governance, environmental sustainability, social responsibility and information disclosure has been in accordance with corporate social responsibility policy principles. In addition, the Company set up internal performance targets and regularly review the implement results. Please refer to "Section 6, Social Responsibility" for more details.	Same as the summary description
(2). Does the company provide educational training on corporate social responsibility on a regular basis?	✓		The Company arranges external and internal corporate social responsibility trainings for working team and core personnel in charge of corporate social responsibility implementation. Frequency of trainings is subject to team's turnover and frequency of standard updates.	None
(3). Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The Company established a Corporate Sustainability Development Team in 2014, led by Chairman Mr. Ming-Kai Tsai. Following sustainable development as the highest guiding principle, the Company focuses on three aspects, economics, society, and environment, to instruct the relevant departments responsible for the implementation of each project. The human resources department and manufacturing & process technology department are the core team for coordinating all matters, including setting up the annual sustainable development objective, communication between management and each department, allocation of internal resources, controlling project progress, audit certification, awards application, and other tasks. The Company holds regular discussion meetings each year to report the execution plans of the current year focusing on economic, social and environmental aspects, while review the implementation results of the previous year. Therefore, the Company can improve continually in order to achieve the highest principle of sustainable development.	None
(4). Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		The Company reviews the remuneration standard in accordance to market rates and stipulate a reasonable remuneration policy according to macroeconomic indices to ensure a competitive level of remuneration. Also, by offering a platform of two-way communication though regular performance evaluations and future plan developments, we achieve individual and organization development by rewarding based on performance and encourage employees to grow with the company.	None
2. Sustainable Environment Development **(1). Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?**	✓		The process to optimize utilization of raw materials: Waste management and recycling: in order to manage waste efficiently and maximize the benefits of recycling, the Company prioritizes waste reduction, classification for reuse, adherence to recycling and reutilization. The Company also handles and disposes waste properly and continually improves waste storage, transport and processes and evaluate the impact on the environment. We choose only qualified partners for waste disposal and recycling, and also audit the waste processes	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
			randomly to ensure the legal disposal of our waste and fulfill our responsibility in waste management supervision.	
(2). Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		Sustain our efforts to maintain the Environmental Management System (ISO-14001) and Occupational Health and Safety Management System (OHSAS-18001). Dedicated personnel are assigned to take responsibility for environmental management and promotion of environmental principles.	None
(3). Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		The Company implements the greenhouse gas examination and makes continuous efforts to reduce CO2 creation and save energy including the reducing, reusing and recycling resources. Dedicated personnel are assigned to take responsibility for environmental management. Please see "Section 6, Social Responsibility" section in this report	None
3. Preserving Public Welfare (1). Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company abides by the rules, policies, and procedures of the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees.	None
(2). Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		The Company establishes complaint mechanism and channels for employees, we also assign dedicated personnel and established an employee suggestion mailbox and dedicated personnel are assigned to resolve employee issues. We adhere to "Complaint and Punishment of Sexual Harassment in the Workplace", established complaint & punishment measures and establishing specific institutional sexual harassment grievance committee to handle gender equality in the workforce. In order to react rapidly, employee suggestions can directly go to the HR head and general manager.	None
(3). Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		The Company aims to offer a safe and healthy working environment and promote a health life. The Company also regularly hold safety and health training sessions to employees.	None
(4). Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		The Employee Welfare Committee was established to encourage employees to enjoy company benefits. Labor Management conferences are convened periodically to ensure labor harmony. If significant impacts to operating activities are expected, it will be announced early to employees.	None
(5). Does the company provide its employees with career development and training sessions?	✓		The Company offers a comprehensive career development training program, a challenging learning environment to develop employee's potential and continue to invest in the organization's capabilities.	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(6). Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		The Company established standards of the employee ethical behaviors and a reporting system. For further information, please refer to the company's web page athttp://www.mediatek.com/zh-TW/about/company-overview/code-of-ethics/ethical-misconduct-reporting/	None
(7). Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		Products of the Company comply with requirements of relevant regulations and international standards.	None
(8). Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	✓		Past record of any harming behavior on environment and the society is one of the key items in vendors' qualification evaluation process.	None
(9). Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		If a supplier acts against the standards of the Company, rights to terminate cooperation will be carried out.	None
4. Enhancing Information Disclosure (1). Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		The Company discloses CSR information on its company website or on the TSE "MOPS". The Company will publish CSR report from 2015 according to the GRI standard on an annual basis.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has not yet expressly set up CSR regulations in written, but the implementation status is in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies"				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices： Please refer to the company's web page at http://www.mediatek.com/en/about/citizenship/community-contribution/				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The CSR report is expected to be published in the third quarter of 2015, and adopt ISAE 3000 for examination purposes.				

4.6. Ethical Corporate Management

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs (1). Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The company strictly follows the six core values: integrity, conviction inspired by deep thinking, customer focus, constant renewal, innovation and inclusiveness as the guidance of business operation and sets up various internal guidelines based on the core values.	None
(2). Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		The company has the following corporate governance guidelines and regulations in place: (1) Rules and Procedures of Shareholders' Meeting (2) Rules and Procedures of Board of Directors' Meeting (3) Rules for Election of Directors and Supervisors (4) Procedures Governing the Acquisition or Disposition of Assets (5) Operating Procedures of Endorsement and Guarantee (6) Operating Procedures of Outward Loans to Others (7) Procedures of Internal Material Information (8) Remuneration Committee Charter Available on the Company's website http://www.mediatek.com	None
(3). Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		Integrity is highly-valued and is the major principle for the Company's Board of Directors and key management. The Board of Directors and key management will not vote in cases where they have a conflict of interest.	None
2. Fulfill operations integrity policy (1). Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		Maximizing shareholders and employees' values has been the Company's major management principle. The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies to minimize the risks.	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(2). Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		The Company believes integrity is at the core of its value in terms of business operations. The board of directors establishes various organizations and channels, such as the remuneration committee, audit committee (2015), internal audit, and reporting system of violating ethical behaviors which is responsible directly by managers, to fulfill the duties of integrity operations. The internal auditing department plays an important role in keeping compliant with the ethical corporate management practices and regulations. The internal auditing department audits various items according to the auditing plan though the approval of the board of directors, and reports to the board of directors for the auditing result and the improvement project. Each organization is under the supervision of the board of directors to carry out the integrity corporate management.	None
(3). Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		Ethic Regulations of Conducting Business and Regulations Governing the Directors and Managers' Behavior of the Company clearly define the policy to prevent conflicts of interest. In addition, the Company also designates a contact for each department to consult, communicate or resolve relevant issues in order to achieve results rapidly and effectively.	None
(4). Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		The company has built up an effective accounting system and internal control systems that is constantly under review and evaluation to ensure the system's design and execution remains effective. Internal auditors audit the system referred in the prior paragraph.	None
(5). Does the company regularly hold internal and external educational trainings on operational integrity?	✓		Integrity and respect are the core values which the Company is committed to and advocates regularly.	None
3. Operation of the integrity channel (1). Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company established the Reporting Procedure and the reporting unethical behavior system. Employees can use this system to report unethical and improper behaviors, and the Company will designate senior management to handle the case.	None
(2). Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company established the SOP and relevant confidentiality mechanisms.	None
(3). Does the company provide proper whistleblower protection?	✓		The Company established precautions in order to protect whistleblowers.	
4. Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company discloses and advocates Ethical Corporate Management Best Practice Principles on Company's internal website. The Company also discloses the annual report which including relevant information about ethical corporate management on company website and TSEC "MOPS" website	None

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best -Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company established the standard of the ethical corporate management and the behavior of directors and managers. Implemen tation Status of ethical corporate management of the Company is in accordance with standard of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", and further information please refer to the corporate governance section for more details				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). Please refer to the corporate governance section for more details.				

4.7. Corporate Governance Guidelines and Regulations

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

(1) Rules and Procedures of Shareholders' Meeting
(2) Rules and Procedures of Board of Directors' Meeting
(3) Rules for Election of Directors and Supervisors
(4) Procedures Governing the Acquisition or Disposition of Assets
(5) Operating Procedures of Endorsement and Guarantee
(6) Operating Procedures of Outward Loans to Others
(7) Procedures of Internal Material Information
(8) Remuneration Committee Charter

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

Please refer to the Company's website at www.mediatek.com

4.8. Other Important Corporate Governance Information

The Company continues to add more resources to enhance corporate governance including adding corporate governance session and attaching corporate governance guidelines and regulations for download on the company website, disclosing material information in a timely matter and host regular investor conferences.

4.8.1 Directors and Supervisors Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
Independent Director Chung-Yu Wu	Dec 19, 2014	Taiwan Corporate Governance Association	Merge and Acquirement Practice Workshop	3
	May 9, 2014	Securities & Future Institute	Directors and Supervisors Practice Advanced Seminar: Protection of operating secrets	3
Director Kenneth Kin	Dec 2, 2014	Taiwan Corporate Governance Association	A view on corporate board efficiency: in regard to the book "The Effective Board", published by Institute of Directors	3
	Oct 24, 2014	Securities & Future Institute	The practical tasks of Compensation Committees in Taiwan	3
	May 14, 2014	Taiwan Corporate Governance Association	Solid corporate governance execution and corporate sustainability	3

4.8.2. Key Management Profession Enhancement Status

Title/Name	Date	Host by	Training / Speech title	Hours
Senior Vice President & CFO &Spokesperson David Ku	Oct 27, 2014 Oct 28, 2014	Accounting Research and Development Foundation	Advanced Lectures for Accounting Mangers	12
Director, Internal Audit Kirin Liu	Dec 11, 2014 Dec 12, 2014	Computer Audit Association	Six episodes in investigation of fraud in computer audition	15

4.9. Status of the Internal Control System Implementation

4.9.1. Declaration of Internal Control

MediaTek Inc.
Statement of Declaration of Internal Control

Date: March 19th, 2015

MediaTek Inc. has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2014, and hereby declares the following:

1. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.

2. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The company will take immediate corrective actions once any shortcomings are identified.

3. The Company judges the effectiveness of the internal control systems in design and enforcement according to the "Criteria for the Establishment of Internal Control Systems of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.

4. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement.

5. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.

6. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.

7. This statement of declaration has been approved by the Board on March 19th 2015 with all Directors in session under unanimous consent.

MediaTek Inc.

Ming-Kai Tsai
Chairman

Ching-Jiang Hsieh
President

4.9.2. Disclose the Review Report of Independent Auditors if They are Retained for Reviewing the Internal Control System

None

4.10. Reprimands on the Company and its Staff

Reprimand on the Company and its Staff in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

4.11. Major Resolutions of Shareholders' Meeting and Board Meetings

4.11.1. Major Resolutions of Shareholders' Meeting and Implementation Status

Meeting date	Meeting	Major Resolutions	Implementation Status
June 12, 2014	2014 Annual General Meeting	Acknowledgement Items: (1) Adoption of the 2013 Business Report and Financial Statements (2) Adoption of the Proposal for Distribution of 2013 Profits Discussion Items: (1) Amendments to the Company's "Procedures Governing the Acquisition or Disposition of Assets" (2) Amendments to the Company's "Operating Procedures of Outward Loans to Others "	All of the resolutions of the Shareholders' Meeting had been fully implemented in accordance with the resolutions.

4.11.2. Major Resolutions of Board Meetings

During the 2014 calendar year and as of the printing date of this annual report, 11 Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

Date	Meeting	Major Approvals
Jan 27, 2014	The 14th meeting of the 6th board	subsidiary's assets acquisition and disposal 2014 first quarter financial forecasts execution of the MStar Semiconductor merger according to the terms agreed with China's Ministry of Commerce.
Feb 17, 2014	The 15th meeting of the 6th board	acquisiton of wholly-owned subsidiary Ralink updates for 2014 first quarter financial forecasts key management's 2013 performance evaluation and remuneration proposal for the first half of 2014
Mar 21, 2014	The 16th meeting of the 6th board	2013 operation report 2013 internal control statement 2014 operating budget plan 2014 AGM date, venue and agenda MStar merger report replacement of the Company's certified public accountants.
Apr 30, 2014	The 17th meeting of the 6th board	2014 first quarter financial statements 2014 second quarter financial forecasts amendment to "Procedures Governing the Acquisition or Disposition of Assets" amendment to "Operating Procedures of Outward Loans to Others" Endorsements and guarantee for subsidiaries. Ralink acquisition report 2013 profit distribution proposal of directors and supervisors' remuneration suggested by remuneration committee
Jun 12, 2014	The 18th meeting of the 6th board	record date of 2013 profit distribution assets acquisition contracts relieving from the business strife limitation clause of labor contract
Jul 31, 2014	The 19th meeting of the 6th board	2014 second quarter financial statements key management's remuneration proposal for the second half of 2014
Nov 6, 2014	The 20th meeting of the 6th board	2014 third quarter financial statements subsidiary Gaintech's investment 2015 audit plan amendments to internal control system
Feb 09, 2015	The 22th meeting of the 6th board	proposal of Gaintech investment proposal of subsidiary's office purchase and self-construction proposal of contract signing with Bereau of High Speed Rail, MOTC of ROC. through subsidiary replacement of the Company's certified public accountants. suspend the non-competition restriction on management vice president appointment key management's 2014 performance evaluation and remuneration for 2015
Mar 19, 2015	The 23th meeting of the 6th board	2014 operation report 2015 operating budget plan 2014 internal control statement 2015 AGM date, venue and agenda proposal of election of 7th Directors, including independent Directors proposal of 7th Directors candidates' period and location of nomination approved to nominate director of board proposal of lift regulations of business strife limitation clause of labor contract amendments to article of association amendment to internal regulations amendment to rules for director and supervision elections amendments to rules of board of directors meetings amendment to procedures for internal material information amendment to remuneration committee charter establishment of audit committee charter amendment to internal control systems establishment of the code of ethics for director and management
April 30, 2015	The 24th meeting of the 6th board	2015 first quarter financial statements review and confirm the list of candidates for directors proposal of 2014 profit distribution 2014 remuneration for directors and supervisors

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

None

4.13. Resignation of Personnel Related to Financial Statement Preparation in 2014 to the Printing Date of this Report

None

5. Information Regarding MediaTek's Independent Auditors

5.1. Auditor Information

Ernst & Young, Mr. Shao-Pin Kuo and Mr. Chih-Lai Wang for the period of 2014.

5.2. Information on Audit Fees

	Audit Fee	Non-Audit Fee	Total
Less than NT$2 million		✓	
NT$2 million ~ $4 million			
NT$4 million ~ $6 million			
NT$6 million ~ $8 million			
NT$8 million ~ $10 million			
Above NT$10 million	✓		✓

Other important disclosures:

(1) Audit fee and non-audit fee:

Ernst & Young, Mr. Shao-Pin Kuo and Mr. Chih-Lai Wang for the period of 2014 Audit fee paid: NT$10,409 thousand

Total non-audit fee paid: NT$437 thousand

(2) Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: No.

(3) Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.

(4) Audit fee reduced more than 15% year over year: No.

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

Due to accounting firm's job rotation in accordance to relevant regulations, the board approved to replace the certified public accountants on March 21, 2014 and February 9, 2015.

5.4. The Company's Chairman, President or managers in charge of finance or accounting has been under current audit firm or its affiliates' employment in 2014:

No.

6. Net Changes in Shareholding

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

Unit: Shares

Title/Name	2014		Jan. 1 to April 30, 2015	
	Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman & CEO Ming-Kai Tsai	-	-	-	-
Director &Vice Chairman Jyh-Jer Cho	-	-	-	-
Director & President Ching-Jiang Hsieh	-	-	-	-
Director Cheng-Yaw Sun	-	-	-	-
Director Kenneth Kin	-	-	-	-
Independent Director Chung-Yu Wu	-	-	-	-
Independent Director Peng-Heng Chang	-	-	-	-
Supervisor MediaTek Capital Co.	-	-	-	-
Supervisor National Taiwan University	-	-	-	-
Supervisor Paul Wang	-	-	-	-
Senior Vice President Chwei-Huang Chang	-	-	-	-
Senior Vice President Kou-Hung Loh	-	-	-	-
Senior Vice President Cheng-Te Chuang	(80,000)	-	-	-
Senior Vice President Joe Chen	-	-	-	-
Senior Vice President Jeffrey Ju	(75,000)	-	-	-
Senior Vice President & CTO Kevin Jou	-	-	-	-
Senior Vice President & CFO & Spokesperson David Ku	-	-	-	-
Vice President & CMO Johan Erik Lodenius	-	-	-	-
Vice President & General Counsel WF Hsu	-	-	-	-
Vice President Jen-Chieh Yu (Note1)	-	-	-	-

Note 1: share information disclosure of Mr. Jen-Chieh Yu is from February 16, 2015 when he was appointed as Vice President

Stock Trade with Related Party: None.

Stock Pledge with Related Party: None.

7. Top 10 Shareholders Who are Related Parties to Each Other

As of April 14, 2015. Unit: Share/%

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3rd Party		Top 10 Shareholders Who are Related Parties to Each Other	
	Shares	Proportion	Shares	Proportion	Shares	Proportion	Name	Relationship
Chui-Hsing Lee	46,369,145	2.95	41,006,187	2.61	-	-	Ming-Kai Tsai	Spouse
JPMorgan Chase Bank N.A. Taipei Branch in custody for Oppenheimer Developing Markets Funds managed by OppenheimerFunds, Inc.	44,001,000	2.80	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	42,976,608	2.73	-	-	-	-	-	-
Ming-Kai Tsai	41,006,187	2.61	46,369,145	2.95	-	-	Chui-Hsing Lee	Spouse
Government of Singapore	40,296,954	2.56	-	-	-	-	-	-
Jyh-Jer Cho	30,325,222	1.93	10,784,414	0.69	-	-	-	-
Vanguard Emerging Markets Stock Index Fund	26,197,192	1.67	-	-	-	-	-	-
JPMorgan Chase Bank in custody for Capital World Growth and Income Fund	22,520,000	1.43	-	-	-	-	-	-
Tin-Ren Liu	20,531,763	1.31	3,339,879	0.21	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	17,130,000	1.09	-	-	-	-	-	-

8. Long-Term Investment Ownership

As of December 31, 2014. Unit: Share/%

Long-Term Investments	Investments by MediaTek (1)		Investments Directly or Indirectly Controlled by Directors, Supervisors, and Managers of MediaTek (2)		Total Investment (1) + (2)	
	Shares	Portion	Shares	Portion	Shares	Portion
Hsu-Ta Investment Corp.	1,062,535,590	100%	-	-	1,062,535,590	100%
MediaTek Investment Singapore Pte. Ltd.	2,193,635,278	100%	-	-	2,193,635,278	100%
MediaTek Singapore Pte. Ltd.	111,993,960	100%	-	-	111,993,960	100%
T-Rich Technology (Cayman) Corp.	1,248,583	100%	-	-	1,248,583	100%
Mstar Semiconductor Inc.	145,243,592	100%	-	-	145,243,592	100%

IV. Capital and Shares

1. Capital and Shares

1.1. Capitalization

As of April 30, 2015, Unit: share/NT$

Month/ Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital (shares)	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
Mar 2014	10	2,000,000,000	20,000,000,000	1,570,590,578	15,705,905,780	Share Exchange: 221,123,877	52% of MStar Semiconductor	Mar 31, 2014 Yuan-Shang-Tze No.1030009455
Apr 2014	10	2,000,000,000	20,000,000,000	1,570,837,871	15,708,378,710	Employee option exercised: 247,293	-	Apr 30, 2014 Yuan-Shang-Tze No.1030012285
Jun 2014	10	2,000,000,000	20,000,000,000	1,570,988,882	15,709,888,820	Employee option exercised: 151,011	-	Jun 16, 2014 Yuan-Shang-Tze No.1030017211
Aug 2014	10	2,000,000,000	20,000,000,000	1,571,021,521	15,710,215,210	Employee option exercised: 32,639	-	Aug 15, 2014 Yuan-Shang-Tze No.1030024069
Nov 2014	10	2,000,000,000	20,000,000,000	1,571,445,544	15,714,455,440	Employee option exercised: 424,023	-	Nov 25, 2014 Yuan-Shang-Tze No.1030035311
Apr 2015	10	2,000,000,000	20,000,000,000	1,571,492,244	15,714,922,440	Employee option exercised: 46,700	-	Apr 2, 2015 Yuan-Shang-Tze No.1040008927
Apr 2015	10	2,000,000,000	20,000,000,000	1,571,577,147	15,715,771,470	Employee option exercised: 84,903	-	Registration in process

As of April 30, 2015, Unit: share

Type of Stock	Authorized Capital			Remark
	Outstanding	Un-Issued	Total	
Common Stock	1,571,577,147	428,422,853	2,000,000,000	Listed on TSE

Shelf Registration: None.

1.2. Composition of Shareholders

As of April 14, 2015; Unit: share / %

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Persons	Individuals	Total
Number of Shareholders	1	106	582	1,863	75,208	77,760
Shareholding (shares)	2	77,341,809	109,682,886	981,836,208	402,716,242	1,571,577,147
Holding Percentage (%)	0.00%	4.92%	6.98%	62.48%	25.62%	100.00%

1.3. Distribution of Shareholding

1.3.1 Distribution of Common Stock

As of April 14, 2015

Common Share Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1 ~ 999	31,627	4,343,867	0.28%
1,000 ~ 5,000	36,939	67,645,272	4.30%
5,001 ~ 10,000	4,039	29,444,446	1.87%
10,001 ~ 15,000	1,306	16,106,573	1.02%
15,001 ~ 20,000	764	13,578,633	0.86%
20,001 ~ 30,000	752	18,574,875	1.18%
30,001 ~ 40,000	389	13,615,501	0.87%
40,001 ~ 50,000	242	10,972,138	0.70%
50,001 ~ 100,000	604	43,053,824	2.74%
100,001 ~ 200,000	372	52,888,635	3.37%
200,001 ~ 400,000	260	73,693,919	4.69%
400,001 ~ 600,000	146	71,681,924	4.56%
600,001 ~ 800,000	53	36,745,283	2.34%
800,001 ~ 1,000,000	44	38,814,012	2.47%
Over 1,000,001	223	1,080,418,245	68.75%
Total	77,760	1,571,577,147	100.00%

1.3.2 Distribution of Preferred Stock: Not Applicable

1.4. Major Shareholders

As of April 14, 2015

Top 10 Shareholders	Total Shares Owned	Ownership (%)
Chui-Hsing Lee	46,369,145	2.95%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Oppenheimer Developing Markets Funds managed by OppenheimerFunds, Inc.	44,001,000	2.80%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	42,976,608	2.73%
Ming-Kai Tsai	41,006,187	2.61%
Government of Singapore	40,296,954	2.56%
Jyh-Jer Cho	30,325,222	1.93%
Vanguard Emerging Markets Stock Index Fund	26,197,192	1.67%
JPMorgan Chase Bank in custody for Capital World Growth and Income Fund	22,520,000	1.43%
Tin-Ren Liu	20,531,763	1.31%
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	17,130,000	1.09%

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

Unit: NT$ / Share

Item			2013 (Distributed in 2014)	2014 (Distributed in 2015)	Jan. 1 ~ Mar. 31, 2015
Market Price Per Share (Note 1)	Highest		448.5	545.0	505.0
	Lowest		295.0	384.0	415.5
	Average		351.0	467.4	464.9
Book Value Per Share	Before Distribution		145.55	158.07	**
	After Distribution		127.99	*	*
Earnings Per Share	Weighted Average Shares		1,341,660,900	1,544,565,142	1,563,746,061
	EPS	Not-Adjusted	20.51	30.04	**
		Adjusted	20.51	*	**
Dividends Per Share	Cash Dividends		15.00	*	**
	Stock Dividend	Earning Distribution	-	*	**
		Capital Distribution	-	*	**
	Accumulated Undistributed Dividend		-	-	**
Return on Investment	Price/Earnings Ratio (Note 2)		17.11	15.56	**
	Price/Dividend Ratio (Note 3)		23.40	*	**
	Cash Dividend Yield (Note 4)		4.27%	*	**

* : Pending shareholders' approval in Annual General Shareholders' Meeting
** : Not applicable.
Note 1: Retroactively adjusted for stock dividends and stock bonuses to employees
Note 2: Price/Earnings Ratio = Average Market Price / Earnings Per Share
Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share
Note 4: Cash Dividend Yield = Cash Dividends Per Share / Annual Average Market Price

1.6. Dividend Policy and Status

1.6.1. Dividend Policy under the Article of Incorporation

Since the Company is in an industry that's in a growth phase, the dividend policy shall take into consideration factors such as the Company's current and future investment environment, needs for capital, domestic and overseas competition, capital budgeting plans, etc., to come out with a proposal that strike a balance among shareholders' benefits and the Company's long-term financial plans. Each year, the Board of Directors shall prepare a profit distribution proposal and report it at the shareholders' meeting. After considering financial, business and operational factors, the Company may distribute all distributable profits for the year; dividends to shareholders may be distributed in cash or in stock, and the cash dividends shall not be lower than 10% of total dividends to shareholders.

1.6.2. Proposal to Distribute 2014 Profits (Approved by the Board and subject to Shareholders' approval)

The Board adopted a proposal for 2014 profit distribution as follows:
Cash Dividends to Common Shareholders from retained earnings: NT$34,574,697 thousand.
The proposal is subject to shareholders' approval at the Annual Shareholders' Meeting. The Board will then determine a cash dividend record date.

1.7. Effect of 2014 Share Dividends to Operating Performance and EPS

Not applicable.

1.8. Employee Profit Sharing and Directors and Supervisors Compensation

1.8.1. Employee Profit Sharing and Directors and Supervisors Compensation as Stated in the Article of Incorporation

When allocating the net profits for each fiscal year, the following order shall be followed: (1). Reserve for tax payments; (2). Offset losses in previous years, if any; (3). Legal reserve, which is 10% of the unallocated profits; (4). Allocation or reverse of special reserves as required by law or government authorities. The remuneration to Directors and Supervisors, will be limited to a maximum of 0.5% of remaining net profits after deducting item (1) to (4), and shall be paid in cash. The remaining net profits, after considering retained earnings from previous years and the amount set aside for distribution in future years, shall be allocated as employees' profit share and shareholders' dividends. The guideline for employee profit share is that the amount of employee profit share shall not be lower than 1% of the sum of employee profit share and shareholder dividends. Employee profit share may be paid in cash or in stock. If the employee profit share is paid in stock, the Board of Directors shall be authorized to set the criteria for qualified employees, which may include employees of the Company and its affiliated companies.

1.8.2. Proposed 2014 Employee Profit Sharing and Remuneration to Directors and Supervisors

The Board adopted a proposal on April 30, 2015 for employee cash bonus of NT$579,974 thousand and remuneration to Directors and Supervisors of NT$85,308 thousand. In accordance with accounting regulations requiring expensing of employee profit share, MediaTek's net profit is after expensing employee profit shares and remuneration to Directors and Supervisors.

Actual remuneration to Directors and Supervisors was reported at NT$85,308 thousand, versus the original estimate of NT$84,192 thousand, a difference of NT$1,116 thousand. The difference is due to the estimated Director's compensation being based on 0.1973854% of the total distributable earnings, while the actual compensation is based on 0.2% of the distributable earnings. The difference will be accounted for as a change in accounting estimates, and included in the profit or loss of the following fiscal year, after resolution in the annual shareholders' meeting.

1.8.3. Earnings Retained in Previous Period (2013) Allocated as Employee Profit Sharing and Directors and Supervisors Compensation

Unit: share / NT$1,000

	AGM resolution	Estimate	Difference	Shares	Share price (NT$)	Reason of difference
Employee Cash Bonus	1,593,476	1,593,476	-	-	-	-
Remuneration to Directors & Supervisors	57,880	56,784	1,096	-	-	(Note)

Note: The difference was mainly because different calculation basis and the difference shall be accounted as "changes in accounting estimations" and booked in the next fiscal year's financial report, subject to shareholders' approval of the distribution plan in the annual shareholders' meeting.

1.9. Repurchase of Company Shares:

None

2. Status of Corporate Bonds

None

3. Status of Preferred Stocks

None

4. Status of GDR/ADR

None

5. Status of Employee Stock Option Plan

5.1. Issuance of Employee Stock Options

As of April 30, 2015 / Unit: share and NT$ thousands

Employee Stock Options Granted	1st Grant	2nd Grant	3rd Grant	4th Grant
Approval Date by the Securities & Futures Bureau	Dec. 19, 2007	Dec. 19, 2007	Jul. 27, 2009	May 10, 2010
Issue (Grant) Date	Mar. 31, 2008	Aug. 28, 2008	Aug. 18, 2009	August 27, 2010
Number of Options Granted	1,134,119	1,640,285	1,382,630	1,605,757
Percentage of Shares Exercisable to Outstanding Common Shares	0.08%	0.12%	0.10%	0.12%
Option Duration	10 years	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	280,882	300,817	80,853	147,841
Value of Shares Exercised	103,376	104,859	34,726	59,846
Shares Unexercised	282,195	481,828	572,517	713,068
Adjusted Exercise Price Per Share (NT$)	358.0	344.5	429.5	404.8
Percentage of Shares Unexercised to Outstanding Common Shares	0.02%	0.03%	0.04%	0.05%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

Employee Stock Options Granted	5th Grant	6th Grant	15th Grant	16th Grant
Approval Date by the Securities & Futures Bureau	May 10, 2010	Aug. 9, 2011	Aug. 9, 2012	Aug. 9, 2013
Issue (Grant) Date	Nov. 4, 2010	Aug. 24, 2011	Aug. 14, 2012	Aug. 22, 2013
Number of Options Granted	65,839	2,109,871	1,346,795	1,436,343
Percentage of Shares Exercisable to Outstanding Common Shares	0.00%	0.16%	0.10%	0.11%
Option Duration	10 years	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%	2nd Year: Up to 30% 3rd Year: Up to 60% 4th Year: Up to 100%
Shares Exercised	923	345,070	61,449	0
Value of Shares Exercised (NT$)	375	95,722	17,624	0
Shares Unexercised	14,634	1,235,237	1,036,917	1,288,031
Adjusted Exercise Price Per Share (NT$)	377.0	277.4	286.8	368
Percentage of Shares Unexercised to Outstanding Common Shares	0.00%	0.08%	0.07%	0.08%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited			

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

As of April 30, 2015 / Unit: share and NT$ thousands

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Number of Option Acquired</th><th rowspan="2">Number of Option Acquired / Number of Option Issued</th><th colspan="4">Exercised</th><th colspan="4">Not Exercised</th></tr>
<tr><th>Number of Option</th><th>Exercise Price (NT$</th><th>Option amount</th><th>Number of Option / Number of Option Issued</th><th>Number of Option</th><th>Exercise Price (NT$</th><th>Option amount</th><th>Number of Option / Number of Option Issued</th></tr>
<tr><td>Key Managers</td><td colspan="11">None</td></tr>
<tr><td rowspan="10">Employee</td><td>Bernard Tenbroek</td><td rowspan="10">1,050,455</td><td rowspan="10">0.07%</td><td rowspan="10">97,540</td><td rowspan="10">328.6</td><td rowspan="10">32,048</td><td rowspan="10">0.01%</td><td rowspan="10">952,915</td><td rowspan="10">349.5</td><td rowspan="10">333,038</td><td rowspan="10">0.06%</td></tr>
<tr><td>Esben Randers</td></tr>
<tr><td>Henry Vickers</td></tr>
<tr><td>James K Farley</td></tr>
<tr><td>Joern Soerensen</td></tr>
<tr><td>John Finbarr Moynihan</td></tr>
<tr><td>Jonathan Strange</td></tr>
<tr><td>Mark Alan Estabrook</td></tr>
<tr><td>Michael Ashburn</td></tr>
<tr><td>Zoran Zvonar</td></tr>
</table>

6. Status of New Employees Restricted Stock Issuance:

None

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions

7.1. Items to Disclose for Acquisition Completed in 2014 to the Printing Date of this Report

7.1.1. Underwriter's Evaluation Opinion on Acquisitions or New Share Issuance in the Latest Quarter: Not applicable

7.1.2. Execution Status for the Latest Quarter and Specify Any Impact on Shareholder's Equity and Improvement Plan if the Execution doesn't meet Expectations:

Not applicable

7.2. Information to Disclose and Acquiree's Basic Information for Any Acquisition or Share Exchange Plan Approved by the Board in 2013 to the Printing Date of this Report:

Company Name	MStar Semiconductor, Inc.
Company Address	4F-1, No. 26, Tai-Yuan St., ChuPei Hsinchu Hsien, Taiwan
Chairman	Wayne Liang
Paid-in Capital (NT$)	5,326,092,320
Major Business	Research, manufacturing and sales
Major Products	Display-related and communication/networking related ICs

7.3 The MStar Semiconductor, Inc. ("MStar") merger was approved by MediaTek's extraordinary shareholder's meeting on October 12, 2012. The terms of the merger was for one MStar share in exchange for 0.794 MediaTek share plus NT$1 in cash, as approved by both companies' extraordinary shareholder's meeting.

On August 26, 2013, the merger between MediaTek and MStar received conditional approval by China's Commerce Ministry. In accordance with the conditional approval, an execution plan was submitted for examination. On November 26, 2013, approval of the execution plan was received, and in January 2014, the supplemental materials of the execution plan were also approved. In January 2014, the board of directors of MediaTek and MStar both agreed to proceed in accordance to the approved execution plan and supplemental materials, which specified that MediaTek acquired control of MStar (the date of acquisition). MediaTek's equity stake of 48% of MStar's outstanding shares using the equity method was re-measured based on a fair value as of the acquisition date. Any resulting differences would be accounted for as investment disposal gains.

Subsequently, in February 2014, in accordance to relevant regulations, MediaTek issued 221,123,877 new shares and paid cash of NT$278,494 thousand to acquire MStar's remaining 52% of outstanding shares. On February 1, 2014, the record date of the acquisition, MStar was delisted from the Taiwan Stock Exchange, and merged into MediaTek, with MediaTek being the continuing company. Since controlling interest of MStar has already been achieved, the issuance of new shares and cash payments for 52% of the outstanding shares would be accounted for as an equity transaction.

In accordance to the conditional approval by China's Commerce Ministry, MStar's cell phone IC and other wireless communication businesses can be integrated into MediaTek's operation. TV ICs and other related businesses will continue to operate independently as a subsidiary company of MediaTek, named MStar Semiconductor Inc. (MStar Taiwan). After 3 years, and the fulfillment of the acquisition conditions, MStar Taiwan then may be integrated into MediaTek. Synergies between MediaTek and MStar will mainly be in the wireless and handset IC businesses, through integration of research and development teams, and a combination of resources to improve R&D capabilities, global operations, and product development. As MediaTek continues to strengthen its global leadership, shareholder value will continue to be created from this acquisition.

8. Financing Plans and Implementation

8.1. Uncompleted share issuance or private placement or completed transactions without expected benefits in the past 3 years:

None

V. Business Activities

1. Business Scope

1.1. Business Scope

1.1.1. The Main Business Activities of MediaTek

A. Design, develop and market the following products:

a. Multimedia Integrated Circuits (IC);

b. Computer peripheral ICs;

c. High-end digital consumer ICs;

d. Other application specific ICs;

e. Patent and circuit-layout licensing and services of the above-mentioned products

B. Provide the above-mentioned products with software and hardware application design, test, maintenance, and technological consultation services

C. Import and export of the above-mentioned products

1.1.2. Revenue Mix (2014)

Product Category	Multimedia Chipsets	Others*
Revenue Mix	99.24%	0.76%

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

1.1.3. Products Currently Offered by MediaTek

A. Mobile communication chipsets;

B. Tablet chipsets;

C. Bluetooth chips;

D. Wireless LAN (WLAN) chips;

E. Global Positioning Satellite (GPS) chips;

F. NFC (Near Field Communication) SoC;

G. Connectivity combo SoC that integrated Bluetooth, FM, WLAN, GPS, etc

H. Multimode wireless charging chips;

I. Wearable device SoC;

J. Optical storage chipsets;

K. DVD player SoC;

L. Blu-ray DVD player chipsets;

M. Highly-integrated digital TV controller chips;

N. ATSC and DVB-T TV decoder and demodulator chipsets;

O. xDSL chipsets; and

P. Automotive chipsets

1.1.4. New Products Planned for Development

A. Next generation highly-integrated mobile communication chipsets;

B. Next generation tablet chipsets;

C. Next generation high-integration, high-sensitivity and low power consumption Multi-GNSS (GPS/GLONASS/Compass/Galileo) receiver chips;

D. Next generation highly-integrated multi-functional wireless communication SoC;

E. Next generation highly-integrated low-power WLAN and WPAN chipsets;

F. Next generation wireless charging chips;

G. Next generation wearable device chips;

H. Next generation highly-integrated Ultra HD smart TV chips;

I. Next generation highly-integrated Blu-ray SoC;

J. Next generation high-speed game console decoder chips;

K. Next generation highly-integrated xPON (X version of Passive Optical Network) chipsets;

L. Next Generation highly-integrated UHG (Universal Home Gateway) chipsets;

M. Next Generation highly-integrated Gigabyte Digital Subscriber Line (G.fast) chipsets; and

N. Next Generation automotive chipsets

1.2. Industry Outlook

1.2.1. The semiconductor manufacturing supply chain:

The semiconductor industry can be categorized as: Upstream – IC design companies, midstream – wafer foundries, and downstream – IC packaging and testing service providers. The horizontal specialization is the main difference that sets Taiwan's IC industry apart from its overseas peers. Major international semiconductor companies usually operate vertically across the value chain, from IC design and manufacturing, to packaging, testing, to systems integration. However, in an industry environment that evolves rapidly that requires high capital expenditures, Horizontal model is able to focus resources on specific field rather efficiently to meet industry trends and proves to be an out-performer vis-à-vis the integrated model.

The major operation of an IC design company is to design and sell semiconductor devices, or to design products according to customers' requirements. IC design is the upstream of the industry value chain, while other players in the backend of supply chain include photomask providers, wafer foundries, packaging and testing companies, etc. In general, IC companies outsource almost 100% of photomask, wafer fabrication, and IC packaging to specialized manufacturing partners. Most companies also outsource their IC testing work to specialized testing houses, while some IC design companies keeps a certain portion of testing in-house.

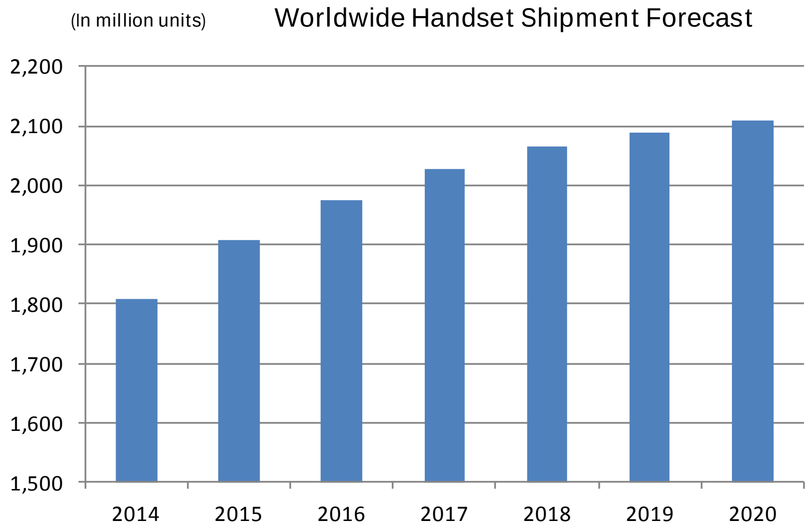
In the semiconductor supply chain, the IC design industry is a knowledge-intensive industry with a relatively high return on investment. Thanks to Taiwan's complete semiconductor industry ecosystem and the ample talents, IC design is a thriving industry in Taiwan.

1.2.2. Industry Outlook, Trends and Competition

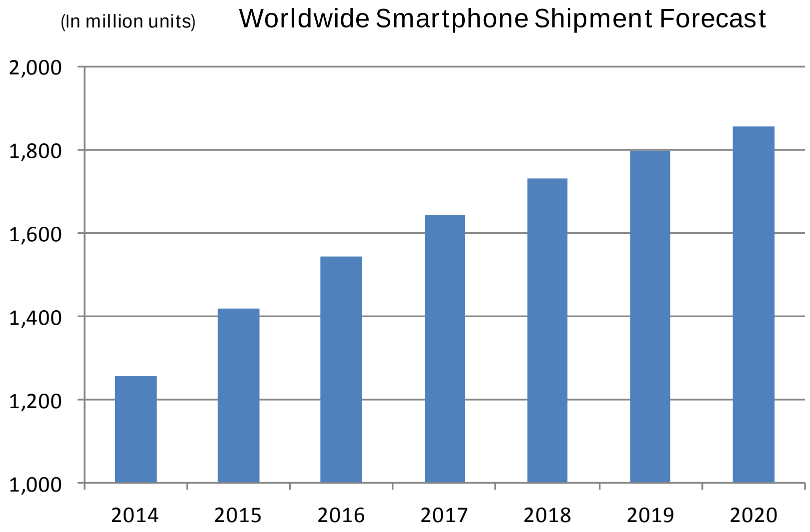
A. Wireless Communications Products

The wireless communication industry is booming and relevant applications are growing, with handset shipments being the highest value in this industry. According to Strategy Analytics, worldwide handset shipment has reached 1.8 billion units in 2014 and the number is expected to grow steadily to 2.1 billion units in 2020, thanks to the growth of smartphone volumes. Strategy Analytics estimates that global smartphone shipments will be about 1.2 billion units in 2014 and the number is expected to grow to close to 1.8 billion units in 2020.In addition to mobile phones, other products such as tablets as well as emerging Internet of Things and wearable devices are also important devices for wireless communications, concurrently driving the growth of the wireless communication industry.

Handheld devices, whether they are mobile phones, tablets or wearable devices, have quite a high proportion of built-in wireless communication functions, such as Bluetooth, WLAN, GPS, with the technology continuing to improve. In addition, new features like NFC and wireless charging are also gradually favored, with these peripheral chips providing an important growth driver as well.



Source: Strategy Analytics, September 2014



Source: Strategy Analytics, September 2014

Global communication technology continues to evolve and upgrade with global carriers rolling out 4G networks offering users even faster data speeds. This trend is expected to drive the rise of Internet-related applications, and spark the next wave of phone replacement purchases. Moreover, 3G network in emerging markets is more mature, and feature phones have been widely replaced by smart phones in most countries to further increase penetration of smart phones.

With increasing popularity of mobile network and rapid transmission speed, consumers have higher requests for smart phones and tablets. Aside from voice communication and camera functionality, applications such as video streaming, social networking, online gaming, multimedia data editing, data transmission and sharing, and others rise one after another. The specifications and features of smart phones and tablets continues to be upgraded, such as stronger CPUs, from single core to Deca-core and into 64-bit processing, while multimedia functions, like larger screen sizes, higher screen and camera resolutions, instant focus, and slow forward, becoming another bright spot. In addition to basic functions, like Wi-Fi, GPS, and Bluetooth, wireless communications adds additional functionality such as NFC, wireless charging and Wi-Fi upgrades to 11ac, enabling handset manufacturers to launch a wide range of smartphones and tablets to stimulate end market demand.

The rapidly growing wireless communication markets comes with intense competition, primarily from semiconductor companies in the US, Europe, Mainland China and Taiwan. Not only will semiconductor companies have to keep up with new technology standards and launch more advanced products to compete but also need to compete on cost optimization and technical support to offer the best total solutions to customers.

For smartphone products, MediaTek will establish partnerships with worldwide operators and distribution channels to aggressively develop 3G and 4G mobile communication technologies to expand the global market. For legacy feature phones, MediaTek will continue its efforts in building more features into products to achieve a higher level of differentiation for customers. On the tablet front, MediaTek will further optimize multimedia functionalities and enhance performance to expand market size. As for Bluetooth, WLAN, GPS, NFC, wireless charging, and other peripheral chips, MediaTek will enhance product competitiveness by supporting the latest standards and will expand to other consumer electronic platforms such as e-books, game consoles, TVs, set-top boxes, digital cameras, etc.

B. Digital TV Products

Global television broadcasting has gradually switched from analog to digital signals, and smart TVs are brining additional interactivity to user experiences. With Ultra High Definition (UHD) becoming a mature technology, global digital flat panel TV shipments is still enjoying gradual growth.

Smart devices, such as mobile phones or tablets continue to grow strongly. Sharing audio and video contents through multi-screen applications are becoming the latest trend, while applications taking advantage of intelligent devices to control the TV are also popular.

After the specifications of the UHD coding and decoding technology has been published, content providers, TV operators, and video streaming services are aggressively preparing for UHD videos and expect further UHD TV sales growth.

MediaTek leads the industry in launching multi-core smart TV SoCs supporting UHD. MediaTek also cooperates with Google on Android TVs. which were adopted by various international brands to continue MediaTek's industry-leading position.

C. Digital Consumer Products

Traditional DVD players are gradually replaced by more and more online video and audio streaming services. Along with the popularity of OTT boxes and smart TV, consumers are changing their ways of enjoying movies. Even though the need of DVD players are decreasing, the excellent specifications of Blu-ray's Internet access and online streaming ensures sales stability.

D. Optical Storage Industry

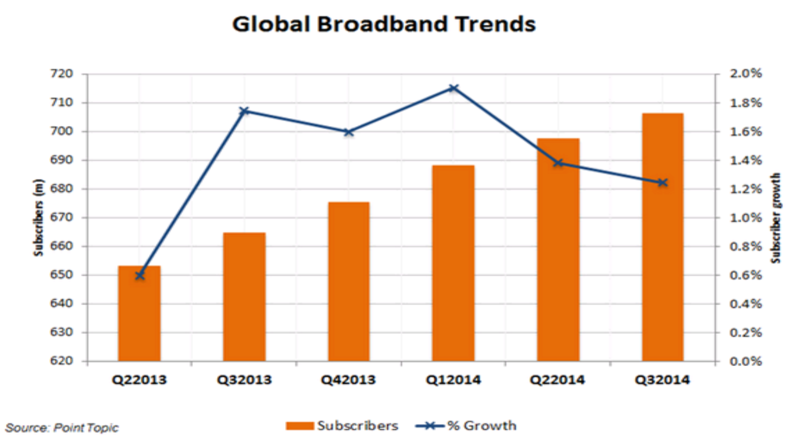
The PC industry changes quickly. Optical disc shipment volume and market prospects are impacted by the newly-emerging form factors such as ultra-thin notebook and tablets that do not carry optical discs. DVD-Rewritable, the existing main optical storage product, is a mature product. Although there remains competitors in this sector, MediaTek maintains a high market share by enhancing its core competitiveness and customer service.

Despite the optical disc market for IT has saturated, the end demand for optical disc remains stable due to its convenience for consumers. MediaTek will leverage its experience and use the spirit of innovation and service to expand its market share by meeting worldwide customers' demand.

E. Broadband Networking

The global broadband industry continues to grow, thanks to the increasing number of broadband users. According to Point-Topic research, at the end of third quarter 2014 there are approximately 700 million global broadband users, which more than 200 million users in Mainland China, with a CAGR of 6.2%. The leading technology is FTTH.

Global Broadband Users (Accumulative)



Despite the boost of FTTH (Fiber To The Home) era, it remains inaccessible for users in some regions, resulting from technical difficulties, high labor costs and potential damage to house decorations. As a result, FTTdp technique was brought to the light. The solution was able to provide a bandwidth at 200~500Mbps with copper conductor and VDSL & G.fast technique, enabling it to compete in high speed internet services with cable TV companies' DOCSIS 3.0 standard.

1.3. Technology and R&D

1.3.1. R&D Spending

MediaTek's R&D spending in 2014 was NT$ 43,337,348 thousand, and from January 1st 2015 to the printing date of this annual report, the R&D spending was NT$ 14,473,364 thousand.

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

A. Highly integrated GSM/GPRS SoC for multimedia phones;

B. Highly integrated WCDMA/TD-SCDMA chipsets for smartphones;

C. Highly integrated LTE chipsets;

D. Highly integrated tablet chipsets;

E. Highly integrated WLAN SoC;

F. Highly performance/Cost NFC chips;

G. Highly performance/Cost multifunction wireless communication SoC;

H. Multi-mode wireless chargingchips;

I. Highly integrated 24x DVD-Rewritable SoC;

J. Highly integrated 3D Blu-ray DVD player SoC;

K. Highly integrated UHDTV chipsets;and

L. Highly integrated UHG chipsets.

1.4. Long- and Short-Term Business Development Plans

1.4.1. Short-Term Business Development Plans

A. Continue to develop competitive mainstream products, adopt more advanced process nodes and optimize circuit design to meet the market demand.

B. Fully understand customers' needs and offer comprehensive solutions with fully-integrated services to facilitate customers to time to market and seize market opportunities.

C. Enhance existing long-term partnerships with customers/operator as well as expand the customer base and market share by implementing efficient marketing strategies.

D. Maintain close relationship with the supply chain including foundries, packaging and testing houses. Ensure real-time communications with customers and manufacturing partners to respond to market changes quickly and effectively, secure sufficient capacity, ensure smooth delivery and AR/inventory management.

E. Sustain systematic and flexible financial systems to support all RD and sales activities.

1.4.2. Long-Term Business Development Plans

A. Participate actively in global standard committees and strengthen long-term cooperation with international customers to develop diversified business opportunities.

B. Continue to develop innovative products and maintain a market-leading position in different markets.

C. Continue to work closely with the supply chain and further develop cost-effective solutions.

D. Recruit and retain global talents with different expertise for future products and market development. Establish complete internal training systems to share knowledge and experiences.

E. Establish comprehensive global management systems to ensure effective internal and external communications. Sustain good relationship with capital markets and seek targets for further sales developments.

2. Market, Production, and Sales Outlook

2.1. Market Analyst

2.1.1. Major Markets

Region	2014	
	Sales (NT$1,000)	Percentage
Export sales	204,223,636	95.85%
Domestic sales	8,839,280	4.15%
Total	213,062,916	100%

2.1.2. Market Share

According to a report IHS iSippli published in Dec 2014, the worldwide semiconductor market revenue was US$719.4 billion in 2014; MediaTek's market share was 2.0% and ranked No.10 worldwide, better than the previous year's No.15.

2.1.3. Major Markets

A. Wireless Communications Products

The wireless communication industry, especially smartphone and tablet markets, is expected to continue to grow, thanks to the increasing popularity of 3G network as well as the takeoff of 4G network. Customers are focusing more on products specifications, driving the need for enhanced efficiency of CPU and GPUs, high-speed transmission of wireless communication and integration with high-performance processors. The demand for integration of Bluetooth, WLAN, GPS, NFC, and wireless charging is expected to increase further and expand to other customer electronics such as e-books, gaming devices, TVs, set-top boxes, digital cameras, etc.

B. Digital TV

The demand for digital TV ICs is expected to increase, driven by the growing smart TV penetration and the growth momentum of UHD TVs. By providing the most highly-integrated digital TV SoC, MediaTek has not only penetrated international tier-one TV companies' supply chains but also successfully established long-term strategic partnerships with customers to maintain a market leading position.

C. Digital Consumer Products

MediaTek has established leading positions in the DVD and Blu-ray player IC market. For the future Blu-ray DVD player market, other than traditional disc rental, sources of high definition contents include online video/audio streaming services that are gaining popularity. Blu-ray can be regarded as a set-top box with disc broadcast functionality so as to maintain its market share. MediaTek expects to maintain the leading position by continuously developing competitive products with high integration and new features as well as establishing long-term relationships with important electronic consumer companies.

D. Optical Storage Products

MediaTek is currently the only fabless company in the world that can provide a complete range of products, ranging from CD-ROM controller ICs, DVD-Rewritable products to the latest Blu-ray DVD products. On top of that, MediaTek's total services also help accelerate customers' time-to-market and time-to-profit. This is why MediaTek has been able to maintain a leading position despite stiff competition. Economics of scale is a key success factor in the optical storage industry.

MediaTek is committed to maintaining a close relationship with customers and also offer better services to maintain its market leadership.

E. Broadband Networking

Mainland China promoted FTTH technology as its major network infrastructure, which resulted in fast adoption of FTTH and decreasing ADSL sales. Optical fiber is now taking a large share and replacing copper-made wire products. To catch up with the trend, MedaiTek xPON solutions had passed drop test and started to deliver in dozens of provinces in 2014 with increasing sale and share gain to continue in 2015.

In the VDSL2 market, after MediaTek made a breakthrough in overseas telecommunication operator business in 2014, the latest generation of integrated VDSL2 terminal solutions has succeeded in delivering to procurement projects. Volume is expected to increase further in 2015 as increasing demand from overseas operators for network testing.

2.1.4. Competitive Advantage

A. Outstanding Team

MediaTek's management team has been working together in the multimedia industry for years and has grown with the participation of outstanding talents. Many of our staff consists of senior IC design and system engineers. The exceptional quality of human resources and team spirit developed through long-term cooperation are the key factors that have enabled MediaTek to cultivate a great culture for the company's long-term prosperity, and deliver continuous innovation.

B. Strength in System-on-a-Chip (SoC) Development

SoC has been a hot topic of the technology industry for many years. MediaTek has a large pool of talented IC and system designers. Through their joint efforts, we have been able to launch competitive SoC products every year.

2.1.5 Favorable Developments, Unfavorable Factors and Countermeasures

<u>Favorable Developments</u>

A. Smartphones and Tablet are Expected to Become Mainstream with a New Wave of Replacement Demand Stimulated by 4G Communication

Handheld devices such as smartphones and tablets are getting popular and driving growth for relevant semiconductor industries. MediaTek has continuously developed mobile phones and tablets to equip our customers with complete and stable integrated solutions. The market's appetite for richer multimedia features is a positive factor for MediaTek's peripheral chips such as Bluetooth, FM, WLAN, GPS, NFC and wireless charging, among others. MediaTek is able to leverage and integrate wireless communication technologies with the solid multimedia features and other MediaTek products to shorten our customers' development cycle by providing highly-integrated total solutions.

Additionally, MediaTek has aggressively invested in 4G technologies and successfully launched world-mode 4G chipsets which can support FDD-LTE, TDD-LTE, WCDMA, TD-SCDMA, CDMA2000/EVDO, and GSM. As Mainland China expands and continues to migrate to 4G networks, we expect higher data speed and smoother data transmission will enable consumers to enjoy richer multimedia features as well as . This will also attract more users to upgrade from 3G to 4G and trigger the next wave of replacement demand to drive the growth of wireless telecommunication chipsets.

B. UHD TVs to Become the Focus of Home Entertainment Centers

After the announcement of decoding specifications for UHD TVs, service providers are aggressively expanding distribution channels to demonstrate the enhanced picture quality which making UHD TVs to become the focus of home entertainment centers. Integrating that with Smart TV, users can enjoy Internet browsing, video on demand, video phone, installing apps and games on TVs, and voice searching, as well as take advantage of smart devices to control the TV to achieve a better user experience.

C. xPon and VDSL to Become Growth Drivers for the Broadband Market

ADSL is now still the prevailing broadband technology. However, ADSL shipments start to decrease and xPON and VDSL have emerged as newer technologies, together reaching nearly 50% of the market and is expected to be higher than 50% in 2015 in a market with steady growth.

D. Comprehensive IC Manufacturing Infrastructure in Taiwan

Taiwan has a well-developed IT industry and world leading IC manufacturing capability. The large demand in emerging markets is MediaTek's biggest opportunity and Taiwan's outstanding semiconductor manufacturing system provides fast and efficient supply to fulfill our customers' needs.

<u>Unfavorable Factors and Countermeasures</u>

The IT industry moves at a fast pace and new technology may emerge at any time. As a result, the lifecycle of our products maybe be cut short and the pricing pressures may increase. In the extremely competitive technology industry, MediaTek is always prepared and has been intensively developing new products, improving competitiveness, and providing better products from high-quality employees. In addition to continuing to market our existing products, we also work proactively on next generation products. We aim to increase our competitiveness by bringing high-quality products to the market ahead of our competitors.

2.2 Key Product Applications and Manufacturing Processes

2.2.1 Key Product Applications

MediaTek's major products include chipsets for wireless communication, digital TV, consumer electronics, optical storage and broadband networking for applications such as smartphones, digital TVs, PCs and various consumer electronics. Key product applications are listed below:

A. Wireless Communication

MediaTek's wireless communication chipsets are mainly used in entry-level, mainstream and mid/high end FDD-LTE/ TDD-LTE/ WCDMA/ TD-SCDMA/ CDMA2000/ EVDO/ EDGE smartphones and tablets as well as GSM/ GPRS/ EDGE/ WCDMA/ HSUPA/ TD-SCDMA feature phones. Peripheral chips such as Bluetooth, WLAN,GPS, NFC and wireless charging are mainly used in mobile phones, but can also be used in other applications such as game consoles, notebook computers, mobile TVs, e-book readers, and portable navigation devices, etc.

B. Digital TV

Digital TV decoder chips and demodulator chips are used to receive and decode digital TV signals for VOD and video phone and provide users with the best in audio and video enjoyment by strengthening the processing engine of image quality.

C. Digital Consumer Products

DVD player SOCs are mainly used in digital home appliances for DVD players. BD-Player SOCs are mainly used in higher resolution and richer functionality next-generation Blu-ray DVD players.

D. Optical Storage

DVD-ROM chipsets have two major applications. The first is in game console storage devices and the other in multimedia PC storage devices. DVD-Rewritable chipsets are used in high-end PC storage devices and recordable DVD players. BD chipsets are used in high-end PC storage devices and embedded Blu-ray optical disc drives in high-end TVs.

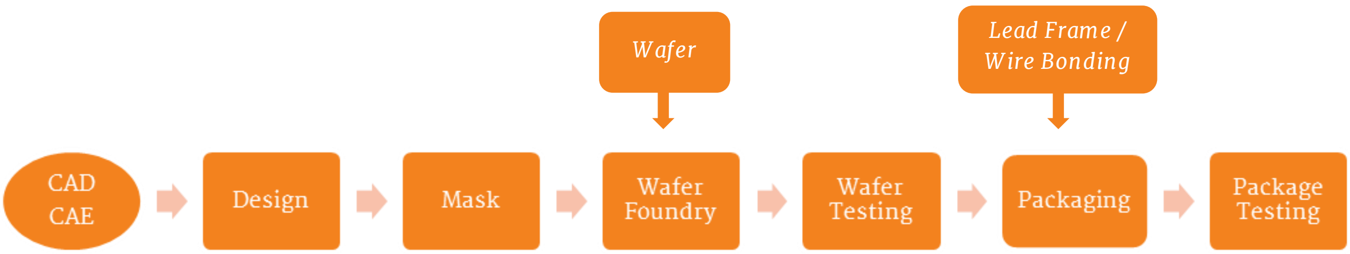
E. Broadband Networking

xDSL chipsets are used in digital modems which can be further categorized into the following by functionality: DSL Modem (purely for bridging purpose), Wired DSL Router(DSL Modem integrating routing function), Wireless DSL Gateway (DSL home gateway integrating WLAN function) and IAD Gateway (DSL home gateway integrating VoIP function). Besides, GPON/EPON chipsets are used in fiber-optic high-end modems and provide multiple kinds of functions such as Modem/Wireless/IAD.

With the rise of the concept of IOT things, Mediatek's chipsets also can be applied to smart home gateway, providing Smart Home services.

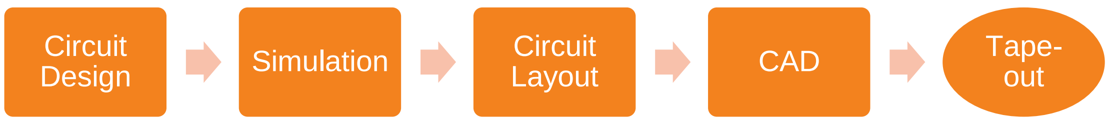
2.2.2. Key Product Manufacturing Process

The chart below shows the process of developing an IC product:



A. Design Process

After the product specifications being defined, IC design engineers will start doing the circuit design, using computer-aided design (CAD) tools. Their job is to a blueprint that can be placed into production.



B. Photomask Process

Finished IC circuit designs are stored in a tape as a database for a masking company to produce the mask sets. There are four stages in the manufacturing of mask: Glass Process, Cr Film Coating, Resist Coating and Shipping. The finished masks are then delivered to a wafer foundry.

C. Wafer Foundry Process

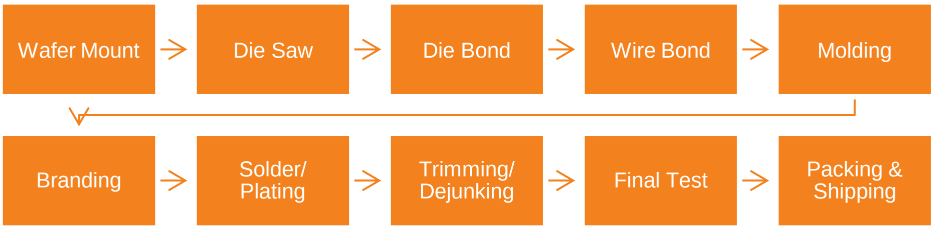
Wafer fabrication is outsourced to foundries. The wafer manufacturing process begins by entering a module, going through etching, photo, thin film and diffusion with masks. The finished wafers must be tested before shipping to the next stage.

D. Wafer Testing Process

A finished wafer must be checked for conformity in its electronic functions. Non-functional dies will be marked and sorted out later.

E. Packaging Process

The good dies on the wafer will go through the final packaging and testing process as indicated below:



2.3. Supply of Essential Raw Materials

Wafers are our major raw materials and they are mainly procured from our foundry partners, including Taiwan Semiconductor Manufacturing Limited Company (TSMC), United Microelectronics Corporation (UMC), Global Foundries and Dongbu Electronics (DBE). These suppliers have been able to maintain good quality and process capability, satisfying MediaTek's requirements. We negotiate pricing with suppliers according to the market supply and demand conditions. We also review the production and service quality periodically with our suppliers. MediaTek not only continues to strengthen our cooperation with existing manufacturing partners, we also actively survey and contact other potential suppliers to ensure secured supply, high quality, and low cost procurement.

2.4. Key Supplies & Customers

2.4.1. Key Suppliers

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

2013				2014				2015.Q1			
Supplier	Amount Purchased (NT$1,000)	% of Total Purchase	Relation	Supplier	Amount Purchased (NT$1,000)	% of Total Purchase	Relation	Supplier	Amount Purchased (NT$1,000)	% of Total Purchase	Relation
Supplier A	31,734,137	69.05%	Not Related Parties	**Supplier A**	51,968,072	63.62%	Not Related Parties	**Supplier A**	15,710,888	67.18%	Not Related Parties
Supplier B	7,871,563	17.13%	Not Related Parties	**Supplier C**	9,920,407	12.15%	Not Related Parties	**Supplier C**	2,789,435	11.93%	Not Related Parties
Others	6,353,579	13.82%		**Others**	19,793,893	24.23%		**Others**	4,885,917	20.89%	
Total	45,959,279	100.00%		**Total**	81,682,372	100.00%		**Total**	23,386,240	100.00%	

2.4.2. Key Customers

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

2013				2014				2015.Q1			
Customer	Sales (NT$1,000)	% of Total Revenue	Relation	Customer	Sales (NT$1,000)	% of Total Revenue	Relation	Customer	Sales (NT$1,000)	% of Total Revenue	Relation
Customer A	20,855,656	15.33%	Not Related Parties								
Customer B	14,004,694	10.29%	Not Related Parties								
Others	101,195,604	74.38%		Others	213,062,916	100.00%		Others	47,531,221	100.00%	
Total	136,055,954	100.00%		Total	213,062,916	100.00%		Total	47,531,221	100.00%	

Note: There are not any customers for more than 10% of the total sales in 2014 and 2015 Q1.

2.5. Production Volume and Value in the Past Two Years

	2013			2014		
	Production Capacity	Production Volume (1,000 pieces)	Production Value (NT$1,000)	Production Capacity	Production Volume (1,000 pieces)	Production Value (NT$1,000)
Multimedia and Handset Chipsets	N/A	2,172,623	71,726,876	N/A	3,668,889	111,755,113

Note: MediaTek outsourced manufacturing to wafer foundries, packaging houses and testing companies. There's no in-house production capacity.

2.6. Sales Volume and Value in the Past Two Years

	2013				2014			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)	Volume (1,000 pieces)	Value (NT$1,000)
Multimedia and handset Chipsets	94,768	8,666,483	2,066,944	126,327,532	123,699	8,820,747	3,197,614	202,614,951
Others	N/A	24,417	N/A	1,037,522	N/A	18,533	N/A	1,608,685
Total	94,768	8,690,900	2,066,944	127,365,054	123,699	8,839,280	3,197,614	204,223,636

3. Employees

		2013	2014	2015 (As of April 30)
Number of Employees	Management	389	814	855
	R&D	6,262	10,701	11,255
	Sales & Marketing	277	432	462
	Manufacturing	137	167	176
	Total	7,065	12,114	12,748
Average Age		33	33	33
Average Years of Service		4.4	4.0	4.1
Education	Doctoral	5.80%	5.39%	5.47%
	Master	65.00%	65.85%	66.07%
	University & College	28.78%	28.22%	27.94%
	High School	0.42%	0.54%	0.52%
	Total	100.00%	100.00%	100.00%

* exclude MStar employees

4. Important Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Licensing & Settlement	ESS Technology International, Inc. and ESS Technology, Inc.	Permanently effective from June 11, 2003	MediaTek licensed ESS technology and settled the legal dispute	None
Licensing	Zoran Corporation and Oak Technology, Inc	Permanently effective from Jan. 25, 2006	MediaTek licensed Zoran's certain IP and its derivative IP	None.
Investment	NuCORE Technology Inc.	From April 19, 2007	MediaTek acquired 69% of NuCORE shares	None.
Acquiring Assets	Analog Devices, Inc.	Sep. 10, 2007	MediaTek acquired ADI's RF and baseband chipset operations	None.
IP Agreement	Qualcomm	Nov. 30, 2009	Patent agreement regarding CDMA and WCDMA core patents owned individually by both parties	None
Strategic Alliance	AST Technology (Suzhou)	From Jan. 2010	Cooperation in TD-SCDMA market	None.
Settlement	British Telecommunication, BT	June 2010	MediaTek has settled the litigation and signed a settlement agreement with BT. BT shall file for dismissal of the lawsuit and shall forever release MediaTek and its subsidiaries from any claims of infringement of the patent asserted in the litigation and its related foreign counterparts, continuations, etc. worldwide.	None.
Licensing	NTT DOCOMO Inc.	From July 2010	MediaTek licensed NTT DOCOMO's LTE technology	None.
Acquisition	Ralink Technology Corp.	March 16, 2011	Acquisition agreement	Under Article 15 of the contract, the deal shall be approved by the board and shareholders meeting of both companies and be approved by the authority. Each side shall obey the commitment, obligation, agreement in the contract, and the statements and assurance shall all be genuine.
Real Estate	Beijing Electronic Zone Ltd.	From May 23, 2011	MediaTek (Beijing) purchased office building	None
Strategic Alliance	Yahoo, Inc.	From June 1, 2011	To implement Yahoo services to MediaTek's new software platform.	None
Investment	Spice Digital Ltd.	From July 29, 2011	MediaTek Singapore licensed from Spice Digital	None
Real Estate	Winsome Development Corp.	From Feb. 13, 2012	Ralink Technology Corp. purchased office building	None
Patent settlement and licensing	Rambus Inc	From Mar. 5, 2012	Rambus agreed to license relevant patents for MediaTek's various products and also revoked all lawsuits outstanding.	None

Agreement Type	Counterparty	Term	Summary	Restrictions
Acquisition	Coresonic AB (Sweden)	From Apr. 10, 2012	MediaTek acquired 100% of Coresonic AB's equity	None
Investment	Softbank Princeville Investments, L.P.	From Apr. 23, 2012	MediaTek invested US$20 million in Softbank Princeville Investments, L.P.	None
Strategic Alliance	Twitter	From July 11, 2012	MediaTek and Twitter announced global strategic alliance	None
Real Estate	SCEGC No.7 Construction Engineering Group Company Ltd.. Nantong Installation Corporation, Excel Technology (Shanghai) Co.,Ltd., Shanghai Zhen Nan Engineering Supervision Co., Ltd.	From Aug. 3, 2012	MediaTek (Chengdu) engaged 3rd to build new office building on rented land	None
Acquisition	MStar Semiconductor, Inc.	Aug. 14, 2012	Merger agreement	Article No.13 in the merger agreement: This Agreement shall become effective after approval by the respective shareholders' meeting of both parties in accordance with related laws and regulations. Nonetheless, prior to the resolution of both parties' shareholders meeting, the obligation to take action or take no action as specified in this Agreement shall have a binding effect, and both parties shall perform such obligation based on the principle of honesty and good faith.
Settlement Agreement	FocalTech(Shenzhen) System, Ltd.	From Jul. 31, 2014	Revoked by both sides	None
Real Estate	Neo Solar Power Corp.	From Aug. 18, 2014	MediaTek purchased office building	None
Patent Settlement and Licensing	Freescale Semiconductor, Ltd.	From Sep. 22, 2014	Accomplished a specified patent cross-licensing agreement and agreed to revoke all patent lawsuits by both sides.	None
Real Estate	China Resources Land Limited (Shenzhen)	From Nov. 17, 2014	MediaTek (Shenzhen) Inc. purchased office building	None
Real Estate	Shenzhen Investment Holdings Co., Ltd.	From Dec. 8, 2014	MediaTek (Shenzhen) Inc. purchased office building	None
Real Estate	Poly Real Estate Group Company Limited (Shanghai)	From Dec. 9, 2014	Mstar Chen Si Electronics Technology (Shanghai) Co., Ltd purchased office building	None
Real Estate	Jiangsu Wannianda Construction Group Ltd., United Integrated Services, Shanghai Zhen Nan Engineering Supervision Co., Ltd.	From Jan. 1, 2015	MediaTek (Heifei) Inc. engaged 3rd to build new office building on rented land	None
Superficies Right	Bureau of High Speed Rail, MOTC	From Feb. 12, 2015 to Feb. 11, 2060	The Company acquires superficies right to develop buildings and manage the project of HSR Hsinchu Station's specified areas.	None

VI. Corporate Social Responsibility

1. Corporate Promise

1.1. Employee Relations

MediaTek Corporation has followed its "humanistic" principle in cultivating a healthy relationship with its employees. The designated Employee Relations Department is responsible for planning, promoting, and implementing initiatives that lead to a positive and proactive relationship with our employees. We believe, this is one of the key elements of MediaTek's ability to maintain growth. The framework for how MediaTek manages its employee relations is as follows:

A. Communication with Employees

A variety of mechanisms are in place for the purpose of communication between employees and supervisors as well as evaluating the effectiveness of communication. Some of the initiatives include "Understanding MediaTek's Business Operations," "Knowing Your Manager," "Improving the Working Environment," and "Reaching a Consensus," which are conducted both in-person and electronically. These initiatives are carried in a matrix-type framework so that employees can better understand and carry out MediaTek's policies, while improving the work environment. Open around the clock and 365 days per year, the mutual communication platform responds to employees' feedback in a timely manner. In addition, regular face-to-face meetings are held for employee representatives to meet with top management to response and discuss major topics. These initiatives and mechanisms are integral to a healthy communication between MediaTek and its employees as well as a cohesive environment.

B. Employee Cohesiveness

Beside the formal channels of communication, MediaTek also hosts different types of events. There are company sponsored events such as year-end parties, anniversaries and MediaTek family days; holiday celebrations on Engineers' Day, Mid-Autumn Festival, Christmas; and departmental activities such as department's Family Days, department outings and joint birthday celebrations, group outings and club events, etc. Those activities are designed to fit needs of different employee groups so that we can have more participation from employees and their families and also strengthen the interaction and connection between employees. Since MediaTek began promoting various employee clubs, there are 38 clubs running in total, including a newly established open source data research club in 2015. With more than half of our employees belonging to at least one club, MediaTek effectively promotes the expansion of these clubs through company reimbursements and allowances. These clubs are highly valued as they create employee cohesion and a sense of community.

C. Work Environment Safety and Employee Healthcare

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

MediaTek firmly believes that "healthy employees are essential to high productivity" and is deeply committed to promote both the mental and physical health of its employees. In terms of physical health, MediaTek has provided high quality health checks and post-check consultations to its employees for the past ten consecutive years. Higher-risk groups such as executives, female staff, and testing staff receive additional testing such as eyesight checks, mammograms, cervical smear tests, and blood lead concentration tests, etc. The focus is placed on preventive care so that effective treatments can be given before actual symptoms occur. On the other hand, there are also professional doctors providing online health consulting service and clinical services, which could offer employees reliable medical information. Also, MediaTek provided each department exclusive medical session resource, so that executives could give appropriate medical information from employees' practical demand.

MediaTek places equal emphasis on the physiological aspect of overall healthcare. Employees are encouraged to use onsite fitness centers or participate in cross-departmental competitions. MediaTek also designs different programs targeting at different employees who regularly or rarely exercise. This type of initiative is aimed at helping the staff develop regular exercise routines. The utilization rate for the various sports facilities at the Health & Lifestyle Center (including a fitness center, badminton court, basketball court, table tennis room, aerobics room) is currently near 100% in the evenings; MediaTek starts to offer additional service hours at noon and on holidays in 2014 due to the growing number of employees and sports demand. We also hire blind masseurs recommended by the Taipei Association of Blind Masseurs whose services are provided inside the fitness center.

On the mental aspect of overall healthcare, in order to relieve the mental strain of employees while encountering emergency matters, MediaTek provides emergency relief measures, holding mental health lectures and an assessment service based on the Mental Stress Index. We have also signed contracts with professional Employee Assistance Program to let employees acquire professional consultancy and assistance without pressure, under the conditions of privacy protection.

D. Employee Services

Employee services include not only MediaTek's overall policies and software/hardware facilities, but also an employee-friendly working environment. Such an environment would also meet the employees' personal needs. There are authorized stores, ticket/gift certificate ordering services, and concierge services that help employees plan for wedding parties/baby showers. These thoughtful services help employees save a great deal of time and stress. Meanwhile, employees also can understand the comprehensive caring culture within MediaTek.

E. Care for the Employees and Their Families

The Employee Relations Department provides one-on-one care and assistance to individual employee issues and needs. The services provided by the department range from emergency assistance (such as car accidents or family emergencies) and psychological counseling/referral. The regular "Employee Satisfaction Survey" which identifies departments with lower-than-average results and further diagnoses the problems through a "Department Morale Survey", focus group interviews, and random interviews to help the department take necessary rectification measures.

Also, MediaTek understands that behind every hard-working employee is a supportive family. The "Family Network" is one of the company's initiatives in helping employee families understand the company, build a community for the employee families and provide information such as medical care, childcare and education, apartment rental and home buying, etc. There is also a family activity room in the Health-and-Life-Style Center where families can organize their own classes and create a strong bond amongst the community. Take 2014 for example, there were seven classes organized, including family study group, art class, dance class, kids' English class and yoga class, with more than 303 people participating.

F. Employee Welfare Committee

MediaTek has established an Employee Welfare Committee (herein referred to as the Committee) in accordance to the Council of Labor Affairs "Rules Governing Organization of Employee's Welfare Committee." The Committee is responsible for promoting various employee activities and funding those activities. The Committee aims to organize a wide-range of activities that achieve both employee cohesiveness and personal flexibility. For example, the Committee offer allowances for Family Days and birthday celebrations for each department. It encourages each department to organize team-building activities for both the staff and their family members. Employees can choose to use their travel allowances on personal travel or company-sponsored group travel. Since the Committee's inception, the utilization rate of various welfare allowances have exceeded 95%, which reflects the true spirit of the employee's welfare committee..

G. Continuing Education and Training System

MediaTek provides a comprehensive training system. The training system is integral to MediaTek's continuous growth by serving as a learning environment that allows employees to meet their full potential. There are four types of training, each based on the employee's rank and nature of work:

(a) Orientation: Orientation hosted by Human Resources Department help new staff learn company policies, corporate culture, working environment in order to fit in the workplace.

(b) General Training: Fundamental training sessions for employees in all departments and job functions to meet regulatory and company policy requirements.

(c) Professional Knowledge Training: Training designed for specific profession development according to different profession such as personal effectiveness, environmental safety, finance and accouting, human resources, information technology, intellectual property, marketing & sales and quality assurance management.

(d) Management Training System: The management training system helps managers develop their training blueprint based on the skills required for their positions.

(e) Technical Engineering Training: Provide various professional technical training programs for engineers based on assignments they work on and different stages the Company is at.

(f) Personal Effectiveness Training: Help employees utilize personal skills and knowledge, equip employees with capabilities in multiple functions and enhance working effectiveness.

(g) Language Training: Provide different levels of English learning classes, based on employees' TOEIC scores, for them to utilize in working environment and to enhance the Company's global competitiveness.

(h) External Training: Enhance employee quality and skills to help business development and complement the insufficiency of internal trainings.

In the latest fiscal year, MediaTek committed NT$14.83 million for the cost of training:

Categories	2014				Jan. 1 to Apr. 30, 2015			
	Number of classes	Numbers of attendees	Hours	Total cost ($NT)	Number of classes	Numbers of attendees	Hours	Total cost ($NT)
Management ability	76	2,162	10,006	46,121 thousand	21	626	3,723	13,090 thousand
General Education of new employees	75	2,965	16,385		24	823	4,967	
Professional ability	70	1,951	3,457		7	237	850	
Personal effectiveness	27	1,049	6,534		10	333	2,187	
Language training	80	592	20,335		31	385	11,750	
External training	257	424	6,727		58	80	985	
Total	585	9,143	63,444		151	2,484	24,462	

H. Retirement system

MediaTek's retirement system was designed in accordance to the Labor Standards Law and the Labor Pension Act. The retirement system makes monthly reserve deposits into the funds held at the

Supervisory Committee on Labor Retirement Funds account at the Central Trust of China. Since the promulgation of the Labor Pension Act on July 1st of 2005, employees have been given the option to stay with the Old System or the New System (but keep the number of working years). For employees who chose the New System, the company makes monthly reserves of at least 6% of the employee's monthly salary statements in accordance with Financial Accounting Standard No.19 "Employer's Accounting for Pension Plans" and provides actuarial reports and recognizes the reserve as a pension liability on the balance sheet.

1.2. Supplier Management

As a responsible corporate citizen, MediaTek is committed to implementing environmental-friendly and carbon-reducing initiatives on the basis that the quality of products and services are unchanged. MediaTek has established the "MediaTek Environment-Friendly and Carbon-Reducing Products Policy," which encompasses four major areas of demands for its suppliers.

This policy demands suppliers to make changes in the areas of design, material, transport, and minor details. Descriptions of each item are as follows:

A. Design: simplify product structure through green design in order to reduce the use of consumables and the use of pure gold in IC packaging.

B. Material: The entire product line should meet the European Directive on the "Restriction of the Use of Certain Hazardous Substances." The manufacturing process should incorporate halogen-free material and reduce the use of chemicals.

C. Transport: Use recyclable material and reduce the use of consumables during the process of loading and transporting ICs.

D. Minor Details: Inspect the IC manufacturing process to avoid excessive waste of resources, such as water and electricity.

2. Social Participation

2.1. Social Contributions

2.1.1. Establish the MediaTek Fellowship

MediaTek is deeply committed in its efforts to promote science education. The MediaTek Fellowship was established in 2002 with the purpose of encouraging graduate students who wish to go on to a Ph.D. program domestically. The fellowship is intended to reward outstanding graduate students in the field of electric engineering and information technology. Since 2002, 49 students have received the fellowship, each receiving NT$35,000~NT$50,000 per month for as long as 48 months. The fellowship allows the students to dedicate themselves to research. Some of the fellowship recipients have entered the industry or back to academia and begun making contributions in the field of research.

2.1.2. Establish the MediaTek Cross-Strait Scholarship

Starting from 2009, MediaTek Foundation provides scholarship to cross-strait exchange students and researchers to fund graduate students, Ph.D. students, and post-doctoral researchers of electronic engineering, electronic machinery, and computer science related fields. Each year, around 15 candidates are entitled to up to 12 months of scholarship.

2.1.3. Establish Scholarship for Mainland China Students

To encourage outstanding Mainland China students to pursue master and/or Ph.D. degrees in Taiwan to enhance cross-strait sharing, MediaTek established scholarship designated for Mainland China students since 2011.

2.1.4. Partnership with Academia and Research Publications

MediaTek has made several significant achievements in 2014- Not only did our revenues achieve record highs, but we were ranked top 10 in global semiconductor industry excluding OEM for the first time, and listed in Thomson Reuters' 2014 Top 100 Global Innovators. Based on this solid foundation, MediaTek continues to strengthen global operation, and take technology leadership as our priority.

Smart Handheld devices are ubiquitous nowadays. With the enhancement and wide adoption of computing and connection capabilities, cloud service, multi-functions of IP Multimedia Subsystem (IMS), big data transmission, mobile communication and Internet of things are becoming key technological research topics. To cover various technology fields, MediaTek expand the Academia partnership with National Taiwan University (NTU), National Tsing Hua University (NTHU) and National Chiao Tung University (NCTU) to establish Innovation Research Center with each school conducting nearly 30 research projects per year on fields such as Smart Handheld devices, high performance yet low power consumption, packaging and assembly technologies, and so on. As of 2014, MediaTek has invested over NT$100 millions in academia partnership.

In addition, MediaTek also participates at the major alliances between academia and industry led by Ministry of Science and Technology, which focuses on resolving practical problems by applying academic research results to enhance Taiwan's technology industries. MediaTek and NTU join forces in "Key Enabling Technology for Next Generation Mobile Communication Terminal Project". We are also one of the companies that participate in NCTU's "SDN-enabled Cloud-based Wireless and Broadband Network Technologies & Services Project". These two projects were both approved by Ministry of Science and Technology and were kicked off in October 2014. MediaTek is expecting to invest nearly NT$200 million in the projects in the following 3 years. For the "Key Enabling Technology for Next Generation Mobile Communication Terminal Project" with NTU, there are approximately 30 professors and one hundred Master and PhD students participating and the focus is on development of core technologies of Hybrid computing platform and 5G technology. By leveraging the resource from the academia, MediaTek aims to develop high capacity, high speed and low power consumption technologies and prepare key intellectual property plan to achieve a global leading position in 5G technology field among global competitors.

Besides the establishment of innovation research centers and participation of major alliances between academia and industry, MediaTek maintains close and long-term relationship with the universities. Through participating in different projects before pursuing a career, students can easily grab the knowledge of how a company runs and significantly reduce time in exploring. In turn, it becomes a critical way to cultivate manpower. MediaTek has been implementing Industry-academy cooperation over ten years, and every proposal showcases our commitment and record in social participation. From the applied number of patents, the number of articles selected by ISSCC, and competitive scores of our scholarship students, MediaTek also attracts a considerable number of quality students to join our Company after their education. This displays the win-win result on both the industry and the academia sides.

MediaTek has always been committed to talent incubation, not only raising budgets for industry-academia cooperation projects, but also set up MediaTek Fellowship to grant scholarships to qualified Ph.D. students with a four-year scholarship. The aim is to encourage students to pursue Ph.D. Degree to resolve schools' problems of having less Ph.D. students and by contributing company's resources, MediaTek hopes to further incubate Ph.D. talents for Taiwan to develop advanced technologies.

Nevertheless, the Company is also active in research and development. In 2014, MediaTek has 5 papers being selected by IEEE International Solid-State Circuits Conference (ISSCC). From 2004, the Company had presented forty papers in ISSCC, and is the only company which presented papers in ISSCC for twelve years consecutively.

2.1.5. General Education on Sciences Promotion

Since 2009, MediaTek has sponsored National Tsing Hua University and National Pingbei Senior High School with the "Small Tsing Hua Plan", a project to enhance the educational level of remote countries based on the concept of General Science Promotion. We also sponsored Wu Chien Shiung Camps held by NTHUEE and establishing the Foundation of Senior-high Electrical Scientific Education. Devoting to building the foundation of General Science Education and nurturing future talents, MediaTek held activities to enhance elementary students' interests and applications in General Science beginning from 2013.

2.2. Community Involvement

2.2.1. Promoting Cultural Activities – Exclusive Sponsor for IC Radio Broadcasting

MediaTek is the exclusive sponsor for two IC Radio Broadcasting programs. It is the Company's belief that great ideas and concepts can change the world, but changing social disorder will depend on the respect of humanistic qualities. MediaTek responses to the founding philosophy of IC Radio Broadcasting of "I Care, I Can, I Change" by being as the exclusive sponsor of these two programs. We hope the in-depth analysis of historical personage and clear allegorical lessons in the programs can deliver best practices based on history, positive value judgments, and the inward reflections of listeners to improve society and community by through the power of media by spreading positive messages. During the sharing process, the audience may cultivate independent judgments and society participation, taking part in topics of interest proactively, and develop civic identity with the aim to further enhance the quality of life.

2.2.2. Save a Life by Donating Blood – 2014 Blood Drive

"Save a Life by Donating Blood" was a blood drive broadcasted by media and promoted by MediaTek employees proactively. Since 2007, MediaTek employees have organized regular blood drives to the Hsinchu Blood Center during periods of low supply.

In order to promote the spirit of "A gift that saves life" in 2014, MediaTek held two campaigns of blood donations and received 661 bags of blood (165,250 cc), not only achieving a new record of blood donation, but also receiving an award from the Blood Center. The Company will remain committed to such activities in the future.

2.2.3. Volunteer Team

MediaTek employees have been involving in many different employee volunteer programs including interaction with the RenAi Special Education Center in 2003, plantation of organic vegetables with HuaKuang Special Education Center in 2004, participation in greening, cleaning and arrangement of Morninglight School in 2005, hosting a MediaTek's volunteer day in 2006, and providing different volunteer services in 2007. Since 2011, MediaTek organizes volunteer clubs to promote a volunteering spirit throughout the Company by caring for elders programs, orphanage visits, or taking part in love and care activities and accompanying disadvantaged children, etc. MediaTek continuously provides aid and care for disadvantaged groups and expands the spirit of social contribution actively through long-term volunteering services held by the employees.

2.2.4. Environmental Activities

MediaTek cares about environmental issues and has been actively involved in various environmental activities such as that promote personal cutlery for all employees, and reduced use of disposable cutlery.

In addition to internal activities, we also participate in many external activities. For example, the Company cooperated with non-government conservation organizations and held a tour of knowing native plants to encourage employees with their family to participate in activities of World Earth Day. The volunteer club also held clean mountain activities to appeal to colleagues to devote themselves to environmental protection..

3. Environmental Efforts

3.1. Long-Term and Short-Term Goals

3.1.1. Short-Term Environmental Goals

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

3.1.2. Mid-Term Environmental Goals

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

3.1.3. Long-Term Environmental Goals

Long-term environmental goals are to fully comply with regulatory environmental rules to implement green design for our products, avoid any toxic material, and strengthen green purchasing and green management. We further aim to establish a comprehensive audit system to regularly inspect processes and implement improvements continuously.

3.2. MediaTek's Energy-Savings Measures and Results

MediaTek believes that being environmentally friendly and reducing the carbon footprint is part of its social responsibility. Some of the company's achievements in this area are as follows:

3.2.1. Efforts in energy reduction

A. Electric Power

Changed electricity tiered pricing. Reviewed the Company's electricity demand and changed the electricity tiered pricing from 2-tiered pricing to 3-tiered pricing which led to an annual saving of approximately NT$5.78 million.

B. Air Conditioning

(a) Reduced waste in air conditioning by enhancing design of the energy room and establishing hot and cold aisles of cabinets. Saved energy usage by 7.9%, which translates to about NT$3.65 million a year in savings.

(b) Compared to traditional air conditioning systems, MediaTek's Variable Air Volume(VAV) AC system saves 25.7% more energy, which translates to about NT$1.73 million a year.

(c) Enhanced energy savings on exhaust systems, modifying into two operating periods, off-peak and half-spike, which led to an annual saving of approximately NT$160,000.

(d) Adjusted ice water system, changing the constant flow to variable flow, which led to an annual saving of around 2.03 million.

C. Lighting

(a) Lighting control in public areas and parking structures use lighting that is CNS compliant and approved by the Energy Bureau. These measures led to an annual saving of approximately NT$1.77 million.

(b) Controlled parking area lighting on the weekends led to an annual saving of approximately NT$2.67 million.

D. Equipment

(a) Controlled temperature and humidity for testing and storage areas. Implemented measures to reduce hose pressure, control temperature and humidity which led to an annual saving of approximately NT$1.89 million.

(b) Enhanced ice supply machine, using the temperature difference, running hours, and the times of turn-on and turn-off, etc., led to an annual saving of approximately 2.14 million.

(c) Improved lighting equipment, replacing FL lighting with LED, which led to an annual saving of approximately NT$240,000.

(d) Improved facilities and machines, replacing Cadence Server air-cooled air conditioning with water-cooled air conditioning, which led to an annual saving of approximately NT$120,000 per each air conditioner.

The Company reduced 3,833 tons carbon dioxide emissions in 2014 (a savings of 7,340,000 kWh, equivalent to 10.4 Daan Forest Park's annual carbon adsorption) and 2,800 tons in 2013 (a savings of 5,340,000 kWh, equivalent to 7.6 Daan Forest Park's annual carbon adsorption). The calculating standard of the aforementioned carbon dioxide emissions is based on the latest release of Bureau of Energy, MOEA in 2013, which one unit of electricity equals to 0.522 kilograms of carbon dioxide.

3.2.2. Efforts in water saving

(1) **Water-saving Faucets:** Replaced traditional faucets with water-saving faucets. Usage of water is reduced by 30.78%, or about 448 tons per year.

(2) **Rainwater Recycling:** Implemented a rainwater collection storage tank with a two ton capacity. About 461 tons of water is collected and recycled each year.

(3) **Water Reduction:** Condensed water from the company's air conditioners is reused for plant watering. Approximately 3,091 tons of condensed water is recycled each year.

3.2.3. Waste Management and Recycling:

The first step is to reduce overall waste, followed by proper sorting, recycling, and re-use. Continual improvement is also made to waste storage, transport, and processing with an emphasis on reducing the environmental impact. Waste processing and recycling vendors are first carefully chosen then monitored and audited at irregular intervals. The company takes full accountability for its waste management.

3.2.4. Others:

The company implements a policy of company-wide recycling, waste sorting, and carbon footprint reduction.

3.3. Environment Safety Management

A. Monitor the operation and safety of the company's fire extinguisher/suppression system, water/electricity system and air-conditioning system around the clock.

B. Regular monthly safety check for the company's working environment and equipment/machinery rooms.

C. Regular monthly labor safety and sanitation training for new employees.

D. Promote safety-related concepts and items on an ad-hoc basis.

E. Regular disaster prevention maneuvers for all employees.

F. Regular annual audit for the company's ISO14001&OHSAS18001 conducted by SGS.

VII. Financial Status, Operating Results and Status of Risk Management

1. Financial Status

1.1. Consolidated Report

Unit: NT$ thousands

Item	2013	2014	Change	% of Change
Current Assets	161,740,929	248,554,935	86,814,006	53.67
Funds and Investments	68,039,686	15,000,614	(53,039,072)	(77.95)
Property, Plant and Equipment	11,312,107	23,294,555	11,982,448	105.93
Intangible Assets	15,509,193	60,757,826	45,248,633	291.75
Other Assets	2,034,947	3,510,741	1,475,794	72.52
Total Assets	**258,636,862**	351,118,671	92,481,809	35.76
Current Liabilities	61,384,592	101,619,838	40,235,246	65.55
Non-current Liabilities	1,898,871	1,893,086	(5,785)	(0.30)
Total Liabilities	**63,283,463**	103,512,924	40,229,461	63.57
Capital Stock	13,497,140	15,714,922	2,217,782	16.43
Capital Reserve	68,474,910	88,047,914	19,573,004	28.58
Retained Earnings	114,294,875	136,855,169	22,560,294	19.74
Other Equity	(895,749)	6,606,113	7,501,862	837.50
Treasury Stock	(55,970)	(55,970)	-	-
Minority Interest	38,193	437,599	399,406	1,045.76
Total Equity	**195,353,399**	247,605,747	52,252,348	26.75

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Increase in current assets: Mainly due to increase in cash and cash equivalents.
(2) Decrease in funds and investments: Mainly due to obtaining de facto control of MStar Semiconductor, Inc. (Cayman)
(3) Increase in property, plant and equipment: Mainly due to obtaining property and buildings, and including MStar Semiconductor, Inc. (Cayman) into consolidated financial statements.
(4) Increase in intangible assets: Mainly due to including MStar Semiconductor, Inc. (Cayman) into consolidated financial statements owing to acquiring de facto control.
(5) Increase in other assets: Mainly due to increase in deferred tax assets.
(6) Increase in total assets: Mainly due to increase in cash and cash equivalents, property, plant and equipment as well as intangible assets.
(7) Increase in current liabilities: Mainly due to increase in short-term borrowings, trade payables, other payables and tax liabilities.
(8) Increase in total liabilities: Mainly due to increase in current liability.
(9) Increase in additional paid-In capital: Mainly due to new share issuance to obtain the remaining

equity of MStar Semiconductor, Inc. (Cayman)
(10) Increase in retained earnings: Mainly due to increase in net income which is partially offset by 2013 earnings distribution.
(11) Increase in other equity: Mainly due to foreign exchange movement and market price recovery of financial assets.
(12) Increase in non-controlling interests: Mainly due to changes in ownership of subsidiaries.

1.2. Parent Company

Unit: NT$ thousands

Item	2013	2014	Change	% of Change
Current Assets	70,707,646	149,267,002	78,559,356	111.10
Funds and Investments	144,972,800	129,656,160	(15,316,640)	(10.57)
Property, Plant and Equipment	6,331,668	9,177,068	2,845,400	44.94
Intangible Assets	7,242,842	28,740,924	21,498,082	296.82
Other Assets	1,216,985	2,429,791	1,212,806	99.66
Total Assets	**230,471,941**	**319,270,945**	**88,799,004**	**38.53**
Current Liabilities	33,630,662	70,428,396	36,797,734	109.42
Non-current Liabilities	1,526,073	1,674,401	148,328	9.72
Total Liabilities	**35,156,735**	**72,102,797**	**36,946,062**	**105.09**
Share Capital	13,497,140	15,714,922	2,217,782	16.43
Capital Reserve	68,474,910	88,047,914	19,573,004	28.58
Retained Earnings	114,294,875	136,855,169	22,560,294	19.74
Other Equity	(895,749)	6,606,113	7,501,862	837.50
Treasury Stock	(55,970)	(55,970)	-	-
Total Equity	**195,315,206**	**247,168,148**	**51,852,942**	**26.55**

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Increase in current assets: Mainly due to increase in cash and cash equivalents.
(2) Increase in property, plant and equipment: Mainly due to obtaining property, buildings, laboratory equipment, and acquisition of Ralink's assets.
(3) Increase in intangible assets: Mainly due to MStar Semiconductor, Inc. (Cayman) merger and acquisition of Ralink's assets.
(4) Increase in other assets: Mainly due to increase in deferred tax assets.
(5) Increase in total assets: Mainly due to increase in cash and cash equivalents as well as intangible assets.
(6) Increase in current liability: Mainly due to increase in short-term borrowings, other payables, and tax liabilities.
(7) Increase in total liabilities: Mainly due to increase in current liabilities.
(8) Increase in additional paid-In capital: Mainly due to new share issuance to obtain the remaining equity of MStar Semiconductor, Inc. (Cayman)
(9) Increase in retained earnings: Mainly due to increase in net income which is partially offset by 2013 earnings distribution.
(10) Increase in other equity: Mainly due to foreign exchange movement and market price recovery of financial assets.
(11) Increase in total equity: Mainly due to increase additional paid-In capital, retained earnings, and

other equity.

2. Operating Results

2.1. Consolidated Report

Unit: NT$ thousands

Item	2013	2014	Change	% of Change
Net Sales	136,055,954	213,062,916	77,006,962	56.60
Operating Costs	76,250,370	109,194,295	32,943,925	43.20
Gross Profit	59,805,584	103,868,621	44,063,037	73.68
Operating Expenses	34,561,864	56,627,311	22,065,447	63.84
Operating Income	25,243,720	47,241,310	21,997,590	87.14
Non-Operating Income and Expenses	4,303,102	5,108,645	805,543	18.72
Net Income before Income Tax	29,546,822	52,349,955	22,803,133	77.18
Income Tax Expense	2,062,172	5,950,882	3,888,710	188.57
Net Income	27,484,650	46,399,073	18,914,423	68.82
Other Comprehensive Income, net of tax	4,253,825	7,268,758	3,014,933	70.88
Total Comprehensive Income	31,738,475	53,667,831	21,929,356	69.09
Net Income Attributable to Owners of the Parent	27,515,052	46,397,892	18,882,840	68.63
Total Comprehensive Income Attributable to Owners of the Parent	31,760,633	53,627,479	21,866,846	68.85

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Increase in net sales: Mainly due to increase in market demand.
(2) Increase in operating costs: Mainly due to increase in operating costs associated with higher sales.
(3) Increase in gross profit and operating income: Mainly due to increasing shipment from higher ASP products.
(4) Increase in operating expenses: Mainly due to increase in R&D expenses.
(5) Increase in net income before income tax, net income and net income attributable to owners of the parent: Mainly due to revenue growth.
(6) Increase in income tax expenses: Mainly due to increase in net income.
(7) Increase in other comprehensive income: Mainly due to foreign exchange rate movement.
(8) Increase in total comprehensive income and total comprehensive income attributable to owners of the parent: Mainly due to increase net income and other comprehensive income.

2.2. Parent Company

Unit: NT$ thousands

Item	2013	2014	Change	% of Change
Net Sales	96,230,064	136,265,018	40,034,954	41.60
Operating Costs	54,894,385	67,990,658	13,096,273	23.86
Gross Profit	41,335,679	68,274,360	26,938,681	65.17
Unrealized (Realized) Gross Profit on Sales	(59,028)	59,028	118,056	N/A
Net Gross Profit	41,276,651	68,333,388	27,056,737	65.55
Operating Expenses	22,464,159	34,466,211	12,002,052	53.43
Operating Income	18,812,492	33,867,177	15,054,685	80.02
Non-Operating Income and Expenses	10,395,013	16,233,126	5,838,113	56.16
Net Income before Income Tax	29,207,505	50,100,303	20,892,798	71.53
Income Tax Expense	1,692,453	3,702,411	2,009,958	118.76
Net Income	27,515,052	46,397,892	18,882,840	68.63
Other Comprehensive Income, net of tax	4,245,581	7,229,587	2,984,006	70.28
Total Comprehensive Income	31,760,633	53,627,479	21,866,846	68.85

Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
(1) Increase in net sales: Mainly due to increase in market demand.
(2) Increase in operating costs: Mainly due to increase in operating costs associated with higher sales.
(3) Increase in realized gross profit on sales: Mainly because the intercompany sales last year was sold to a third party this year.
(4) Increase in gross profit and operating income: Mainly due to increasing shipment from higher ASP products.
(5) Increase in operating expenses: Mainly due to increase in R&D expenses
(6) Increase in non-operating income and expenses: Mainly due to increase in net income from investments using equity method.
(7) Increase in net income before income tax and net income: Mainly due to revenue growth.
(8) Increase in income tax expense: Mainly due to revenue growth.
(9) Increase in other comprehensive income: Mainly due to foreign exchange rate movement.
(10) Increase in total comprehensive income: Mainly contributed by revenue growth and increase in other comprehensive income.

3. Cash Flow Analysis

3.1. Consolidated Report

Unit: NT$ thousands

Cash Balance Dec. 31, 2013	Net Cash Provided by Operating Activities in 2014	Net Cash Outflows from Investing and Financing Activities in 2014	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2014	Remedy for Cash Shortfall (Investment & Financing Plan)
$132,997,726	$44,329,774	$11,644,983	$3,825,023	$192,797,506	--

3.1.1. Analysis of the Change in Cash Flow in 2014

Operating activities: Net cash inflow of NT$44,329,774 thousand, mainly from operating profits
Investing activities: Net cash inflow of NT$17,801,767 thousand, mainly due to net cash inflows from the acquisition of MStar (Cayman) Inc. which is partically offset by the purchase of intangible assets, property, plant and equipment and acquisition of *available-for-sale financial assets*.
Financing activities: Net cash outflow of NT$6,156,784 thousand, mainly due to the distribution of earnings which is partially offset by increase in short-term borrowings.

3.1.2. Remedial Actions for Cash Shortfall

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

3.1.3. Cash Flow Projection for Next Year

Not applicable.

3.2. Parent Company

Unit: NT$ thousands

Cash Balance Dec. 31, 2013	Net Cash Provided by Operating Activities in 2014	Net Cash Outflows from Investing and Financing Activities in 2014	Cash Balance Dec. 31, 2014	Remedy for Cash Shortfall (Investment & Financing Plan)
$53,710,940	$71,189,319	$2,547,890	$127,448,149	--

3.2.1. Analysis of the Change in Cash Flow in 2014

Operating activities: Net cash inflow of NT$71,189,319 thousand, mainly from operating profits
Investing activities: Net cash inflow of NT$4,581,752 thousand, mainly due to net cash inflows from the acquisitions of Ralink and MStar (Cayman) Inc. which is partly offset by the purchase of intangible assets, property, plant and equipment.
Financing activities: Net cash outflow of NT$2,033,862 thousand, mainly due to the distribution of earnings; partly offset by increase in short-term borrowings.

3.2.2. Remedial Actions for Cash Shortfall

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

3.2.3. Cash Flow Projection for Next Year

Not applicable.

4. Major Capital Expenditure

4.1. Major Capital Expenditure and Sources of Funding

Unit: NT$ thousands

Plan	Actual or Planned Source of Capital	Estimated Capital Requirement (as of Dec 31, 2014)	Status of Actual or Projected Use of Capital			
			2011	2012	2013	2014
Fixed Assets - Land, Office Building and R&D Equipment	Cash flow generated from operation	$16,160,954	$2,584,699	$2,268,459	$1,585,174	$9,722,622
Intangible Assets - Software, IPs and Patents	Cash flow generated from operation	$2,493,154	$209,200	$1,163,784	$324,414	$795,756

4.2. Expected Future Benefits

(1) Fixed Assets - Land and office buildings:

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

(2) Fixed Assets - R&D equipment:

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

(3) Intangible assets: software, IPs and patents:

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

5. Investment Policies

The company's investments are long-term strategic investments. Investment gain from equity method investment in 2014 was NT$983,941 thousand. The company will keep its long-term strategic investment policy and evaluate investment plans prudently.

6. Risk Management

6.1. Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

Risks associated with foreign currency:

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries. The Company reviews its assets and liabilities denominated in foreign currency and enter into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts is to hedge exchange rate fluctuation risk, the gain or loss made on the contracts from the fluctuation in exchange rates are expected to mostly offset gains or losses made on the hedged item. The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows: When NTD appreciates or depreciates against USD by 1 cent, the profit for the years ended December 31, 2014 and 2013 decreases or increases by NT$1,790 thousand and NT$1,399 thousand, while equity decrease/increase by NT$23,766 thousand and NT$18,669 thousand, respectively.

Risks associated with interest rate:

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates. Moreover, the market value of the Company's investment in credit-linked deposits and interest rate-linked deposits are affected by interest rate. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables. The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2014 and 2013 to decrease/increase by NT$1,198 thousand and NT$2,570 thousand, respectively.

Risks associated with inflation:

There was no major impact from inflation on the Company's 2014 operations.

The Finance Division is responsible for related risk management.

6.2. Risks Associated with High-Risk/High-Leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

As part of the Company's conservative financial management, it does not engage in investments that are either high-risk or highly leveraged. The Company has in place a complete and thorough policy and internal control scheme governing lending, endorsements, guarantees for other parties, and financial derivative transactions. For the last fiscal year and year to date, the Company's lending, endorsements and guarantees for other parties are in accordance with relevant provisions. The Company engages in derivative transactions for hedging purposes. Any gains or losses from such transactions should roughly cancel out gains or losses in the underlying assets. For the last fiscal year and year to date, all the transactions are in accordance with relevant provisions.

The Finance Division is responsible for related risk management.

6.3. Future R&D Plans and Expected R&D Spending

R&D Project Name	Schedule
Next generation 2.75G and 3G Mobile Phone Chipsets	End of 2015
Next generation LTE Smartphone Chipsets	
Next generation tablet chips	
Next generation highly-integrated wireless communication chips	
Next generation wireless charging chips	Early 2015
Next generation highly-integrated low power WLAN & WPAN chipsets	End of 2015
Nest generation highly-integrated Smart UHDTV Chips	End of 2015
Next generation highly-integrated xPON chipsets	Early 2016
Highly-integrated Universal Home Gateway (UHG) chipsets	
Next generation gigabyte digital subscriber line (G. fast) chipsets	
Next generation automotive chipsets	

The Company's R&D projects all follow industry trends and are implemented in a highly integrated and economical way. R&D expenses in 2013 and 2014 were NT$26,453,942 thousand and NT$43,337,348 thousand, accounting for 19.44% and 20.34% of revenue respectively. The Company will continue to invest in R&D to develop products for next generation communication standard. The budget for R&D projects abovementioned accounts for approximately 80% of 2015 total R&D budget which is estimated to be approximately 20% of 2015 revenue.

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

The Financial Supervisory Commission ("FSC") requires companies with shares listed on the Taiwan Stock Exchange ("TSE") or traded on the Taiwan GreTai Securities Market or Emerging Stock Market to prepare their financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee (collectively referred to as "IFRSs"), and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, starting 2013. The Company has finished preparation of 2014 interim and annual financial report according to regulations of FSC.

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

6.5. Impact of New Technology and Industry Changes

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

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

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

MediaTek prides itself on its corporate image. The management has always maintained a humanistic philosophy toward management. MediaTek provides a working environment that is both challenging and nurturing for its employees, who are able to grow and realize their full potential. Those are some of the reasons that MediaTek has been able to attract the top talents in the industry and maintain its leading position in global IC Design. At the same time, MediaTek's has maintained its core values, such as trust, respect, integrity, honesty, introspection, life-long learning, creativity, and team-work. As of the Annual Report's publication date, there has been no event that adversely impact in MediaTek's corporate image and impact on company's crisis management.

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

6.7. Risks Associated with Mergers and Acquisitions

In order to enhance the Company's operation efficiency and competitiveness, MediaTek ,through tender offers in 2012, acquired 254,115,685 shares of MStar (approximately 48% of MStar's total common shares issued) under the condition that the price of the deal was 1 MStar share in exchange for 0.794 share of MTK's common stock plus NT$1 in cash. MediaTek issued 201,767,854 new shares and paid NT$254,116 thousand in cash for the tender offer. In January 2014, MediaTek acquired substantial control of MStar and fully consolidated MStar. Please refer to section 6 of the annual report for more details.

The Company's Business Units and the finance department are responsible for this risk item and execution.

6.8. Risks Associated with Facility Expansion

To meet company's future growth and increasing demand in talents, the Company has planned to expand office buildings in Hsinchu Science Park, Jubei Tai-Yuen Hi-Tech Industrial Park, Taipei Neihu Technology Park and Mainland China. Expansion plans are under prudent assessments and are all office buildings to ensure they fully meet operation needs such as space for working, labs and the rest. Results of the benefit assessment are within the Company's expectation.

The Human Resources Division is responsible for managing the risks associated with plant expansion.

6.9. Risks Associated with Purchase Concentration and Sales Concentration

MediaTek's production allocation is flexible and diversified, and is able to deal with any emergencies from any of its production lines. Therefore there is no risk associated with purchase concentration. Sales concentration does not pose any risks since MediaTek's products are sold to many clients throughout Japan, Korea, Europe, Southeast Asia, and Greater China.

Each business units are responsible for managing the risks associated with purchase concentration and sales concentration.

6.10. Risks Associated with Sales of Significant Numbers of Shares by MediaTek's Directors and Major Shareholders Who Own 10% or More of MediaTek's Total Outstanding Shares

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

6.11. Risks Associated with Change in Management

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

6.12. Risks Associated with Litigations

(1) **Azure Networks, LLC ("Azure") and Tri-County Excelsior Foundation("TCEF")** filed a complaint in the United States District Court for the Eastern District of Taxes against Ralink and Ralink Technology Corporation (USA), along with other defendants in March 2011, alleging infringement of United States Patent No. 7,756,129. On April 6, 2012, Azure and TCEF filed a complaint in the United States District Court for the Eastern District of Texas against MTK alleging infringement of the same patent referenced above. On May 30, 2013, the Court entered a judgment in favor of Ralink and other defendants, dismissing the earlier case subject to the plaintiffs' right to appeal. An appeal has been filed by plaintiffs on June 20, 2013. On November 6, 2014, the United States Court of Appeals for the Federal Circuit vacated the lower court's judgment and remanded the case to the district court. The court dismissed the claims against Ralink pursuant to Azure and Ralink's joint motion on February 10, 2015. On June 10, 2013, the Court entered a judgment dismissing the latter case pursuant to the parties' joint stipulation.

Additionally, on January 13, 2015, Azure filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. alleging infringement of United States Patent Nos. 7,756,129, 8,582,570, 8,582,571, 8,588,196, 8,588,231, 8,589,599, 8,675,590, 8,683,092 and 8,732,347 by MTK's wireless communications, tablet and mobile phone chips, and seeking damages. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(2) **Commonwealth Scientific and Industrial Research Organization** filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA), along with other defendants on August 27, 2012 alleging infringement of United States Patent No. 5,487,069. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(3) **Palmchip Corporation ("Palmchip")** filed a complaint in the Superior Court of California in the County of Santa Clara against MTK and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on October 19, 2012, asserting claims of breach of contract. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

Palmchip filed a complaint in the United States District Court for the Central District of California against MTK and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) on August 30, 2013, alleging infringement of United States Patents Nos. 6,601,126, 6,769,046, and 7,124,376. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(4) **Optical Devices, LLC ("Optical Devices")** filed a complaint with the U.S. International Trade Commission (the "Commission") against MTK and subsidiary MediaTek USA Inc. on September 3, 2013 alleging infringement of United States Patent No. 8,416,651. Optical Devices alleged that MTK's optical disc drive chips infringe its patent and sought to prevent the accused products from being imported into the United States. The Commission issued an Initial Determination on July 17, 2014 finding that Optical Devices failed to meet the domestic industry requirement and terminating the investigation. On

September 3, 2014, the Commission vacated the Initial Determination and remanded the case for further proceedings. On October 21, 2014, the Commission issued an Initial Determination to terminate the investigation on the ground that Optical Devices' lack of standing. On December 4, 2014, the Commission partially vacated the Initial Determination and remanded a part of the case including the investigation against MTK for further proceedings. On April 27, 2015, the Commission issued an Initial Determination terminate the investigation on the ground of Optical Devices' lack of standing.

Also on September 3, 2013, Optical Devices filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiary MediaTek USA Inc., alleging that MTK's optical disc drive chips infringe the above referenced patent. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(5)**Vantage Point Technology, Inc. ("Vantage")** filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek USA Inc. on November 21, 2013, alleging infringement of United States Patent Nos. 5,463,750 and 6,374,329. The court dismissed the claims with prejudice against MediaTek USA pursuant to Vantage Point and MediaTek USA's joint motion on April 20, 2015.

(6) **Bandspeed Inc**. filed a complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc. and other defendants on May 9, 2014, alleging infringement of United States Patent Nos. 7,027,418, 7,570,614, 7,477,624, 7,903,608 and 8,542,643. On October 17, 2014, the court granted the parties joint stipulation to dismiss the claims against MTK, all other claims against other parties including those against subsidiary MediaTek USA Inc. remain pending. On February 13, 2015, the court granted Bandspeed's motion for leave to file a First Amended Complaint to add United States Patent No. 8,873,500 to the case. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(7) **Adaptive Data LLC ("Adaptive Data")** filed a complaint in the United States District Court for the District of Delaware against subsidiary MediaTek USA Inc. on December 31, 2014, alleging infringement of United States Patent Nos. 6,108,347 and 6,243,391 by the Bluetooth chips of subsidiary MediaTek USA Inc. and seeking damages. This case has been settled and Adaptive Data voluntarily dismissed the case on February 19, 2015.

(8) **Luciano F. Paone** filed a complaint in the United States District Court for the South District of New York against subsidiary MediaTek USA Inc. on February 9, 2015, alleging infringement of United States Patent No. 6,259,789. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

(9) **Innovatio IP Ventures, LLC ("Innovatio")** filed a complaint in the United States District Court for the Northern District of Illinois against subsidiary MediaTek USA Inc. on March 16, 2015, alleging infringement of United States Patent Nos. 6,697,415, 5,844,893, 5,740,366, 7,916,747, 6,665,536, 7,013,138, 7,107,052, 5,546,397, 7,710,907, 7,710,935, 6,714,559, 7,457,646 and 6,374,311. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

The Company will handle these cases carefully.

6.13. Other Material Risk: None.

7. Other Material Events

7.1. Certificate Holding Status for Personnel Associated with Financial Transparency

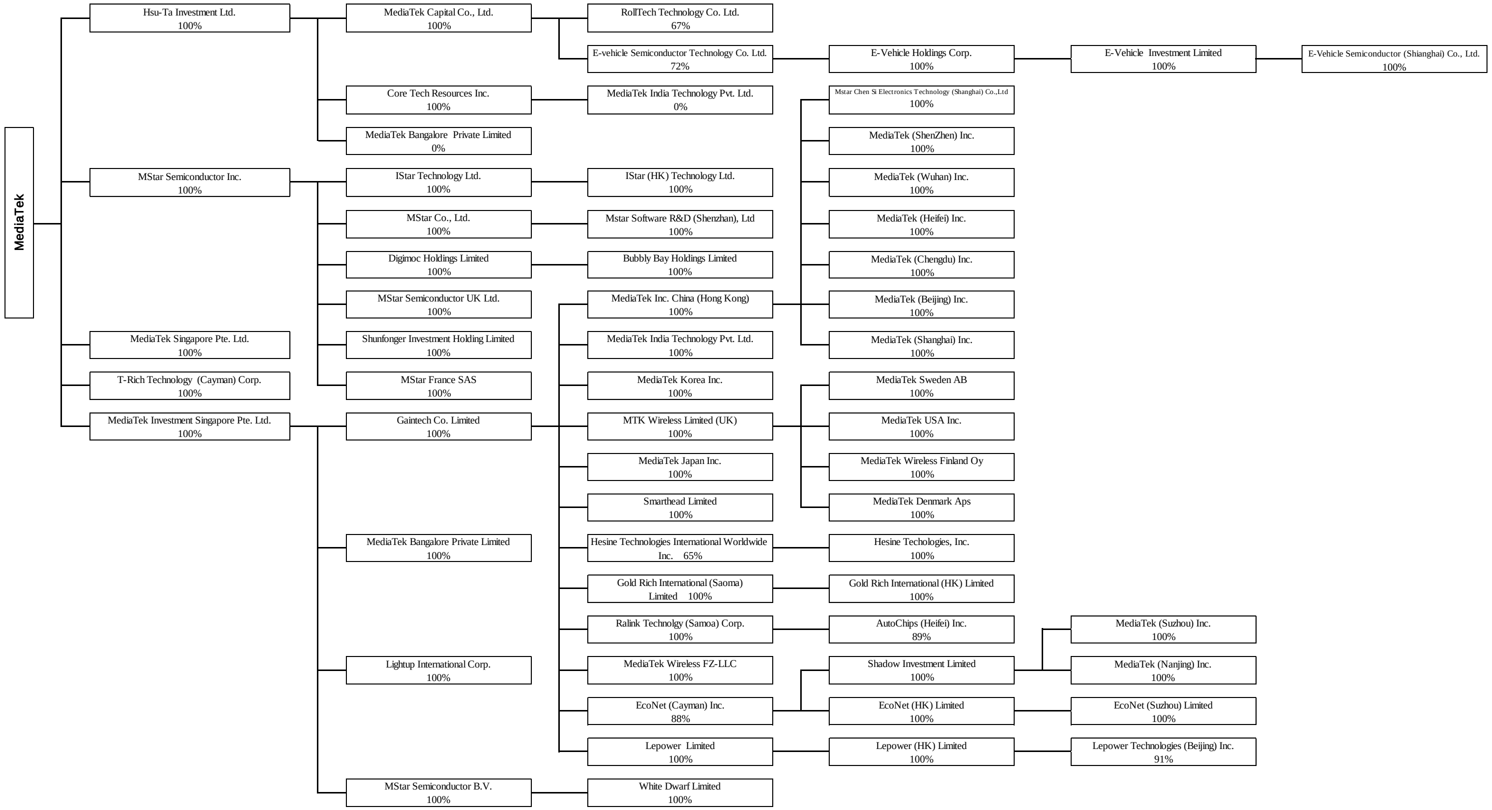
Certificate / Headcount	CPA	US CPA	CICPA	CA Singapore	CIA	CMA
Finance	11	1	-	1	5	1
Internal audit	-	-	1	-	3	-

VIII. Special Disclosure

1. Summary of Affliated Companies

1.1. MediaTek Affiliated Companies Chart

Dec. 31, 2014



Note: All directly and indirectly majority owned subsidiaries of the Company, and the accounts of investees in which the Company's ownership percentage is less than 50% but the Company has a controlling interest.

1.2. MediaTek Affiliated Companies

As of Dec. 31, 2014. Unit: NT$ thousands / Foreign Currency thousands

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Hsu-Ta Investment Ltd.	Sep 2002	Taiwan	NTD 10,625,356	Investment
MediaTek Singapore Pte. Ltd.	Jun 2004	Singapore	SGD 111,994	R&D, manufacturing and sales
MediaTek Investment Singapore Pte. Ltd.	Jan 2008	Singapore	USD 2,193,635	Investment
T-Rich Technology (Cayman) Corp.	Oct 2009	Cayman Islands	USD 1,249	Investment
MStar Semiconductor Inc.	Jun 2002	Taiwan	NTD 1,452,532	R&D, manufacturing and sales
CoreTech Resources Inc.	Sep 2002	B.V.I.	USD 57,200	Investment
MediaTek Capital Co., Ltd.	Sep 2000	Taiwan	NTD 3,600,000	Investment
RollTech Technology Co. Ltd.	Mar 2007	Taiwan	NTD 52,620	Software development
E-vehicle Semiconductor Technology Co. Ltd.	May 2011	Taiwan	NTD 156,000	R&D, manufacturing and Sales
MediaTek Inc. China (Hong Kong)	Sep 2007	Hong Kong	HKD 2,445,564	Investment
MTK Wireless Limited (UK)	Aug 2007	UK	GBP 65,508	R&D
MediaTek Japan Inc.	Jun 1997	Japan	JPY 100,000	R&D
MediaTek India Technology Pvt. Ltd.	May 2004	India	INR 55,000	R&D
MediaTek Korea Inc.	Feb 2007	Korea	KRW 2,000,000	R&D
Hesine Technologies International Worldwide Inc.	Oct 2010	B.V.I.	USD 218	Investment
Gold Rich International (Samoa) Limited	Mar 2011	Samoa	USD 4,290	Investment

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Smarthead Limited	Jan 2011	Seychelles	USD 700	Investment
Lepower Limited	Mar 2011	Samoa	USD 2,895	Investment
Ralink Technology (Samoa) Corp.	Mar 2008	Samoa	USD 7,150	Investment
EcoNet (Cayman) Inc.	Mar 2013	Cayman Islands	USD 16,413	Investment
Mediatek Wireless FZ-LLC	Nov 2013	Dubai	AED 50	Customer support & service
MediaTek (Heifei) Inc.	Aug 2003	Mainland China	USD 17,000	R&D
MediaTek (Beijing) Inc.	Oct 2006	Mainland China	USD 100,000	R&D
MediaTek (Shenzhen) Inc.	Oct 2003	Mainland China	USD 90,000	R&D and Customer support & service
MediaTek (Chengdu) Inc.	Sep 2010	Mainland China	USD 49,800	R&D
MediaTek (Wuhan) Inc.	Dec 2010	Mainland China	USD 4,800	R&D
MediaTek (Shanghai) Inc.	Jan 2011	Mainland China	USD 3,000	R&D
Mstar Chen Si Electronics Technology (Shanghai) Co.,Ltd	Dec 2009	Mainland China	CNY297,000	R&D and Customer support & service
MediaTek Sweden AB	Dec 2004	Sweden	SEK 1,008	R&D
MediaTek USA Inc.	May 1997	USA	USD 0.1	R&D
MediaTek Denmark Aps	Oct 2007	Denmark	DKK 20,000	R&D
MediaTek Wireless Finland Oy	Oct 2014	Finland	EUR 3	R&D
Hesine Techologies, Inc.	Sep 2008	Mainland China	CNY 10,000	Customer support & service
Gold Rich International (HK) Limited	Mar 2011	Hong Kong	USD 4,190	Investment
Lepower (HK) Limited	Mar 2011	Hong Kong	USD 3,050	Investment
Lepower Technologies (Beijing) Inc.	Dec 2011	Mainland China	USD 3,300	R&D, manufacturing and sales
E-Vehicle Holdings Corp.	Aug 2011	Samoa	USD 1,600	Investment

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
E-Vehicle Investment Limited	Sep 2012	Hong Kong	USD 1,600	Investment
E-Vehicle Semiconductor (Shianghai) Co., Ltd.	May 2012	Mainland China	USD 1,600	R&D, manufacturing and sales
Shadow Investment Limited	Apr 2002	Samoa	USD 15,000	Investment
EcoNet (HK) Ltd.Limited	Mar 2013	Hong Kong	USD 54,535	R&D, manufacturing and sales
EcoNet (Suzhou) Limited	Apr 2014	Mainland China	USD 5,000	R&D, manufacturing and sales
MediaTek (Suzhou) Inc.	Oct 2003	Mainland China	USD 1,500	R&D
MediaTek (Nanjing) Inc.	Jun 2008	Mainland China	USD 1,000	R&D
AutoChips (Heifei) Inc.	Nov 2013	Mainland China	USD 5,500	R&D, manufacturing and sales
MSar Semiconductor B.V.	Feb 2008	Holland	EUR 1,197	Investment
Lightup International Corp.	Feb 2009	Taiwan	NTD 8,000	Investment
MediaTek Bangalore Private Limited	May 2014	India	INR 20,000	R&D
Gaintech Co. Limited	July 2000	Cayman Islands	USD 326,291	Investment
White Dwarf Limited	July 2007	B.V.I.	USD 5	Investment
MStar France SAS	Oct 2006	France	EUR 4,589	Software Development
Shunfonger Investment Holding Limited	Apr 2010	B.V.I.	USD 735	Investment
IStar Technology Ltd.	Aug 2013	Cayman Islands	USD 50	Investment and sales
MStar Co., Ltd.	May 2003	Brunei	USD 5,850	Investment
Digimoc Holdings Limited	Sep 2007	B.V.I.	USD 50	Investment
MStar Semiconductor UK Ltd.	Jun 2007	UK	GBP 915	Software and customer development

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
IStar (HK) Technology Ltd.	Sep 2013	Hong Kong	USD 10	Investment and sales
Mstar Software R&D (Shenzhan), Ltd	Aug 2003	Mainland China	USD 30,000	Software and customer development
Bubbly Bay Holdings Limited	Jan 2006	B.V.I.	USD 50	Investment

1.3. Common Shareholders of MediaTek and Its Subsidiaries or Its Affiliates with Actual of Deemed Control

None

1.4. Business Scope of MediaTek and Its Affiliated Companies

Business scope of MediaTek and its affiliates include the investment, R&D, promotion, after-sale service for optical storage products, digital consumer products, wireless communication, digital TV, networking and, etc. MediaTek affiliates support the Company's core business by acquiring leading technology through investments.

1.5. List of Directors, Supervisors and Presidents of MediaTek's Affiliated Companies

December 31, 2014 (Unit: share / %)

Company Name	Title	Name or Representative	Shares	% of Holding
Hsu-Ta Investment Ltd.	Chairman/Director	MediaTek Inc. Rep.: Ching-Jiang Hsieh	1,062,535,590	100%
	Director	MediaTek Inc. Rep.: David Ku		
	Director	MediaTek Inc. Rep.: Jane Chen		
	Supervisor	MediaTek Inc. Rep.: Kirin Liu		
MediaTek Singapore Pte. Ltd.	Director	MediaTek Inc, Rep.: CC Ku	111,993,960	100%
	Director	MediaTek Inc. Rep.: David Ku		
MediaTek Investment Singapore Pte. Ltd.	Director	MediaTek Inc, Rep.: CC Ku	2,193,635,278	100%
	Director	MediaTek Inc. Rep.: David Ku		
T-Rich Technology (Cayman) Corp.	Director	MediaTek Inc. Rep.: Jane Chen	1,248,583	100%
MStar Semiconductor Inc.	Chairman/ Director	Gon-Wei Liang	-	-
	Director	Han-Fei Lin	-	-
	Director	Chin-Men Kao	-	-
	Director	Wen-Nan Tsan	-	-
	Director	Chern-Lin Chen	-	-
	Supervisor	Hsing-Ning Yu	-	-
CoreTech Resources Inc.	Director	Hsu-Ta Investment Ltd. Rep.: David Ku	57,200,000	100%
MediaTek Capital Co., Ltd.	Chairman/Director	Hsu-Ta Investment Ltd. Rep.: Ching-Jiang Hsieh	360,000,000	100%
	Director	Hsu-Ta Investment Ltd. Rep.: David Ku		
	Director	Hsu-Ta Investment Ltd. Rep.: Jane Chen		
	Supervisor	Hsu-Ta Investment Ltd. Rep.: Kirin Liu		
RollTech Technology Co. Ltd.	Chairman/ Director	MediaTek Capital Co. Rep: Hui-Ling Liu	3,510,000	67%
	Director	MediaTek Capital Co. Rep.: YuChuan Yang	3,510,000	67%
	Director	Trinity investment Corporation	701,000	13%
	Supervisor	MediaTek Capital Co. Rep: Shouyen Liu	3,510,000	67%

Company Name	Title	Name or Representative	Shares	% of Holding
E-vehicle Semiconductor Technology Co. Ltd.	Chairman/ Director	MediaTek Capital Co. Rep: JC Hsu	11,200,000	72%
	Director	MediaTek Capital Co. Rep: Jane Chen		
	Director	Chao-Ting Ho	1,536,000	10%
	Supervisor	Shouyen Liu	-	-
MediaTek Inc. China (Hong Kong)	Director	Gaintech Co. Limited Rep.: David Ku	2,445,564,020	100%
MTK Wireless Limited (UK)	Director	Gaintech Co. Limited Rep.: David Ku	65,508,146	100%
MediaTek Japan Inc.	Chairman/Director	Gaintech Co. Limited Rep.: David Ku	7,100	100%
	Director	Gaintech Co. Limited Rep.: Jeffrey Ju		
	Director	Gaintech Co. Limited Rep.: Yoshitaka Sakurai		
	Supervisor	Gaintech Co. Limited Rep.: Kirin Liu		
MediaTek India Technology Pvt. Ltd.	Director	Gaintech Co. Limited Rep.: Grant Kuo	5,499,999	100%
	Director	Gaintech Co. Limited Rep.: David Ku		
	Director	Gaintech Co. Limited Rep.: Jane Chen		
MediaTek Korea Inc.	Director	Gaintech Co. Limited Rep.: Jerry Yu	200,000	100%
	Director	Gaintech Co. Limited Rep.: John Lee		
	Director	Gaintech Co. Limited Rep.: David Ku		
	Supervisor	Gaintech Co. Limited Rep.: Kirin Liu		
Hesine Technologies International Worldwide Inc.	Director	Gaintech Co. Limited Rep.: David Ku	566,667	65%
	Director	Gaintech Co. Limited Rep.: Shouyen Liu		
	Director	NQ Mobile Inc. Rep.: Yu Lin	306,944	35%
Gold Rich International (Samoa) Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	4,290,000	100%

Company Name	Title	Name or Representative	Shares	% of Holding
Smarthead Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	700,000	100%
Lepower Limited	Director	Gaintech Co. Limited Rep.: Jane Chen	2,888,481	100%
Ralink Technology (Samoa) Corp.	Director	Gaintech Co. Limited Rep.: David Ku	7,150,000	100%
EcoNet (Cayman) Inc.	Director	Gaintech Co. Limited Rep.: David Ku	14,382,660	88%
	Director	Gaintech Co. Limited Rep.: Jerry Yu	14,382,660	88%
	Director	Gaintech Co. Limited Rep.: Bomin Wang	14,382,660	88%
	Director	PVG GCN Ventures, L.P Rep.: Pang-Yen Yang	2,030,346	12%
MediaTek Wireless FZ-LLC	Director	Gaintech Co. Limited Rep.: CC Ku	50	100%
	Director	Gaintech Co. Limited Rep.: David Ku		
	Director	Gaintech Co. Limited Rep.: Jane Chen		
MediaTek (Heifei) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Beijing) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (ShenZhen) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Chengdu) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Wuhan) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%

Company Name	Title	Name or Representative	Shares	% of Holding
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek (Shanghai) Inc.	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
Mstar Chen Si Electronics Technology (Shanghai) Co., Ltd	Executive director / Legal representative	MediaTek Inc. China (Hong Kong) Rep.: Wang Hai	Not applicable	100%
	Supervisor	MediaTek Inc. China (Hong Kong) Rep.: Kirin Liu		
MediaTek Sweden AB	Director	MTK Wireless Limited (UK) Rep.: David Ku	1,008,371	100%
	Director	MTK Wireless Limited (UK) Rep.: Johan Erik Lodenius		
MediaTek USA Inc.	Director	MTK Wireless Limited (UK) Rep.: David Ku	111,815	100%
	Director	MTK Wireless Limited (UK) Rep.: Kevin Jou		
MediaTek Denmark Aps	Director	MTK Wireless Limited (UK) Rep.: David Ku	20,000,000	100%
MediaTek Wireless Finland Oy	Director	MTK Wireless Limited (UK) Rep.: Jane Chen	1,000	100%
	Director	MTK Wireless Limited (UK) Rep.: Jeanette Padgett		
	Director	MTK Wireless Limited (UK) Rep.: Gemma Noonan		
Hesine Technologies, Inc.	Legal representative	Hesine Technologies International Worldwide Inc. Rep.: Yu Lin	Not applicable	100%
Gold Rich International (HK) Limited	Director	Gold Rich International (Samoa) Limited Rep.: Jane Chen	4,190,000	100%
	Director	Gold Rich International (Samoa) Limited Rep.: C.C. Yeh		

Company Name	Title	Name or Representative	Shares	% of Holding
Lepower (HK) Limited	Director	Lepower Limited Rep.: Jane Chen	3,050,000	100%
Lepower Technologies (Beijing) Inc.	Chairman/Director	Lepower (HK) Limited Rep: Aaron Chang	Not applicable	91%
	Director	Zhongguancun Development Group Rep: Jun-Yao Shen	Not applicable	9%
	Director	Lepower (HK) Limited Rep: Phillips Lu	Not applicable	91%
	Supervisor	Lepower (HK) Limited Rep: Kirin Liu		
E-Vehicle Holdings Corp.	Director	E-Vehicle Semiconductor Technology Co. Ltd. Rep: Jane Chen	1,600,000	100%
E-Vehicle Investment Limited	Director	E-Vehicle Holdings Corp. Rep: Jane Chen	1,600,000	100%
E-Vehicle Semiconductor (Shianghai) Co., Ltd.	Chairman/Director	E-Vehicle Investment Limited Rep: Chao-Ting Ho	Not applicable	100%
	Director	E-Vehicle Investment Limited Rep: Amy Chung		
	Director	E-Vehicle Investment Limited Rep: Shouyen Liu		
	Supervisor	E-Vehicle Investment Limited Rep: Wen-Lung Hsu		
Shadow Investment Limited	Director	EcoNet (Cayman) Limited Rep.: Hsu-Feng Ho	15,000,000	100%
EcoNet(HK) Limited	Director	EcoNet (Cayman) Inc. Rep: Jane Chen	54,534,520	100%
EcoNet (Suzhou) Limited	Director/ Legal representative	EcoNet (HK) Limited Rep.: Hsu-Feng Ho	Not applicable	100%
	Director	EcoNet (HK) Limited Rep.: Jhe-Wei Lin		
MediaTek (Suzhou)	Director/ Legal representative	Shadow Investment Limited Rep.: Jerry Yu	Not applicable	100%
	Director	Shadow Investment Limited Rep.: David Ku		
	Director	Shadow Investment Limited Rep.: Bomin Wang		

Company Name	Title	Name or Representative	Shares	% of Holding
	Supervisor	Shadow Investment Limited Rep.: Kirin Liu		
MediaTek (Nanjing)	Director/ Legal representative	Shadow Investment Limited Rep.: Bomin Wang	Not applicable	100%
	Director	Shadow Investment Limited Rep.: David Ku		
	Director	Shadow Investment Limited Rep.: Victor Liu		
	Supervisor	Shadow Investment Limited Rep.: Kirin Liu		
AutoChips (Heifei) Inc.	Director	Ralink Technology (Samoa) Corp. Rep.:Ping-Hsing Lu	Not applicable	89%
	Director	Ralink Technology (Samoa) Corp. Rep.:David Ku		
	Director	Ralink Technology (Samoa) Corp. Rep.:Wen Hsin Wang		
MSar Semiconductor B.V.	Director	MediaTek Investment Singapore Pte. Ltd. Rep.:Jeanette Padgett	11,972	100%
	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: Jongsma Eleonora		
Lightup International Corp.	Chairman	MStar Semiconductor B.V. Rep.: Ching-Jiang Hsieh	800,000	100%
	Director	MStar Semiconductor B.V. Rep.: David Ku		
	Director	MStar Semiconductor B.V. Rep.: Jane Chen		
	Supervisor	MStar Semiconductor B.V. Rep.: Kirin Liu		
MediaTek Bangalore Private Limited	Director	MediaTek Investment Singapore Pte. Ltd Rep.: Grant Kuo	1,999,999	100%
	Director	MediaTek Investment Singapore Pte. Ltd Rep.: David Ku		
	Director	MediaTek Investment Singapore Pte. Ltd Rep.:Anku Jain		

Company Name	Title	Name or Representative	Shares	% of Holding
Gaintech Co. Limited	Director	MediaTek Investment Singapore Pte. Ltd. Rep.: David Ku	326,291,153	100%
White Dwarf Limited	Director	MStar Semiconductor B.V. Rep: David Ku	5,000	100%
MStar France SAS	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	458,900	100%
Shunfonger Investment Holding Limited	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	735,300	100%
IStar Technology Ltd.	Director	MStar Semiconductor Inc. Rep.: Han-Fei Lin	50,000	100%
MStar Co., Ltd.	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	5,850,000	100%
Digimoc Holdings Limited	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	50,000	100%
MStar Semiconductor UK Ltd.	Director	MStar Semiconductor Inc. Rep.: Gon-Wei Liang	915,000	100%
IStar (HK) Technology Ltd.	Director	IStar Technology Ltd. Rep.: Han-Fei Lin	10,000	100%
Mstar Software R&D (Shenzhan), Ltd	Chairman	MStar Co., Ltd Rep.: Chin-Men Kao	Not Applicable	100%
	Director	MStar Co., Ltd Rep.: Miao-Tzu Tu	Not Applicable	100%
	Director	MStar Co., Ltd Rep.: Li-Chiu Mao	Not Applicable	100%
Bubbly Bay Holdings Limited	Director	Digimoc Holdings Limited Rep.: Gon-Wei Liang	50,000	100%

1.6. Operation Highlights of MediaTek Affiliated Companies

Dec. 31, 2014, Unit: NT$ thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT$)
Hsu-Ta Investment Ltd.	10,625,356	11,181,029	-	11,181,029	257,012	248,547	248,547	0.23
MediaTek Singapore Pte. Ltd..	2,473,452	16,292,469	6,138,321	10,154,148	35,305,049	4,242,662	4,328,214	38.65
MediaTek Investment Singapore Pte. Ltd.	69,577,724	62,917,245	11,388	62,905,857	6,879,481	6,933,117	6,933,117	3. 16
T-Rich Technology (Cayman) Corp.	19,801	42,390	-	42,390	4	(242)	(242)	(0.19)
MStar Semiconductor Inc.	1,452,532	28,927,625	14,034,876	14,892,749	38,489,502	8,372,648	5,329,685	36.69
Core Tech Resources Inc.	1,814,270	3,786,009	613,781	3,172,228	41,079	37,874	37,874	0.66
MediaTek Capital Co., Ltd.	3,600,000	7,590,218	1	7,590,217	219,337	183,746	184,832	0.51
RollTech Technology Co. Ltd.	52,620	45,238	5,192	40,046	28,125	(3,107)	(714)	(0.14)
E-vehicle Semiconductor Technology Co. Ltd.	156,000	60,289	28,624	31,665	1,993	(38,380)	(37,736)	(2.42)
MediaTek Inc. China (Hong Kong)	9,993,708	19,633,582	6,961,808	12,671,774	457,954	383,994	383,994	0.16
MTK Wireless Limited (UK)	3,368,717	3,732,580	83,408	3,649,172	687,565	44,975	2,271	0.03
MediaTek Japan Inc.	26,480	83,095	27,591	55,504	112,379	7,352	1,776	250.14
MediaTek India Technology Pvt. Ltd.	27,671	368,513	105,037	263,476	376,813	62,098	44,927	8.17
MediaTek Korea Inc.	57,714	228,545	105,056	123,489	302,314	19,778	10,340	51.70
Hesine Technologies International Worldwide Inc.	6,927	94,902	16,593	78,309	174	30	30	0.03
Gold Rich International (Samoa) Limited	136,070	1,209,495	-	1,209,495	372,061	372,034	372,034	86.72
Smarthead Limited	22,203	29,765	-	29,765	9,816	9,793	9,793	13.99
Lepower Limited	91,825	47,656	(476)	48,132	(7,740)	(7,789)	(7,789)	(2.70)
Ralink Technology (Samoa) Corp.	226,784	978,034	32	978,002	699,957	699,483	699,483	97.83

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT$)
EcoNet (Cayman) Inc.	520,588	2,308,624	-	2,308,624	76,308	76,308	76,308	4.65
Mediatek Wireless FZ-LLC	432	3,824	3,193	631	14,097	618	618	12,360.00
MediaTek (Heifei) Inc.	573,208	1,009,816	65,470	944,346	1,003,267	74,194	80,306	Not Applicable
MediaTek (Beijing) Inc.	3,499,659	4,767,127	306,585	4,460,542	1,531,717	96,627	166,829	Not Applicable
MediaTek (ShenZhen) Inc.	2,869,539	6,046,803	2,755,812	3,290,991	1,739,624	108,755	92,501	Not Applicable
MediaTek (Chengdu) Inc.	1,627,643	2,047,480	241,483	1,805,997	779,019	56,547	85,608	Not Applicable
MediaTek (Wuhan) Inc.	162,583	254,441	(6,231)	260,672	260,792	19,283	47,119	Not Applicable
MediaTek (Shanghai) Inc.	100,755	72,573	214	72,359	29,887	(8,025)	(9,122)	Not Applicable
Mstar Chen Si Electronics Technology (Shanghai) Co., Ltd	1,518,415	1,966,911	572,370	1,394,541	853,204	61,334	58,841	Not Applicable
MediaTek Sweden AB	4,097	128,856	66,759	62,097	276,755	18,105	20,870	20.70
MediaTek USA Inc.	4	2,834,943	766,806	2,068,137	3,392,692	221,952	136,877	1,224.14
MediaTek Denmark Aps	103,054	183,619	22,708	160,911	91,975	6,017	(2,948)	(0.15)
MediaTek Wireless Finland Oy	100	71,829	27,992	43,837	-	(89,093)	(89,093)	(89,093.00)
Hesine Techologies, Inc.	51,125	28,703	179,650	(150,947)	909	(87,754)	(87,754)	Not Applicable
Gold Rich International (HK) Limited	132,898	1,206,627	-	1,206,627	381,631	381,585	372,061	88.80
Lepower (HK) Limited	96,740	46,715	-	46,715	(7,694)	(7,740)	(7,740)	(2.54)
Lepower Technologies (Beijing) Inc.	105,828	49,947	41	49,906	2,982	(8,389)	(8,389)	Not Applicable
E-Vehicle Holdings Corp.	50,749	6,874	-	6,874	1,142	(16,914)	(16,914)	(10.57)
E-Vehicle Investment Limited	50,749	6,874	-	6,874	1,142	(16,914)	(16,914)	(10.57)
E-Vehicle Semiconductor (Shianghai) Co., Ltd.	51,168	20,051	12,574	7,477	1,148	(16,914)	(16,914)	Not Applicable
Shadow Investment Limited	475,770	82,288	-	82,288	25,236	(24,825)	(24,825)	(1.66)
EcoNet (HK) Ltd. Limited	1,729,726	1,867,719	53,921	1,813,798	127,236	(51,388)	(51,388)	(0.94)
EcoNet (Suzhou) Limited	157,580	804,400	677,390	127,010	280,938	(24,175)	(29,658)	Not Applicable

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT$)
MediaTek (Suzhou) Inc.	62,430	34,730	-	34,730	52,052	8,091	10,366	Not Applicable
MediaTek (Nanjing) Inc.	34,908	36,064	201	35,863	37,775	14,470	14,825	Not Applicable
AutoChips (Heifei) Inc.	191,912	1,625,835	563,421	1,062,414	2,432,582	915,313	725,944	Not Applicable
MSar Semiconductor B.V.	53,314	22,321	-	22,321	3,953,724	3,950,148	3,950,148	329,948.88
Lightup International Corp.	8,000	297,205	497,087	(199,882)	-	(28,865)	6,085	7.61
MediaTek Bangalore Private Limited	10,062	177,240	157,915	19,325	68,179	10,713	9,163	4.58
Gaintech Co. Limited	10,349,303	66,558,154	4,415,673	62,142,481	3,721,165	3,299,164	3,299,164	10.11
White Dwarf Limited	159	5,592	-	5,592	14	(175)	(175)	(35.00)
MStar France SAS	219,213	899,976	60,734	839,242	203,498	39,011	51,644	112.54
Shunfonger Investment Holding Limited	23,322	169	-	169	2,473	2,473	2,473	3.36
IStar Technology Ltd.	1,586	166,331	-	166,331	6,635	(2,741)	(2,755)	(55.10)
MStar Co., Ltd.	185,550	292,684	590,601	(297,917)	(37,973)	(1,265,875)	(1,265,875)	(216.39)
Digimoc Holdings Limited	1,586	11,267	76,617	(65,350)	123,203	(750,850)	(750,850)	(15,017.00)
MStar Semiconductor UK Ltd.	57,477	152,013	4,843	147,170	91,035	12,148	13,947	15.24
IStar (UK) Technology Ltd.	317	317	-	317	-	-	-	-
Mstar Software R&D (Shenzhan), Ltd	951,540	360,656	106,286	254,370	552,994	(99,214)	(38,534)	Not Applicable
Bubbly Bay Holdings Limited	1,586	3,029	-	3,029	17,485	17,466	17,466	349.32

Note: The amount of capital, asset, liabilities and net worth in this table were calculated using the exchange rate at end of 2014. The net sales, income from operation, net income and EPS numbers were calculated using the average exchange rate in 2014.

2. Private Placement Securities

None

3. Holding or Disposition of MediaTek Stocks by Subsidiaries

Unit: NT$ thousands / share / %

Subsidiary	Paid-in Capital	Source of Funding	MediaTek Ownership	Transaction Date	Number of shares acquired and its amount	Number of shares Disposed and its amount	Investment gain / loss	Balance (share & amount)	Balance of Pledged Shares	Balance of Guarantee Provided by MediaTek	Balance of Financing Provided by MediaTek
MediaTek Capital Co.	3,600,000	None	100%	-	-	-	-	7,794,085 shares; NT$55,970 thousand	-	-	-

4. Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan

None

5. Other Necessary Supplement

None

IX. Financial Information

1. Condensed Balance Sheets

1.1. 2012-2014 Consolidated Condensed Balance Sheets – MediaTek & Subsidiaries – Based on IFRS

Unit: NT$ thousands

Item		2012	2013	2014
Current assets		117,744,362	161,740,929	248,554,935
Funds and investments		64,965,683	68,039,686	15,000,614
Property, plant and equipment		10,732,494	11,312,107	23,294,555
Intangible assets		15,727,448	15,509,193	60,757,826
Other assets		1,236,531	2,034,947	3,510,741
Total assets		210,406,518	258,636,862	351,118,671
Current liabilities	Before distribution	32,979,368	61,384,592	101,619,838
	After distribution	33,654,058	86,949,915	(note)
Non-current liabilities		1,969,426	1,898,871	1,893,086
Total liabilities	Before distribution	34,948,794	63,283,463	103,512,924
	After distribution	35,623,484	86,848,786	(note)
Equity attributable to owners of the parent				
Share capital		13,493,804	13,497,140	15,714,922
Capital surplus		79,672,498	68,474,910	88,047,914
Retained earnings	Before distribution	87,496,557	114,294,875	136,855,169
	After distribution	86,821,867	90,729,552	(note)
Other equity		(5,183,374)	(895,749)	6,606,113
Treasury shares		(55,970)	(55,970)	(55,970)
Total equity attributable to the parent	Before distribution	175,423,515	195,315,206	247,168,148
	After distribution	174,748,825	171,749,883	(note)
Non-controlling interests		34,209	38,193	437,599
Total equity	Before distribution	175,457,724	195,353,399	247,605,747
	After distribution	174,783,034	171,788,076	(note)

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

1.2. 2010-2011 Consolidated Condensed Balance Sheets – MediaTek & Subsidiaries – Based on ROC GAAP

Unit: NT$ thousands

Item		2010	2011
Current assets		112,595,354	112,042,128
Funds and investments		7,734,457	9,416,963
Fixed assets		7,807,817	9,810,051
Intangible assets		9,572,335	16,150,659
Other assets		324,729	321,307
Total assets		138,034,692	147,741,108
Current liabilities	Before distribution	25,786,256	30,428,120
	After distribution	47,785,713	40,756,244
Long-term liabilities		-	147,662
Other liabilities		535,101	836,999
Total liabilities	Before distribution	26,321,357	31,412,781
	After distribution	48,320,814	41,740,905
Capital		10,999,682	11,475,191
Capital reserve		12,259,404	24,605,882
Retained earnings	Before distribution	92,708,116	82,463,225
	After distribution	70,708,659	72,135,101
Cumulative translation adjustments		(4,380,730)	(2,253,504)
Net loss not recognized as pension cost		-	-
Unrealized gain (loss) from financial instruments		182,608	43,192
Treasury stock		(55,970)	(55,970)
Minority Interests		225	50,311
Total shareholders' equity	Before distribution	111,713,335	116,328,327
	After distribution	89,713,878	106,000,203

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

1.3. 2012-2014 Condensed Balance Sheets – Parent Company – Based on IFRS

Unit: NT$ thousands

Item		2012	2013	2014
Current assets		48,948,759	70,707,646	149,267,002
Funds and investments		135,159,040	144,972,800	129,656,160
Property, plant and equipment		6,282,152	6,331,668	9,177,068
Intangible assets		7,039,987	7,242,842	28,740,924
Other assets		579,683	1,216,985	2,429,791
Total assets		198,009,621	230,471,941	319,270,945
Current liabilities	Before distribution	20,823,735	33,630,662	70,428,396
	After distribution	21,498,425	57,195,985	(note)
Non-current liabilities		1,762,371	1,526,073	1,674,401
Total liabilities	Before distribution	22,586,106	35,156,735	72,102,797
	After distribution	23,260,796	58,722,058	(note)
Share capital		13,493,804	13,497,140	15,714,922
Capital surplus		79,672,498	68,474,910	88,047,914
Retained earnings	Before distribution	87,496,557	114,294,875	136,855,169
	After distribution	86,821,867	90,729,552	(note)
Other equity		(5,183,374)	(895,749)	6,606,113
Treasury shares		(55,970)	(55,970)	(55,970)
Total equity	Before distribution	175,423,515	195,315,206	247,168,148
	After distribution	174,748,825	171,749,883	(note)

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

1.4. 2010-2011 Condensed Balance Sheets – Parent Company – Based on ROC GAAP

Unit: NT$ thousands

Item		2010	2011
Current assets		59,573,161	42,508,698
Funds and investments		59,535,407	81,168,558
Fixed assets		6,744,246	6,503,119
Intangible assets		8,623,090	7,714,627
Other assets		164,577	141,602
Total assets		134,640,481	138,036,604
Current liabilities	Before distribution	22,159,301	20,740,542
	After distribution	44,158,758	31,068,666
Long-term liabilities		-	-
Other liabilities		768,070	1,018,046
Total liabilities	Before distribution	22,927,371	21,758,588
	After distribution	44,926,828	32,086,712
Capital		10,999,682	11,475,191
Capital reserve		12,259,404	24,605,882
Retained earnings	Before distribution	92,708,116	82,463,225
	After distribution	70,708,659	72,135,101
Cumulative translation adjustments		(4,380,730)	(2,253,504)
Net loss not recognized as pension cost		-	-
Unrealized gain (loss) from financial instruments		182,608	43,192
Treasury stock		(55,970)	(55,970)
Total shareholders' equity	Before distribution	111,713,110	116,278,016
	After distribution	89,713,653	105,949,892

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

2. Condensed Statements of Comprehensive Income / Statements of Income

2.1. 2012-2014 Consolidated Condensed Statements of Comprehensive Income – MediaTek & Subsidiaries – Based on IFRS

Unit: NT$ thousands

Item	2012	2013	2014
Net sales	99,263,160	136,055,954	213,062,916
Gross profit	41,059,021	59,805,584	103,868,621
Operating income	12,402,775	25,243,720	47,241,310
Non-operating income and expenses	4,082,306	4,303,102	5,108,645
Net income before income tax	16,485,081	29,546,822	52,349,955
Net income	15,544,530	27,484,650	46,399,073
Other comprehensive Income, net of tax	(3,035,326)	4,253,825	7,268,758
Total comprehensive income	12,509,204	31,738,475	53,667,831
Net income (loss) for the periods attributable to:			
Owners of the parent	15,583,745	27,515,052	46,397,892
Non-controlling interests	(39,215)	(30,402)	1,181
Total comprehensive income for the periods attributable to:			
Owners of the parent	12,525,306	31,760,633	53,627,479
Non-controlling interests	(16,102)	(22,158)	40,352
Earnings per share (NT$)	12.81	20.51	30.04
Earnings per share – adjusted (NT$)	12.81	20.51	(note)

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

2.2. 2010-2011 Consolidated Condensed Statements of Income – MediaTek & Subsidiaries – Based on ROC GAAP

Unit: NT$ thousands

Item	2010	2011
Net sales	113,521,958	86,857,494
Gross profits	60,908,066	39,344,157
Operating income	31,078,620	12,344,728
Non-operating income and gains	1,253,410	1,970,525
Non-operating expenses and losses	(44,113)	(112,002)
Income from continuing operations before income tax	32,287,917	14,203,251
Consolidated net income	30,936,603	13,615,803
Income attributable to owners of the parent	30,961,437	13,623,070
Earnings per share (NT$)	28.44	12.35
Earnings per share – adjusted (NT$)	28.44	12.35

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

2.3. 2012-2014 Condensed Statements of Comprehensive Income – Parent Company – Based on IFRS

Unit: NT$ thousands

Item	2012	2013	2014
Net sales	63,474,029	96,230,064	136,265,018
Gross profit	22,700,240	41,335,679	68,274,360
Operating income	5,757,882	18,812,492	33,867,177
Non-operating income and expenses	10,565,227	10,395,013	16,233,126
Net income before income tax	16,323,109	29,207,505	50,100,303
Net income	15,583,745	27,515,052	46,397,892
Other Comprehensive Income, net of tax	(3,058,439)	4,245,581	7,229,587
Total comprehensive income	12,525,306	31,760,633	53,627,479
Earnings per share (NT$)	12.81	20.51	30.04
Earnings per share – adjusted (NT$)	12.81	20.51	(note)

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

2.4. 2010-2011 Condensed Statements of Income – Parent Company - Based on ROC GAAP

Unit: NT$ thousands

Item	2010	2011
Net sales	71,988,340	53,842,366
Gross profits	39,262,273	22,069,130
Operating income	17,267,046	4,839,781
Non-operating income and gains	14,971,580	9,257,428
Non-operating expenses and losses	(44,947)	(138,661)
Income from continuing operations before income tax	32,193,679	13,958,548
Net income	30,961,437	13,623,070
Earnings per share (NT$)	28.44	12.35
Earnings per share – adjusted (NT$)	28.44	12.35

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

3. Auditors' Opinions from 2010 to 2014

Year	Accounting Firm	Name of Auditors (CPA)	Audio Opinion
2010	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2011	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2012	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2013	Ernst & Young	Shou-Pin Kuo, Hsin-Ming Hsu	Unqualified Opinions
2014	Ernst & Young	Shou-Pin Kuo, Chin-Lai Wang	Unqualified Opinions

4. Five-Year Financial Analysis

4.1. 2012-2014 Conslidated Financial Analysis – MediaTek & Subsidiaries – Based on IFRS

Item			2012	2013	2014
Capital structure analysis	Debt ratio (%)		16.61	24.47	29.48
	Long-term fund to property, plant and equipment ratio (%)		1,635.89	1,727.71	1,063.17
Liquidity Analysis	Current ratio (%)		357.02	263.49	244.59
	Quick ratio (%)		311.52	245.97	220.40
	Times interest earned (Times)		151.61	202.25	110.34
Operating performance analysis	Average collection turnover (Times)		11.88	11.58	12.88
	Days sales outstanding		31	32	28
	Average inventory turnover (Times)		4.05	5.36	5.07
	Average payment turnover (Times)		6.44	7.63	8.55
	Average inventory turnover days		90	68	72
	Property, plant and equipment turnover (Times)		9.64	12.34	12.31
	Total assets turnover (Times)		0.55	0.58	0.70
Profitability analysis	Return on total assets (%)		8.73	11.77	15.35
	Return on equity attributable to owners of the parent (%)		10.66	14.82	20.95
	Pre-tax income to paid-in capital (%)		122.17	218.91	333.12
	Net margin (%)		15.66	20.20	21.78
	Earnings per share (NT$)	Before adjustments	12.81	20.51	30.04
		After adjustments	12.81	20.51	N/A
Cash flow	Cash flow ratio (%)		34.58	64.47	43.62
	Cash flow adequacy ratio (%) (Note)		125.00	141.34	105.66
	Cash flow reinvestment ratio (%)		0.65	14.68	10.75
Leverage	Operating leverage		5.72	4.13	3.60
	Financial leverage		1.01	1.01	1.01

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

(1) Debt ratio increased by 20%, primarily due to increase in short-term borrowings and other payables.

(2) Long-term capital to property, plant and equipment ratio decreased by 38%, primarily due to increase in property, plant and equipment.

(3) Times interest earned decreased by 45%, primarily due to increase in interest expenses.

(4) Total assets turnover increased by 20%, primarily due to increase in operating income.

(5) Return on total assets increased by 30%, return on equity increased by 41%, pre-tax income to paid-in capital increased by 52% and basic earnings per share increased by 46%, primarily due to increase in net income before income tax and net income.

(6) Cash flow ratio decreased by 32%, primarily due to increase in current liabilities.

(7) Cash flow adequacy ratio decreased by 25%, primarily due to increase in capital expenditure, inventory and cash dividend distribution.

(8) Cash flow reinvestment ratio decreased by 27%, primarily due to increase in working capital and cash dividend distribution.

Note: 2008-2011 cash inflows from operating activities were in ROC GAAP.

4.2. 2010-2011 Consolidated Financial Analysis – MediaTek & Subsidiaries – Based on ROC GAAP

Item			2010	2011
Capital structure analysis	Debt ratio (%)		19.07	21.26
	Long-term fund to fixed assets (%)		1,430.79	1,187.31
Liquidity Analysis	Current ratio (%)		436.65	368.22
	Quick ratio (%)		391.83	335.08
	Times interest earned (Times)		N/A	1,515.53
Operating performance analysis	Average collection turnover (Times)		15.17	11.28
	Days sales outstanding		24	32
	Average inventory turnover (Times)		4.35	3.57
	Average payment turnover (Times)		5.21	5.45
	Average inventory turnover days		84	102
	Fixed assets turnover (Times)		15.45	9.86
	Total assets turnover (Times)		0.82	0.61
Profitability analysis	Return on total assets (%)		22.37	9.53
	Return on equity (%)		28.05	11.94
	Income to paid-in capital (%)	Operating income	282.54	107.58
		Pre-tax income	293.54	123.77
	Net margin (%)		27.25	15.68
	Earnings Per Share (NT$)	Before adjustments	28.44	12.35
		After adjustments	28.44	12.35
Cash flow	Cash flow ratio (%)		114.04	54.91
	Cash flow adequacy ratio (%)		149.03	125.42
	Cash flow reinvestment ratio (%)		1.00	(4.99)
Leverage	Operating leverage		2.68	5.27
	Financial leverage		1.00	1.00

4.3. 2012-2014 Financial Analysis – Parent Company – Based on IFRS

Item			2012	2013	2014
Capital structure analysis	Debt ratio (%)		11.41	15.25	22.58
	Long-term fund to property, plant,, and equipment ratio (%)		2,792.41	3,084.74	2,693.91
Liquidity Analysis	Current ratio (%)		235.06	210.25	211.94
	Quick ratio (%)		182.63	190.46	198.88
	Times interest earned (Times)		9,414.56	1,393.09	294.80
Operating performance analysis	Average collection turnover (Times)		15.98	13.20	14.15
	Days sales outstanding		23	28	26
	Average inventory turnover (Times)		3.89	5.31	5.94
	Average payment turnover (Times)		6.05	7.89	9.43
	Average inventory turnover days		94	69	61.47
	Property, plant, and equipment turnover (Times)		9.93	15.26	17.57
	Total assets turnover (Times)		0.38	0.45	0.50
Profitability analysis	Return on total assets (%)		9.28	12.85	16.93
	Return on equity attributable to shareholders of the parent (%)		10.69	14.84	20.97
	Pre-tax income to paid-in capital (%)		120.97	216.40	318.81
	Net margin (%)		24.55	28.59	34.05
	Basic earnings per share (NT$)	Before adjustments	12.81	20.51	30.04
		After adjustments	12.81	20.51	N/A
Cash flow	Cash flow ratio (%)		21.33	92.35	101.08
	Cash flow adequacy ratio (%)		91.43	96.33	116.95
	Cash flow reinvestment ratio (%)		(3.39)	9.81	21.41
Leverage	Operating leverage		7.65	3.72	3.00
	Financial leverage		1.00	1.00	1.01

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

(1) Debt ratio increased by 48%: primarily due to increase in short-term borrowings and other payables.

(2) Times interest earned decreased by 79%: primarily due to increase in interest expenses.

(3) Return on total assets increased by 32%, return on equity increased by 41%, pre-tax income to paid-in capital increased by 47% and basic earnings per share increased by 46%: primarily due to increase in net income before income tax and net income.

(4) Cash flow adequacy ratio increased by 21%, and cash flow reinvestment ratio increased by 118%: primarily due to increase in net cash flow from operating activities.

Note: 2008-2011 cash inflows from operating activities were in ROC GAAP.

4.4. 2010-2011 Financial Analysis – Parent Company – Based on ROC GAAP

Item			2010	2011
Capital structure analysis	Debt ratio (%)		17.03	15.76
	Long-term fund to fixed assets (%)		1,656.42	1,788.03
Liquidity Analysis	Current ratio (%)		268.84	204.95
	Quick ratio (%)		230.82	173.21
	Times interest earned (Times)		N/A	3,086.44
Operating performance analysis	Average collection turnover (Times)		20.03	14.17
	Days sales outstanding		18	26
	Average inventory turnover (Times)		3.85	3.42
	Average payment turnover (Times)		4.73	4.84
	Average inventory turnover days		95	107
	Fixed assets turnover (Times)		11.39	8.13
	Total assets turnover (Times)		0.54	0.39
Profitability analysis	Return on total assets (%)		23.14	9.99
	Return on equity (%)		28.07	11.95
	Income to paid-in capital (%)	Operating income	156.98	42.18
		Pre-tax income	292.68	121.64
	Net margin (%)		43.01	25.30
	Earnings Per Share (NT$)	Before adjustments	28.44	12.35
		After adjustments	28.44	12.35
Cash flow	Cash flow ratio (%)		70.59	38.50
	Cash flow adequacy ratio (%)		127.62	104.22
	Cash flow reinvestment ratio (%)		(11.91)	(12.41)
Leverage	Operating leverage		2.94	7.52
	Financial leverage		1.00	1.00

Glossary:

1. Capital Structure Analysis:

(1). Debt ratio = Total liabilities / Total assets

(2). Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity Analysis:

(1). Current ratio = Current assets / Current liabilities

(2). Quick ratio = (Current assets – inventories – prepaid Expenses) / Current liabilities

(3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

(1). Average collection turnover = Net sales / Average trade receivables

(2). Days sales outstanding = 365 / Average collection turnover

(3). Average inventory turnover = Operating costs / Average inventory

(4). Average payment turnover = operating costs / Average trade payables

(5). Average inventory turnover days = 365 / Average Inventory turnover

(6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment

(7). Total assets turnover = Net sales / total assets

4. Profitability Analysis:

(1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets

(2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent

(3) Pre-tax income to paid-in capital ratio = Income before tax / Paid-in capital

(4) Net margin = Net income / Net sales

(5). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

(1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities

(2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + Long-term investments + other noncurrent assets + working capital)

6. Leverage:

(1). Operating leverage = (Net sales – Variable cost) / Operating income

(2). Financial leverage = Operating income / (Operating income – Interest expenses)

Glossary (ROC GAAP):

1. Capital Structure Analysis:

(1). Debt ratio = Total liabilities / Total assets

(2). Long-term fund to fixed assets ratio = (Shareholders' Equity + long-term liabilities) / Net fixed assets

2. Liquidity Analysis:

(1). Current ratio = Current assets / Current liabilities

(2). Quick ratio = (Current assets – Inventories – Prepaid Expenses) / Current liabilities

(3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

(1). Average collection turnover = Net sales / Average trade receivables

(2). Days sales outstanding = 365 / Average collection turnover

(3). Average inventory turnover = Operating costs / Average inventory

(4). Average payment turnover = operating costs / Average trade payables

(5). Average inventory turnover days = 365 / Average Inventory turnover

(6) Fixed assets turnover = Net sales / Average net fixed assets

(7). Total assets turnover = Net sales / Average total assets

4. Profitability Analysis:

(1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets

(2). Return on equity = Net income / Average shareholders' equity

(3) Operating income to paid-in capital ratio = Operating income / Paid-in capital

(4) Pre-tax income to Paid-in capital ratio = Income before tax / Paid-in capital

(5) Net margin = Net income / Net sales

(6). Earnings per share = (Net income– preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

(1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities

(2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross fixed assets + Long-term investments + other assets + working capital)

6. Leverage:

(1). Operating leverage = (Net sales – Variable cost) / Operating income

(2). Financial leverage = Operating income / (Operating income – Interest expenses)

5. Supervisors' Review Report

MediaTek Inc.
Supervisors' Report

The Financial Statements of MediaTek Inc. in fiscal year 2014 have been duly audited by Ernst & Young and are believed to fairly represent the financial standing, operation results and cash flows of MediaTek Inc. We, the Supervisors, have duly reviewed the Financial Statements along with the Business Report and proposal for profits distribution and hereby verify that they comply with the requirements of Company Law and relevant regulations. This report is duly submitted in accordance with Article 219 of the Company Law, and we hereby submit this report.

To MediaTek Inc. 2015 Annual General Shareholders' Meeting

MediaTek Inc.

Supervisor: Paul Wang
Supervisor: Chung-Lang Liu (MediaTek Capital Corp., representative)
Supervisor: Ruey-Shan Guo (National Taiwan University, representative)

April 30, 2015

6. Financial Statements and Independent Auditors' Report – MediaTek & Subsidiaries (Page F1 – Page F95)

7. Financial Statements and Independent Auditors' Report – Parent Company (Page F96 – Page F174)

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

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS THEN ENDED
December 31, 2014 AND 2013

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2014 and for the year then ended prepared under the International Accounting Standards No.27 “Consolidated and Separate Financial Statement” (referred to as “Consolidated Financial Statements”) are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

MediaTek Inc.

Chairman: Ming-Kai Tsai

March 19, 2015

安永聯合會計師事務所
30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.
Tel: 886 3 688 5678
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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of MediaTek Inc.

We have audited the accompanying consolidated balance sheets of MediaTek Inc., and its subsidiaries as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MediaTek Inc. and its subsidiaries as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended December 31, 2014 and 2013, in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations committee and Standing Interpretations Committee as endorsed by Financial Supervisory Commission.

The Company has prepared Separate Financial Statements as of December 31, 2014 and 2013 for the years then ended. We have expressed an unqualified opinion on those separate financial statements.

Ernst & Young

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 19, 2015
Taipei, Taiwan
Republic of China

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.

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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2014 and 2013

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2014	%	December 31, 2013	%
Current assets					
Cash and cash equivalents	4, 6(1)	$ 192,797,506	55	$ 132,997,726	52
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	3,547,217	1	2,132,090	1
Available-for-sale financial assets-current	4, 5, 6(3)	7,575,242	2	3,426,121	1
Held-to-maturity financial assets-current	4, 6(5)	288,378	-	549,573	-
Bond investments for which no active market exists-current	4, 6(6), 8	1,086,146	-	113,678	-
Trade receivables, net	4, 5, 6(7)	12,552,399	4	7,627,591	3
Other receivables	6(7), 7	5,296,078	2	3,652,885	1
Current tax assets	4, 5	47,323	-	30,226	-
Inventories, net	4, 5, 6(8)	22,341,336	6	9,346,792	4
Prepayments		2,247,248	1	1,404,263	1
Other current assets		776,062	-	459,984	-
Total current assets		248,554,935	71	161,740,929	63
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	4,040,793	1	1,478,707	-
Available-for-sale financial assets-noncurrent	4, 5, 6(3)	4,894,091	1	4,487,354	2
Held-to-maturity financial assets-noncurrent	4, 6(5)	127,787	-	341,937	-
Financial assets measured at cost-noncurrent	4, 6(4)	3,782,384	1	2,061,563	1
Bond investments for which no active market exists-noncurrent	4, 6(6), 8	946	-	364	-
Investments accounted for using the equity method	4, 6(9)	2,154,613	1	59,669,761	23
Property, plant and equipment	4, 6(10), 6(24)	23,294,555	7	11,312,107	4
Intangible assets	4, 6(11), 6(12), 6(24)	60,757,826	17	15,509,193	6
Deferred tax assets	4, 5, 6(22)	3,196,429	1	1,778,859	1
Refundable deposits		194,392	-	137,593	-
Long-term prepaid rent		119,920	-	118,495	-
Total non-current assets		102,563,736	29	96,895,933	37
Total assets		$ 351,118,671	100	$ 258,636,862	100

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

Chairman : Ming-Kai Tsai | President : Ching-Jiang Hsieh | Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2014 and 2013
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2014	%	December 31, 2013	%
Current liabilities					
Short-term borrowings	6(13)	$ 46,160,593	13	$ 29,051,500	11
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	50,393	-	26,017	-
Trade payables		13,927,964	4	8,862,146	3
Trade payables to related parties	7	677,196	-	2,082,028	1
Other payables		32,766,959	10	16,835,299	7
Current tax liabilities	4, 5, 6(22)	7,322,589	2	3,151,805	1
Other current liabilities		676,082	-	1,345,847	1
Current portion of long-term liabilities		38,062	-	29,950	-
Total current liabilities		101,619,838	29	61,384,592	24
Non-current liabilities					
Long-term payables		53,920	-	86,855	-
Accrued pension liabilities	4, 6(14)	940,996	1	606,033	-
Deposits received	7	121,643	-	47,754	-
Deferred tax liabilities	4, 5, 6(22)	629,651	-	1,050,108	-
Non-current liabilities-others		146,876	-	108,121	-
Total non-current liabilities		1,893,086	1	1,898,871	-
Total liabilities		103,512,924	30	63,283,463	24
Equity attributable to owners of the parent					
Share capital	6(15)				
Common stock		15,714,455	4	13,494,667	5
Capital collected in advance		467	-	2,473	-
Capital surplus	4, 6(15), 6(16)	88,047,914	25	68,474,910	26
Retained earnings	6(15)				
Legal reserve		27,392,687	8	24,641,182	10
Special reserve		895,749	-	5,072,425	2
Undistributed earnings		108,566,733	31	84,581,268	33
Other equity	6(15)	6,606,113	2	(895,749)	-
Treasury shares	4, 6(15)	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		247,168,148	70	195,315,206	76
Non-controlling interests	4, 6(15)	437,599	-	38,193	-
Total equity		247,605,747	70	195,353,399	76
Total liabilities and equity		$ 351,118,671	100	$ 258,636,862	100

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

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2014 and 2013

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

Description	Notes	2014	%	2013	%
Net sales	4, 5, 6(17),7	$ 213,062,916	100	$ 136,055,954	100
Operating costs	4, 5, 6(8), 6(18), 7	(109,194,295)	(51)	(76,250,370)	(56)
Gross profit		103,868,621	49	59,805,584	44
Operating expenses	6(18), 7				
Selling expenses		(7,372,827)	(4)	(4,561,934)	(3)
Administrative expenses		(5,917,136)	(3)	(3,545,988)	(3)
Research and development expenses		(43,337,348)	(20)	(26,453,942)	(19)
Total operating expenses		(56,627,311)	(27)	(34,561,864)	(25)
Operating income		47,241,310	22	25,243,720	19
Non-operating income and expenses					
Other income	4, 6(19), 7	3,483,335	2	2,402,627	2
Other gains and losses	4, 6(20), 6(24)	1,120,151	1	(103,672)	-
Finance costs	6(21)	(478,782)	-	(146,816)	-
Share of profit of associates accounted for using the equity method	4, 6(9)	983,941	-	2,150,963	1
Total non-operating income and expenses		5,108,645	3	4,303,102	3
Net income before income tax		52,349,955	25	29,546,822	22
Income tax expense	4, 5, 6(22)	(5,950,882)	(3)	(2,062,172)	(2)
Net income		46,399,073	22	27,484,650	20
Other comprehensive income	4, 6(9), 6(14), 6(15), 6(22)				
Exchange differences resulting from translating the financial statements of foreign operations		6,684,653	3	1,811,177	1
Unrealized gains from available-for-sale financial assets		878,929	-	929,781	1
Actuarial losses on defined benefit plans		(328,043)	-	(42,044)	-
Share of other comprehensive income of associates accounted for using the equity method		(22,549)	-	1,554,911	1
Income tax relating to components of other comprehensive income		55,768	-	-	-
Other comprehensive income, net of tax		7,268,758	3	4,253,825	3
Total comprehensive income		$ 53,667,831	25	$ 31,738,475	23
Net income (loss) for the periods attributable to :					
Owners of the parent	6(23)	$ 46,397,892		$ 27,515,052	
Non-controlling interests	6(15)	1,181		(30,402)	
		$ 46,399,073		$ 27,484,650	
Total comprehensive income for the periods attributable to :					
Owners of the parent		$ 53,627,479		$ 31,760,633	
Non-controlling interests	6(15)	40,352		(22,158)	
		$ 53,667,831		$ 31,738,475	
Basic Earnings Per Share (in New Taiwan Dollars)	6(23)	$ 30.04		$ 20.51	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(23)	$ 29.96		$ 20.42	

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

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital		Capital surplus	Retained earnings			Other equity		Treasury shares	Equity attributable to owners of the parent		
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets				
Balance as of January 1, 2013	$ 13,493,702	$ 102	$ 79,672,498	$ 23,072,429	$ 2,210,312	$ 62,213,816	$ (5,762,485)	$ 579,111	$ (55,970)	$ 175,423,515	$ 34,209	$ 175,457,724
Appropriation and distribution of 2012 earnings:												
Legal reserve	-	-	-	1,568,753	-	(1,568,753)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,862,113	(2,862,113)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(674,690)	-	-	-	(674,690)	-	(674,690)
Cash distributed from capital surplus	-	-	(11,469,734)	-	-	-	-	-	-	(11,469,734)	-	(11,469,734)
Total	-	-	(11,469,734)	1,568,753	2,862,113	(5,105,556)	-	-	-	(12,144,424)	-	(12,144,424)
Profit for the year ended December 31, 2013	-	-	-	-	-	27,515,052	-	-	-	27,515,052	(30,402)	27,484,650
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	(42,044)	3,357,844	929,781	-	4,245,581	8,244	4,253,825
Total comprehensive income	-	-	-	-	-	27,473,008	3,357,844	929,781	-	31,760,633	(22,158)	31,738,475
Share-based payment transactions	965	2,371	75,799	-	-	-	-	-	-	79,135	-	79,135
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,145	-	-	-	-	-	-	70,145	-	70,145
Changes in ownership interests in subsidiaries	-	-	10,546	-	-	-	-	-	-	10,546	26,142	36,688
Change in other capital surplus	-	-	115,656	-	-	-	-	-	-	115,656	-	115,656
Balance as of December 31, 2013	13,494,667	2,473	68,474,910	24,641,182	5,072,425	84,581,268	(2,404,641)	1,508,892	(55,970)	195,315,206	38,193	195,353,399
Appropriation and distribution of 2013 earnings:												
Legal reserve	-	-	-	2,751,505	-	(2,751,505)	-	-	-	-	-	-
Special reserve	-	-	-	-	(4,176,676)	4,176,676	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(23,565,323)	-	-	-	(23,565,323)	-	(23,565,323)
Total	-	-	-	2,751,505	(4,176,676)	(22,140,152)	-	-	-	(23,565,323)	-	(23,565,323)
Profit for the year ended December 31, 2014	-	-	-	-	-	46,397,892	-	-	-	46,397,892	1,181	46,399,073
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	(272,275)	6,622,933	878,929	-	7,229,587	39,171	7,268,758
Total comprehensive income	-	-	-	-	-	46,125,617	6,622,933	878,929	-	53,627,479	40,352	53,667,831
Share-based payment transactions	8,549	(2,006)	63,935	-	-	-	-	-	-	70,478	-	70,478
Shares issued to acquire a new entity	2,211,239	-	18,957,141	-	-	-	-	-	-	21,168,380	-	21,168,380
Adjustments due to dividends that subsidiaries received from parent company	-	-	116,911	-	-	-	-	-	-	116,911	-	116,911
Changes in ownership interests in subsidiaries	-	-	203,151	-	-	-	-	-	-	203,151	359,054	562,205
Change in other capital surplus	-	-	231,866	-	-	-	-	-	-	231,866	-	231,866
Balance as of December 31, 2014	$ 15,714,455	$ 467	$ 88,047,914	$ 27,392,687	$ 895,749	$ 108,566,733	$ 4,218,292	$ 2,387,821	$ (55,970)	$ 247,168,148	$ 437,599	$ 247,605,747

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

(Amounts in thousands of New Taiwan Dollars)

Description	2014	2013
Cash flows from operating activities :		
Profit before tax from continuing operations	$ 52,349,955	$ 29,546,822
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	1,312,641	1,182,191
Amortization	1,453,158	544,639
Bad debt provision (reversal)	26,806	(79,110)
Losses on financial assets and liabilities at fair value through profit or loss	40,242	9,155
Interest expenses	478,782	146,816
Interest income	(3,125,381)	(1,755,482)
Dividend income	(238,877)	(167,855)
Share-based payment expenses	63,935	75,799
Share of profit of associates accounted for using the equity method	(983,941)	(2,150,963)
Loss on disposal of property, plant and equipment	2,775	3,137
(Gain) loss on disposal of investments	(928,953)	48,008
Impairment of financial assets	263,372	478,110
Changes in operating assets and liabilities：		
Financial assets at fair value through profit or loss	(3,783,596)	(1,418,009)
Trade receivables	(483,221)	(983,242)
Other receivables	(839,604)	1,186,065
Inventories	(8,836,098)	4,532,449
Prepayments	(711,574)	(263,240)
Other current assets	(309,172)	(33,922)
Trade payables	1,883,426	819,786
Trade payables to related parties	(1,456,969)	1,054,687
Other payables	11,673,202	3,376,421
Other current liabilities	(730,994)	736,536
Long-term payables	(24,823)	(25,961)
Accrued pension liabilities	62,085	8,235
Non-current liabilities-others	38,755	33,446
Cash generated from operating activities		
Interest received	2,752,253	1,991,816
Dividend received	355,312	1,744,746
Interest paid	(485,217)	(125,582)
Income tax paid	(5,488,505)	(942,777)
Net cash provided by operating activities	44,329,774	39,572,721
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(4,344,406)	(1,377,363)
Proceeds from disposal of available-for-sale financial assets	827,975	1,469,999
Acquisition of bond investments for which no active market exists	(1,923,564)	(43)
Proceeds from disposal of bond investments for which no active market exists	959,768	-
Acquisition of held-to-maturity financial assets	-	(72,743)
Proceeds from disposal of held-to-maturity financial assets	824,381	-
Acquisition of financial assets measured at cost	(1,857,157)	(626,407)
Proceeds from disposal of financial assets measured at cost	935,500	299
Proceeds from capital return of financial assets measured at cost	41,835	322,344
Acquisition of investments accounted for using the equity method	(204,887)	(91,571)
Net cash inflows from acquisition of subsidiaries	33,097,485	-
Net cash inflows from disposal of subsidiaries	-	6,119
Acquisition of property, plant and equipment	(9,828,126)	(1,628,684)
Proceeds from disposal of property, plant and equipment	105,504	43,510
(Increase) decrease in refundable deposits	(35,360)	68,800
Acquisition of intangible assets	(795,756)	(324,414)
Increase in long-term prepaid rent	(1,425)	(4,148)
Net cash provided by (used in) investing activities	17,801,767	(2,214,302)
Cash flows from financing activities :		
Increase in short-term borrowings	17,109,093	19,983,850
Decrease in long-term borrowings	(651,000)	-
Increase in deposits received	50,406	17,521
Proceeds from exercise of employee stock options	223,003	94,732
Cash dividends	(23,448,412)	(12,074,279)
Increase in non-controlling interests	560,126	26,142
Net cash (used in) provided by financing activities	(6,156,784)	8,047,966
Effect of changes in exchange rate on cash and cash equivalents	3,825,023	1,724,131
Net increase in cash and cash equivalents	59,799,780	47,130,516
Cash and cash equivalents at the beginning of the year	132,997,726	85,867,210
Cash and cash equivalents at the end of the year	$ 192,797,506	$ 132,997,726

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

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

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

1. Organization and Operation

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

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

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 19, 2015.

3. Newly Issued or Revised Standards and Interpretations

(1) Standards or interpretations issued, revised or amended, which recognized by Financial Supervisory Commission ("FSC") and effective for annual periods beginning on or after January 1, 2015, but not yet adopted by MTK and its subsidiaries ("the Company") at the date of issuance of the Company's financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
Improvements to International Financial Reporting Standards (issued in 2010)		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2011
IFRS 3	"Business Combinations"	July 1, 2010
IFRS 7	"Financial Instruments: Disclosures"	January 1, 2011
IAS 1	"Presentation of Financial Statements"	January 1, 2011
IAS 34	"Interim Financial Reporting"	January 1, 2011
IFRIC 13	"Customer Loyalty Programmes"	January 1, 2011
IFRS 7	Limited Exemption from Comparative Disclosures for First-time Adopters (Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards")	July 1, 2010

(To be continued)

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

(Continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter	July 1, 2011
IFRS 7	"Financial Instruments: Disclosures" (Amendment)	July 1, 2011
IAS 12	"Income Taxes" (Amendment) - Deferred Taxes: Recovery of Underlying Assets	January 1, 2012
IFRS 10	"Consolidated Financial Statements"	January 1, 2013
IFRS 11	"Joint Arrangements"	January 1, 2013
IFRS 12	"Disclosures of Interests in Other Entities"	January 1, 2013
IFRS 13	"Fair Value Measurement"	January 1, 2013
IAS 1	"Presentation of Financial Statements" (Amendment) - Presentation of Items of Other Comprehensive Income	July 1, 2012
IAS 19	"Employee Benefits" (Revision)	January 1, 2013
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Government Loans	January 1, 2013
IFRS 7	"Financial Instruments: Disclosures" (Amendment) - Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IAS 32	"Financial Instruments: Presentation" (Amendment) - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013
Improvements to International Financial Reporting Standards (2009-2011 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2013
IAS 1	"Presentation of Financial Statements"	January 1, 2013
IAS 16	"Property, Plant and Equipment"	January 1, 2013
IAS 32	"Financial Instruments: Presentation"	January 1, 2013

(To be continued)

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

(Continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 34	"Interim Financial Reporting"	January 1, 2013
IFRS 10	"Consolidated Financial Statements" (Amendment)	January 1, 2014

A. Improvements to International Financial Reporting Standards (issued in 2010):

a. IFRS 7 "Financial Instruments: Disclosures"

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

b. IAS 1 "Presentation of Financial Statements"

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

c. IAS 34 "Interim Financial Reporting"

The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore, the amendment adds disclosure requirements of financial instruments and contingent liabilities/assets.

B. IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated.

C. IFRS 12 "Disclosures of Interests in Other Entities"

IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

D. IFRS 13 “Fair Value Measurement”

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosures required.

E. IAS 1 “Presentation of Financial Statements” (Amendment) - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified.

F. IAS 19 “Employee Benefits” (Revision)

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in other comprehensive income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, etc.

G. Improvements to International Financial Reporting Standards (2009-2011 cycle):

IAS 1 “Presentation of Financial Statements”

The amendment clarifies (1) the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. (2) An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. (3) The opening statement of financial position (known as ’the third balance sheet’) must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet.

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

IAS 34 "Interim Financial Reporting"

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 "Operating Segments". Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

The abovementioned standards and interpretations issued by IASB and have been recognized by FSC are effective for annual periods beginning on or after January 1, 2015. The Company has evaluated their impact to the Company's financial position and performance and determined that there is no material impact. The Company will make necessary disclosures in accordance with the abovementioned standards and interpretations.

(2) Standards or Interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Company's financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 36	"Impairment of Assets" (Amendment)	January 1, 2014
IFRIC 21	"Levies"	January 1, 2014
IAS 39	"Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IAS 19	"Employee Benefits" (Amendment) - Defined benefit plans: employee contributions	July 1, 2014
Improvements to International Financial Reporting Standards (2010-2012 cycle):		
IFRS 2	"Share-based Payment"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 8	"Operating Segments"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014
IAS 16	"Property, Plant and Equipment"	July 1, 2014
IAS 24	"Related Party Disclosures"	July 1, 2014
IAS 38	"Intangible Assets"	July 1, 2014
Improvements to International Financial Reporting Standards (2011-2013 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014

(To be continued)

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

(Continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 40	"Investment Property"	July 1, 2014
IFRS 14	"Regulatory Deferral Accounts"	January 1, 2016
IFRS 11	"Joint Arrangements"- Joint operation (Amendment)	January 1, 2016
IAS 16 and IAS 38	"Property, Plant and Equipment" and "Intangible Assets" (Amendment) - Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IFRS 15	"Revenue from Contracts with Customers"	January 1, 2017
IAS 16 and IAS 41	"Agriculture: Bearer Plants" (Amendment)	January 1, 2016
IFRS 9	"Financial Instruments"	January 1, 2018
IAS 27	"Separate Financial Statements" - Equity Method in Separate Financial Statements (Amendment)	January 1, 2016
IFRS 10 and IAS 28	"Consolidated Financial Statements" and "Investments in Associates and Joint Ventures" (Amendment) - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	January 1, 2016
Improvements to International Financial Reporting Standards (2012-2014 cycle):		
IFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"	January 1, 2016
IFRS 7	"Financial Instruments: Disclosures"	January 1, 2016
IAS 19	"Employee Benefits"	January 1, 2016
IAS 34	"Interim Financial Reporting"	January 1, 2016
IAS 1	"Presentation of Financial Statements"- Diclosure Initiative	January 1, 2016
IFRS 10, IFRS 12 and IAS 28	"Investment Entities"- Applying the Consolidation Exception	January 1, 2016

A. IAS 36 "Impairment of Assets" (Amendment)
This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

B. Improvements to International Financial Reporting Standards (2010-2012 cycle):
IFRS 8 "Operating Segments"
The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

C. Improvements to International Financial Reporting Standards (2011-2013 cycle):
IFRS 13 "Fair Value Measurement"
The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

D. IFRS 15 "Revenue from Contracts with Customers"
The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

E. IFRS 9 "Financial Instruments"
The IASB has issued the final version of IFRS 9, which combines classification and measurement, impairment and hedge accounting. The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9 "Financial Instruments" (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

F. IAS 1 "Presentation of Financial Statements"
The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

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 still currently determining the potential impact of the standards and interpretations listed under A~F, it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

4. **Summary of Significant Accounting Policies**

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

Preparation principle of consolidated financial statements

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

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

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

If the Company loses control of a subsidiary, it:

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

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership December 31, 2014	Percentage of Ownership December 31, 2013	Note
MTK	MediaTek Investment Corp.	General investing	-	100%	1
MTK	Hsu-Ta Investment Corp.	General investing	100%	100%	-
MTK	MediaTek Singapore Pte. Ltd.	Research, manufacturing and sales	100%	100%	-
MTK	Ralink Technology Corp.	Research, manufacturing and sales	-	100%	2
MTK	MediaTek Investment Singapore Pte. Ltd.	General investing	100%	-	1&3
MTK	T-Rich Technology (Cayman) Corp.	General investing	100%	-	2
MTK	MStar Semiconductor, Inc.	Research, manufacturing and sales	100%	-	3&11
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	General investing	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Capital Corp.	General investing	100%	-	4
Hsu-Ta Investment Corp.	MediaTek Bangalore Private Limited	Research	0%	-	5
MediaTek Investment Corp.	MediaTek Capital Corp.	General investing	-	100%	4
MediaTek Investment Corp.	Gaintech Co. Limited	General investing	-	100%	1
Ralink Technology Corp.	T-Rich Technology (Cayman) Corp.	General investing	-	100%	2
Ralink Technology Corp.	MediaTek USA Inc.	Research	-	11%	2
MediaTek Singapore Pte. Ltd.	MTK Wireless LLC (Dubai)	Technology services	-	100%	6

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership December 31, 2014	Percentage of Ownership December 31, 2013	Note
MediaTek Capital Corp.	RollTech Technology Co., Ltd.	Software development	67%	67%	-
MediaTek Capital Corp.	E-Vehicle Semiconductor Technology Co., Ltd.	Research, manufacturing and sales	72%	72%	-
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Research	0%	0%	-
Gaintech Co. Limited	MediaTek China Limited	General investing	100%	100%	-
Gaintech Co. Limited	MTK Wireless Limited (UK)	Research	100%	100%	-
Gaintech Co. Limited	MediaTek Denmark Aps	Research	-	100%	7
Gaintech Co. Limited	MediaTek Japan Inc.	Research	100%	100%	-
Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	Research	100%	100%	-
Gaintech Co. Limited	MediaTek Korea Inc.	Research	100%	100%	-
Gaintech Co. Limited	MediaTek USA Inc.	Research	-	89%	7
Gaintech Co. Limited	Hesine Technologies International Worldwide Inc.	General investing	65%	65%	-
Gaintech Co. Limited	Gold Rich International (Samoa) Limited	General investing	100%	100%	-
Gaintech Co. Limited	Smarthead Limited	General investing	100%	100%	-
Gaintech Co. Limited	Lepower Limited	General investing	100%	84%	-
Gaintech Co. Limited	Ralink Technology (Samoa) Corp.	General investing	100%	100%	-
Gaintech Co. Limited	MediaTek Sweden AB	Research	-	100%	7
Gaintech Co. Limited	EcoNet (Cayman) Inc.	General investing	88%	100%	-
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technology services	100%	100%	-
MediaTek China Limited	MediaTek (Hefei) Inc.	Research	100%	100%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership December 31, 2014	Percentage of Ownership December 31, 2013	Note
MediaTek China Limited	MediaTek (Beijing) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Shenzhen) Inc.	Research and technology services	100%	100%	-
MediaTek China Limited	MediaTek (Chengdu) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Wuhan) Inc.	Research	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	Research	100%	100%	-
MediaTek China Limited	MStar Chen Si Electronics Technology (Shanghai) Co., Ltd.	Research and technology services	100%	-	12
MTK Wireless Limited (UK)	MediaTek Sweden AB	Research	100%	-	7
MTK Wireless Limited (UK)	MediaTek USA Inc.	Research	100%	-	2&7
MTK Wireless Limited (UK)	MediaTek Denmark Aps	Research	100%	-	7
MTK Wireless Limited (UK)	MediaTek Wireless Finland Oy	Research	100%	-	10
MediaTek USA Inc.	Ralink Technology Corporation (USA)	Research	-	100%	8
Hesine Technologies International Worldwide Inc.	Hesine Technologies, Inc.	Technology services	100%	100%	-
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	-
Lepower Limited	Lepower (HK) Limited	General investing	100%	100%	-
Lepower (HK) Limited	Lepower Technologies (Beijing), Inc.	Research, manufacturing and sales	91%	100%	-

(To be continued)

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

(Continued)

			Percentage of Ownership		
Investor	Subsidiary	Business nature	December 31, 2014	December 31, 2013	Note
E-Vehicle Semiconductor Technology Co., Ltd.	E-Vehicle Holdings Corp.	General investing	100%	100%	-
E-Vehicle Holdings Corp.	E-Vehicle Investment Limited	General investing	100%	100%	-
E-Vehicle Investment Limited	E-Vehicle Semiconductor (Shanghai) Co., Ltd.	Research, manufacturing and sales	100%	100%	-
EcoNet (Cayman) Inc.	Shadow Investment Limited	General investing	100%	100%	-
EcoNet (Cayman) Inc.	EcoNet (HK) Limited	Research, manufacturing and sales	100%	100%	-
EcoNet (HK) Limited	EcoNet (Suzhou) Limited	Research, manufacturing and sales	100%	-	9
Shadow Investment Limited	MediaTek (Suzhou) Inc.	Research	100%	100%	-
Shadow Investment Limited	MediaTek (Nanjing) Inc.	Research	100%	100%	-
Ralink Technology (Samoa) Corp.	AutoChips Inc.	Research, manufacturing and sales	89%	100%	-
MediaTek Investment Singapore Pte. Ltd.	MStar Semiconductor B.V.	General investing	100%	-	3
MediaTek Investment Singapore Pte. Ltd.	Lightup International Corp.	General investing	100%	-	3
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	100%	-	5
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	-	1
MStar Semiconductor B.V.	White Dwarf Limited	General investing	100%	-	3
MStar Semiconductor, Inc.	MStar France SAS	Software development	100%	-	3
MStar Semiconductor, Inc.	Shunfonger Investment Holding Limited	General investing	100%	-	3

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership December 31, 2014	Percentage of Ownership December 31, 2013	Note
MStar Semiconductor, Inc.	IStar Technology Ltd.	General investing and sales	100%	-	3
MStar Semiconductor, Inc.	MStar Co., Ltd.	General investing	100%	-	3
MStar Semiconductor, Inc.	Digimoc Holdings Limited	General investing	100%	-	3
MStar Semiconductor, Inc.	MStar Semiconductor UK Ltd.	Software and customer development	100%	-	3
IStar Technology Ltd.	IStar (HK) Technology Ltd.	General investing and sales	100%	-	3
MStar Co. Ltd.	MStar Software R&D (Shenzhen), Ltd.	Software and customer development	100%	-	3
Digimoc Holdings Limited	Bubbly Bay Holdings Limited	General investing	100%	-	3

1. For the purpose of reorganization, MediaTek Investment Corp. was dissolved due to the merger with MStar Semiconductor Pte. Ltd. in April 2014. MStar Semiconductor Pte. Ltd. was renamed MediaTek Investment Singapore Pte. Ltd. The 100% ownership of Gaintech Co. Limited, which was previously owned by MediaTek Investment Corp., was therefore assumed by MediaTek Investment Singapore Pte. Ltd.
2. For the purpose of reorganization, Ralink Technology Corp. was dissolved due to the merger with MTK in April 2014. MTK assumed 100% shares of T-Rich Technology (Cayman) Corp. and 11% shares of MediaTek USA Inc. which were previously owned by Ralink Technology Corp. Afterward, MTK transferred all shares of MediaTek USA Inc. to MTK Wireless Limited (UK) in April 2014.
3. MTK acquired de facto control over MStar Semiconductor, Inc. (Cayman) (“MStar”) after obtaining relevant domestic and foreign regulators approvals in January 2014. MStar and its subsidiaries were included in the consolidation entities thereafter. In February 2014, MTK acquired the remaining 52% ownership of MStar by issuing new shares and paying cash. After that, MStar was delisted and dissolved. Moreover, two of its subsidiaries Cheng Du All Fresh Food Co., Ltd. and MStar India Private Limited have been dissolved in March and August 2014, respectively.
4. For the purpose of reorganization, MediaTek Investment Corp. carved out MediaTek Capital Corp. and transferred all its shares to Hsu-Ta Investment Corp. in January 2014.
5. MediaTek Investment Singapore Pte. Ltd. and Hsu-Ta Investment Corp. jointly established MediaTek Bangalore Private Limited in May 2014.

6. For the purpose of reorganization, MediaTek Wireless LLC (Dubai) has been liquidated and returned its capital in September 2014.
7. For the purpose of reorganization, MTK Wireless Limited (UK) acquired 100% shares of MeidaTek Sweden AB, 100% shares of MediaTek Denmark Aps and 89% shares of MediaTek USA Inc. from Gaintech Co. Limited in March, 2014. Moreover, MTK Wireless Limited (UK) acquired 11% shares of MediaTek USA Inc. from MTK in April 2014.
8. For the purpose of reorganization, Ralink Technology Corporation (USA) was dissolved due to the merger with MediaTek USA Inc. in July 2014.
9. EcoNet (HK) Limited established EcoNet (Suzhou) Limited in April 2014.
10. MTK Wireless Limited (UK) established MediaTek Wireless Finland Oy in October 2014.
11. The 100% ownership of MStar Semiconductor, Inc., which was previously owend by MStar Semiconductor B.V., was transferred to MTK in November 2014.
12. The 100% ownership of MStar Chen Si Electronics Technology (Shanghai) Co., Ltd., which was previously owned by MStar Software R&D (Shenzhen), Ltd., was transferred to MediaTek China Limited in November 2014.

The financial statements of all of consolidated subsidiaries listed above had been audited by auditors.

Foreign currency transactions

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

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

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

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are accounted for based on the accounting policy for financial instruments.
C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

Translation of financial statements in foreign currency

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

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

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

Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle
B. The Company holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period
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 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 IAS 39 "Financial Instruments: Recognition and Measurement" are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

a. Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in short term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or

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

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

b. Available-for-sale financial assets

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

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

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

c. Held-to-maturity financial assets

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

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

d. Loans and receivables

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

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

e. Impairment of financial assets

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

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

Other loss events include:

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

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

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

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

f. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired

(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred

(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

B. 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 IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition 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 short 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 contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

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

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

(b) Financial liabilities at amortized cost

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

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

(c) Derecognition of financial liabilities

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

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

D. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Derivative financial instrument

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

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Inventories

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.

Investments accounted for using the equity method

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

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

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

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

The financial statements of the associate 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 is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate 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 recognized 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.

Leases

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

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

Intangible assets

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

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

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

Trademarks	Patents	Software	Customer relationship	IPs and others
2~6 years	2~7 years	2~5 years	7 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.

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.

Revenue recognition

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

A. Sale of goods

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

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

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

B. Interest income

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

C. Dividends

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

Post-employment benefits

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Share-based payment transactions

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it 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 is substituted 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.

Income taxes

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

A. Current income tax

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

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders’ meeting.

B. Deferred tax

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

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

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

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

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

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

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

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

Interim period income tax expense is estimated using the tax rate that would be applicable to expected total annual earnings, that is, calculated by the pre-tax income of the interim period multiply by the estimated average annual effective income tax rate.

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and assumptions

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

A. Fair value of 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

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 horizon.

(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 discounts based on historical experience and other known factors at the time of sale, which reduces the sales. The management periodically reviews the adequacy of the estimation used.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash on hand and petty cash	$ 2,525	$ 1,102
Checking and savings accounts	29,446,795	13,315,702
Time deposits	163,348,186	119,680,922
Total	$ 192,797,506	$ 132,997,726

Time deposits include deposits whose maturities are under 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.

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

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

Financial assets designated upon initial recognition at fair value through profit or loss:

	December 31, 2014	December 31, 2013
Current		
Exchange rate-linked deposits	$ 2,385,563	$ 721,039
Interest rate-linked deposits	599,766	562,835
Credit-linked deposits	295,272	319,603
Index-linked deposits	255,626	297,942
Convertible bonds	-	221,777
Subtotal	3,536,227	2,123,196
Noncurrent		
Credit-linked deposits	1,396,856	823,058
Exchange rate-linked deposits	1,677,514	-
Index-linked deposits	903,224	-
Convertible bonds	63,199	94,583
Bonds- Reverse Repo	-	289,332
Interest rate-linked deposits	-	271,734
Subtotal	4,040,793	1,478,707
Total	$ 7,577,020	$ 3,601,903

Financial assets and financial liabilities held for trading:

	December 31, 2014	December 31, 2013
Current assets		
Forward exchange contracts	$ 1,933	$ 8,894
Stocks	9,057	-
Total	$ 10,990	$ 8,894
Current liabilities		
Forward exchange contracts	$ 50,393	$ 26,017

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

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

(3) Available-for-sale financial assets

	December 31, 2014	December 31, 2013
Current		
Stocks	$ 5,308,419	$ 1,746,775
Funds	1,967,791	1,570,378
Bonds	271,022	86,391
Depositary receipts	28,010	22,577
Subtotal	7,575,242	3,426,121
Noncurrent		
Funds	3,347,137	2,838,444
Bonds	1,546,954	1,648,910
Subtotal	4,894,091	4,487,354
Total	$ 12,469,333	$ 7,913,475

Available-for-sale financial assets were not pledged.

(4) Financial assets measured at cost

	December 31, 2014	December 31, 2013
Available-for-sale financial assets-noncurrent		
Capital	$ 2,509,126	$ 1,156,489
Non-publicly traded stocks	1,273,258	905,074
Total	$ 3,782,384	$ 2,061,563

Financial assets measured at cost were not pledged.

(5) Held-to-maturity financial assets

	December 31, 2014	December 31, 2013
Current		
Bonds	$ 288,378	$ 549,573
Noncurrent		
Bonds	127,787	341,937
Total	$ 416,165	$ 891,510

Held-to-maturity financial assets were not pledged.

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

(6) Bond investments for which no active market exists

	December 31, 2014	December 31, 2013
Current		
Bonds	$ 1,074,391	$ -
Time deposits	11,755	113,678
Subtotal	1,086,146	113,678
Noncurrent		
Time deposits	946	364
Total	$ 1,087,092	$ 114,042

Please refer to Note 8 for more details on bond investments for which no active market exists under pledge.

(7) Trade receivables

	December 31, 2014	December 31, 2013
Trade receivables	$ 18,369,294	$ 14,706,067
Less: allowance for doubtful debts	(162,112)	(84,875)
Less: allowance for sales returns and discounts	(5,654,783)	(6,993,601)
Total	$ 12,552,399	$ 7,627,591

Trade receivables were not pledged.

Trade receivables are generally on 45-60 day terms. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2014	$ -	$ 84,875	$ 84,875
Charge for the current period	-	26,806	26,806
Effect of acquisition of subsidiaries	-	50,000	50,000
Exchange differences	-	431	431
As of December 31, 2014	$ -	$ 162,112	$ 162,112

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

	Individually impaired	Collectively impaired	Total
As of January 1, 2013	$ -	$ 162,859	$ 162,859
Reversal for the current period	-	(79,110)	(79,110)
Exchange differences	-	1,126	1,126
As of December 31, 2013	$ -	$ 84,875	$ 84,875

Aging analysis of trade receivables that were past due as of the end of the reporting period but not impaired is as follows:

		Past due but not impaired		
As of	Neither past due nor impaired	1 to 90 days	More than 91 days	Total
December 31, 2014	$ 11,820,401	$ 731,998	$ -	$ 12,552,399
December 31, 2013	$ 7,383,181	$ 243,386	$ 1,024	$ 7,627,591

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. The Company has not withdrawn cash entitled by the factoring agreements from banks as of December 31, 2014 and 2013. Receivables from banks due to factoring agreement were NT$2,062,053 thousand, and NT$2,697,718 thousand, respectively.

As of December 31, 2014 and 2013, trade receivables derecognized were as follows:

A. As of December 31, 2014:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 46,440	$ -	$ 46,440	$ 117,490
BNP Paribas	-	18,049	-	18,049	105,000
HSBC	-	340	-	340	800
TC Bank	-	183	-	183	16,500
Total		$ 65,012	$ -	$ 65,012	$ 239,790

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

B. As of December 31, 2013:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 55,529	$ -	$ 55,529	$ 154,860
BNP Paribas	-	22,887	-	22,887	100,000
HSBC	-	294	-	294	800
TC Bank	-	11,364	-	11,364	13,500
Total		$ 90,074	$ -	$ 90,074	$ 269,160

(8) Inventories

	December 31, 2014	December 31, 2013
Raw materials	$ 1,354,891	$ 4,787
Work in progress	15,838,703	7,320,888
Finished goods	13,297,586	5,268,422
Total	30,491,180	12,594,097
Less: allowance for inventory valuation losses	(8,149,844)	(3,247,305)
Net amount	$ 22,341,336	$ 9,346,792

For the years ended December 31, 2014 and 2013, the cost of inventories recognized in expenses amounted to NT$109,194,295 thousand and NT$76,250,370 thousand, including the write-down of inventories of NT$3,772,317 thousand and NT$1,271,330 thousand for the years ended December 31, 2014 and 2013.

No inventories were pledged.

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

(9) Investments accounted for using the equity method

A. The following table lists the investments accounted for using the equity method of the Company:

	December 31, 2014		December 31, 2013	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
MStar Semiconductor, Inc. (Cayman)	$ -	-	$ 58,192,878	48
Airoha Technology Corp.	513,685	28	284,779	32
Shenzhen Huiding Technology Co., Ltd.	1,055,423	24	704,232	24
Alpha Imaging Technology Corp.	175,767	15	135,913	15
Others	409,738	-	351,959	-
Total	$ 2,154,613		$ 59,669,761	

The carrying amount of investments in the associates for which there were published price quotations amounted to NT$175,767 thousand, and NT$58,328,791 thousand, as of December 31, 2014 and 2013, respectively. The fair values of these investments were NT$129,269 thousand, and NT$88,354,325 thousand, as of December 31, 2014 and 2013, respectively.

The share of profit of these associates accounted for using the equity method amounted to NT$983,941 thousand and NT$2,150,963 thousand for the years ended December 31, 2014 and 2013, respectively. The share of other comprehensive income of these associates accounted for using the equity method amounted to NT$(22,549) thousand and NT$1,554,911 thousand for the years ended December 31, 2014 and 2013, respectively.

The Company serves as a director of the board of directors of Alpha Imaging Technology Corp. and participates in its policy-setting processes. Therefore, the Company has significant influence over Alpha Imaging Technology Corp. even its ownership is lower than 20%.

In 2012, MTK totally acquired 254,115,685 shares (48% of MStar's outstanding shares) of MStar through a tender offer. The price of the tender offer was 1 MStar share in exchange for 0.794 share of MTK's common stock plus NT$1 in cash. MTK aggregately issued 201,767,854 new shares and paid NT$254,116 thousand in cash for this tender offer. In January 2014, MTK obtained de facto control over MStar. Therefore MStar was included in the consolidation entities. Please refer to Note 6. (24) for more details.

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

No investment in the associates was pledged.

B. The following table summarizes financial information of the Company's investments in the associates:

	December 31, 2014	December 31, 2013
Total assets	$ 9,056,416	$ 49,504,796
Total liabilities	$ 1,613,190	$ 11,080,916

	For the years ended December 31	
	2014	2013
Net Sales	$ 8,922,357	$ 40,025,789
Net Income	$ 2,353,463	$ 5,543,109

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(10) Property, plant and equipment

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2014	$ 1,273,869	$ 9,078,987	$ 122,675	$ 2,287,104	$ 3,251,188	$ 1,192,400	$ 1,011,252	$ 18,217,475
Additions-acquired separately	180,440	104,751	12,436	737,772	1,331,236	232,290	7,294,968	9,893,893
Additions-acquired through business combinations	1,857,153	1,096,303	95,698	-	67,590	114,219	15,457	3,246,420
Disposals	-	(13,472)	(163,745)	(209,477)	(166,608)	(319,485)	-	(872,787)
Transfers	-	530,508	-	31,969	(10,704)	(5,720)	(546,543)	(490)
Exchange differences	82,048	144,441	10,395	72,426	40,300	65,346	18,251	433,207
As of December 31, 2014	$ 3,393,510	$10,941,518	$ 77,459	$ 2,919,794	$ 4,513,002	$ 1,279,050	$ 7,793,385	$ 30,917,718
As of January 1, 2013	$ 1,273,869	$ 6,789,307	$ 125,761	$ 2,071,672	$ 3,013,052	$ 1,166,230	$ 2,141,493	$ 16,581,384
Additions-acquired separately	-	319,349	3,668	271,900	312,339	30,348	751,478	1,689,082
Disposals	-	(12,588)	(7,077)	(109,531)	(116,064)	(8,755)	-	(254,015)
Transfers	-	1,969,228	(277)	1,276	14,765	4,199	(1,991,731)	(2,540)
Exchange differences	-	13,691	600	51,787	27,096	378	110,012	203,564
As of December 31, 2013	$ 1,273,869	$ 9,078,987	$ 122,675	$ 2,287,104	$ 3,251,188	$ 1,192,400	$ 1,011,252	$ 18,217,475

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As of January 1, 2014	$ -	$ 1,809,281	$ 108,709	$ 1,701,616	$ 2,396,821	$ 888,941	$ -	$ 6,905,368
Depreciation	-	294,534	21,538	364,765	432,860	198,944	-	1,312,641
Disposals	-	(11,967)	(122,729)	(195,113)	(139,376)	(295,323)	-	(764,508)
Transfers	-	-	-	-	-	205	-	205
Exchange differences	-	18,183	6,515	59,591	32,050	53,118	-	169,457
As of December 31, 2014	$ -	$ 2,110,031	$ 14,033	$ 1,930,859	$ 2,722,355	$ 845,885	$ -	$ 7,623,163
As of January 1, 2013	$ -	$ 1,591,536	$ 108,287	$ 1,390,119	$ 2,065,704	$ 693,244	$ -	$ 5,848,890
Depreciation	-	222,096	7,023	376,020	393,617	183,435	-	1,182,191
Disposals	-	(6,749)	(7,077)	(91,551)	(94,447)	(7,544)	-	(207,368)
Transfers	-	(117)	(5)	-	291	(146)	-	23
Exchange differences	-	2,515	481	27,028	31,656	19,952	-	81,632
As of December 31, 2013	$ -	$ 1,809,281	$ 108,709	$ 1,701,616	$ 2,396,821	$ $888,941	$ -	$ 6,905,368
Net carrying amount as of:								
December 31, 2014	$ 3,393,510	$ 8,831,487	$ 63,426	$ 988,935	$ 1,790,647	$ 433,165	$ 7,793,385	$ 23,294,555
December 31, 2013	$ 1,273,869	$ 7,269,706	$ 13,966	$ 585,488	$ 854,367	$ 303,459	$ 1,011,252	$ 11,312,107

Property, plant and equipment were not pledged.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(11) Intangible assets

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Cost:						
As of January 1, 2014	$ 32,402	$ 669,683	$ -	$ 4,271,124	$ 13,965,296	$ 18,938,505
Additions-acquired separately	-	496,990	-	298,766	-	795,756
Additions-acquired through business combinations	373,989	101,587	2,511,002	2,500,694	39,085,832	44,573,104
Disposals	-	(41,062)	-	(760,318)	-	(801,380)
Transfers	-	(1,113)	-	1,808	-	695
Exchange differences	16,523	47,172	110,935	291,402	1,085,287	1,551,319
As of f December 31, 2014	$ 422,914	$ 1,273,257	$ 2,621,937	$ 6,603,476	$ 54,136,415	$ 65,057,999
As of January 1, 2013	$ 32,985	$ 1,005,067	$ -	$ 8,083,810	$ 13,949,611	$ 23,071,473
Additions-acquired separately	-	61,395	-	263,019	-	324,414
Disposals	-	(398,935)	-	(4,077,108)	-	(4,476,043)
Transfers	-	2,563	-	-	-	2,563
Exchange differences	-	(127)	-	13,228	15,685	28,786
Others	(583)	(280)	-	(11,825)	-	(12,688)
As of December 31, 2013	$ 32,402	$ 669,683	$ -	$ 4,271,124	$ 13,965,296	$ 18,938,505

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Amortization and impairment:						
As of January 1, 2014	$ 32,402	$ 554,909	$ -	$ 2,842,001	$ -	$ 3,429,312
Amortization	57,630	291,677	329,940	773,911	-	1,453,158
Disposals	-	(41,062)	-	(760,318)	-	(801,380)
Transfers	-	(1,155)	-	1,155	-	-
Exchange differences	-	52,308	-	166,775	-	219,083
As of December 31, 2014	$ 90,032	$ 856,677	$ 329,940	$ 3,023,524	$ -	$ 4,300,173
As of January 1, 2013	$ 18,046	$ 828,805	$ -	$ 6,497,174	$ -	$ 7,344,025
Amortization	14,356	123,845	-	406,438	-	544,639
Disposals	-	(398,935)	-	(4,077,108)	-	(4,476,043)
Exchange differences	-	(633)	-	4,074	-	3,441
Others	-	1,827	-	11,423	-	13,250
As of December 31, 2013	$ 32,402	$ 554,909	$ -	$ 2,842,001	$ -	$ 3,429,312
Net carrying amount as of:						
December 31, 2014	$ 332,882	$ 416,580	$ 2,291,997	$ 3,579,952	$ 54,136,415	$ 60,757,826
December 31, 2013	$ -	$ 114,774	$ -	$ 1,429,123	$ 13,965,296	$ 15,509,193

(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 the goodwill of NT$54,136,415 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 rate 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.

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

(13) Short-term borrowings

	December 31, 2014	December 31, 2013
Unsecured bank loans	$ 46,160,593	$ 29,051,500
Interest rates	0.60~1.83%	0.75~2.55%
Unused lines of credits	$ 42,748,541	$ 5,988,350

(14) Post-employment benefits

Defined contribution plan

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

Pension expenses under the defined contribution plan for the years ended December 31, 2014 and 2013 were NT$1,004,244 thousand and NT$702,388 thousand, respectively.

Defined benefits plan

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

The summarization of defined benefits plan reflected in profit or loss is as follows:

	For the years ended December 31	
	2014	2013
Current service cost	$ 2,871	$ 4,764
Interest cost	14,325	9,413
Expected return on plan assets	(2,191)	(1,270)
Past service cost	-	-
Total	$ 15,005	$ 12,907

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

The cumulative amount of actuarial losses recognized in other comprehensive income is as follows:

	For the years ended December 31	
	2014	2013
As of January 1	$ 145,128	$ 103,084
Actuarial losses for the period	328,043	42,044
As of December 31	$ 473,171	$ 145,128

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	December 31, 2014	December 31, 2013
Defined benefit obligation at present value	$ 1,062,300	$ 675,485
Plan assets at fair value	(121,304)	(69,452)
Accrued pension liabilities recognized on the consolidated balance sheets	$ 940,996	$ 606,033

Changes in present value of the defined benefit obligation are as follows:

	For the years ended December 31	
	2014	2013
Defined benefit obligation as of January 1	$ 675,485	$ 627,560
Current service cost	2,871	4,764
Interest cost	14,325	9,413
Effect of acquistion of subsidiaries	40,913	-
Actuarial losses	328,706	41,680
Benefits paid	-	(7,932)
Defined benefit obligation as of December 31	$ 1,062,300	$ 675,485

Changes in fair value of plan assets are as follows:

	For the years ended December 31	
	2014	2013
Fair value of plan assets as of January 1	$ 69,452	$ 71,806
Expected return on plan assets	2,191	1,270
Contributions by employer	4,000	2,022
Effect of acquistion of subsidiaries	44,998	-
Benefits paid	-	(7,932)
Actuarial losses	663	(364)
Others	-	2,650
Fair value of plan assets as of December 31	$ 121,304	$ 69,452

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

The Company expects to contribute NT$24,308 thousand to its defined benefit plan for the year ended December 31, 2015.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as of	
	December 31, 2014	December 31, 2013
Cash	21.10%	26.96%
Equity instruments	49.69%	44.77%
Debt instruments	26.38%	27.48%
Others	2.83%	0.79%

The Company's actual return on plan assets was NT$2,854 thousand and NT$906 thousand for the years ended December 31, 2014 and 2013.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

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

	December 31, 2014	December 31, 2013
Discount rate	2.00~2.25%	2.00%
Expected rate of return on plan assets	1.75~2.25%	2.00%
Expected rate of salary increases	3.00~4.50%	3.00~3.40%

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

A 0.5 percentage point change in discount rate on defined benefit obligation:

	For the years ended December 31			
	2014		2013	
	0.5% increase in discount rate	0.5% decrease in discount rate	0.5% increase in discount rate	0.5% decrease in discount rate
Effect on the aggregate service cost in next period	$ (258)	$ 291	$ (189)	$ 214
Effect on the defined benefit obligation	$ (111,030)	$ 125,568	$ (73,400)	$ 83,325

The Company has elected to disclose amounts required by paragraph 120A(p) of IAS 19 prospectively from the date of transition to TIFRS. The related account balances of defined benefit plan for the years ended 2014, 2013 and 2012 are as followings:

	For the years ended December 31		
	2014	2013	2012
Defined benefit obligation at present value as of December 31	$ 1,062,300	$ 675,485	$ 627,560
Plan assets at fair value as of December 31	(121,304)	(69,452)	(71,806)
Deficit in plan as of December 31	$ 940,996	$ 606,033	$ 555,754
Experience adjustments on plan liabilities	$ (46,681)	$ (23,200)	$ (21,232)
Experience adjustments on plan assets	$ 663	$ (364)	$ (606)

(15) Equity

A. Share capital

MTK's authorized capital as of December 31, 2014 and 2013 was NT$20,000,000 thousand, divided into 2,000,000,000 shares (including 20,000,000 shares reserved for exercise of employee stock options at each period), each at a par value of NT$10. MTK's issued capital was NT$15,714,455 thousand and NT$13,494,667 thousand, divided into 1,571,445,544 shares and 1,349,466,701 shares, as of December 31, 2014 and 2013, respectively. Each share has one voting right and a right to receive dividends.

In February 2014, MTK acquired the remaining 52% ownership of MStar by issuing 221,123,877 shares, each at a par value of NT$10. MTK has successfully obtained relevant regulators approvals.

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

MTK totally issued 654,373 new shares and 333,580 new shares for the years ended December 31, 2014 and 2013, respectively, at par value of NT$10 for the employee stock options exercised. Furthermore, 46,700 shares (NT$467 thousand in the amount), and 247,293 shares (NT$2,473 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of December 31, 2014 and 2013, respectively.

B. Capital surplus

	December 31, 2014	December 31, 2013
Additional paid-in capital	$ 85,824,767	$ 66,585,671
Treasury share transactions	1,198,502	1,081,591
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	149,965	149,965
Changes in ownership interests in subsidiaries	215,280	12,129
Donated assets	1,261	1,260
From share of changes in net assets of associates	68,650	51,144
Employee stock options	465,777	401,842
Others	123,712	191,308
Total	$ 88,047,914	$ 68,474,910

According to the Company Law, 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, 2014 and 2013, MTK's shares held by the subsidiary, MediaTek Capital Corp., were NT$55,970 thousand, and the number of MTK's shares held were 7,794,085 shares. These shares held by MediaTek Capital Corp. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2014 and 2013, MTK did not hold any other treasury shares.

D. Retained earnings and dividend policy

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

a. Income tax obligation;
b. Offsetting accumulated deficits, if any;
c. Legal reserve at 10% of net income after tax; where such legal reserve amounts to the total authorized capital, this provision shall not apply.
d. Special reserve in compliance with the Company Law or the Securities and Exchange Law;
e. Remuneration for directors and supervisors to a maximum of 0.5% of the remaining current year's earnings after deducting item (a) through (d). Remuneration for directors and supervisors' services is limited to cash payments.
f. The remaining after all above appropriations and distributions, combining with undistributed earnings from prior years, shall be fully for shareholders' dividends and employees' bonuses and may be retained or distributed proportionally. The portion of employees' bonuses may not be less than 1% of total earnings resolved to distribute for shareholders' dividends and employees' bonuses. Employees' bonuses may be distributed in the form of shares or cash, or a combination of both. Employees of MTK's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' stock bonuses.

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

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

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

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

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

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

During the years ended December 31, 2014 and 2013, the amounts of the employees’ bonuses were estimated to be NT$579,974 thousand and NT$1,593,476 thousand, respectively. During the years ended December 31, 2014 and 2013, the amounts of remunerations to directors and supervisors were estimated to be NT$84,192 thousand and NT$56,784 thousand, respectively. The employees’ bonuses were estimated based on a specific rate of net income for the years ended December 31, 2014 and 2013 (excluding the impact of employees’ bonuses) while the remunerations to directors and supervisors were estimated based on MTK’s Articles of Incorporation. Estimated amount of employees’ bonuses and remunerations paid to directors and supervisors were charged to current income. If the resolution of shareholders’ general meeting modifies the estimates significantly in the subsequent year, MTK shall recognize the change as an adjustment to income of next year. If stock bonuses are resolved for distribution to employees, 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 shareholders’ meeting.

The appropriations of earnings for 2013 and 2012 were resolved by the board of directors’ meeting on April 30, 2014 and May 10, 2013, while the appropriations of earnings for 2013 and 2012 were resolved by general shareholders’ meeting on June 12, 2014 and June 21, 2013. The amounts resolved in the shareholders’ general meeting were consistent with those determined by the board of directors.

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

	Appropriation of earnings		Dividend per share (NT$)	
	2013	2012	2013	2012
Legal reserve	$ 2,751,505	$ 1,568,753	-	-
Special reserve (reversal)	(4,176,676)	2,862,113	-	-
Cash dividends-common stock	23,565,323	674,690	$ 15.00	$ 0.50
Directors' and supervisors' remunerations	57,880	28,141	-	-
Employees' bonuses-cash	1,593,476	895,875	-	-
Total	$ 23,791,508	$ 6,029,572		

On May 10, 2013, the board of directors resolved a cash distribution of NT$9.0 per share (NT$12,144,424 thousand in the amount), among which NT$8.5 per share (NT$11,469,734 thousand in the amount) is from capital surplus while the remaining is from earnings. The cash distribution was approved by the shareholders' meeting on June 21, 2013.

The difference between the resolution of the shareholders' general meeting and the estimated expense of the directors' and supervisors' remuneration and the employees' bonuses for 2013 are as follows:

Appropriations	The amount resolved by the board of directors meeting	Expense estimated	Difference	Difference reasons and the accounting treatment
Employees' bonuses-cash	$ 1,593,476	$ 1,593,476	$ -	-
Directors' and supervisors' remunerations	$ 57,880	$ 56,784	$ 1,096	(Note)

Note: The difference, which was resulted from different calculation basis between the original accrual and the amount actually paid, was adjusted in the profit or loss in 2014.

The information about the appropriations of earnings resolved by the board of directors' meeting and shareholders' meeting is available at the Market Observation Post System website.

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

E. Other equity

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2014	$ (2,404,641)	$ 1,508,892	$ (895,749)
Exchange differences resulting from translating the financial statements of foreign operations	6,645,482	-	6,645,482
Unrealized gains from available-for-sale financial assets	-	841,778	841,778
Unrealized gains reclassified to profit or loss from available-for-sale financial assets	-	37,151	37,151
Share of other comprehensive income of associates accounted for using equity method	(22,549)	-	(22,549)
As of December 31, 2014	$ 4,218,292	$ 2,387,821	$ 6,606,113

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2013	$ (5,762,485)	$ 579,111	$ (5,183,374)
Exchange differences resulting from translating the financial statements of foreign operations	1,802,933	-	1,802,933
Unrealized gains from available-for-sale financial assets	-	782,101	782,101
Unrealized gains reclassified to profit or loss from available-for-sale financial assets	-	147,680	147,680
Share of other comprehensive income of associates accounted for using equity method	1,554,911	-	1,554,911
As of December 31, 2013	$ (2,404,641)	$ 1,508,892	$ (895,749)

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

F. Non-controlling interests

	For the years ended December 31	
	2014	2013
Beginning balance	$ 38,193	$ 34,209
Gain (loss) attributable to non-controlling interests	1,181	(30,402)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	39,171	8,244
Changes in ownership interests in subsidiaries	359,054	26,142
Ending balance	$ 437,599	$ 38,193

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

Detail information relevant to the share-based payment plan is disclosed as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT$) (Note)
2008.03.31	1,134,119	299,326	299,326	$ 358.0
2008.08.28	1,640,285	490,164	490,164	344.5
2009.08.18	1,382,630	584,549	584,549	429.5
2010.08.27	1,605,757	728,645	728,645	404.8
2010.11.04	65,839	14,634	14,634	377.0
2011.08.24	2,109,871	1,272,697	652,384	277.4
2012.08.14	1,346,795	1,059,040	284,845	286.8
2013.08.22	1,436,343	1,305,943	-	368.0

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

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

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

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

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

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

	For the years ended December 31			
	2014		2013	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT$)	Options (Unit)	Weighted-average Exercise Price per Share (NT$)
Outstanding at beginning of year	6,641,191	$ 341.3	6,045,493	$ 332.7
Granted	-	-	1,436,343	368.0
Exercised	(654,373)	340.8	(285,885)	314.6
Forfeited (Expired)	(231,820)	335.6	(554,760)	289.1
Outstanding at end of year	5,754,998	341.4	6,641,191	341.3
Exercisable at end of year	3,054,547		2,599,022	
Weighted-average fair value of options granted during the year (in NT$)	$ -		$ 96.5	

The weighted average share price at the date of exercise of those options were NT$472.3 and NT$397.3 for the years ended December 31, 2014 and 2013.

(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, 2014 and 2013 is as follows:

		December 31, 2014		December 31, 2013	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)
2007.12.19	$ 344.5~358.0	0.10	$ 349.6	1.00	$ 349.8
2009.07.27	429.5	1.13	429.5	2.13	431.0
2010.05.10	377.0~404.8	2.17	404.3	3.17	404.3
2011.08.09	277.4	3.17	277.4	4.17	277.4
2012.08.09	286.8	4.13	286.8	5.13	286.8
2013.08.09	368.0	5.17	368.0	6.17	368.0

MTK issued new shares to exchange 100% shares of Ralink Technology Corp. on October 1, 2011. According to the share-swap agreement, MTK also issued its own stock options to replace Ralink's stock options. The original terms of Ralink's options remain except for the changes: a) the underlying shares have been changed to MTK's shares; and b) the number of shares each option can subscribe for has been changed according to the share exchange ratio stated in the share-swap agreement.

The employee stock options issued by MTK to replace Ralink's share-based payment all expired in 2013.

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

Details of Ralink's share-based payment plan to be replaced are shown below:

Date of grant	Total number of options granted	Total number of options outstanding on the shares exchange date	Total number of options outstanding translated by share exchange ratio on the shares exchange date	Total number of options outstanding	Shares available for option holders	Exercise price (NT$) (Note)
2006.06.30	91,000	1,575	499	-	-	$14.3
2006.09.30	599,500	9,763	3,092	-	-	14.3
2006.12.31	78,000	3,936	1,247	-	-	14.3
2007.03.31	273,000	11,967	3,791	-	-	15.7
2007.06.30	150,000	32,879	10,416	-	-	15.7
2007.09.30	560,000	149,568	47,368	-	-	15.7
2007.12.30	17,000	944	299	-	-	15.7
2007.12.31	1,000,000	277,490	87,895	-	-	16.7

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash or the appropriations of earnings) in accordance with the plan.

The Black-Scholes Option Pricing model was used to estimate the fair value of options granted to replace Ralink's options. Assumptions used in calculating the fair value are disclosed as follows:

	Employee Stock Option
Expected dividend yield (%)	6.57%
Expected volatility (%)	39.5%
Risk free interest rate (%)	0.71%~0.86%
Expected life (Years)	0.75 year

The aforementioned expected option life is based on historical data of period for previously granted options and current expectations are 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.

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

The weighted-average exercise price of the options granted to replace Ralink's options is disclosed as follows:

	For the year ended December 31, 2013	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT$)
Outstanding at beginning of year	52,483	$16.4
Granted	-	-
Exercised	(47,695)	16.4
Forfeited (Expired)	(4,788)	16.2
Outstanding at end of year	-	-
Exercisable at end of year	-	
Weighted-average fair value of options granted during the year (in NT$)	$ -	

The weighted average share price at the date of exercise of those options was NT$347.6 for the year ended December 31, 2013.

The information on the outstanding share-based payment plan as of December 31, 2013 is as follows:

		As of December 31, 2013	
		Outstanding stock options	
Date of grant	Range of Exercise Price (NT$)	Weighted- average Expected Remaining Years	Weighted- average Exercise Price per Share (NT$)
2007.01.29	$15.7	-	$15.7
2007.10.30	16.7	-	16.7

The expense recognized for employee services received for the years ended December 31, 2014 and 2013, is shown in the following table:

	For the years ended December 31	
	2014	2013
Total equity-settled transactions	$ 63,935	$ 75,799

There have been no cancellations or modifications to any of the plans during the years ended December 31, 2014 and 2013.

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

(17)Sales

	For the years ended December 31	
	2014	2013
Sale of goods	$ 245,883,275	$ 156,364,494
Other operating revenues	1,627,218	1,061,939
Less: Sales returns and discounts	(34,447,577)	(21,370,479)
Net sales	$ 213,062,916	$ 136,055,954

(18) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2014 and 2013:

	For the years ended December 31					
	2014			2013		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$ 575,321	$ 29,414,231	$ 29,989,552	$ 194,538	$ 16,839,520	$ 17,034,058
Labor and health insurance	$ 78,800	$ 1,210,960	$ 1,289,760	$ 17,371	$ 731,776	$ 749,147
Pension	$ 13,179	$ 1,006,070	$ 1,019,249	$ 11,484	$ 703,811	$ 715,295
Others	$ 10,254	$ 934,378	$ 944,632	$ 5,984	$ 701,033	$ 707,017
Depreciation	$ 6,641	$ 1,306,000	$ 1,312,641	$ 2,791	$ 1,179,400	$ 1,182,191
Amortization	$ 60	$ 1,453,098	$ 1,453,158	$ -	$ 544,639	$ 544,639

(19) Other income

	For the years ended December 31	
	2014	2013
Rental income	$ 25,648	$ 9,812
Interest income	3,125,381	1,755,482
Dividend income	238,877	167,855
Gain on reversal of bad debts	-	79,110
Others	93,429	390,368
Total	$ 3,483,335	$ 2,402,627

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

(20) Other gains and losses

	For the years ended December 31	
	2014	2013
Losses on disposal of property, plant and equipment	$ (2,775)	$ (3,137)
Gains (losses) on disposal of investments		
Available-for-sale financial assets	4,489	(49,780)
Held-to-maturity financial assets	6,470	-
Financial assets measured at cost	700,759	1,772
Bond investments for which no active market exists	505	-
Investments accounted for using the equity method	216,730	-
Foreign exchange gains	601,683	545,463
Impairment losses		
Available-for-sale financial assets	(41,640)	(97,900)
Financial assets measured at cost	(221,732)	(380,210)
Gain (loss) on financial assets at fair value through profit or loss	3,939	(39,529)
Losses on financial liabilities at fair value through profit or loss	(50,393)	(26,017)
Others	(97,884)	(54,334)
Total	$ 1,120,151	$ (103,672)

(21) Finance costs

	For the years ended December 31	
	2014	2013
Interest expenses on short-term borrowings	$ 478,782	$ 146,816

(22) Income tax

The major components of income tax expense are as follows:

	For the years ended December 31	
	2014	2013
Current income tax	$ 7,554,706	$ 2,998,863
Deferred tax income	(1,782,259)	(1,008,094)
Others	178,435	71,403
Income tax expense recognized in profit or loss	$ 5,950,882	$ 2,062,172

(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	
	2014	2013
Accounting profit before tax from continuing operations	$ 52,349,955	$ 29,546,822
Tax at the domestic rates applicable to profits in the country concerned	$ 11,025,467	$ 6,091,788
Tax effect of revenues exempt from taxation	(3,467,060)	(2,564,637)
Tax effect of expenses not deductible for tax purposes	(1,652,956)	(1,368,278)
Investment tax credits	(537,490)	(1,058,197)
Tax effect of deferred tax assets/liabilities	41,390	178,457
10% surtax on undistributed retained earnings	537,490	1,058,197
Others	4,041	(275,158)
Total income tax expense recognized in profit or loss	$ 5,950,882	$ 2,062,172

For the year ended December 31, 2014

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$ 362,166	$ 384,411	$ -	$ -	$ -	$ 746,577
Allowance for sales returns and discounts	783,242	464,883	-	-	-	1,248,125
Amortization of difference for tax purpose	182,348	(24,949)	-	-	-	157,399
Amortization of goodwill difference for tax purpose	(1,041,748)	422,508	-	-	-	(619,240)
Unused foreign tax losses	172,826	(60,483)	-	-	-	112,343
Unused tax credits	143,363	53,094	-	-	-	196,457
Others	126,554	542,795	55,768	-	-	725,117
Deferred tax income		$ 1,782,259	$ 55,768	$ -	$ -	
Net deferred tax assets	$ 728,751					$ 2,566,778
Reflected in balance sheet as follows:						
Deferred tax assets	$ 1,778,859					$ 3,196,429
Deferred tax liabilities	$ (1,050,108)					$ (629,651)

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

For the year ended December 31, 2013

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$ 36,514	$ 325,652	$ -	$ -	$ -	$ 362,166
Allowance for sales returns and discounts	46,338	736,904	-	-	-	783,242
Amortization of difference for tax purpose	69,067	113,281	-	-	-	182,348
Amortization of goodwill difference for tax purpose	(1,158,926)	117,178	-	-	-	(1,041,748)
Unused foreign tax losses	152,757	20,069	-	-	-	172,826
Unused tax credits	490,160	(346,797)	-	-	-	143,363
Others	84,747	41,807	-	-	-	126,554
Deferred tax income		$ 1,008,094	$ -	$ -	$ -	
Net deferred tax assets (liabilities)	$ (279,343)					$ 728,751
Reflected in balance sheet as follows:						
Deferred tax assets	$ 915,791					$ 1,778,859
Deferred tax liabilities	$ (1,195,134)					$ (1,050,108)

Integrated income tax information

	December 31, 2014	December 31, 2013
Balance of the imputation credit account	$ 7,667,187	$ 1,892,716

The estimated and actual creditable ratios for 2014 and 2013 were 11.71% and 4.34%, respectively.

MTK's earnings generated prior to December 31, 1997 have been fully appropriated.

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

The assessment of income tax returns

As of December 31, 2014, the assessment of the income tax returns of MTK and its subsidiaries are as follows:

	The assessment of income tax returns	Notes
MTK	Assessed and approved up to 2012	(Note 2)
Subsidiary-Ralink Technology Corp.	Assessed and approved up to 2012	(Note 1&2)
Subsidiary-MStar Semiconductor Inc.	Assessed and approved up to 2011	
Subsidiary-Light Up International Corp.	Assessed and approved up to 2012	

Note1: Ralink Technology Corp. was dissolved due to the merger with MTK in April 2014.

Note2: For the tax returns of 2012, 2011, 2010, 2009 and 2008 of MTK, and the tax return of 2012, 2011 and 2010 of subsidiary-Ralink Technology Corp., the tax authorities have assessed additional taxes. The discrepancy between the Company's tax return filing and the result of tax authority's assessment was mainly due to different interpretations by applying rules. Although the Company has vigorously filed several administrative appeals to tax authorities and courts, the Company paid the amount in full.

(23) Earnings per share

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

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

	For the years ended December 31	
	2014	2013
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$ 46,397,892	$ 27,515,052
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,544,565,142	1,341,660,900
Basic earnings per share (NT$)	$ 30.04	$ 20.51

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

	For the years ended December 31	
	2014	2013
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$ 46,397,892	$ 27,515,052
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,544,565,142	1,341,660,900
Effect of dilution:		
Employee bonuses-stock (share)	2,695,764	4,851,460
Employee stock options (share)	1,637,031	652,161
Weighted average number of ordinary shares outstanding after dilution (share)	1,548,897,937	1,347,164,521
Diluted earnings per share (NT$)	$ 29.96	$ 20.42

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(24) Business combinations

The merger with MStar

The merger was approved by the Extraordinary Shareholders Meeting of MTK on October 12, 2012. Based on the resolution of the Extraordinary Shareholders Meeting, MTK paid 0.794 company shares and NT$1 in cash for each share of MStar.

The merger was approved by Ministry of Commerce of the People's Republic of China ("MOFCOM") on August 26, 2013, contingent upon the completion of a working plan which should be reviewed by MOFCOM. On November 26, 2013, the working plan was approved by MOFCOM. In addition, the supplementary document of the working plan was also approved by MOFCOM in January 2014. MTK obtained de facto control over MStar on the day (the acquisition day) that MTK's and MStar's board of directors approved to follow the working plan and its supplementary document which had been approved by MOFCOM. The original 48% interest of MStar acquired before the acquisition of de facto control was remeasured at fair value and the difference was recognized as a gain.

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

Furthermore, MTK issued 221,123,877 new shares and paid NT$278,494 thousand in cash to acquire the remaining 52% MStar's shares. The registration of MTK's new share issuance was completed. MStar was delisted from Taiwan Stock Exchange and dissolved on February 1, 2014. The issuance of new shares to acquire the remaining 52% shares was recorded as an equity transaction.

According to MOFCOM's conditional approval, following the delist of MStar, its mobile phone chips and wireless communication business can be integrated into MTK while TV chips and related business operation has to be maintained by MStar Semiconductor, Inc. ("MStar Taiwan") for three years post merger. MStar Taiwan can be further integrated with MTK after the third anniversary, subject to condition removal. Synergy from the merger at this stage will be primarily reflected in mobile phone chips and wireless communication business. Through the integration of research and development team and technology resources, MTK can enhance its technology and product development capabilities. In addition, MTK will expand its global business operation and further strengthen the industry leading position to optimize shareholder value.

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

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

	Fair value recognized on the acquisition date (US$'000)
Cash and cash equivalents	$ 1,098,762
Current assets	279,016
Funds and investments	9,172
Property, plant and equipment	106,875
Intangible assets-trademark, computer software, patent, core techniques and customer relationship	180,645
Other non-current assets	1,261
	1,675,731
Current liabilities	(303,105)
Long-term borrowings	(21,431)
Other liabilities	(794)
	(325,330)
Identifiable net assets	$ 1,350,401

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

		Amount (US$'000)
Goodwill of MStar is as follows:		
The fair value of the equity interest in MStar held by MTK	$	1,930,979
Add: non-controlling interest		706,156
Less: identifiable net assets at fair value		(1,350,401)
Goodwill	$	1,286,734

Cash flows on acquisition:		Amount (US$'000)
Net cash acquired by the subsidiary	$	1,098,762
Transaction costs attributable to cash paid		(9,168)
Net cash flows on acquisition	$	1,089,594

The identifiable net assets recognized in the consolidated financial statements as of March 31, 2014 and June 30, 2014 were based on a provisional assessment of fair value. The Company has completed the assessment in October 2014 and determined the fair value of identifiable net assets on the acquisition day to be US$1,350,401 thousand, which represents a decrease in value of US$9,702 thousand compared to that of the provisional assessment. The final assessment also decreased the values of intangible assets, non-controlling interests and goodwill by US$9,702 thousand, US$16,280 thousand and US$6,578 thousand, respectively. The total amount of goodwill based on the final assessment is US$1,286,734 thousand. In addition, the decrease in intangible assets also decreased the amortization during the three months and six months ended March 31, 2014 and June 30, 2014. However, the decrease in amortization is not material.

The goodwill of US$1,286,734 thousand comprises the value of expected synergies arising from acquisition. The goodwill recognized is expected to be fully deductible for income tax purposes.

From the acquisition date to December 31, 2014, MStar has contributed NT$35,524,045 thousand of net sales and NT$5,473,066 thousand of net income to the Company.

If the combination had taken place at the beginning of the year, revenues and net income of the Company would have been NT$216,006,494 thousand and NT$46,633,940 thousand.

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

(25) Changes in parent's ownership interests in subsidiaries

Changes in ownership of subsidiaries

Lepower Technologies (Beijing), Inc., AutoChips Inc. and EcoNet (Caymen) Inc. issued new shares in February, August and November 2014, respectively, and the Company did not purchase new shares in proportionate to its original ownership interest. In addition, the Company purchased additional 15.33% of voting shares of Lepower Limited in February 2014 and its ownership rose up to 99.77%. Consequently, the ownership interest in these companies changed but control over these companies remains. The difference between the fair value of purchased equity investments and the increase in the non-controlling interest was NT$203,151 thousand which was recorded in equity.

Please refer to Note 6. (24) for more information about the acquisition of the remaining 52% stock of MStar in February 2014.

Lepower Limited, E-Vehicle Semiconductor Technology Co., Ltd. and RollTech Technology Co., Ltd. issued new shares in February, April and July 2013, respectively. The Company did not purchase new shares in proportionate to its original ownership interest. Consequently, the ownership interest in these companies changed but control over these companies remains. The difference between the fair value of purchased equity investments and the increase in the non-controlling interest was NT$10,546 thousand and was recognized in equity.

7. Related Party Transactions

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31	
	2014	2013
Associates	$ 3,577	$ -

For the years ended December 31, 2014 and 2013, repectively, the trade credit term for related parties and third-party customers were both 45 to 60 days. Third-party customers may pay their accounts in advance.

B. IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2014	2013
Other related parties	$ 4,879,016	$ 6,908,329

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

C. Consign research and development expense and license expense

	For the years ended December 31	
	2014	2013
Associates	$ 200,000	$ -
Other related parties	40,155	26,807
Total	$ 240,155	$ 26,807

D. Purchases

	For the years ended December 31	
	2014	2013
Associates	$ 9,834	$ -

E. Rental income

	For the years ended December 31	
	2014	2013
Associates	$ 714	$ 500
Other related parties	8,606	9,187
Total	$ 9,320	$ 9,687

NT$876 thousand was received from other related parties, which was accounted for deposits received due to a lease of office space.

F. Other receivables from related parties

	December 31, 2014	December 31, 2013
Associates	$ 150	$ 60
Other related parties	-	340
Total	$ 150	$ 400

G. Trade payables to related parties

	December 31, 2014	December 31, 2013
Other related parties	$ 677,196	$ 2,082,028

H. Key management personnel compensation

	For the years ended December 31	
	2014	2013
Short-term employee benefits (Note)	$ 709,494	$ 556,240
Post-employment benefits	3,076	2,610
Total	$ 712,570	$ 558,850

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

Note: The Company estimated the management personnel compensation of short-term employee benefits based on the accrued bonuses and the actual proportion of earnings appropriation in the past.

8. Assets Pledged as Collateral

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

	Carrying amount		
Assets pledged for security	December 31, 2014	December 31, 2013	Purpose of pledge
Bond investments for which no active market exists-current	$ 7,067	$ 6,917	Land lease guarantee
Bond investments for which no active market exists-current	3,142	3,104	Customs clearance deposits
Bond investments for which no active market exists-current	-	102,000	Project performance deposits
Bond investments for which no active market exists-current	1,546	1,657	Credit guarantee
Bond investments for which no active market exists-noncurrent	820	243	Customs clearance deposits
Bond investments for which no active market exists-noncurrent	126	121	Lease execution deposits
Total	$ 12,701	$ 114,042	

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

The Company has entered into commercial leases, and these leases have an average life of three to ten years with no renewal options included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

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

	December 31, 2014	December 31, 2013
Not later than one year	$ 377,191	$ 374,715
Later than one year but not later than five years	572,653	753,028
Later than five years	124,576	181,444
Total	$ 1,074,420	$ 1,309,187

(2) Legal claim contingency

A. Azure Networks, LLC ("Azure") and Tri-County Excelsior Foundation ("TCEF") filed a complaint in the United States District Court for the Eastern District of Taxes against Ralink and Ralink Technology Corporation (USA), along with other defendants in March 2011, alleging infringement of United States Patent No. 7,756,129. On April 6, 2012, Azure and TCEF filed a complaint in the United States District Court for the Eastern District of Texas against MTK alleging infringement of the same patent referenced above. On May 30, 2013, the Court entered a judgment in favor of Ralink and other defendants, dismissing the earlier case subject to the plaintiffs' right to appeal. An appeal has been filed by plaintiffs on June 20, 2013. On November 6, 2014, the United States Court of Appeals for the Federal Circuit vacated the lower court's judgment and remanded the case to the district court. The court dismissed the claims against Ralink pursuant to Azure and Ralink's joint motion on February 10, 2015. On June 10, 2013, the Court entered a judgment dismissing the latter case pursuant to the parties' joint stipulation.

Additionally, on January 13, 2015, Azure filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. alleging infringement of United States Patent Nos. 7,756,129, 8,582,570, 8,582,571, 8,588,196, 8,588,231, 8,589,599, 8,675,590, 8,683,092 and 8,732,347 by MTK's wireless communications, tablet and mobile phone chips, and seeking damages. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

B. Commonwealth Scientific and Industrial Research Organization filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA), along with other defendants on August 27, 2012 alleging infringement of United States Patent No. 5,487,069. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

C. Palmchip Corporation ("Palmchip") filed a complaint in the Superior Court of California in the County of Santa Clara against MTK and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on October 19, 2012, asserting claims of breach of contract. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

Palmchip filed a complaint in the United States District Court for the Central District of California against MTK and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) on August 30, 2013, alleging infringement of United States Patents Nos. 6,601,126, 6,769,046, and 7,124,376. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

D. Optical Devices, LLC ("Optical Devices") filed a complaint with the U.S. International Trade Commission (the "Commission") against MTK and subsidiary MediaTek USA Inc. on September 3, 2013 alleging infringement of United States Patent No. 8,416,651. Optical Devices alleged that MTK's optical disc drive chips infringe its patent and sought to prevent the accused products from being imported into the United States. The Commission issued an Initial Determination on July 17, 2014 finding that Optical Devices failed to meet the domestic industry requirement and terminating the investigation. On September 3, 2014, the Commission vacated the Initial Determination and remanded the case for further proceedings. On October 21, 2014, the Commission issued an Initial Determination to terminate the investigation on the ground that Optical Devices' lack of standing. On December 4, 2014, the Commission partially vacated the Initial Determination and remanded a part of the case including the investigation against MTK for further proceedings. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

Also on September 3, 2013, Optical Devices filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiary MediaTek USA Inc., alleging that MTK's optical disc drive chips infringe the above referenced patent. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

E. Vantage Point Technology, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against MediaTek USA Inc. on November 21, 2013, alleging infringement of United States Patent Nos. 5,463,750 and 6,374,329. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

F. Bandspeed Inc. filed a complaint in the United States District Court for the Western District of Texas against MTK, subsidiary MediaTek USA Inc. and other defendants on May 9, 2014, alleging infringement of United States Patent Nos. 7,027,418, 7,570,614, 7,477,624, 7,903,608 and 8,542,643. On October 17, 2014, the court granted the parties joint stipulation to dismiss the claims against MTK, all other claims against other parties including those against subsidiary MediaTek USA Inc. remain pending. On February 13, 2015, the court granted Bandspeed's motion for leave to file a First Amended Complaint to add United States Patent No. 8,873,500 to the case.The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

G. Adaptive Data LLC ("Adaptive Data") filed a complaint in the United States District Court for the District of Delaware against subsidiary MediaTek USA Inc. on December 31, 2014, alleging infringement of United States Patent Nos. 6,108,347 and 6,243,391 by the Bluetooth chips of subsidiary MediaTek USA Inc. and seeking damages. This case has been settled and Adaptive Data voluntarily dismissed the case on February 19, 2015.

H. Luciano F. Paone filed a complaint in the United States District Court for the Eastern District of New York against subsidiary MediaTek USA Inc. on February 9, 2015, alleging infringement of United States Patent No. 6,259,789. The operations of MTK and subsidiary MediaTek USA Inc. would not be materially affected by this case.

I. Innovatio IP Ventures, LLC ("Innovatio") filed a complaint in the United States District Court for the Northern District of Illinois against subsidiary MediaTek USA Inc. on March 16, 2015, alleging infringement of United States Patent Nos. 6,697,415, 5,844,893, 5,740,366, 7,916,747, 6,665,536, 7,013,138, 7,107,052, 5,546,397, 7,710,907, 7,710,935, 6,714,559, 7,457,646 and 6,374,311. The operations of MTK and subsidiary MediaTek USA Inc. would 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

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

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2014	December 31, 2013
Financial assets at fair value through profit or loss:		
Held for trading financial assets	$ 10,990	$ 8,894
Financial assets designated upon initial recognition at fair value through profit or loss	7,577,020	3,601,903
Subtotal	7,588,010	3,610,797
Available-for-sale financial assets	12,469,333	7,913,475
Financial assets measured at cost	3,782,384	2,061,563
Held-to-maturity financial assets	416,165	891,510
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand and petty cash)	192,794,981	132,996,624
Bond investments for which no active market exists	1,087,092	114,042
Trade receivables	13,552,399	7,627,591
Other receivables	5,296,078	3,652,885
Subtotal	211,730,550	144,391,142
Total	$ 235,986,442	$ 158,868,487

Financial liabilities

	December 31, 2014	December 31, 2013
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	$ 50,393	$ 26,017
Financial liabilities at amortized cost:		
Short-term borrowings	46,160,593	29,051,500
Trade payables (including related parties)	14,605,160	10,944,174
Other payables	32,766,959	16,835,299
Long-term payables (including current portion)	91,982	116,805
Subtotal	93,624,694	56,947,778
Total	$ 93,675,087	$ 56,973,795

B. Fair values of financial instruments

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

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, trade receivables, other receivables, short-term borrowings, trade payables (including related parties), and other payables approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

(c) 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.

(d) 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

Other than those listed in the table below, the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value:

	Carrying amount as of	
	December 31, 2014	December 31, 2013
Financial assets		
Held-to-maturity financial assets		
Bonds	$ 416,165	$ 891,510

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

	Fair value as of	
	December 31, 2014	December 31, 2013
Financial assets		
Held-to-maturity financial assets		
Bonds	$ 410,093	$ 912,021

c. Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$ 9,057	$ -	$ -	$ 9,057
Bonds	-	-	63,199	63,199
Derivative financial instruments	-	1,933	-	1,933
Linked deposits	-	5,821,693	1,692,128	7,513,821
Available-for-sale financial assets				
Depositary receipts	28,010	-	-	28,010
Stocks	5,308,419	-	-	5,308,419
Bonds	1,601,108	-	216,868	1,817,976
Funds	4,844,578	-	470,350	5,314,928
Total	$ 11,791,172	$ 5,823,626	$ 2,442,545	$ 20,057,343
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 50,393	$ -	$ 50,393

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

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$ 546,109	$ -	$ 59,583	$ 605,692
Derivative financial instruments	-	8,894	-	8,894
Linked deposits	-	1,912,174	1,084,037	2,996,211
Available-for-sale financial assets				
Depositary receipts	22,577	-	-	22,577
Stocks	1,746,775	-	-	1,746,775
Bonds	1,536,906	-	198,395	1,735,301
Funds	4,408,822	-	-	4,408,822
Total	$ 8,261,189	$ 1,921,068	$ 1,342,015	$ 11,524,272
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 26,017	$ -	$ 26,017

For the years ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2.

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

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		
	Bonds	Linked deposits	Bonds	Funds	Total
As of January 1, 2014	$ 59,583	$ 1,084,037	$ 198,395	$ -	$ 1,342,015
Amount recognized in profit or loss	3,616	39,074	-	-	42,690
Amount recognized in OCI	-	-	18,473	-	18,473
Acquisitions	-	1,177,176	-	864,013	2,041,189
Settlements	-	(608,159)	-	(393,663)	(1,001,822)
As of December 31, 2014	$ 63,199	$ 1,692,128	$ 216,868	$ 470,350	$ 2,442,545

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

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		
	Bonds	Linked deposits	Bonds	Funds	Total
As of January 1, 2013	$ -	$ $317,597	$ 176,781	$ -	$ 494,378
Amount recognized in profit or loss	(315)	(4,986)	-	-	(5,301)
Amount recognized in OCI	-	-	21,614	-	21,614
Acquisitions	59,898	1,483,150	-	-	1,543,048
Settlements	-	(711,724)	-	-	(711,724)
As of December 31, 2013	$ 59,583	$ 1,084,037	$ 198,395	$ -	$ 1,342,015

Total profits or losses recognized for the years ended December 31, 2014 and 2013 contained profits related to bonds, funds and linked deposits on hand as of December 31, 2014 and 2013 in the amount of NT$38,684 thousand and NT$387 thousand, respectively.

C. Derivative financial instruments

The Company's derivative financial instruments held for trading were 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 forward exchange contracts:

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of December 31, 2014	TWD to USD	Sell USD105,000	February 2015
As of December 31, 2014	CNY to USD	Sell USD1,500	March 2015
As of December 31, 2014	TWD to USD	Sell USD75,000	January 2015
As of December 31, 2013	TWD to USD	Sell USD200,000	January 2014

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

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 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 variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

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

The Company reviews its assets and liabilities denominated in foreign currency and enters into forward exchange contracts to hedge the exposure from exchange rate fluctuations. The level of hedging depends on the foreign currency requirements from each operating unit. As the purpose of holding forward exchange contracts are 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 1 cent, the profit for the years ended December 31, 2014 and 2013 decreases/increases by NT$1,790 thousand and NT$1,399 thousand, while equity decreases/increases by NT$23,766 thousand and NT$18,669 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 loans and receivables at variable interest rates, 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 market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2014 and 2013 to increase/decrease by NT$1,198 thousand and NT$2,570 thousand, respectively.

c. Other price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under available-for-sale financial assets (including financial assets measured at cost). 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 equity securities classified under available-for-sale could only impact the Company's equity and cause the other comprehensive income for the years ended December 31, 2014 and 2013 to increase/decrease by NT$101,810 thousand and NT$61,781 thousand, respectively.

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.

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

As of December 31, 2014 and 2013, receivables from top ten customers represented 59.92% and 65.45% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

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

C. Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Borrowings	$ 46,198,425	$ -	$ 46,198,425
Trade payables (including related parties)	14,605,160	-	14,605,160
Other payables	32,751,115	-	32,751,115
Long-term payables	38,062	53,920	91,982
Total	$ 93,592,762	$ 53,920	$ 93,646,682

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

	Less than 1 year	1 to 5 years	Total
As of December 31, 2013			
Borrowings	$ 29,094,447	$ -	$ 29,094,447
Trade payables (including related parties)	10,944,174	-	10,944,174
Other payables	16,812,303	-	16,812,303
Long-term payables	29,950	86,855	116,805
Total	$ 56,880,874	$ 86,855	$ 56,967,729

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Gross settlement			
Forward exchange contracts			
Inflow	$ 1,947,181	$ -	$ 1,947,181
Outflow	(1,950,657)	-	(1,950,657)
Net	(3,476)	-	(3,476)
Net settlement			
Forward exchange contracts	(48,000)	-	(48,000)
Total	$ (51,476)	$ -	$ (51,476)

	Less than 1 year	1 to 5 years	Total
As of December 31, 2013			
Gross settlement			
Forward exchange contracts			
Inflow	$ 590,400	$ -	$ 590,400
Outflow	(599,000)	-	(599,000)
Net	(8,600)	-	(8,600)
Net settlement			
Forward exchange contracts	(25,930)	-	(25,930)
Total	$ (34,530)	$ -	$ (34,530)

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

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

(3) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2014		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$ 4,270,165	31.718	$ 135,441,097
CNY	$ 385,235	5.113	$ 1,969,519
Non-monetary item:			
USD	$ 551,121	31.718	$ 17,480,448
CNY	$ 238,133	5.113	$ 1,217,458
Financial liabilities			
Monetary item:			
USD	$ 2,265,729	31.718	$ 71,864,391
CNY	$ 361,150	5.113	$ 1,846,383

	December 31, 2013		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$ 3,222,505	29.950	$ 96,514,018
CNY	$ 3,000	4.947	$ 14,841
Non-monetary item:			
USD	$ 312,787	29.950	$ 9,367,985
CNY	$ 58,203	4.947	$ 287,924
Financial liabilities			
Monetary item:			
USD	$ 1,528,514	29.950	$ 45,778,992

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

(4) Capital management

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

13. Segment Information

(1) General information

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

(2) Geographical information

a. Sales to other than consolidated entities

	For the years ended December 31	
	2014	2013
Taiwan	$ 8,839,280	$ 8,690,900
Asia	190,829,061	126,687,863
Others	13,394,575	677,191
Total	$ 213,062,916	$ 136,055,954

Sales are presented by customers' country.

b. Non-current assets

	December 31, 2014	December 31, 2013
Taiwan	$ 73,073,752	$ $22,226,180
Asia	11,016,882	3,757,147
Others	81,667	956,468
Total	$ 84,172,301	$ $26,939,795

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

(3) Major customers

Sales to customers representing over 10% of the Company's consolidated net sales are as follows:

	For the years ended December 31			
	2014		2013	
Customers	Amounts	%	Amounts	%
A	$ 18,549,737	8.71	$ 20,855,656	15.33
B	14,347,576	6.73	14,004,694	10.29
Total	$ 32,897,313	15.44	$ 34,860,350	25.62

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 THEN ENDED DECEMBER 31, 2014 AND 2013

EY 安永
Building a better working world

安永聯合會計師事務所
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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of MediaTek Inc.

We have audited the accompanying parent company only balance sheets of MediaTek Inc. as of December 31, 2014 and 2013 and the related parent company only statements of comprehensive income, parent company only changes in equity, and parent company only cash flows for the years then ended December 31, 2014 and 2013. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of MediaTek Inc. as of December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended December 31, 2014 and 2013 in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Ernst & Young

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 19, 2015
Taipei, Taiwan
Republic of China

Notice to Readers

The reader is advised that these parent company only 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.

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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2014 and 2013

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2014	%	December 31, 2013	%
Current assets					
Cash and cash equivalents	4, 6(1)	$ 127,448,149	40	$ 53,710,940	23
Financial assets at fair value through profit or loss-current	4, 5, 6(2)	297,143	-	57,473	-
Available-for-sale financial assets-current	4, 5, 6(3)	2,260,284	1	2,342,414	1
Bond investments for which no active market exists-current	4, 6(4), 8	308,133	-	112,021	-
Trade receivables, net	4, 5, 6(5)	3,775,223	1	4,113,848	2
Trade receivables from related parties, net	4, 6(5), 7	179,720	-	160,054	-
Other receivables	6(5), 7	5,104,465	2	3,189,179	2
Inventories, net	4, 5, 6(6)	7,904,602	3	5,748,634	3
Prepayments		1,295,742	-	905,256	-
Other current assets		693,541	-	367,827	-
Total current assets		149,267,002	47	70,707,646	31
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 5, 6(2)	795,503	-	260,334	-
Available-for-sale financial assets-noncurrent	4, 5, 6(3)	2,432,403	1	2,067,800	1
Investments accounted for using the equity method	4, 6(7)	126,428,254	40	142,644,666	62
Property, plant and equipment	4, 6(8)	9,177,068	3	6,331,668	3
Intangible assets	4, 6(9), 6(10), 6(22)	28,740,924	9	7,242,842	3
Deferred tax assets	4, 5, 6(20)	2,400,152	-	1,148,644	-
Refundable deposits		29,639	-	68,341	-
Total non-current assets		170,003,943	53	159,764,295	69
Total assets		$ 319,270,945	100	$ 230,471,941	100

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2014 and 2013

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2014	%	December 31, 2013	%
Current liabilities					
Short-term borrowings	6(11)	$ 30,290,690	10	$ 8,985,000	4
Financial liabilities at fair value through profit or loss-current	4, 5, 6(2)	2,595	-	26,017	-
Trade payables		6,751,833	2	6,822,620	3
Trade payables to related parties	7	419,512	-	433,716	-
Other payables		26,714,011	8	13,545,923	6
Current tax liabilities	4, 5, 6(20)	5,507,246	2	2,755,934	1
Other current liabilities		704,447	-	1,061,452	1
Current portion of long-term liabilities		38,062	-	-	-
Total current liabilities		70,428,396	22	33,630,662	15
Non-current liabilities					
Long-term payables		53,920	-	-	-
Accrued pension liabilities	4, 6(12)	949,930	1	608,694	-
Deposits received	7	50,374	-	47,298	-
Deferred tax liabilities	4, 5, 6(20)	620,177	-	870,081	-
Total non-current liabilities		1,674,401	1	1,526,073	-
Total liabilities		72,102,797	23	35,156,735	15
Equity					
Share capital	6(13)				
Common stock		15,714,455	5	13,494,667	6
Capital collected in advance		467	-	2,473	-
Capital surplus	4,6(13), 6(14)	88,047,914	27	68,474,910	30
Retained earnings	6(13)				
Legal reserve		27,392,687	9	24,641,182	11
Special reserve		895,749	-	5,072,425	2
Undistributed earnings		108,566,733	34	84,581,268	36
Other equity	6(13)	6,606,113	2	(895,749)	-
Treasury shares	4, 6(13)	(55,970)	-	(55,970)	-
Total equity		247,168,148	77	195,315,206	85
Total liabilities and equity		$ 319,270,945	100	$ 230,471,941	100

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

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2014 and 2013

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

Description	Notes	2014	%	2013	%
Net sales	4, 5, 6(15), 7	$ 136,265,018	100	$ 96,230,064	100
Operating costs	4, 5, 6(6), 6(16), 7	(67,990,658)	(50)	(54,894,385)	(57)
Gross profit		68,274,360	50	41,335,679	43
Realized (unrealized) gross profit on sales		59,028	-	(59,028)	-
Gross profit, net		68,333,388	50	41,276,651	43
Operating expenses	6(16), 7				
Selling expenses		(4,761,200)	(3)	(3,476,394)	(4)
Administrative expenses		(3,003,315)	(2)	(1,998,501)	(2)
Research and development expenses		(26,701,696)	(20)	(16,989,264)	(18)
Total operating expenses		(34,466,211)	(25)	(22,464,159)	(24)
Operating income		33,867,177	25	18,812,492	19
Non-operating income and expenses					
Other income	4, 6(17), 7	1,201,272	1	593,595	1
Other gains and losses	4, 6(18)	909,759	1	243,961	-
Finance costs	6(19)	(170,523)	-	(20,981)	-
Share of profit of subsidiaries and associates accounted for using the equity method	4, 6(7)	14,292,618	10	9,578,438	10
Total non-operating income and expenses		16,233,126	12	10,395,013	11
Net income before income tax		50,100,303	37	29,207,505	30
Income tax expense	4, 5, 6(20)	(3,702,411)	(3)	(1,692,453)	(1)
Net income		46,397,892	34	27,515,052	29
Other comprehensive income	4, 6(7), 6(12), 6(13), 6(20)				
Exchange differences resulting from translating the financial statements of foreign operations		6,645,482	5	1,813,956	2
Unrealized gains from available-for-sale financial assets		(263,561)	-	313,902	-
Actuarial losses on defined benefit plans		(331,755)	-	(55,167)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method		1,123,022	-	2,172,890	2
Income tax relating to components of other comprehensive income		56,399	-	-	-
Other comprehensive income, net of tax		7,229,587	5	4,245,581	4
Total comprehensive income		$ 53,627,479	39	$ 31,760,633	33
Basic Earnings Per Share (in New Taiwan Dollars)	6(21)	$ 30.04		$ 20.51	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(21)	$ 29.96		$ 20.42	

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

Chairman : Ming-Kai Tsai　　President : Ching-Jiang Hsieh　　Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013

(Amounts in thousands of New Taiwan Dollars)

Description	Share capital		Capital surplus	Retained earnings			Other equity		Treasury shares	Total equity
	Common stock	Capital collected in advance		Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets		
Balance as of January 1, 2013	$ 13,493,702	$ 102	$ 79,672,498	$ 23,072,429	$ 2,210,312	$ 62,213,816	$ (5,762,485)	$ 579,111	$ (55,970)	$ 175,423,515
Appropriation and distribution of 2012 earnings:										
Legal reserve	-	-	-	1,568,753	-	(1,568,753)	-	-	-	-
Special reserve	-	-	-	-	2,862,113	(2,862,113)	-	-	-	-
Cash dividends	-	-	-	-	-	(674,690)	-	-	-	(674,690)
Cash distributed from capital surplus	-	-	(11,469,734)	-	-	-	-	-	-	(11,469,734)
Total	-	-	(11,469,734)	1,568,753	2,862,113	(5,105,556)	-	-	-	(12,144,424)
Profit for the year ended December 31, 2013	-	-	-	-	-	27,515,052	-	-	-	27,515,052
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	(42,044)	3,357,844	929,781	-	4,245,581
Total comprehensive income	-	-	-	-	-	27,473,008	3,357,844	929,781	-	31,760,633
Share-based payment transactions	965	2,371	75,799	-	-	-	-	-	-	79,135
Adjustments due to dividends that subsidiaries received from parent company	-	-	70,145	-	-	-	-	-	-	70,145
Changes in ownership interests in subsidiaries	-	-	10,546	-	-	-	-	-	-	10,546
Changes in other capital surplus	-	-	115,656	-	-	-	-	-	-	115,656
Balance as of Dcecember 31, 2013	13,494,667	2,473	68,474,910	24,641,182	5,072,425	84,581,268	(2,404,641)	1,508,892	(55,970)	195,315,206
Appropriation and distribution of 2013 earnings:										
Legal reserve	-	-	-	2,751,505	-	(2,751,505)	-	-	-	-
Special reserve	-	-	-	-	(4,176,676)	4,176,676	-	-	-	-
Cash dividends	-	-	-	-	-	(23,565,323)	-	-	-	(23,565,323)
Total	-	-	-	2,751,505	(4,176,676)	(22,140,152)	-	-	-	(23,565,323)
Profit for the year ended Dcecember 31, 2014	-	-	-	-	-	46,397,892	-	-	-	46,397,892
Other comprehensive income for the year ended Dcecember 31, 2014	-	-	-	-	-	(272,275)	6,622,933	878,929	-	7,229,587
Total comprehensive income	-	-	-	-	-	46,125,617	6,622,933	878,929	-	53,627,479
Share-based payment transactions	8,549	(2,006)	63,935	-	-	-	-	-	-	70,478
Shares issued to acquire a new entity	2,211,239	-	18,957,141	-	-	-	-	-	-	21,168,380
Adjustments due to dividends that subsidiaries received from parent company	-	-	116,911	-	-	-	-	-	-	116,911
Changes in ownership interests in subsidiaries	-	-	203,151	-	-	-	-	-	-	203,151
Changes in other capital surplus	-	-	231,866	-	-	-	-	-	-	231,866
Balance as of Dcecember 31, 2014	$ 15,714,455	$ 467	$ 88,047,914	$ 27,392,687	$ 895,749	$ 108,566,733	$ 4,218,292	$ 2,387,821	$ (55,970)	$ 247,168,148

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended Dcecember 31, 2014 and 2013

(Amounts in thousands of New Taiwan Dollars)

Description	2014	2013
Cash flows from operating activities :		
Profit before tax from continuing operations	$ 50,100,303	$ 29,207,505
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	695,186	576,119
Amortization	348,171	117,935
Bad debt provision	23,440	24,411
Loss (gain) on financial assets and liabilities at fair value through profit or loss	(20,996)	15,227
Interest expenses	170,523	20,981
Interest income	(1,024,947)	(397,445)
Dividend income	(62,698)	(48,197)
Share of profit of subsidiaries and associates accounted for using the equity method	(14,292,618)	(9,578,438)
Losses on disposal of property, plant and equipment	210	445
(Gain) loss on disposal of investments	(10,086)	16,113
(Realized) unrealized gross profit on sales	(59,028)	59,028
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(777,265)	(259,369)
Trade receivables	1,480,522	(1,193,071)
Trade receivables from related parties	(17,415)	(128,342)
Other receivables	(702,890)	1,400,619
Inventories	(997,343)	4,840,600
Prepayments	(390,209)	(575,987)
Other current assets	(288,644)	28,054
Trade payables	(827,555)	272,542
Trade payables to related parties	(45,787)	317,324
Other payables	9,517,526	3,008,653
Other current liabilities	(363,010)	496,406
Long-term payables	(19,379)	-
Accrued pension liabilities	12,143	8,284
Cash generated from operating activities		
Interest received	936,802	404,316
Dividend received	30,384,445	3,247,709
Interest paid	(170,009)	(12,240)
Income tax paid	(2,410,073)	(810,949)
Net cash provided by operating activities	71,189,319	31,058,233
Cash flows from investing activities :		
Acquisition of available-for-sale financial assets	(546,034)	-
Proceeds from disposal of available-for-sale financial assets	-	499,551
Acquisition of bond investments for which no active market exists	(489,037)	(37)
Acquisition of investments accounted for using the equity method	(278,494)	-
Proceeds from disposal of bond investments for which no active market exists	294,279	-
Proceeds of cash due to merger transaction	8,171,812	-
Acquisition of property, plant and equipment	(2,191,476)	(639,516)
Proceeds from disposal of property, plant and equipment	-	7,456
Decrease in refundable deposits	39,315	41,257
Acquisition of intangible assets	(418,613)	(318,355)
Net cash provided by (used in) investing activities	4,581,752	(409,644)
Cash flows from financing activities :		
Increase in short-term borrowings	21,305,690	6,805,850
Increase in deposits received	2,768	17,719
Proceeds from exercise of employee stock options	223,003	94,732
Cash dividends	(23,565,323)	(12,144,424)
Net cash used in financing activities	(2,033,862)	(5,226,123)
Net increase in cash and cash equivalents	73,737,209	25,422,466
Cash and cash equivalents at the beginning of the period	53,710,940	28,288,474
Cash and cash equivalents at the end of the period	$ 127,448,149	$ 53,710,940

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

Chairman : Ming-Kai Tsai President : Ching-Jiang Hsieh Chief Financial Officer : David Ku

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

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

1. Organization and Operation

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

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

The parent company only financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 19, 2015.

3. Newly Issued or Revised Standards and Interpretations

(1) Standards or interpretations issued, revised or amended, which recognized by Financial Supervisory Commission ("FSC") and effective for annual periods beginning on or after January 1, 2015, but not yet adopted by the Company at the date of issuance of the Company's financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
Improvements to International Financial Reporting Standards (issued in 2010)		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2011
IFRS 3	"Business Combinations"	July 1, 2010
IFRS 7	"Financial Instruments: Disclosures"	January 1, 2011
IAS 1	"Presentation of Financial Statements"	January 1, 2011
IAS 34	"Interim Financial Reporting"	January 1, 2011
IFRIC 13	"Customer Loyalty Programmes"	January 1, 2011
IFRS 7	Limited Exemption from Comparative Disclosures for First-time Adopters (Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards")	July 1, 2010

(To be continued)

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

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Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter	July 1, 2011
IFRS 7	"Financial Instruments: Disclosures" (Amendment)	July 1, 2011
IAS 12	"Income Taxes" (Amendment) - Deferred Taxes: Recovery of Underlying Assets	January 1, 2012
IFRS 10	"Consolidated Financial Statements"	January 1, 2013
IFRS 11	"Joint Arrangements"	January 1, 2013
IFRS 12	"Disclosures of Interests in Other Entities"	January 1, 2013
IFRS 13	"Fair Value Measurement"	January 1, 2013
IAS 1	"Presentation of Financial Statements" (Amendment) - Presentation of Items of Other Comprehensive Income	July 1, 2012
IAS 19	"Employee Benefits" (Revision)	January 1, 2013
IFRS 1	"First-time Adoption of International Financial Reporting Standards" - Government Loans	January 1, 2013
IFRS 7	"Financial Instruments: Disclosures" (Amendment) - Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IAS 32	"Financial Instruments: Presentation" (Amendment) - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013
Improvements to International Financial Reporting Standards (2009-2011 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	January 1, 2013
IAS 1	"Presentation of Financial Statements"	January 1, 2013
IAS 16	"Property, Plant and Equipment"	January 1, 2013
IAS 32	"Financial Instruments: Presentation"	January 1, 2013

(To be continued)

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

(Continued)

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 34	"Interim Financial Reporting"	January 1, 2013
IFRS 10	"Consolidated Financial Statements" (Amendment)	January 1, 2014

A. Improvements to International Financial Reporting Standards (issued in 2010):

a. IFRS 7 "Financial Instruments: Disclosures"

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

b. IAS 1 "Presentation of Financial Statements"

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

c. IAS 34 "Interim Financial Reporting"

The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore, the amendment adds disclosure requirements of financial instruments and contingent liabilities/assets.

B. IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated.

C. IFRS 12 "Disclosures of Interests in Other Entities"

IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

D. IFRS 13 “Fair Value Measurement”

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosures required.

E. IAS 1 “Presentation of Financial Statements” (Amendment) - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified.

F. IAS 19 “Employee Benefits” (Revision)

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in other comprehensive income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, etc.

G. Improvements to International Financial Reporting Standards (2009-2011 cycle):

IAS 1 “Presentation of Financial Statements”

The amendment clarifies (1) the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. (2) An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. (3) The opening statement of financial position (known as ’the third balance sheet’) must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet.

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

IAS 34 "Interim Financial Reporting"

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 "Operating Segments". Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

The abovementioned standards and interpretations issued by IASB and have been recognized by FSC are effective for annual periods beginning on or after January 1, 2015. The Company has evaluated their impact to the Company's financial position and performance and determined that there is no material impact. The Company will make necessary disclosures in accordance with the abovementioned standards and interpretations.

(2) Standards or Interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Company's financial statements are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 36	"Impairment of Assets" (Amendment)	January 1, 2014
IFRIC 21	"Levies"	January 1, 2014
IAS 39	"Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IAS 19	"Employee Benefits" (Amendment) - Defined benefit plans: employee contributions	July 1, 2014
Improvements to International Financial Reporting Standards (2010-2012 cycle):		
IFRS 2	"Share-based Payment"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 8	"Operating Segments"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014
IAS 16	"Property, Plant and Equipment"	July 1, 2014
IAS 24	"Related Party Disclosures"	July 1, 2014
IAS 38	"Intangible Assets"	July 1, 2014
Improvements to International Financial Reporting Standards (2011-2013 cycle):		
IFRS 1	"First-time Adoption of International Financial Reporting Standards"	July 1, 2014
IFRS 3	"Business Combinations"	July 1, 2014
IFRS 13	"Fair Value Measurement"	July 1, 2014

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

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Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IAS 40	"Investment Property"	July 1, 2014
IFRS 14	"Regulatory Deferral Accounts"	January 1, 2016
IFRS 11	"Joint Arrangements"- Joint operation (Amendment)	January 1, 2016
IAS 16 and IAS 38	"Property, Plant and Equipment" and "Intangible Assets" (Amendment) - Clarification of Acceptable Methods of Depreciation and Amortization.	January 1, 2016
IFRS 15	"Revenue from Contracts with Customers"	January 1, 2017
IAS 16 and IAS 41	"Agriculture: Bearer Plants" (Amendment)	January 1, 2016
IFRS 9	"Financial Instruments"	January 1, 2018
IAS 27	"Separate Financial Statements" - Equity Method in Separate Financial Statements (Amendment)	January 1, 2016
IFRS 10 and IAS 28	"Consolidated Financial Statements" and "Investments in Associates and Joint Ventures" (Amendment) - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	January 1, 2016
Improvements to International Financial Reporting Standards (2012-2014 cycle):		
IFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"	January 1, 2016
IFRS 7	"Financial Instruments: Disclosures"	January 1, 2016
IAS 19	"Employee Benefits"	January 1, 2016
IAS 34	"Interim Financial Reporting"	January 1, 2016
IAS 1	"Presentation of Financial Statements"- Diclosure Initiative	January 1, 2016
IFRS 10, IFRS 12 and IAS 28	"Investment Entities"- Applying the Consolidation Exception	January 1, 2016

A. IAS 36 "Impairment of Assets" (Amendment)

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

B. Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 8 "Operating Segments"

The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

C. Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

D. IFRS 15 "Revenue from Contracts with Customers"

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

E. IFRS 9 "Financial Instruments"

The IASB has issued the final version of IFRS 9, which combines classification and measurement, impairment and hedge accounting. The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9 "Financial Instruments" (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

F. IAS 1 "Presentation of Financial Statements"

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

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

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
B. Foreign currency items within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

Translation of financial statements in foreign currency

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

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

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

Current and non-current distinction

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

B. The Company holds the asset primarily for the purpose of trading
C. The Company expects to realize the asset within twelve months after the reporting period
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid 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 IAS 39 "Financial Instruments: Recognition and Measurement" are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets
All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

a. Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in short term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or

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

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

b. Available-for-sale financial assets

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

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

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

c. Held-to-maturity financial assets

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

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

d. Loans and receivables

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

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

e. Impairment of financial assets

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

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

Other loss events include:

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

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

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

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

f. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired

(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred

(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

B. 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 IAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition 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 short 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 contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

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

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

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

(b) Financial liabilities at amortized cost

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

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

(c) Derecognition of financial liabilities

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

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

D. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Derivative financial instrument

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

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Inventories

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.

Investments accounted for using the equity method

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

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

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

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

The financial statements of the associate 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 is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate 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 recognized 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.

Leases

A. The Company as a lessee

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

B. The Company as a lessor

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

Intangible assets

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

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

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

Patents	Software	IPs and others
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.

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.

Revenue recognition

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

A. Sale of goods

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

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

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

B. Interest income

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

C. Dividends

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

Post-employment benefits

All regular employees of 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. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Share-based payment transactions

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it 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 is substituted 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.

Income taxes

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

A. Current income tax

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

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

B. Deferred tax

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

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

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Interim period income tax expense is estimated using the tax rate that would be applicable to expected total annual earnings, that is, calculated by the pre-tax income of the interim period multiply by the estimated average annual effective income tax rate.

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and assumptions

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

A. Fair value of 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

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 horizon.

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.

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

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

D. Revenue recognition - sales returns and discounts
The Company estimates sales returns and discounts based on historical experience and other known factors at the time of sale, which reduces the sales. The management periodically reviews the adequacy of the estimation used.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Checking and savings accounts	$ 16,685,470	$ 6,455,890
Time deposits	110,762,679	47,255,050
Total	$ 127,448,149	$ 53,710,940

Time deposits include deposits whose maturities are under 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
Financial assets designated upon initial recognition at fair value through profit or loss:

	December 31, 2014	December 31, 2013
Current		
Credit-linked deposits	$ 295,272	$ 50,053
Noncurrent		
Credit-linked deposits	795,503	225,334
Convertible bonds	-	35,000
Subtotal	795,503	260,334
Total	$ 1,090,775	$ 310,387

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

Financial assets and financial liabilities held for trading:

	December 31, 2014	December 31, 2013
Current assets		
Forward exchange contracts	$ 1,871	$ 7,420
Current liabilities		
Forward exchange contracts	$ 2,595	$ 26,017

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

(3) Available-for-sale financial assets

	December 31, 2014	December 31, 2013
Current		
Funds	$ 1,599,691	$ 1,570,378
Stocks	632,583	749,459
Depositary receipts	28,010	22,577
Subtotal	2,260,284	2,342,414
Noncurrent		
Funds	2,432,403	2,067,800
Total	$ 4,692,687	$ 4,410,214

Available-for-sale financial assets were not pledged.

(4) Bond investments for which no active market exists

	December 31, 2014	December 31, 2013
Current		
Bonds	$ 297,924	$ -
Time deposits	10,209	112,021
Total	$ 308,133	$ 112,021

Please refer to Note 8 for more details on bond investments for which no active market exists under pledge.

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

(5) Trade receivables and trade receivables from related parties

	December 31, 2014	December 31, 2013
Trade receivables	$ 9,065,554	$ 9,856,716
Less: allowance for doubtful debts	(87,376)	(52,002)
Less: allowance for sales returns and discounts	(5,202,955)	(5,690,866)
Subtotal	3,775,223	4,113,848
Trade receivables from related parties	179,720	160,054
Less: allowance for doubtful debts	-	-
Subtotal	179,720	160,054
Total	$ 3,954,943	$ 4,273,902

Trade receivables were not pledged.

Trade receivables are generally on 45-60 day terms. The movements in the provision for impairment of trade receivables and trade receivables from related parties are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2014	$ -	$ 52,002	$ 52,002
Charge for the current period	-	23,440	23,440
Effect of acquisition of subsidiaries	-	11,934	11,934
As of December 31, 2014	$ -	$ 87,376	$ 87,376

	Individually impaired	Collectively impaired	Total
As of January 1, 2013	$ -	$ 27,591	$ 27,591
Charge for the current period	-	24,411	24,411
As of December 31, 2013	$ -	$ 52,002	$ 52,002

Aging analysis of trade receivables and trade receivables from related parties that were past due as of the end of the reporting period but not impaired is as follows:

		Past due but not impaired		
As of	Neither past due nor impaired	1 to 90 days	More than 91 days	Total
December 31, 2014	$ 3,331,654	$ 623,289	$ -	$ 3,954,943
December 31, 2013	$ 4,065,877	$ 208,025	$ -	$ 4,273,902

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

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. The Company has not withdrawn cash entitled by the factoring agreements from banks as of December 31, 2014 and 2013. Receivables from banks due to factoring agreement were NT$1,372,808 thousand, and NT$1,614,185 thousand, respectively.

As of December 31, 2014 and 2013 trade receivables derecognized were as follows:

(a) As of December 31, 2014:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 28,590	$ -	$ 28,590	$104,510
BNP Paribas	-	14,168	-	14,168	100,000
HSBC	-	340	-	340	800
TC Bank	-	183	-	183	1,500
Total		$ 43,281	$ -	$ 43,281	$206,810

(b) As of December 31, 2013:

The Factor (Transferee)	Interest rate	Trade receivables derecognized (US$'000)	Cash withdrawn (US$'000)	Unutilized (US$'000)	Credit line (US$'000)
Taishin International Bank	-	$ 34,028	$ -	$ 34,028	$ 148,434
BNP Paribas	-	19,868	-	19,868	100,000
Total		$ 53,896	$ -	$ 53,896	$ 248,434

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

(6) Inventories

	December 31, 2014	December 31, 2013
Raw materials	$ 499	$ -
Work in progress	7,581,174	5,150,525
Finished goods	6,686,483	3,481,697
Total	14,268,156	8,632,222
Less: allowance for inventory valuation losses	(6,363,554)	(2,883,588)
Net amount	$ 7,904,602	$ 5,748,634

For the years ended December 31, 2014 and 2013, the cost of inventories recognized in expenses amounted to NT$67,990,658 thousand and NT$54,894,385 thousand, including the write-down of inventories of NT$3,309,365 thousand and NT$1,446,162 thousand for the years ended December 31, 2014 and 2013.

No inventories were pledged.

(7) Investments accounted for using the equity method

	December 31, 2014		December 31, 2013	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
MediaTek Investment Singapore Pte. Ltd.	$ 62,748,583	100	$ -	-
MStar Semiconductor, Inc.	45,920,451	100	-	-
MediaTek Investment Corp.	-	-	59,647,522	100
Hsu-Ta Investment Corp.	7,577,187	100	3,300,464	100
Ralink Technology Corp.	-	-	15,167,519	100
MediaTek Singapore Pte. Ltd.	10,139,643	100	6,336,283	100
T-Rich Technology (Cayman) Corp.	42,390	100	-	-
Subtotal	126,428,254		84,451,788	
Investments in Associates:				
MStar Semiconductor, Inc. (Cayman)	-	-	58,192,878	48
Total	$ 126,428,254		$ 142,644,666	

A. The carrying amount of investments in the associates for which there were published price quotations amounted to NT$0 and NT$58,192,878 thousand, as of December 31, 2014 and 2013, respectively. The fair value of these investments were NT$0 and NT$88,178,143 thousand, as of December 31, 2014 and 2013, respectively.

The share of profit of subsidiaries and associates accounted for using the equity method amounted to NT$14,292,618 thousand and NT$9,578,438 thousand for the years ended December 31, 2014 and 2013, respectively. The share of other comprehensive income of subsidiaries and associates accounted for using the equity method amounted to NT$1,123,022 thousand and NT$2,172,890 thousand for the years ended December 31, 2014 and 2013, respectively.

In 2012, the Company totally acquired 254,115,685 shares (48% of MStar's outstanding shares) of MStar Semiconductor, Inc. (Cayman) ("MStar") through a tender offer. The price of the tender offer was 1 MStar share in exchange for 0.794 share of the Company's common stock plus NT$1 in cash. The Company aggregately issued 201,767,854 new shares and paid NT$254,116 thousand in cash for this tender offer. In January 2014, the Company obtained de facto control over MStar. Therefore MStar was included in the consolidation entities. In February 2014, the Company acquired the remaining 52% ownership of MStar by issuing 221,123,877 new shares and paying 278,494 thousand in cash. After that, MStar was delisted and dissolved. The 100% ownership of MediaTek Investment Singapore Pte. Ltd., which was previously owned by MStar, was therefore assumed by the Company. Please refer to Note 6. (24) of the consolidated financial statements for the year ended December 31, 2014 for more details on business combination.

For the purpose of reorganization, the 100% ownership of MStar Semiconductor, Inc. which was previously owend by MStar Semiconductor B.V. which was a subsidiary of MediaTek Investment Singapore Pte. Ltd. was transferred to the Company in November 2014.

For the purpose of reorganization, MediaTek Investment Corp. was dissolved due to the merger with MediaTek Investment Singapore Pte. Ltd. in April 2014.

For the purpose of reorganization, Ralink Technology Corp. was dissolved due to the merger with the Company in April 2014. The Company assumed 100% shares of T-Rich Technology (Cayman) Corp. and 11% shares of MediaTek USA Inc. which were previously owned by Ralink Technology Corp. Afterward, the Company transferred all shares of MediaTek USA Inc. to MTK Wireless Limited (UK) in April 2014.

No investment in the associate was pledged.

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

B. The following table summarizes financial information of the Company's investment in the associates:

	December 31, 2014	December 31, 2013
Total assets	$ -	$ 43,496,110
Total liabilities	$ -	$ 10,004,750

	For the years ended December 31	
	2014	2013
Revenue	$ -	$ 33,748,990
Profit	$ -	$ 4,213,680

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

(8) Property, plant and equipment

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2014	$ 888,722	$ 5,741,752	$ 57,536	$ 1,003,891	$ 2,266,119	$ 157,696	$ 485,558	$ 10,601,274
Additions-acquired separately	166,080	49,163	3,405	374,105	862,313	7,714	792,319	2,255,099
Additions-acquired by merger	385,146	834,540	-	14,141	30,425	22,215	-	1,286,467
Disposals	-	(11,000)	(49,350)	(69,493)	(72,480)	(10,066)	-	(212,389)
Transfers	-	530,508	-	31,969	(11,738)	(6,000)	(545,509)	(770)
As of December 31, 2014	$ 1,439,948	$ 7,144,963	$ 11,591	$ 1,354,613	$ 3,074,639	$ 171,559	$ 732,368	$ 13,929,681
As of January 1, 2013	$ 888,722	$ 5,752,531	$ 57,536	$ 895,247	$ 2,072,827	$ 158,006	$ 230,146	$ 10,055,015
Additions-acquired separately	-	2,311	-	142,831	218,200	420	272,209	635,971
Disposals	-	(11,858)	-	(35,463)	(39,396)	(730)	-	(87,447)
Transfers	-	(1,232)	-	1,276	14,488	-	(16,797)	(2,265)
As of December 31, 2013	$ 888,722	$ 5,741,752	$ 57,536	$ 1,003,891	$ 2,266,119	$ 157,696	$ 485,558	$ 10,601,274

MEDIATEK INC.

NOTES TO FINANCIAL STATEMENTS

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

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As of January 1, 2014	$ -	$ 1,681,377	$ 56,614	$ 711,135	$ 1,673,797	$ 146,683	$ -	$ 4,269,606
Depreciation	-	186,467	598	202,196	292,070	13,855	-	695,186
Disposals	-	(11,000)	(49,350)	(69,493)	(72,388)	(9,948)	-	(212,179)
As of December 31, 2014	$ -	$ 1,856,844	$ 7,862	$ 843,838	$ 1,893,479	$ 150,590	$ -	$ 4,752,613
As of January 1, 2013	$ -	$ 1,534,152	$ 56,397	$ 573,850	$ 1,475,195	$ 133,269	$ -	$ 3,772,863
Depreciation	-	154,075	217	171,070	236,613	14,144	-	576,119
Disposals	-	(6,733)	-	(33,785)	(38,298)	(730)	-	(79,546)
Transfers	-	(117)	-	-	287	-	-	170
As of December 31, 2013	$ -	$ 1,681,377	$ 56,614	$ 711,135	$ 1,673,797	$ 146,683	$ -	$ 4,269,606
Net carrying amount as of:								
December 31, 2014	$ 1,439,948	$ 5,288,119	$ 3,729	$ 510,775	$ 1,181,160	$ 20,969	$ 732,368	$ 9,177,068
December 31, 2013	$ 888,722	$ 4,060,375	$ 922	$ 292,756	$ 592,322	$ 11,013	$ 485,558	$ 6,331,668

Property, plant and equipment were not pledged.

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

(9) Intangible Asset

	Software	Patents, IPs and others	Goodwill	Total
Cost:				
As of January 1, 2014	$ 302,069	$ 788,346	$ 6,817,211	$ 7,907,626
Additions-acquired separately	111,335	307,278	-	418,613
Additions-acquired by merger	58	531,190	20,895,622	21,426,870
Disposals	(41,062)	-	-	(41,062)
Transfers	770	-	-	770
As of December 31, 2014	$ 373,170	$ 1,626,814	$ 27,712,833	$ 29,712,817
As of January 1, 2013	$ 615,623	$ 4,605,512	$ 6,817,211	$ 12,038,346
Additions-acquired separately	58,460	259,895	-	318,355
Disposals	(374,449)	(4,077,061)	-	(4,451,510)
Transfers	2,435	-	-	2,435
As of December 31, 2013	$ 302,069	$ 788,346	$ 6,817,211	$ 7,907,626
Amortization and impairment:				
As of January 1, 2014	$ 206,948	$ 457,836	$ -	$ 664,784
Amortization	97,900	250,271	-	348,171
Disposals	(41,062)	-	-	(41,062)
As of December 31, 2014	$ 263,786	$ 708,107	$ -	$ 971,893
As of January 1, 2013	$ 500,824	$ 4,497,535	$ -	$ 4,998,359
Amortization	80,573	37,362	-	117,935
Disposals	(374,449)	(4,077,061)	-	(4,451,510)
As of December 31, 2013	$ 206,948	$ 457,836	$ -	$ 664,784
Net carrying amount as of:				
December 31, 2014	$ 109,384	$ 918,707	$ 27,712,833	$ 28,740,924
December 31, 2013	$ 95,121	$ 330,510	$ 6,817,211	$ 7,242,842

(10) 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 the goodwill of NT$27,712,833 thousand.

Key assumptions used in value-in-use calculations

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

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

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

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

Growth rates of sales estimates - The growth rate 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.

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

(11) Short-term borrowings

	December 31, 2014	December 31, 2013
Unsecured bank loans	$ 30,290,690	$ 8,985,000
Interest rates	0.60-0.87%	0.80-0.95%
Unused lines of credits	$ 37,892,449	$ 3,951,750

(12) Post-employment benefits

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, 2014 and 2013 were NT$390,087 thousand and NT$290,083 thousand, respectively.

Defined benefit 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 summarization of defined benefits plan reflected in profit or loss is as follows:

	For the years ended December 31	
	2014	2013
Current service cost	$ 1,956	$ 4,764
Interest cost	13,510	8,956
Expected return on plan assets	(1,389)	(907)
Past service cost	-	-
Total	$ 14,077	$ 12,813

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

The cumulative amount of actuarial losses recognized in other comprehensive income is as follows:

	For the years ended December 31	
	2014	2013
As of January 1	$ 156,698	$ 101,531
Actuarial losses for the period	331,755	55,167
As of December 31	$ 488,453	$ 156,698

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	December 31, 2014	December 31, 2013
Defined benefit obligation at present value	$ 1,023,110	$ 657,786
Plan assets at fair value	(73,180)	(49,092)
Accrued pension liabilities recognized on the balance sheets	$ 949,930	$ 608,694

Changes in present value of the defined benefit obligation are as follows:

	For the years ended December 31	
	2014	2013
Defined benefit obligation as of January 1	$ 657,786	$ 597,086
Current service cost	1,956	4,764
Interest cost	13,510	8,956
Effect of merger with subsidiaries	17,699	-
Actuarial losses	332,159	54,912
Benefits paid	-	(7,932)
Defined benefit obligation as of December 31	$ 1,023,110	$ 657,786

Changes in fair value of plan assets are as follows:

	For the years ended December 31	
	2014	2013
Fair value of plan assets as of January 1	$ 49,092	$ 51,843
Expected return on plan assets	1,389	907
Contributions by employer	1,934	1,864
Effect of merger with subsidiaries	20,361	-
Benefits paid	-	(7,932)
Actuarial gains (losses)	404	(255)
Others	-	2,665
Fair value of plan assets as of December 31	$ 73,180	$ 49,092

The Company expects to contribute NT$24,032 thousand to its defined benefit plan for the year ended December 31, 2015.

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

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as of	
	December 31, 2014	December 31, 2013
Cash	21.10%	26.96%
Equity instruments	49.69%	44.77%
Debt instruments	26.38%	27.48%
Others	2.83%	0.79%

The Company's actual return on plan assets was NT$1,793 thousand and NT$652 thousand for the years ended December 31, 2014 and 2013.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

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

	December 31, 2014	December 31, 2013
Discount rate	2.25%	2.00%
Expected rate of return on plan assets	2.25%	2.00%
Expected rate of salary increases	4.50%	3.00%

A 0.5 percentage point change in discount rate on defined benefit obligation:

	For the years ended December 31			
	2014		2013	
	0.5% increase in discount rate	0.5% decrease in discount rate	0.5% increase in discount rate	0.5% decrease in discount rate
Effect on the aggregate service cost in next period	$ (258)	$ 291	$ (189)	$ 214
Effect on the defined benefit obligation	$ (109,637)	$ 124,103	$ (71,499)	$ 81,112

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

The Company has elected to disclose amounts required by paragraph 120A(p) of IAS 19 prospectively from the date of transition to TIFRS. The related account balances of defined benefit plan for the years ended 2014, 2013 and 2012 are as followings:

	For the years ended December 31		
	2014	2013	2012
Defined benefit obligation at present value as of December 31	$ 1,023,110	$ 657,786	$ 597,086
Plan assets at fair value as of December 31	(73,180)	(49,092)	(51,843)
Deficit in plan as of December 31	$ 949,930	$ 608,694	$ 545,243
Experience adjustments on plan liabilities	$ (50,075)	$ (35,542)	$ (16,434)
Experience adjustments on plan assets	$ 404	$ (255)	$ (433)

(13) Equity

A. Share capital

The Company's authorized capital as of December 31, 2014 and 2013 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$15,714,455 thousand and NT$13,494,667 thousand, divided into 1,571,445,544 shares and 1,349,466,701 shares, as of December 31, 2014 and 2013, respectively. Each share has one voting right and a right to receive dividends.

In February 2014, the Company acquired the remaining 52% ownership of MStar by issuing 221,123,877 shares, each at a par value of NT$10. The Company has successfully obtained relevant regulators approvals.

The Company totally issued 654,373 new shares and 333,580 new shares for the years ended December 31, 2014 and 2013, respectively, at par value of NT$10 for the employee stock options exercised. Furthermore, 46,700 shares (NT$467 thousand in the amount), and 247,293 shares (NT$2,473 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of December 31, 2014 and 2013, respectively.

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

B. Capital surplus

	December 31, 2014	December 31, 2013
Additional paid-in capital	$ 85,824,767	$ 66,585,671
Treasury share transactions	1,198,502	1,081,591
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	149,965	149,965
Changes in ownership interests in subsidiaries	215,280	12,129
Donated assets	1,261	1,260
From share of changes in net assets of associates	68,650	51,144
Employee stock options	465,777	401,842
Others	123,712	191,308
Total	$ 88,047,914	$ 68,474,910

According to the Company Law, 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, 2014 and 2013, the Company's shares held by the subsidiary, MediaTek Capital Corp., were NT$55,970 thousand, and the number of the Company's shares held were 7,794,085 shares. These shares held by MediaTek Capital Corp. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of December 31, 2014 and 2013, the Company did not hold any other treasury shares.

D. Retained earnings and dividend policy

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

a. Income tax obligation;
b. Offsetting accumulated deficits, if any;
c. Legal reserve at 10% of net income after tax; where such legal reserve amounts to the total authorized capital, this provision shall not apply.
d. Special reserve in compliance with the Company Law or the Securities and Exchange Law;
e. Remuneration for directors and supervisors to a maximum of 0.5% of the remaining current year's earnings after deducting item (a) through (d). Remuneration for directors and supervisors' services is limited to cash payments.
f. The remaining after all above appropriations and distributions, combining with undistributed earnings from prior years, shall be fully for shareholders' dividends and employees' bonuses and may be retained or distributed proportionally. The portion of employees' bonuses may not be less than 1% of total earnings resolved to distribute for shareholders' dividends and employees' bonuses. Employees' bonuses may be distributed in the form of shares or cash, or a combination of both. Employees' of the Company's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' stock bonuses.

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

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

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

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 in 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 special reserve based on difference between the amount already set aside and the total debit balances 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 amounts to nil.

During the years ended December 31, 2014 and 2013, the amounts of the employees' bonuses were estimated to be NT$579,974 thousand and NT$1,593,476 thousand, respectively. During the years ended December 31, 2014 and 2013, the amounts of remunerations to directors and supervisors were estimated to be NT$84,192 thousand and NT$56,784 thousand, respectively. The employees' bonuses were estimated based on a specific rate of net income for the years ended December 31, 2014 and 2013 (excluding the impact of employees' bonuses) while the remunerations to directors and supervisors were estimated based on the Company's Articles of Incorporation. Estimated amount of employees' bonuses and remunerations paid to directors and supervisors were charged to current income. If the resolution of shareholders' general meeting modifies the estimates significantly in the subsequent year, the Company shall recognize the change as an adjustment to income of next year. If stock bonuses are resolved for distribution to employees, 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 shareholders' meeting.

The appropriations of earnings for 2013 and 2012 were resolved by the board of directors' meeting on April 30, 2014 and May 10, 2013, while the appropriations of earnings for 2013 and 2012 were resolved by general shareholders' meeting on June 12, 2014 and June 21, 2013. The amounts resolved in the shareholders' general meeting were consistent with those determined by the board of directors.

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

	Appropriation of earnings		Dividend per share (NT$)	
	2013	2012	2013	2012
Legal reserve	$ 2,751,505	$ 1,568,753	-	-
Special reserve (reversal)	(4,176,676)	2,862,113	-	-
Cash dividends-common stock	23,565,323	674,690	$ 15.00	$ 0.50
Directors' and supervisors' remunerations	57,880	28,141	-	-
Employees' bonuses-cash	1,593,476	895,875	-	-
Total	$ 23,791,508	$ 6,029,572		

On May 10, 2013, the board of directors resolved a cash distribution of NT$9.0 per share (NT$12,144,424 thousand in the amount), among which NT$8.5 per share (NT$11,469,734 thousand in the amount) is from capital surplus while the remaining is from earnings. The cash distribution was approved by the shareholders' meeting on June 21, 2013.

The difference between the resolution of the shareholders' general meeting and the estimated expense of the directors' and supervisors' remuneration and the employees' bonuses for 2013 are as follows:

Appropriations	The amount resolved by the board of directors meeting	Expense estimated	Difference	Difference reasons and the accounting treatment
Employees' bonuses-cash	$ 1,593,476	$ 1,593,476	$ -	-
Directors' and supervisors' remunerations	$ 57,880	$ 56,784	$ 1,096	(Note)

Note: The difference, which was resulted from different calculation basis between the original accrual and the amount actually paid, was adjusted in the profit or loss in 2014.

The information about the appropriations of earnings resolved by the board of directors' meeting and shareholders' meeting is available at the Market Observation Post System website.

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

E. Other equity

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2014	$ (2,404,641)	$ 1,508,892	$ (895,749)
Exchange differences resulting from translating the financial statements of foreign operations	6,645,482	-	6,645,482
Unrealized gains from available-for-sale financial assets	-	(263,561)	(263,561)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	(22,549)	1,142,490	1,119,941
As of December 31, 2014	$ (4,218,292)	$ 2,387,821	$ 6,606,113

	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains from available-for-sale financial assets	Total
As of January 1, 2013	$ (5,762,485)	$ 579,111	$ (5,183,374)
Exchange differences resulting from translating the financial statements of foreign operations	1,813,956	-	1,813,956
Unrealized gains from available-for-sale financial assets	-	297,789	297,789
Unrealized gains reclassified to profit or loss upon disposal of available-for-sale financial assets	-	16,113	16,113
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	1,543,888	615,879	2,159,767
As of December 31, 2013	$ (2,404,641)	$ 1,508,892	$ (895,749)

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

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

Detail information relevant to the share-based payment plan is disclosed as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT$) (Note)
2008.03.31	1,134,119	299,326	299,326	$ 358.0
2008.08.28	1,640,285	490,164	490,164	344.5
2009.08.18	1,382,630	584,549	584,549	429.5
2010.08.27	1,605,757	728,645	728,645	404.8
2010.11.04	65,839	14,634	14,634	377.0
2011.08.24	2,109,871	1,272,697	652,384	277.4
2012.08.14	1,346,795	1,059,040	284,845	286.8
2013.08.22	1,436,343	1,305,943	-	368.0

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

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

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

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

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

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

	For the years ended December 31			
	2014		2013	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT$)	Options (Unit)	Weighted-average Exercise Price per Share (NT$)
Outstanding at beginning of year	6,641,191	$ 341.3	6,045,493	$ 332.7
Granted	-	-	1,436,343	368.0
Exercised	(654,373)	340.8	(285,885)	314.6
Forfeited (Expired)	(231,820)	335.6	(554,760)	289.1
Outstanding at end of year	5,754,998	341.4	6,641,191	341.3
Exercisable at end of year	3,054,547		2,599,022	
Weighted-average fair value of options granted during the year (in NT$)	$ -		$ 96.5	

The weighted average share price at the date of exercise of those options were NT$472.3 and NT$397.3 for the years ended December 31, 2014 and 2013.

The information on the outstanding share-based payment plan as of December 31, 2014 and 2013 is as follows:

		December 31, 2014		December 31, 2013	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT$)
2007.12.19	$ 344.5~358.0	0.10	$ 349.6	1.00	$ 349.8
2009.07.27	429.5	1.13	429.5	2.13	431.0
2010.05.10	377.0~404.8	2.17	404.3	3.17	404.3
2011.08.09	277.4	3.17	277.4	4.17	277.4
2012.08.09	286.8	4.13	286.8	5.13	286.8
2013.08.09	368.0	5.17	368.0	6.17	368.0

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

The Company issued new shares to exchange 100% shares of Ralink Technology Corp. on October 1, 2011. According to the share-swap agreement, the Company also issued its own stock options to replace Ralink's stock options. The original terms of Ralink's options remain except for the changes: a) the underlying shares have been changed to the Company's shares; and b) the number of shares each option can subscribe for has been changed according to the share exchange ratio stated in the share-swap agreement.

The employee stock options issued by the Company to replace Ralink's share-based payment all expired in 2013.

Details of Ralink's share-based payment plan to be replaced are shown below:

Date of grant	Total number of options granted	Total number of options outstanding on the shares exchange date	Total number of options outstanding translated by share exchange ratio on the shares exchange date	Total number of options outstanding	Shares available for option holders	Exercise price (NT$) (Note)
2006.06.30	91,000	1,575	499	-	-	$14.3
2006.09.30	599,500	9,763	3,092	-	-	14.3
2006.12.31	78,000	3,936	1,247	-	-	14.3
2007.03.31	273,000	11,967	3,791	-	-	15.7
2007.06.30	150,000	32,879	10,416	-	-	15.7
2007.09.30	560,000	149,568	47,368	-	-	15.7
2007.12.30	17,000	944	299	-	-	15.7
2007.12.31	1,000,000	277,490	87,895	-	-	16.7

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash or the appropriations of earnings) in accordance with the plan.

The Black-Scholes Option Pricing model was used to estimate the fair value of options granted to replace Ralink's options. Assumptions used in calculating the fair value are disclosed as follows:

	Employee Stock Option
Expected dividend yield (%)	6.57%
Expected volatility (%)	39.5%
Risk free interest rate (%)	0.71%~0.86%
Expected life (Years)	0.75 year

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

The aforementioned expected option life is based on historical data of period for previously granted options and current expectations are 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 weighted-average exercise price of the options granted to replace Ralink's options is disclosed as follows:

	For the year ended December 31, 2013	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT$)
Outstanding at beginning of year	52,483	$16.4
Granted	-	-
Exercised	(47,695)	16.4
Forfeited (Expired)	(4,788)	16.2
Outstanding at end of year	-	-
Exercisable at end of year	-	
Weighted-average fair value of options granted during the year (in NT$)	$ -	

The weighted average share price at the date of exercise of those options was NT$347.6 for the year ended December 31, 2013.

The information on the outstanding share-based payment plan as of December 31, 2013 is as follows:

		As of December 31, 2013	
		Outstanding stock options	
Date of grant	Range of Exercise Price (NT$)	Weighted- average Expected Remaining Years	Weighted- average Exercise Price per Share (NT$)
2007.01.29	$15.7	-	$15.7
2007.10.30	16.7	-	16.7

The expense recognized for employee services received for the years ended December 31, 2014 and 2013 is shown in the following table:

	For the years ended December 31	
	2014	2013
Total equity-settled transactions	$ 63,935	$ 75,799

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

There have been no cancellations or modifications to any of the plans during the years ended December 31, 2014 and 2013.

(15) Sales

	For the years ended December 31	
	2014	2013
Sale of goods	$ 163,108,288	$ 111,866,310
Other operating revenues	2,051,016	1,307,015
Less: Sales returns and discounts	(28,894,286)	(16,943,261)
Net sales	$ 136,265,018	$ 96,230,064

(16) Summary of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2014 and 2013:

	For the years ended December 31					
	2014			2013		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$ 243,369	$ 18,254,215	$ 18,497,584	$ 179,423	$ 10,544,511	$ 10,723,934
Labor and health insurance	$ 18,190	$ 627,305	$ 645,495	$ 17,371	$ 450,694	$ 468,065
Pension	$ 11,318	$ 392,846	$ 404,164	$ 10,219	$ 292,677	$ 302,896
Others	$ 6,389	$ 292,644	$ 299,033	$ 5,755	$ 203,227	$ 208,982
Depreciation	$ 3,147	$ 692,039	$ 695,186	$ 2,791	$ 573,328	$ 576,119
Amortization	$ -	$ 348,171	$ 348,171	$ -	$ 117,935	$ 117,935

(17) Other income

	For the years ended December 31	
	2014	2013
Rental income	$ 18,529	$ 10,527
Interest income	1,024,947	397,445
Dividend income	62,698	48,197
Others	95,098	137,426
Total	$ 1,201,272	$ 593,595

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

(18) Other gains and losses

	For the years ended December 31	
	2014	2013
Losses on disposal of property, plant and equipment	$ (210)	$ (445)
Gains (losses) on disposal of investments		
Available-for-sale financial assets	-	(16,113)
Bond investments for which no active market exists	1,354	-
Investment accounted for using the equity method	8,732	-
Foreign exchange gains	881,374	325,504
Gain (loss) on financial assets at fair value through profit or loss	21,104	(36,433)
Losses on financial liabilities at fair value through profit or loss	(2,595)	(26,017)
Others	-	(2,535)
Total	$ 909,759	$ 243,961

(19) Finance costs

	For the years ended December 31	
	2014	2013
Interest expenses on short-term borrowings	$ 170,523	$ 20,981

(20) Income tax

The major components of income tax expense are as follows:

	For the years ended December 31	
	2014	2013
Current income tax	$ 5,049,951	$ 2,799,749
Deferred tax income	(1,445,013)	(996,027)
Others	97,473	(111,269)
Income tax expense recognized in profit or loss	$ 3,702,411	$ 1,692,453

(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	
	2014	2013
Accounting profit before tax from continuing operations	$ 50,100,303	$ 29,207,505
Tax at the domestic rates applicable to profits in the country concerned	$ 8,517,052	$ 4,965,276
Tax effect of revenues exempt from taxation	(2,099,422)	(1,679,665)
Tax effect of expenses not deductible for tax purposes	(2,196,984)	(1,366,249)
Investment tax credits	(537,490)	(1,058,197)
Tax effect of deferred tax assets/liabilities	(482,457)	166,468
10% surtax on undistributed retained earnings	537,490	1,058,197
Others	(35,778)	(393,377)
Total income tax expense recognized in profit or loss	$ 3,702,411	$ 1,692,453

For the year ended December 31, 2014

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$ 351,814	$ 389,300	$ -	$ -	$ -	$ 741,114
Allowance for sales returns and discounts	694,318	544,671	-	-	-	1,238,989
Amortization of difference for tax purpose	112,901	104,298	-	-	-	217,199
Amortization of goodwill difference for tax purpose	(870,081)	250,841	-	-	-	(619,240)
Others	(10,389)	155,903	56,399	-	-	(201,913)
Deferred tax income		$ 1,445,013	$ 56,399	$ -	$ -	
Net deferred tax assets	$ 278,563					$ 1,779,975
Reflected in balance sheet as follows:						
Deferred tax assets	$ 1,148,644					$ 2,400,152
Deferred tax liabilities	$ (870,081)					$ (620,177)

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

For the year ended December 31, 2013

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized allowance for inventory obsolescence	$ 27,183	$ 324,631	$ -	$ -	$ -	$ 351,814
Allowance for sales returns and discounts	29,463	664,855	-	-	-	694,318
Amortization of difference for tax purpose	35,178	77,723	-	-	-	112,901
Amortization of goodwill difference for tax purpose	(1,158,925)	288,844	-	-	-	(870,081)
Unused tax credits	364,189	(364,189)	-	-	-	-
Others	(14,552)	4,163	-	-	-	(10,389)
Deferred tax income		$ 996,027	$ -	$ -	$ -	
Net deferred tax assets(liabilities)	$ (717,464)					$ 278,563
Reflected in balance sheet as follows:						
Deferred tax assets	$ 470,085					$ 1,148,644
Deferred tax liabilities	$ (1,187,549)					$ (870,081)

Integrated income tax information

	December 31, 2014	December 31, 2013
Balance of the imputation credit account	$ 7,667,187	$ 1,892,716

The estimated and actual creditable ratios for 2014 and 2013 were 11.71% and 4.34%, respectively.

The Company's earnings generated prior to December 31, 1997 have been fully appropriated.

The tax authorities have assessed income tax returns of the Company through 2012. For the tax returns of 2012, 2011, 2010, 2009 and 2008 of the Company, the tax authorities have assessed additional taxes. The discrepancy between the Company's tax return filing and the result of tax authority's assessment was mainly due to different interpretations by applying rules. Although the Company has vigorously file several administrative appeals to tax authorities and courts, the Company paid the amount in full.

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

(21) Earnings per share

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

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

	For the years ended December 31	
	2014	2013
A. Basic earnings per share		
Profit (in thousand NT$)	$ 46,397,892	$ 27,515,052
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,544,565,142	1,341,660,900
Basic earnings per share (NT$)	$ 30.04	$ 20.51

	For the years ended December 31	
	2014	2013
B. Diluted earnings per share		
Profit (in thousand NT$)	$ 46,397,892	$ 27,515,052
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,544,565,142	1,341,660,900
Effect of dilution:		
Employee bonuses-stock (share)	2,695,764	4,851,460
Employee stock options (share)	1,637,031	652,161
Weighted average number of ordinary shares outstanding after dilution (share)	1,548,897,937	1,347,164,521
Diluted earnings per share (NT$)	$ 29.96	$ 20.42

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

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

7. Related Party Transactions

(1) Significant transactions with related parties

A. Sales

	For the years ended December 31	
	2014	2013
Subsidiaries	$ 613,123	$ 506,335
Associates	3,577	-
Total	$ 616,700	$ 506,335

For the years ended December 31, 2014 and 2013, 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.

B. IC testing, experimental services, and manufacturing technology services

	For the years ended December 31	
	2014	2013
Other related parties	$ 1,739,287	$ 1,610,995

C. Consign research and development expense and license expense

	For the years ended December 31	
	2014	2013
Subsidiaries	$ 1,885,556	$ -
Associates	200,000	-
Other related parties	30,133	26,807
Total	$ 2,115,689	$ 26,807

D. Rental income

	For the years ended December 31	
	2014	2013
Subsidiaries	$ 6,432	$ 840
Associates	714	500
Other related parties	8,606	9,187
Total	$ 15,752	$ 10,527

NT$876 thousand was received from other related parties, which was accounted for as deposits received due to a lease of office space.

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

E. Other income due to technology service

	For the years ended December 31	
	2014	2013
Subsidiaries	$ 56,777	$ 11,951

F. Endorsement amount for office lease, bank financing and IP purchasing

	As of December 31, 2014		As of December 31, 2013	
	Endorsement limit	Actual amount	Endorsement limit	Actual amount
Subsidiaries	$ 33,057,300	$ 11,428,203	$ 24,133,185	$ 18,402,685

G. Trade receivables from related parties

	December 31, 2014	December 31, 2013
Subsidiaries	$ 179,720	$ 160,054

H. Other receivables from related parties

	December 31, 2014	December 31, 2013
Subsidiaries	$ 1,146,847	$ 1,063,022
Associates	150	60
Other related parties	-	340
Total	$ 1,146,997	$ 1,063,422

Other receivables from related parties are composed mainly of rent receivables and dividends receivables.

I. Trade payables to related parties

	December 31, 2014	December 31, 2013
Other related parties	$ 419,512	$ 433,716

J. Other payables to related parties

	December 31, 2014	December 31, 2013
Subsidiaries	$ 2,971,830	$ -

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

The Company borrowed funds from related parties. Additional disclosures consisted of the following:

	Date Incurred	Maximum Balance	Ending Balance	Interest Rate
Subsidiaries	2014/9	$ 1,840,504	$ 1,840,504	1.25%

K. Key management personnel compensation

	For the years ended December 31	
	2014	2013
Short-term employee benefits (Note)	$ 597,844	$ 480,520
Post-employment benefits	972	1,035
Total	$ 598,816	$ 481,555

Note: The Company estimated the management personnel compensation of short-term employee benefits based on the accrued bonuses and the actual proportion of earning appropriation in the past.

8. Assets Pledged as Collateral

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

	Carrying amount		
Assets pledged for security	December 31, 2014	December 31, 2013	Purpose of pledge
Bond investments for which no active market exists-current	$ 7,067	$ 6,917	Land lease guarantee
Bond investments for which no active market exists-current	3,142	3,104	Customs clearance deposits
Bond investments for which no active market exists-current	-	102,000	Project performance deposits
Total	$ 10,209	$ 112,021	

9. Contingencies and Off Balance Sheet Commitments

(1) Operating lease commitments-the Company as lessee

The Company has entered into commercial leases, and these leases have an average life of three to ten years with no renewal options included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

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

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

	December 31, 2014	December 31, 2013
Not later than one year	$ 30,774	$ 30,371
Later than one year and not later than five years	123,096	121,484
Later than five years	124,576	153,306
Total	$ 278,446	$ 305,161

(2) Legal claim contingency

A. Azure Networks, LLC ("Azure") and Tri-County Excelsior Foundation ("TCEF") filed a complaint in the United States District Court for the Eastern District of Taxes against Ralink and Ralink Technology Corporation (USA), along with other defendants in March 2011, alleging infringement of United States Patent No. 7,756,129. On April 6, 2012, Azure and TCEF filed a complaint in the United States District Court for the Eastern District of Texas against the Company alleging infringement of the same patent referenced above. On May 30, 2013, the Court entered a judgment in favor of Ralink and other defendants, dismissing the earlier case subject to the plaintiffs' right to appeal. An appeal has been filed by plaintiffs on June 20, 2013. On November 6, 2014, the United States Court of Appeals for the Federal Circuit vacated the lower court's judgment and remanded the case to the district court. The court dismissed the claims against Ralink pursuant to Azure and Ralink's joint motion on February 10, 2015. On June 10, 2013, the Court entered a judgment dismissing the latter case pursuant to the parties' joint stipulation.

Additionally, on January 13, 2015, Azure filed a complaint in the United States District Court for the Eastern District of Texas against the Company and subsidiary MediaTek USA Inc. alleging infringement of United States Patent Nos. 7,756,129, 8,582,570, 8,582,571, 8,588,196, 8,588,231, 8,589,599, 8,675,590, 8,683,092 and 8,732,347 by the Company's wireless communications, tablet and mobile phone chips, and seeking damages. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

B. Commonwealth Scientific and Industrial Research Organization filed a complaint in the United States District Court for the Eastern District of Texas against the Company and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA), along with other defendants on August 27, 2012 alleging infringement of United States Patent No. 5,487,069. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

C. Palmchip Corporation (“Palmchip”) filed a complaint in the Superior Court of California in the County of Santa Clara against the Company and subsidiaries MediaTek USA Inc., Ralink and Ralink Technology Corporation (USA) on October 19, 2012, asserting claims of breach of contract. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

Palmchip filed a complaint in the United States District Court for the Central District of California against the Company and subsidiaries MediaTek USA Inc., Ralink, and Ralink Technology Corporation (USA) on August 30, 2013, alleging infringement of United States Patents Nos. 6,601,126, 6,769,046, and 7,124,376. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

D. Optical Devices, LLC (“Optical Devices”) filed a complaint with the U.S. International Trade Commission (the “Commission”) against the Company and subsidiary MediaTek USA Inc. on September 3, 2013 alleging infringement of United States Patent No. 8,416,651. Optical Devices alleged that the Company’s optical disc drive chips infringe its patent and sought to prevent the accused products from being imported into the United States. The Commission issued an Initial Determination on July 17, 2014 finding that Optical Devices failed to meet the domestic industry requirement and terminating the investigation. On September 3, 2014, the Commission vacated the Initial Determination and remanded the case for further proceedings. On October 21, 2014, the Commission issued an Initial Determination to terminate the investigation on the ground that Optical Devices’ lack of standing. On December 4, 2014, the Commission partially vacated the Initial Determination and remanded a part of the case including the investigation against the Company for further proceedings. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

Also on September 3, 2013, Optical Devices filed a complaint in the United States District Court for the District of Delaware against the Company and subsidiary MediaTek USA Inc., alleging that the Company’s optical disc drive chips infringe the above referenced patent. The operations of the Company and subsidiary MediaTek USA Inc., would not be materially affected by this case.

E. Vantage Point Technology, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against subsidiary MediaTek USA Inc. on November 21, 2013, alleging infringement of United States Patent Nos. 5,463,750 and 6,374,329. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

F. Bandspeed Inc. filed a complaint in the United States District Court for the Western District of Texas against the Company, subsidiary MediaTek USA Inc. and other defendants on May 9, 2014, alleging infringement of United States Patent Nos. 7,027,418, 7,570,614. 7,477,624, 7,903,608 and 8,542,643. On October 17, 2014, the court granted the parties joint stipulation to dismiss the claims against the Company, all other claims against other parties including those against subsidiary MediaTek USA Inc. remain pending. On February 13, 2015, the court granted Bandspeed's motion for leave to file a First Amended Complaint to add United States Patent No. 8,873,500 to the case. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

G. Adaptive Data LLC ("Adaptive Data") filed a complaint in the United States District Court for the District of Delaware against subsidiary MediaTek USA Inc. on December 31, 2014, alleging infringement of United States Patent Nos. 6,108,347 and 6,243,391 by the Bluetooth chips of subsidiary MediaTek USA Inc. and seeking damages. This case has been settled and Adaptive Data voluntarily dismissed the case on February 19, 2015.

H. Luciano F. Paone filed a complaint in the United States District Court for the Eastern District of New York against subsidiary MediaTek USA Inc. on February 9, 2015, alleging infringement of United States Patent No. 6,259,789. The operations of the Company and subsidiary MediaTek USA Inc. would not be materially affected by this case.

I. Innovatio IP Ventures, LLC ("Innovatio") filed a complaint in the United States District Court for the Northern District of Illinois against subsidiary MediaTek USA Inc. on March 16, 2015, alleging infringement of United States Patent Nos. 6,697,415, 5,844,893, 5,740,366, 7,916,747, 6,665,536, 7,013,138, 7,107,052, 5,546,397, 7,710,907, 7,710,935, 6,714,559, 7,457,646 and 6,374,311. The operations of the Company and subsidiary MediaTek USA Inc. would 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

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

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	December 31, 2014	December 31, 2013
Financial assets at fair value through profit or loss:		
Held for trading financial assets	$ 1,871	$ 7,420
Financial assets designated upon initial recognition at fair value through profit or loss	1,090,775	310,387
Subtotal	1,092,646	317,807
Available-for-sale financial assets	4,692,687	4,410,214
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand and petty cash)	127,448,149	53,710,940
Bond investments for which no active market exists	308,133	112,021
Trade receivables (including related parties)	3,954,943	4,273,902
Other receivables	5,104,465	3,189,179
Subtotal	136,815,690	61,286,042
Total	$ 142,601,023	$ 66,014,063

Financial liabilities

	December 31, 2014	December 31, 2013
Financial liabilities at fair value through profit or loss:		
Held for trading financial liabilities	$ 2,595	$ 26,017
Financial liabilities at amortized cost:		
Short-term borrowings	30,290,690	8,985,000
Trade payables (including related parties)	7,171,345	7,256,336
Other payables	26,714,011	13,545,923
Long-term payables (including current portion)	91,982	-
Subtotal	64,268,028	29,787,259
Total	$ 64,270,623	$ 29,813,276

B. Fair values of financial instruments

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

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties), other payables approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

(c) 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.

(d) 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

Other than those listed in the table below, the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

c. Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

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

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Derivative financial instruments	$ -	$ 1,871	$ -	$ 1,871
Linked deposits	-	-	1,090,775	1,090,775
Available-for-sale financial assets				
Depositary receipts	28,010	-	-	28,010
Stocks	632,583	-	-	632,583
Funds	4,032,094	-	-	4,032,094
Total	$ 4,692,687	$ 1,871	$ 1,090,775	$ 5,785,333
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 2,595	$ -	$ 2,595

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Bonds	$ 35,000	$ -	$ -	$ 35,000
Derivative financial instruments	-	7,420	-	7,420
Linked deposits	-	-	275,387	275,387
Available-for-sale financial assets				
Depositary receipts	22,577	-	-	22,577
Stocks	749,459	-	-	749,459
Funds	3,638,178	-	-	3,638,178
Total	$ 4,445,214	$ 7,420	$ 275,387	$ 4,728,021

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

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$ -	$ 26,017	$ -	$ 26,017

For the years ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2.

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

Financial assets at fair value through profit or loss- linked deposits

	For the years ended December 31	
	2014	2013
As of January 1	$ 275,387	$ 50,129
Amount recognized in profit or loss	388	258
Acquisitions	880,000	875,000
Settlements	(65,000)	(650,000)
As of December 31	$ 1,090,775	$ 275,387

Total profits or losses recognized for the years ended December 31, 2014 and 2013 contained profits related to linked deposits on hand as of December 31, 2014 and 2013 in the amount of NT$441 thousand and NT$387 thousand, respectively.

C. Derivative financial instruments

The Company's derivative financial instruments held for trading were 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 are not designated as hedging instruments. The table below lists the information related to forward exchange contracts:

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of December 31, 2014	TWD to USD	Sell USD105,000	February 2015
As of December 31, 2013	TWD to USD	Sell USD190,000	January 2014

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

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 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 variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1 cent, the profit for the years ended December 31, 2014 and 2013 decreases/increases by NT$1,790 thousand and NT$1,370 thousand.

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 loans and receivables at variable interest rates, bank borrowings with fixed interest rates. Moreover, the market value of the Company's investment in credit-linked deposits are affected by interest rate. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2014 and 2013 to increase/decrease by NT$10 thousand and NT$477 thousand, respectively.

c. Other price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities are classified under available-for-sale financial assets. 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 equity securities classified under available-for-sale could only impact the Company's equity and cause the other comprehensive income for the years ended December 31, 2014 and 2013 to increase/decrease by NT$46,927 thousand and NT$44,102 thousand, respectively.

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.

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

As of December 31, 2014 and 2013, receivables from top ten customers represented 84.49% and 93.97% 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 and convertible bonds arises if the issuing banks breached the contracts or the debt issuer could not pay off the debts; the maximum exposure is the carrying value of those financial instruments. Therefore, the Company minimized the credit risk by only transacting with counter-party who is reputable, transparent and in good financial standing.

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

C. Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Borrowings	$ 30,314,097	$ -	$ 30,314,097
Trade payables (including related parties)	7,171,345	-	7,171,345
Other payables	26,703,711	-	26,703,711
Long-term payables	38,062	53,920	91,982
Total	$ 64,227,215	$ 53,920	$ 64,281,135
As of December 31, 2013			
Borrowings	$ 8,996,735	$ -	$ 8,996,735
Trade payables (including related parties)	7,256,336	-	7,256,336
Other payables	13,536,137	-	13,536,137
Total	$ 29,789,208	$ -	$ 29,789,208

Derivative financial instruments

	Less than 1 year	1 to 5 years	Total
As of December 31, 2014			
Gross settlement			
Forward exchange contracts			
Inflow	$ 1,899,065	$ -	$ 1,899,065
Outflow	(1,903,080)	-	(1,903,080)
Net	(4,015)	-	(4,015)
Total	$ (4,015)	$ -	$ (4,015)

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

	Less than 1 year	1 to 5 years	Total
As of December 31, 2013			
Gross settlement			
Forward exchange contracts			
Inflow	$ 590,400	$ -	$ 590,400
Outflow	(599,000)	-	(599,000)
Net	$ (8,600)	$ -	$ (8,600)
Net settlement			
Forward exchange contracts	(25,930)	-	(25,930)
Total	$ (34,530)	$ -	$ (34,530)

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

(3) Significant assets and liabilities denominated in foreign currencies

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

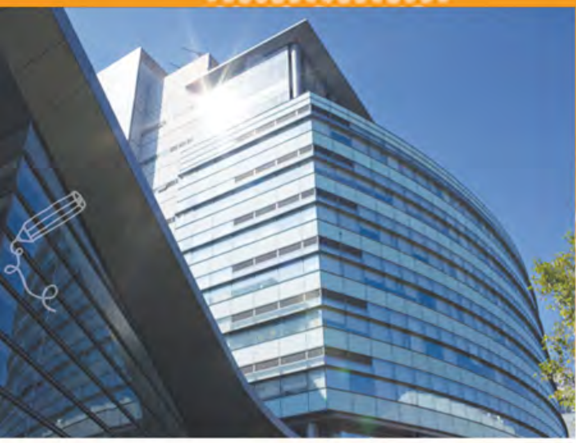
	December 31, 2014			December 31, 2013		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets						
Monetary item:						
USD	$ 1,493,866	$ 31.718	$ 47,382,443	$ 800,745	$ 29.950	$ 23,982,303
CNY	$ 385,235	$ 5.113	$ 1,969,519	$ 3,000	$ 4.947	$ 14,841
Financial liabilities						
Monetary item:						
USD	$ 1,314,906	$ 31.718	$ 41,706,176	$ 663,702	$ 29.950	$ 19,877,863
CNY	$ 361,150	$ 5.113	$ 1,846,383	$ 120	$ 4.947	$ 594

(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.

8. The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties

None



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