

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 THREE MONTHS ENDED

MARCH 31, 2022 AND 2021

Notice to Readers

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

English Translation of a Report Originally Issued in Chinese

Review Report of Independent Accountants

To the Board of Directors and Shareholders
of MediaTek Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of MediaTek Inc. and its subsidiaries as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three -month periods ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of MediaTek Inc. and its subsidiaries as at March 31, 2022 and 2021, their consolidated financial performance and cash flows for the three-month periods ended March 31, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
April 27, 2022

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2022, December 31, 2021, and March 31, 2021

(March 31, 2022 and 2021 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	March 31, 2022	%	December 31, 2021	%	March 31, 2021	%
Current assets							
Cash and cash equivalents	6(1)	\$ 230,432,898	32	\$ 183,704,594	28	\$ 194,096,565	33
Financial assets at fair value through profit or loss-current	6(2)	10,567,214	1	10,695,832	2	7,521,122	1
Financial assets at fair value through other comprehensive income-current	6(3)	4,590,258	1	6,705,920	1	10,973,044	2
Financial assets measured at amortized cost-current	6(4)	4,303,160	1	3,657,229	1	891,876	-
Notes receivables, net	6(22)	109,451	-	2,811	-	1,607	-
Trade receivables, net	6(5), 6(22)	64,479,257	9	58,577,900	9	46,323,669	8
Trade receivables from related parties, net	6(5), 6(22), 7	89,545	-	79,236	-	45,974	-
Other receivables	6(6)	6,109,995	1	6,931,246	1	10,714,385	2
Current tax assets	4, 6(30)	155,296	-	140,950	-	193,584	-
Inventories, net	6(7)	89,376,605	13	73,270,606	11	56,668,450	10
Prepayments	6(8), 9	5,755,839	1	1,809,392	-	1,402,875	-
Other current assets		1,905,331	-	1,289,010	-	1,322,372	-
Total current assets		417,874,849	59	346,864,726	53	330,155,523	56
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	6(2)	4,463,126	1	4,458,892	1	3,833,363	1
Financial assets at fair value through other comprehensive income-noncurrent	6(3)	50,712,574	7	52,196,718	8	38,340,463	6
Financial assets measured at amortized cost-noncurrent	6(4), 8	12,342,407	2	11,180,498	2	13,347,607	2
Investments accounted for using the equity method	6(9)	46,221,382	7	60,287,258	9	74,892,462	13
Property, plant and equipment	6(10)	51,544,475	7	49,111,180	7	38,585,650	7
Right-of-use assets	6(23)	3,767,792	1	3,478,527	1	3,240,186	1
Investment property, net	6(11)	1,625,118	-	1,605,354	-	1,704,504	-
Intangible assets	6(12), 6(13)	73,953,131	10	73,525,649	11	75,571,642	13
Deferred tax assets	4, 6(30)	8,837,076	1	8,412,894	1	6,516,287	1
Refundable deposits	9	9,478,823	1	9,334,669	1	238,024	-
Long-term financing lease receivable, net	6(22), 6(23)	1,455,784	-	1,455,784	-	621,516	-
Other non-current assets-others	9	26,407,290	4	38,964,599	6	-	-
Total non-current assets		290,808,978	41	314,012,022	47	256,891,704	44
Total assets		\$ 708,683,827	100	\$ 660,876,748	100	\$ 587,047,227	100

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2022, December 31, 2021, and March 31, 2021

(March 31, 2022 and 2021 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	March 31, 2022	%	December 31, 2021	%	March 31, 2021	%
Current liabilities							
Short-term borrowings	6(14)	\$ 70,125,261	10	\$ 51,267,307	8	\$ 27,220,091	5
Financial liabilities at fair value through profit or loss-current	6(2)	28,905	-	4,252	-	15,510	-
Contract liabilities-current	6(21)	8,979,367	1	6,368,483	1	6,929,123	1
Trade payables		48,295,306	7	41,327,057	6	41,111,684	7
Trade payables to related parties	7	2,463,517	1	2,176,635	-	2,189,525	-
Other payables	6(15)	42,621,927	6	53,126,366	8	35,399,462	6
Other payables to related parties	7	92,688	-	117,547	-	135,990	-
Current tax liabilities	4, 6(30)	15,031,737	2	11,532,644	2	7,234,464	1
Lease liabilities-current	6(23)	632,233	-	501,153	-	534,877	-
Other current liabilities	6(16)	43,979,466	6	40,991,045	6	35,139,738	6
Current portion of long-term liabilities	6(17)	3,209,042	-	3,693,791	1	3,479,045	1
Total current liabilities		235,459,449	33	211,106,280	32	159,389,509	27
Non-current liabilities							
Long-term borrowings	6(17)	827,660	-	827,660	-	-	-
Long-term payables		932,628	-	662,179	-	2,287,688	1
Long-term payables to related parties	7	171,588	-	193,718	-	-	-
Net defined benefit liabilities-noncurrent	4, 6(18)	848,327	-	856,412	-	907,319	-
Deposits received	7	240,720	-	227,570	-	402,212	-
Deferred tax liabilities	4, 6(30)	8,997,349	1	8,323,476	1	6,562,322	1
Lease liabilities-noncurrent	6(23)	3,131,796	1	2,989,923	1	2,657,047	1
Other non-current liabilities-others		2,159,970	1	2,041,636	-	1,886,342	-
Total non-current liabilities		17,310,038	3	16,122,574	2	14,702,930	3
Total liabilities		252,769,487	36	227,228,854	34	174,092,439	30
Equity attributable to owners of the parent							
Share capital	6(19)						
Common stock		15,990,298	2	15,988,420	3	15,902,506	3
Capital collected in advance		585	-	483	-	1,471	-
Capital surplus	6(19), 6(20), 6(33)	60,272,114	9	59,776,045	9	77,421,915	13
Retained earnings	6(19)						
Legal reserve		50,217,220	7	50,217,220	8	44,583,025	7
Undistributed earnings		286,661,057	40	252,432,501	38	199,381,203	34
Other equity	6(20)	41,402,103	6	53,656,597	8	74,513,719	13
Treasury shares	6(19)	(55,970)	-	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		454,487,407	64	432,015,296	66	411,747,869	70
Non-controlling interests	6(19), 6(33)	1,426,933	-	1,632,598	-	1,206,919	-
Total equity		455,914,340	64	433,647,894	66	412,954,788	70
Total liabilities and equity		\$ 708,683,827	100	\$ 660,876,748	100	\$ 587,047,227	100

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2022 and 2021

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

Description	Notes	Three Months Ended March 31			
		2022	%	2021	%
Net sales	6(21), 7	\$ 142,710,849	100	\$ 108,032,982	100
Operating costs	6(7), 6(24), 7	(70,927,474)	(50)	(59,512,598)	(55)
Gross profit		71,783,375	50	48,520,384	45
Operating expenses	6(22), 6(23), 6(24), 7				
Selling expenses		(3,410,479)	(2)	(3,405,095)	(3)
Administrative expenses		(3,365,424)	(2)	(2,507,862)	(2)
Research and development expenses		(28,541,364)	(20)	(22,427,118)	(21)
Expected credit gains		1,096	-	17,589	-
Total operating expenses		(35,316,171)	(24)	(28,322,486)	(26)
Operating income		36,467,204	26	20,197,898	19
Non-operating income and expenses					
Interest income	6(25)	443,642	-	426,406	-
Other income	6(26), 7	812,115	1	1,184,310	1
Other gains and losses	6(27)	152,779	-	8,186,495	8
Finance costs	6(28)	(49,311)	-	(39,599)	-
Share of profit of associates and joint ventures accounted for using the equity method	6(9)	143,675	-	(879,856)	(1)
Total non-operating income and expenses		1,502,900	1	8,877,756	8
Net income before income tax		37,970,104	27	29,075,654	27
Income tax expense	4, 6(30)	(4,556,847)	(3)	(3,298,410)	(3)
Net income		33,413,257	24	25,777,244	24
Other comprehensive income	4, 6(9), 6(29), 6(30)				
Items that may not be reclassified subsequently to profit or loss					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		(5,447,131)	(4)	(4,402,695)	(4)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(16,228,337)	(11)	17,755,162	16
Income tax relating to those items not to be reclassified to profit or loss		421,062	-	508,860	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		9,117,410	6	40,291	-
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		(7,975)	-	1,868	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(26,518)	-	(362,726)	-
Other comprehensive income, net of tax		(12,171,489)	(9)	13,540,760	12
Total comprehensive income		\$ 21,241,768	15	\$ 39,318,004	36
Net income for the periods attributable to :					
Owners of the parent	6(31)	\$ 33,261,383		\$ 25,572,233	
Non-controlling interests	6(19)	151,874		205,011	
		\$ 33,413,257		\$ 25,777,244	
Total comprehensive income for the periods attributable to :					
Owners of the parent		\$ 21,083,492		\$ 39,110,468	
Non-controlling interests		158,276		207,536	
		\$ 21,241,768		\$ 39,318,004	
Basic Earnings Per Share (in New Taiwan Dollars)	6(31)	\$ 21.02		\$ 16.21	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(31)	\$ 20.93		\$ 16.03	

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital		Capital surplus	Retained earnings		Other equity			Treasury shares	Equity attributable to owners of the parent		
	Common stock	Capital collected in advance		Legal reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others				
Balance as of January 1, 2021	\$ 15,900,622	\$ 2,133	\$ 76,745,750	\$ 44,583,025	\$ 173,052,205	\$ (8,710,844)	\$ 70,646,473	\$ (329,573)	\$ (55,970)	\$ 371,833,821	\$ 3,250,630	\$ 375,084,451
Profit for the three months ended March 31, 2021	-	-	-	-	25,572,233	-	-	-	-	25,572,233	205,011	25,777,244
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	(324,960)	13,863,195	-	-	13,538,235	2,525	13,540,760
Total comprehensive income	-	-	-	-	25,572,233	(324,960)	13,863,195	-	-	39,110,468	207,536	39,318,004
Share-based payment transactions	2,132	(662)	68,607	-	-	-	-	-	-	70,077	1,471	71,548
Changes in associates and joint ventures accounted for using the equity method	-	-	10,836	-	-	-	-	-	-	10,836	-	10,836
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	530	-	-	-	-	-	-	530	(530)	-
Changes in ownership interests in subsidiaries	-	-	634,592	-	-	-	-	-	-	634,592	(634,592)	-
Issuance of restricted stock for employees	(248)	-	(16,326)	-	-	-	-	126,193	-	109,619	-	109,619
Changes in other capital surplus	-	-	(22,074)	-	-	-	-	-	-	(22,074)	-	(22,074)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	756,765	-	(756,765)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,617,596)	(1,617,596)
Balance as of March 31, 2021	\$ 15,902,506	\$ 1,471	\$ 77,421,915	\$ 44,583,025	\$ 199,381,203	\$ (9,035,804)	\$ 83,752,903	\$ (203,380)	\$ (55,970)	\$ 411,747,869	\$ 1,206,919	\$ 412,954,788
Balance as of January 1, 2022	\$ 15,988,420	\$ 483	\$ 59,776,045	\$ 50,217,220	\$ 252,432,501	\$ (13,474,837)	\$ 72,222,376	\$ (5,090,942)	\$ (55,970)	\$ 432,015,296	\$ 1,632,598	\$ 433,647,894
Profit for the three months ended March 31, 2022	-	-	-	-	33,261,383	-	-	-	-	33,261,383	151,874	33,413,257
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	9,084,490	(21,262,381)	-	-	(12,177,891)	6,402	(12,171,489)
Total comprehensive income	-	-	-	-	33,261,383	9,084,490	(21,262,381)	-	-	21,083,492	158,276	21,241,768
Share-based payment transactions	482	102	14,664	-	-	-	-	-	-	15,248	190,434	205,682
Changes in associates and joint ventures accounted for using the equity method	-	-	92,453	-	-	-	-	-	-	92,453	-	92,453
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	104,423	-	-	-	-	-	-	104,423	(152,836)	(48,413)
Changes in ownership interests in subsidiaries	-	-	121,888	-	-	-	-	-	-	121,888	447,251	569,139
Issuance of restricted stock for employees	1,396	-	159,917	-	-	-	-	890,570	-	1,051,883	-	1,051,883
Changes in other capital surplus	-	-	2,724	-	-	-	-	-	-	2,724	-	2,724
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	967,173	-	(967,173)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(848,790)	(848,790)
Balance as of March 31, 2022	\$ 15,990,298	\$ 585	\$ 60,272,114	\$ 50,217,220	\$ 286,661,057	\$ (4,390,347)	\$ 49,992,822	\$ (4,200,372)	\$ (55,970)	\$ 454,487,407	\$ 1,426,933	\$ 455,914,340

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

MEDIATEK INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

Description	Three Months Ended March 31	
	2022	2021
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 37,970,104	\$ 29,075,654
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	1,912,532	1,172,810
Amortization	1,296,930	1,258,551
Expected credit gains	(1,096)	(17,589)
(Gains) losses on financial assets and liabilities at fair value through profit or loss	(199,987)	353,191
Interest expenses	49,311	39,599
Gains on derecognition of financial assets measured at amortized cost	(4,850)	-
Interest income	(443,642)	(426,406)
Dividend income	(717,894)	(854,213)
Share-based payment expenses	1,240,009	114,774
Share of profit of associates and joint ventures accounted for using the equity method	(143,675)	879,856
Losses on disposal of property, plant and equipment	6,507	1,562
Losses (gains) on disposal of intangible assets	530	(4)
Losses (gains) on disposal of investments	4,090	(8,429,982)
Gains on disposal of investments accounted for using the equity method	-	(37,368)
Others	(1)	(1,020)
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	743,592	1,244,268
Notes receivables	(106,640)	41,830
Trade receivables	(5,250,515)	(13,786,783)
Trade receivables from related parties	(10,309)	(45,344)
Other receivables	992,089	(414,644)
Inventories	(16,186,557)	(20,379,399)
Prepayments	(419,705)	(63,712)
Other current assets	(616,321)	(286,508)
Other non-current assets-others	9,664,661	-
Contract liabilities	2,610,884	(4,696,528)
Trade payables	6,968,249	8,705,258
Trade payables to related parties	286,882	545,106
Other payables	(11,984,407)	(3,331,990)
Other payables to related parties	43	91,027
Other current liabilities	2,432,044	7,048,199
Net defined benefit liabilities	(8,085)	(2,799)
Other non-current liabilities-others	106,539	82,026
Cash generated from (used in) operating activities:	30,191,312	(2,120,578)
Interest received	296,186	361,612
Dividend received	696,778	274,512
Interest paid	(47,443)	(38,807)
Income tax (paid) refund	(401,347)	73,422
Net cash provided by (used in) operating activities	30,735,486	(1,449,839)
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(791,625)	(460,292)
Proceeds from disposal of financial assets at fair value through other comprehensive income	360,700	939,052
Proceeds from capital return of financial assets at fair value through other comprehensive income	26,766	37,092
Acquisition of financial assets measured at amortized cost	(1,830,323)	(1,995,702)
Proceeds from redemption of financial assets measured at amortized cost	473,863	5,547
Acquisition of investments accounted for using the equity method	(6,940)	(872,937)
Proceeds from disposal of investments accounted for using the equity method	-	217,072
Proceeds from capital return of investments accounted for using the equity method	25,738	74,259
Disposal of subsidiary	-	(841,288)
Acquisition of property, plant and equipment	(3,052,451)	(1,696,245)
Proceeds from disposal of property, plant and equipment	2,951	471
Increase in refundable deposits	(144,154)	(27,105)
Acquisition of intangible assets	(1,961,137)	(2,037,966)
Net cash used in investing activities	(6,896,612)	(6,658,042)
Cash flows from financing activities :		
Increase in short-term borrowings	18,798,310	5,745,031
Increase (decrease) in deposits received	13,150	(28,524)
Cash payment for the principal portion of the lease liabilities	(154,242)	(182,530)
Proceeds from exercise of employee stock options	17,972	44,319
Acquisition of ownership interests in subsidiaries	(48,413)	-
Change in non-controlling interests	583,919	-
Net cash provided by financing activities	19,210,696	5,578,296
Effect of changes in exchange rate on cash and cash equivalents	3,678,734	46,405
Net increase (decrease) in cash and cash equivalents	46,728,304	(2,483,180)
Cash and cash equivalents at the beginning of the period	183,704,594	196,579,745
Cash and cash equivalents at the end of the period	\$ 230,432,898	\$ 194,096,565

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

1. Organization and Operation

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

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

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on April 27, 2022.

3. Newly Issued or Revised Standards and Interpretations

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

MTK and its subsidiaries (“the Company”) applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The application of these new standards and amendments had no material effect on the Company.

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

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 10 and IAS 28	“Consolidated Financial Statements” and “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)	To be determined by IASB

(To be continue)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(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 17	“Insurance Contracts”	January 1, 2023
IAS 1	“Classification of Liabilities as Current or Non-current” (Amendment)	January 1, 2023
IAS 1	“Disclosure Initiative - Accounting Policies” (Amendment)	January 1, 2023
IAS 8	“Definition of Accounting Estimates” (Amendment)	January 1, 2023
IAS 12	“Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (Amendment)	January 1, 2023

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

4. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effective by FSC.

Basis of Preparation

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

Basis of Consolidation

Preparation principle of consolidated financial statements

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (1) the contractual arrangement with the other vote holders of the investee;
- (2) rights arising from other contractual arrangements;
- (3) MTK's voting rights and potential voting rights.

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

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

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

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

If loses control of a subsidiary, it:

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

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(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			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
MTK	Hsu-Ta Investment Corp.	General investing	100%	100%	100%	-
MTK	MediaTek Singapore Pte. Ltd.	Research, manufacturing and sales	100%	100%	100%	-
MTK	MediaTek Investment Singapore Pte. Ltd.	General investing	100%	100%	100%	-
MTK	MStar International Technology Inc.	Research	-	-	100%	1
MTK	HFI Innovation Inc.	Intellectual property right management	100%	100%	100%	-
MTK	MStar Co., Ltd.	General investing	100%	100%	100%	-
MTK	Digimoc Holdings Limited	General investing	-	-	100%	2
MTK	Spidcom Technologies	Intellectual property right management	100%	100%	100%	-
MTK	Hsu-Si Investment Corp.	General investing	-	-	100%	3
MTK	Richtek Technology Corp.	Research, manufacturing and sales	100%	100%	100%	-
MTK	MediaTek Capital Co.	General investing	100%	100%	-	4
MTK	Airoha Technology (Cayman) Inc.	General investing	-	66%	-	3
MTK	Airoha Technology Corp.	Research, manufacturing and sales	77%	5%	-	3,7
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	General investing	-	-	100%	5
Hsu-Ta Investment Corp.	Hsiang Fa Co.	General investing	100%	100%	100%	21

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Hsu-Ta Investment Corp.	MediaTek Bangalore Private Limited	Research	0%	0%	0%	-
Hsiang Fa Co.	Chingis Technology Corporation	Research	100%	100%	100%	21
Hsiang Fa Co.	MediaTek Research Corp.	Research	100%	100%	100%	21
Hsiang Fa Co.	InnoFusion Technology Corp.	Technical services	100%	100%	100%	21
MediaTek Singapore Pte. Ltd.	Core Tech Resources Inc.	General investing	100%	100%	-	5
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Research	0%	0%	0%	-
Hsu-Si Investment Corp.	Airoha Technology Corp.	Research, manufacturing and sales	-	-	-	6,7
Hsu-Si Investment Corp.	Airoha Technology (Cayman) Inc.	General investing	-	-	67%	6,8
Hsu-Si Investment Corp.	Airoha (Cayman) Inc.	General investing	-	-	46%	3
Richtek Technology Corp.	Richtek Europe Holding B.V.	General investing	100%	100%	100%	-
Richtek Technology Corp.	Richtek Holding International Limited	General investing	100%	100%	100%	-
Richtek Technology Corp.	Li-Yu Investment Corp.	General investing	-	-	100%	9
Richtek Technology Corp.	Richnex Microelectronics Corp.	Research, manufacturing and sales	82%	82%	82%	-
Richtek Technology Corp.	Richtek Korea LLC.	Research and technical services	100%	100%	100%	-
Richtek Technology Corp.	Richtek USA Inc.	Sales, research and technical services	100%	100%	100%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Richtek Technology Corp.	Richpower Microelectronics Co., Ltd.	Technical services	100%	100%	100%	-
Richtek Technology Corp.	Li-We Technology Corp.	Technical services	100%	100%	100%	-
Richtek Technology Corp.	Richtek IC Design Ireland Limited	Research	100%	100%	100%	-
Richtek Europe Holding B.V.	Richtek Europe B.V.	Marketing services	100%	100%	100%	-
Airoha (Cayman) Inc.	Airotek (Shenzhen) Inc.	Research and technical services	100%	100%	100%	-
Airoha (Cayman) Inc.	Airotek (Chengdu) Inc.	Research	100%	100%	100%	-
Airoha Technology Corp.	Airoha (Cayman) Inc.	General investing	100%	100%	-	3,7
Airoha Technology Corp.	Shadow Investment Limited	General investing	100%	-	-	3,7
Airoha Technology Corp.	MediaTek Research UK Limited	Research	100%	-	-	3,7
Airoha Technology Corp.	Airoha Technology (HK) Limited	General investing, research, manufacturing and sales	100%	-	-	3,7
Gaintech Co. Limited	MediaTek China Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	MTK Wireless Limited (UK)	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek Japan Inc.	Technical services	100%	100%	100%	-
Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek Korea Inc.	Research	100%	100%	100%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Gaintech Co. Limited	Gold Rich International (Samoa) Limited	General investing	-	-	100%	10
Gaintech Co. Limited	Smarthead Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Ralink Technology (Samoa) Corp.	General investing	-	-	100%	11
Gaintech Co. Limited	Airoha Technology (Cayman) Inc	General investing	-	25%	25%	3,8
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technical services	100%	100%	100%	-
Gaintech Co. Limited	Hsu Chia (Samoa) Investment Ltd.	General investing	-	-	100%	12
Gaintech Co. Limited	Hsu Fa (Samoa) Investment Ltd.	General investing	-	-	100%	12
Gaintech Co. Limited	Hsu Kang (Samoa) Investment Ltd.	General investing	-	-	100%	12
Gaintech Co. Limited	Nephos Pte. Ltd.	Research	100%	100%	100%	-
Gaintech Co. Limited	Nephos Cayman Co. Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Zelus Technology (HangZhou) Ltd.	Research and sales	88%	88%	91%	-
Gaintech Co. Limited	IStar Technology Ltd.	General investing	100%	100%	100%	-
Gaintech Co. Limited	LePower (HK) Limited	General investing	-	-	100%	13
Gaintech Co. Limited	Sigmastar Technology Inc.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Mountain Capital Fund, L.P.	General investing	90%	90%	90%	-
Gaintech Co. Limited	Hsu Zhan (HK) Investment Limited	General investing	100%	100%	-	14

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Gaintech Co. Limited	MTKC Global Holdings Co. Limited	General investing	100%	100%	-	14
Gaintech Co. Limited	Digimoc Holdings Limited	General investing	100%	100%	-	2
Gaintech Co. Limited	MediaTek Investment HK Limited	General investing	100%	100%	-	14
Gaintech Co. Limited	MediaTek Global Holdings Limited	General investing	100%	100%	-	14
Gaintech Co. Limited	Airoha Technology Corp.	Research, manufacturing and sales	9%	-	-	3,7
MediaTek China Limited	MediaTek (Hefei) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Beijing) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shenzhen) Inc.	Research and technical services	100%	100%	100%	-
MediaTek China Limited	MediaTek (Chengdu) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Wuhan) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	Xuxin Investment (Shanghai) Inc.	General investing	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	Research	100%	100%	100%	-
MTK Wireless Limited (UK)	MediaTek Sweden AB	Research	100%	100%	100%	-
MTK Wireless Limited (UK)	MediaTek USA Inc.	Research	100%	100%	100%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
MTK Wireless Limited (UK)	MediaTek Wireless Finland Oy	Research	100%	100%	100%	-
MTK Wireless Limited (UK)	MStar Semiconductor UK Ltd.	Research and technical services	100%	100%	100%	-
MTK Wireless Limited (UK)	MStar France SAS	Research	100%	100%	100%	-
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	100%	-
Airoha Technology (Cayman) Inc.	Airoha Technology Corp.	Research, manufacturing and sales	-	89%	100%	3,6-8
Airoha Technology (Cayman) Inc.	Shadow Investment Limited	General investing	-	100%	100%	3,8
Airoha Technology (Cayman) Inc.	Airoha Technology (HK) Limited	General investing, research, manufacturing and sales	-	100%	100%	3,8,15
Airoha Technology (Cayman) Inc.	MediaTek Research UK Limited	Research	-	100%	100%	3,8
Airoha Technology (HK) Limited	Airoha Technology (Suzhou) Limited	Research, manufacturing and sales	100%	100%	100%	15-16
Airoha Technology (Suzhou) Limited	EcoNet Limited	General investing and sales	100%	100%	100%	16
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	100%	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	100%	100%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
MediaTek Investment Singapore Pte. Ltd.	Cloud Ranger Limited	General investing	-	-	100%	17
Sigmastar Technology Inc.	Sigmastar Technology Ltd.	Research, manufacturing and sales	-	-	-	18
Sigmastar Technology Ltd.	Shenzhen Sing Chen Technology Inc.	Research	-	-	-	18
Sigmastar Technology Ltd.	SigmaStar Technology Inc. (Shanghai)	Research	-	-	-	18
MStar Co., Ltd.	MStar Software R&D (Shenzhen), Ltd.	Technical services	100%	100%	100%	-
IStar Technology Ltd.	Beijing Ilitek Technology Co., Ltd.	Research and technical services	100%	100%	100%	-
IStar Technology Ltd.	ShenZhen ZhongChen Semiconductor Ltd.	Technical services	-	-	100%	19
Nephos Cayman Co. Limited	Nephos (Hefei) Co., Ltd.	Research, manufacturing and sales	100%	100%	100%	-
Xuxin Investment (Shanghai) Inc.	Xuxi (Shanghai) Management Consulting Co., Ltd.	General investing	100%	100%	100%	-
Xuxi (Shanghai) Management Consulting Co., Ltd.	Hefei Xuhui Management Consulting Co., Ltd.	General investing	100%	100%	100%	-
Digimoc Holdings Limited	Cloud Ranger Limited	General investing	100%	100%	-	17
Digimoc Holdings Limited	Gold Rich International (Samoa) Limited	General investing	100%	100%	-	10

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
MTKC Global Holdings Co. Limited	LePower (HK) Limited	General investing	100%	100%	-	13
MediaTek Investment HK Limited	Hsu Chia (Samoa) Investment Ltd.	General investing	100%	100%	-	12
MediaTek Investment HK Limited	Hsu Fa (Samoa) Investment Ltd.	General investing	100%	100%	-	12
MediaTek Investment HK Limited	Hsu Kang (Samoa) Investment Ltd.	General investing	100%	100%	-	12
MediaTek Wireless Finland Oy	MediaTek Germany GmbH	Technical services	100%	100%	-	20

- For the purpose of reorganization, MStar International Technology Inc. was dissolved due to merger with Hsu-Ta Investment Corp. in June 2021.
- For the purpose of reorganization, the 100% ownership of Digimoc Holdings Limited, which was previously owned by MTK, was transferred to MediaTek Investment Singapore Pte. Ltd. in September 2021. Moreover, the 100% ownership of Digimoc Holdings Limited, was transferred to Gaintech Co. Limited in the same month.
- For the purpose of reorganization, Hsu-Si Investment Corp. spun-off the 46% ownership of Airoha (Cayman) Inc. to Airoha Technology Corp., and MTK acquired 5% new shares issued by Airoha Technology Corp. in October 2021. Airoha Technology Corp. completed a share swap and acquired the remaining 54% ownership of Airoha (Cayman) Inc. in the same month. Hsu-Si Investment Corp. was dissolved due to merger with MTK in December 2021. The 66% ownership of Airoha Technology (Cayman) Inc., which was previously owned by Hsu-Si Investment Corp., was transferred to MTK. Moreover, Airoha Technology Corp. completed a share swap and acquired the 100% ownership of Airoha Technology (Cayman) Inc. on January 1, 2022. Airoha Technology (Cayman) Inc. was dissolved on the same day. The ownership of Shadow Investment Limited, Airoha Technology (HK) Limited and MediaTek Research UK Limited which was previously owned by Airoha Technology (Cayman) Inc. was transfer to Airoha Technology Corp. Furthermore, the 13% ownership of Airoha Technology Corp. previously owned by Gaintech Co. Limited was transferred to MTK in March 2022.
- MTK established MediaTek Capital Co. in July 2021.
- For the purpose of reorganization, Hsu-Ta Investment Corp. spun-off the 100% ownership of Core Tech Resources Inc. to MediaTek Singapore Pte. Ltd in November 2021.
- For the purpose of reorganization, the 100% ownership of Airoha Technology Corp., which was previously owned by Hsu-Si Investment Corp., was transferred to EcoNet (Cayman) Inc. on January 1, 2021. By this transfer, Hsu-Si Investment Corp. acquired the ownership of EcoNet (Cayman) Inc.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

7. Airoha Technology Corp. was renamed Airoha Technology Corp. in February 2021. (Only Chinese name was renamed.)
8. EcoNet (Cayman) Inc. was renamed Airoha Technology (Cayman) Inc. in January 2021.
9. For the purpose of reorganization, Li-Yu Investment Corp. was dissolved due to merger with Richtek Technology Corp. in December 2021.
10. For the purpose of reorganization, the 100% ownership of Gold Rich International (Samoa) Limited, which was previously owned by Gaintech Co. Limited, was transferred to Digimoc Holdings Limited in December 2021.
11. For the purpose of reorganization, Ralink Technology (Samoa) Corp. has been liquidated in September 2021.
12. For the purpose of reorganization, the 100% ownership of Hsu Chia (Samoa) Investment Ltd., Hsu Fa (Samoa) Investment Ltd. and Hsu Kang (Samoa) Investment Ltd., which were previously owned by Gaintech Co. Limited, were transferred to MediaTek Investment HK Limited in October 2021.
13. For the purpose of reorganization, the 100% ownership of LePower (HK) Limited, which was previously owned by Gaintech Co. Limited, was transferred to MTKC Global Holdings Co. Limited in September 2021.
14. Gaintech Co. Limited established Hsu Zhan (HK) Investment Limited, MTKC Global Holdings Co. Limited, MediaTek Investment HK Limited and MediaTek Global Holdings Limited in August 2021.
15. EcoNet (HK) Limited was renamed Airoha Technology (HK) Limited in February 2021.
16. EcoNet (Suzhou) Limited was renamed Airoha Technology (Suzhou) Limited in February 2021.
17. For the purpose of reorganization, the 100% ownership of Cloud Ranger Limited, which was previously owned by MediaTek Investment Singapore Pte. Ltd., was transferred to Gaintech Co. Limited in September 2021. Moreover, the 100% ownership of Cloud Ranger Limited, was transferred to Digimoc Holdings Limited in the same month.
18. Xiamen Sigmaster Technology Inc. (renamed Sigmaster Technology Ltd. in May 2021) and its subsidiaries had been deconsolidated by the Company since February 2021 as the Company lost control over them.
19. For the purpose of reorganization, ShenZhen ZhongChen Semiconductor Ltd., has been liquidated in November 2021.
20. MediaTek Wireless Finland Oy established MediaTek Germany GmbH in November 2021.
21. MediaTek Capital Co. was renamed Hsiang Fa Co. in August 2021. (Only English name was renamed.)

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

Except for the accounting policies listed below, the same accounting policies have been followed in the consolidated financial statements for the three-month periods ended March 31, 2022 and 2021 as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2021. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2021.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (1) 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.
- (2) Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The average annual effective income tax rate is estimated by current income tax expenses only. Deferred income tax is recognized and measured according to IAS 12 “Income Tax” and follows the same accounting policies of the Company’s annual consolidated financial statements. When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income or equity at once.

5. Significant Accounting Judgments, Estimates and Assumptions

The same significant accounting judgments, estimates and assumptions have been followed in the consolidated financial statements for the three-month periods ended March 31, 2022 and 2021 as were applied in the preparation of the Company’s consolidated financial statements for the year ended December 31, 2021. Please refer to the consolidated financial statements for the year ended December 31, 2021.

6. Contents of Significant Accounts

- (1) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand and petty cash	\$ 1,132	\$ 1,224	\$ 1,585
Checking and savings accounts	23,195,223	19,883,365	25,631,751
Time deposits	207,236,543	163,820,005	168,463,229
Total	<u>\$ 230,432,898</u>	<u>\$ 183,704,594</u>	<u>\$ 194,096,565</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

Cash and cash equivalents were not pledged.

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Funds	\$ 8,241,337	\$ 8,208,379	\$ 5,851,610
Linked deposits	2,071,258	2,241,187	1,559,337
Bonds	20,019	19,372	68,475
Stocks	17,727	215,678	-
Forward exchange contracts	216,873	11,216	41,700
Total	<u>\$ 10,567,214</u>	<u>\$ 10,695,832</u>	<u>\$ 7,521,122</u>
<u>Held for trading financial liabilities</u>			
Forward exchange contracts	<u>\$ 28,905</u>	<u>\$ 4,252</u>	<u>\$ 15,510</u>
<u>Noncurrent</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Linked deposits	\$ 1,650,705	\$ 1,770,607	\$ 2,620,734
Bonds	1,447,051	1,345,141	19,972
Trust funds	1,173,211	1,151,690	997,639
Stocks	192,159	191,454	195,018
Total	<u>\$ 4,463,126</u>	<u>\$ 4,458,892</u>	<u>\$ 3,833,363</u>

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
<u>Debt instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Bonds	\$ -	\$ -	\$ 256,650
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	4,555,297	6,667,680	10,716,394
Unlisted company stocks	34,961	38,240	-
Subtotal	4,590,258	6,705,920	10,716,394
Total	\$ 4,590,258	\$ 6,705,920	\$ 10,973,044
<u>Noncurrent</u>			
<u>Debt instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Bonds	\$ 447,382	\$ 440,777	\$ 443,851
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	11,034,654	14,286,200	11,605,221
Capital	27,264,989	25,373,262	16,977,606
Unlisted company stocks	8,613,396	8,833,638	5,886,630
Funds	3,352,153	3,262,841	3,427,155
Subtotal	50,265,192	51,755,941	37,896,612
Total	\$ 50,712,574	\$ 52,196,718	\$ 38,340,463

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

No impairment was recognized for debt instrument investments measured at fair value through other comprehensive income. Please refer to Note 12 for more details on credit risk.

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

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31	
	2022	2021
Related to investments held at the end of the reporting period	\$ 717,789	\$ 854,213

In consideration of disposition according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31	
	2022	2021
The fair value of the investments at the date of derecognition	\$ 342,924	\$ 1,895
The cumulative gain (loss) on disposal reclassified from other equity to retained earnings	\$ 115,755	\$ (2,200)

(4) Financial assets measured at amortized cost

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Bonds	\$ 3,707,679	\$ 3,212,849	\$ 717,689
Time deposits (including the portion with maturity later than one year)	595,481	444,380	174,187
Total	\$ 4,303,160	\$ 3,657,229	\$ 891,876
<u>Noncurrent</u>			
Bonds	\$ 10,022,929	\$ 8,625,557	\$ 10,993,133
Time deposits (including the portion with maturity later than one year)	2,319,478	2,554,941	2,354,474
Total	\$ 12,342,407	\$ 11,180,498	\$ 13,347,607

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

No loss allowance was recognized for financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge and Note 12 for more details on credit risk.

(5) Trade receivables and trade receivables from related parties

	March 31, 2022	December 31, 2021	March 31, 2021
Trade receivables	\$ 64,521,907	\$ 58,620,551	\$ 46,348,822
Less: allowance for doubtful debts	(42,650)	(42,651)	(25,153)
Subtotal	64,479,257	58,577,900	46,323,669
Trade receivables from related parties	89,545	79,236	45,974
Less: allowance for doubtful debts	-	-	-
Subtotal	89,545	79,236	45,974
Total	\$ 64,568,802	\$ 58,657,136	\$ 46,369,643

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

Trade receivables are generally on 30 to 150 day terms. The total carrying amounts were NT\$64,611,452 thousand, NT\$58,699,787 thousand and NT\$46,394,796 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively. Please refer to Note 6. (22) for more details on impairment of trade receivables for the three months ended March 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

Trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring without recourse were NT\$16,754,109 thousand, NT\$15,706,099 thousand and NT\$6,548,589 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

(6) Other receivables

	March 31, 2022	December 31, 2021	March 31, 2021
Factoring receivables	\$ 4,000,652	\$ 4,972,572	\$ 2,859,075
Others	2,109,343	1,958,674	7,855,310
Total	\$ 6,109,995	\$ 6,931,246	\$ 10,714,385

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. Receivables from banks due to factoring agreement were NT\$4,000,652 thousand, NT\$4,972,572 thousand and NT\$2,859,075 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

As of March 31, 2022, December 31, 2021, and March 31, 2021, trade receivables derecognized were summarized (by transferee) as follows:

A. As of March 31, 2022:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
BNP Paribas	-	\$ 25,154	\$ -	\$ 25,154	\$ 155,000
Taishin					
International Bank	-	111,299	-	111,299	205,000
SMBC	-	-	-	-	18,000
CTBC	-	491	-	491	1,900
SinoPac	-	2,043	-	2,043	5,000
CHB	-	906	-	906	1,200
Total		<u>\$ 139,893</u>	<u>\$ -</u>	<u>\$ 139,893</u>	<u>\$ 386,100</u>

B. As of December 31, 2021:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
BNP Paribas	-	\$ 32,463	\$ -	\$ 32,463	\$ 155,000
Taishin					
International Bank	-	138,908	-	138,908	201,000
SMBC	-	5,370	-	5,370	14,000
CTBC	-	680	-	680	1,900
SinoPac	-	1,350	-	1,350	5,000
CHB	-	913	-	913	1,200
Total		<u>\$ 179,684</u>	<u>\$ -</u>	<u>\$ 179,684</u>	<u>\$ 378,100</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

C. As of March 31, 2021:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
BNP Paribas	-	\$ 26,762	\$ -	\$ 26,762	\$ 155,000
Taishin					
International Bank	-	70,780	-	70,780	133,000
SMBC	-	-	-	-	14,000
CTBC	-	622	-	622	1,800
SinoPac	-	1,693	-	1,693	5,000
CHB	-	352	-	352	1,200
Total		\$ 100,209	\$ -	\$ 100,209	\$ 310,000

(7) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 4,741,727	\$ 4,282,954	\$ 5,519,936
Work in progress	58,169,886	43,358,780	41,537,174
Finished goods	26,464,992	25,628,872	9,611,340
Net amount	\$ 89,376,605	\$ 73,270,606	\$ 56,668,450

The operating cost related to inventories included the write-down of inventories of NT\$5,370,225 thousand for the three months ended March 31, 2022 and reversal of write-down of inventories of NT\$255,765 thousand for the three months ended March 31, 2021 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed.

Inventories were not pledged.

(8) Prepayments

	March 31, 2022	December 31, 2021	March 31, 2021
Prepaid expenses	\$ 708,943	\$ 638,817	\$ 594,989
Input tax	418,402	199,959	356,033
Others	4,628,494	970,616	451,853
Total	\$ 5,755,839	\$ 1,809,392	\$ 1,402,875

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(9) Investments accounted for using the equity method**

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

Investees	March 31, 2022		December 31, 2021		March 31, 2021	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:						
Vanchip (Tianjin) Technology Co., Ltd.	\$ 1,772,226	28	\$ 1,778,726	28	\$ 234,559	30
FONTAINE CAPITAL FUND, L.P.	659,299	57	667,327	57	2,939,074	57
Sigmastar Technology Ltd.	8,079,701	32	7,659,507	32	6,793,341	34
Others	1,945,097	-	1,792,888	-	1,673,309	-
Subtotal	12,456,323		11,898,448		11,640,283	
Investments in jointly controlled entities:						
Yuan Ke (Pingtan) Investment Fund Limited Partnership	33,765,059	94	48,388,810	94	63,252,179	81
Total	\$ 46,221,382		\$ 60,287,258		\$ 74,892,462	

In May 2021, subsidiary Gaintech Co. Limited disposed of a portion of Vanchip shares and its ownership was reduced to 28%. Since the Company does not have the ability to direct the relevant activities of Vanchip and therefore does not have control, the Company accounts for the Vanchip investment using the equity method.

Subsidiary Sigmastar Technology Inc. disposed of a portion of Sigmastar Technology Ltd. shares in February 2021, and its ownership was reduced to 34%. Furthermore, Sigmastar Technology Ltd. increased capital by cash in the second and third quarter of 2021, and the Company did not subscribe to the new share proportionate to its original ownership interest. Its ownership was therefore reduced to 32%. Since the Company does not have the ability to direct the relevant activities of Sigmastar Technology Ltd. and therefore does not have control, the Company accounts for the Sigmastar Technology Ltd. investment using the equity method.

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

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

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

A. Investments in associates

	Three months ended March 31	
	2022	2021
Profit (loss) from continuing operations	\$ 229,099	\$ (945,596)
Other comprehensive income (post-tax)	3,981	(1,051)
Total comprehensive income	<u>\$ 233,080</u>	<u>\$ (946,647)</u>

B. Investments in jointly controlled entities

	Three months ended March 31	
	2022	2021
Profit from continuing operations	\$ 23,307	\$ 25,308
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$ 23,307</u>	<u>\$ 25,308</u>

The associates and jointly controlled entities had no contingent liabilities or capital commitments and investments in associates and jointly controlled entities were not pledged as of March 31, 2022, December 31, 2021, and March 31, 2021.

(10) Property, plant and equipment

	March 31, 2022	December 31, 2021	March 31, 2021
Owner-occupied property, plant and equipment	<u>\$ 51,544,475</u>	<u>\$ 49,111,180</u>	<u>\$ 38,585,650</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED 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
Cost:									
As of January 1, 2022	\$	8,389,887	\$ 30,286,267	\$ 1,255,907	\$ 13,892,276	\$ 15,177,343	\$ 4,275,527	\$ 1,155,286	\$ 74,432,493
Additions-acquired separately		502,275	673,787	53,174	635,948	440,688	862,305	481,028	3,649,205
Disposals		-	(2,570)	(16,230)	(93,176)	(108,473)	(3,144)	-	(223,593)
Transfers		9,383	232,756	-	-	25,698	-	(270,893)	(3,056)
Exchange differences		-	480,459	(1,650)	92,499	117,074	58,949	30,815	778,146
As of March 31, 2022	\$	8,901,545	\$ 31,670,699	\$ 1,291,201	\$ 14,527,547	\$ 15,652,330	\$ 5,193,637	\$ 1,396,236	\$ 78,633,195
As of January 1, 2021	\$	5,479,386	\$ 29,536,371	\$ 1,189,789	\$ 8,680,284	\$ 12,631,796	\$ 1,627,882	\$ 1,185,926	\$ 60,331,434
Additions-acquired separately		-	27,300	68,525	151,294	367,774	620,113	879,342	2,114,348
Disposals		-	(520)	(1,071)	(226,136)	(20,393)	(490,916)	318	(738,718)
Transfers		-	(791,179)	21,394	1,344	2,503	(1,344)	(24,486)	(791,768)
Exchange differences		-	(44,463)	(285)	(8,185)	(21,218)	(8,809)	(3,637)	(86,597)
Other		-	-	(120,193)	(1,645)	-	(64,941)	(89,909)	(276,688)
As of March 31, 2021	\$	5,479,386	\$ 28,727,509	\$ 1,158,159	\$ 8,596,956	\$ 12,960,462	\$ 1,681,985	\$ 1,947,554	\$ 60,552,011

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED 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, 2022	\$ -	\$ 6,467,480	\$ 802,967	\$ 6,921,861	\$ 9,360,753	\$ 1,768,252	\$ -	\$ 25,321,313
Depreciation	-	206,883	41,224	592,754	440,503	442,175	-	1,723,539
Disposals	-	-	(16,230)	(91,253)	(103,532)	(3,087)	-	(214,102)
Transfers	-	(26)	-	-	-	-	-	(26)
Exchange differences	-	66,786	(1,651)	71,560	86,749	34,552	-	257,996
As of March 31, 2022	\$ -	\$ 6,741,123	\$ 826,310	\$ 7,494,922	\$ 9,784,473	\$ 2,241,892	\$ -	\$ 27,088,720
As of January 1, 2021	\$ -	\$ 5,704,895	\$ 678,283	\$ 6,064,960	\$ 7,863,842	\$ 1,048,111	\$ -	\$ 21,360,091
Depreciation	-	221,891	42,752	270,390	385,276	102,030	-	1,022,339
Disposals	-	(10)	-	(224,823)	(19,674)	(1,391)	-	(245,898)
Transfers	-	(92,877)	-	173	42	(173)	-	(92,835)
Exchange differences	-	(5,878)	(362)	(6,586)	(13,202)	(3,697)	-	(29,725)
Other	-	-	(23,444)	(251)	-	(23,916)	-	(47,611)
As of March 31, 2021	\$ -	\$ 5,828,021	\$ 697,229	\$ 6,103,863	\$ 8,216,284	\$ 1,120,964	\$ -	\$ 21,966,361
Net carrying amount as of:								
March 31, 2022	\$ 8,901,545	\$ 24,929,576	\$ 464,891	\$ 7,032,625	\$ 5,867,857	\$ 2,951,745	\$ 1,396,236	\$ 51,544,475
December 31, 2021	\$ 8,389,887	\$ 23,818,787	\$ 452,940	\$ 6,970,415	\$ 5,816,590	\$ 2,507,275	\$ 1,155,286	\$ 49,111,180
March 31, 2021	\$ 5,479,386	\$ 22,899,488	\$ 460,930	\$ 2,493,093	\$ 4,744,178	\$ 561,021	\$ 1,947,554	\$ 38,585,650

The property, plant and equipment were not pledge.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(11) Investment property

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

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

	Land	Buildings and facilities	Right-of-use assets	Total
Cost:				
As of January 1, 2022	\$ 176,224	\$ 1,685,164	\$ 81,128	\$ 1,942,516
Transfers	(9,383)	722	-	(8,661)
Exchange differences	-	50,103	152	50,255
As of March 31, 2022	<u>\$ 166,841</u>	<u>\$ 1,735,989</u>	<u>\$ 81,280</u>	<u>\$ 1,984,110</u>
As of January 1, 2021	\$ 176,884	\$ 965,049	\$ 83,303	\$ 1,225,236
Transfers	-	794,127	716	794,843
Exchange differences	-	(2,288)	(24)	(2,312)
As of March 31, 2021	<u>\$ 176,884</u>	<u>\$ 1,756,888</u>	<u>\$ 83,995</u>	<u>\$ 2,017,767</u>
Depreciation and impairment:				
As of January 1, 2022	\$ -	\$ 329,216	\$ 7,946	\$ 337,162
Depreciation	-	13,923	699	14,622
Transfers	-	26	-	26
Exchange differences	-	7,152	30	7,182
As of March 31, 2022	<u>\$ -</u>	<u>\$ 350,317</u>	<u>\$ 8,675</u>	<u>\$ 358,992</u>
As of January 1, 2021	\$ -	\$ 207,653	\$ 5,627	\$ 213,280
Depreciation	-	6,924	713	7,637
Transfers	-	92,877	50	92,927
Exchange differences	-	(576)	(5)	(581)
As of March 31, 2021	<u>\$ -</u>	<u>\$ 306,878</u>	<u>\$ 6,385</u>	<u>\$ 313,263</u>
Net carrying amount as of:				
March 31, 2022	<u>\$ 166,841</u>	<u>\$ 1,385,672</u>	<u>\$ 72,605</u>	<u>\$ 1,625,118</u>
December 31, 2021	<u>\$ 176,224</u>	<u>\$ 1,355,948</u>	<u>\$ 73,182</u>	<u>\$ 1,605,354</u>
March 31, 2021	<u>\$ 176,884</u>	<u>\$ 1,450,010</u>	<u>\$ 77,610</u>	<u>\$ 1,704,504</u>

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

	Three months ended March 31	
	2022	2021
Rental income from investment properties	\$ 31,648	\$ 34,314
Less:		
Direct operating expenses from investment properties generating rental income	(14,622)	(7,637)
Total	\$ 17,026	\$ 26,677

Investment properties were not pledged.

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

Based on comparative approach:	March 31, 2022	December 31, 2021	March 31, 2021
Fair value	\$ 2,682,734	\$ 2,571,956	\$ 1,750,545
Based on comparative approach and income approach:	March 31, 2022	December 31, 2021	March 31, 2021
Fair value	\$ 201,317	\$ 201,317	\$ 201,599
Income capitalization rate	1.36%~3.21%	1.36%~3.21%	1.19%~3.04%

The fair values of investment properties were NT\$2,773,273 thousand and NT\$1,832,518 thousand as of December 31, 2021 and 2020, respectively. The Company's management assessed that the fair value of its investment properties did not change significantly in the three months ended March 31, 2022 and 2021.

For those right-of-use assets leased as operating leases and presented in investment properties, please refer to Note 6. (23) for relevant disclosure as required by IFRS 16.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(12) Intangible assets

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Cost:						
As of January 1, 2022	\$ 772,487	\$ 1,202,118	\$ 5,114,146	\$ 22,587,568	\$ 65,343,022	\$ 95,019,341
Additions-acquired separately	-	24,013	-	1,614,417	-	1,638,430
Disposals	-	(19,514)	-	(1,453)	-	(20,967)
Transfers	-	11,716	-	-	-	11,716
Exchange differences	-	1,496	-	139,456	17,098	158,050
As of March 31, 2022	<u>\$ 772,487</u>	<u>\$ 1,219,829</u>	<u>\$ 5,114,146</u>	<u>\$ 24,339,988</u>	<u>\$ 65,360,120</u>	<u>\$ 96,806,570</u>
As of January 1, 2021	\$ 772,487	\$ 777,061	\$ 5,114,146	\$ 20,909,970	\$ 65,357,866	\$ 92,931,530
Additions-acquired separately	-	45,699	-	642,078	-	687,777
Disposals	-	(6,953)	-	(13,282)	-	(20,235)
Transfers	-	(2,317)	-	-	-	(2,317)
Exchange differences	-	(244)	-	3,315	341	3,412
Others	-	(25,622)	-	(191,780)	-	(217,402)
As of March 31, 2021	<u>\$ 772,487</u>	<u>\$ 787,624</u>	<u>\$ 5,114,146</u>	<u>\$ 21,350,301</u>	<u>\$ 65,358,207</u>	<u>\$ 93,382,765</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED 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, 2022	\$ 717,845	\$ 628,332	\$ 4,271,093	\$ 15,876,422	\$ -	\$ 21,493,692
Amortization	11,879	63,796	56,204	1,165,051	-	1,296,930
Disposals	-	(18,990)	-	(1,447)	-	(20,437)
Exchange differences	-	61	-	83,193	-	83,254
As of March 31, 2022	<u>\$ 729,724</u>	<u>\$ 673,199</u>	<u>\$ 4,327,297</u>	<u>\$ 17,123,219</u>	<u>\$ -</u>	<u>\$ 22,853,439</u>
As of January 1, 2021	\$ 670,331	\$ 425,628	\$ 4,015,066	\$ 11,548,838	\$ -	\$ 16,659,863
Amortization	11,879	54,792	87,417	1,104,463	-	1,258,551
Disposals	-	(6,957)	-	(13,282)	-	(20,239)
Exchange differences	-	(28)	-	2,453	-	2,425
Other	-	(10,714)	-	(78,763)	-	(89,477)
As of March 31, 2021	<u>\$ 682,210</u>	<u>\$ 462,721</u>	<u>\$ 4,102,483</u>	<u>\$ 12,563,709</u>	<u>\$ -</u>	<u>\$ 17,811,123</u>
Net carrying amount as of:						
March 31, 2022	<u>\$ 42,763</u>	<u>\$ 546,630</u>	<u>\$ 786,849</u>	<u>\$ 7,216,769</u>	<u>\$ 65,360,120</u>	<u>\$ 73,953,131</u>
December 31, 2021	<u>\$ 54,642</u>	<u>\$ 573,786</u>	<u>\$ 843,053</u>	<u>\$ 6,711,146</u>	<u>\$ 65,343,022</u>	<u>\$ 73,525,649</u>
March 31, 2021	<u>\$ 90,277</u>	<u>\$ 324,903</u>	<u>\$ 1,011,663</u>	<u>\$ 8,786,592</u>	<u>\$ 65,358,207</u>	<u>\$ 75,571,642</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(13) Impairment testing of goodwill

The Company has no intangible assets with indefinite lives. Goodwill acquired through business combination has been allocated to a cash-generating unit which is expected to benefit from synergies of the business combination and has been assessed for impairment of the recoverable amount of goodwill at the end of each year. The recoverable amount has been determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from a five-year period financial budget. The projected cash flows reflect the change in demand for products and services. The Company had assessed for impairment of the recoverable amount of goodwill on December 31, 2021. The Company did not identify any impairment of goodwill for the year ended December 31, 2021.

(14) Short-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank loans	\$ 70,125,261	\$ 51,267,307	\$ 27,220,091
Interest rates	(0.5)%-1.31%	(0.5)%-1.69%	0%-1.69%

(15) Other payables

	March 31, 2022	December 31, 2021	March 31, 2021
Accrued salaries and bonuses	\$ 27,114,270	\$ 37,956,787	\$ 21,573,770
Accrued royalties	2,394,807	1,892,470	2,432,427
Others	13,112,850	13,277,109	11,393,265
Total	\$ 42,621,927	\$ 53,126,366	\$ 35,399,462

(16) Other current liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Refund liabilities	\$ 42,805,551	\$ 40,364,929	\$ 34,383,064
Others	1,173,915	626,116	756,674
Total	\$ 43,979,466	\$ 40,991,045	\$ 35,139,738

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(17) Long-term borrowings**

Details of long-term loans as of March 31, 2022 are as follows:

Lenders	March 31, 2022	Interest Rate (%)	Maturity date and terms of repayment
JP Morgan Chase Bank	\$ 827,660	0%	Effective from June 11, 2021 to September 11, 2023, principal is repaid once due.
JP Morgan Chase Bank	558,060	(0.4)%	Effective from October 26, 2021 to November 25, 2022, principal is repaid once due.
Total	1,385,720		
Less: current portion	(558,060)		
Noncurrent portion	<u>\$ 827,660</u>		

Details of long-term loans as of December 31, 2021 are as follows:

Lenders	December 31, 2021	Interest Rate (%)	Maturity date and terms of repayment
JP Morgan Chase Bank	\$ 827,660	0%	Effective from June 11, 2021 to September 11, 2023, principal is repaid once due.
JP Morgan Chase Bank	558,060	(0.4)%	Effective from October 26, 2021 to November 25, 2022, principal is repaid once due.
Total	1,385,720		
Less: current portion	(558,060)		
Noncurrent portion	<u>\$ 827,660</u>		

Details of long-term loans as of March 31, 2021 are as follows:

None.

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Pension expenses under the defined contribution plan for the three months ended March 31, 2022 and 2021 were NT\$566,033 thousand and NT\$515,043 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.

Pension expenses under the defined benefits plan for the three months ended March 31, 2022 and 2021 were NT\$3,665 thousand and NT\$3,442 thousand, respectively.

(19) Equity

A. Share capital

MTK's authorized capital as of March 31, 2022, December 31, 2021, and March 31, 2021 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\$15,990,298 thousand, NT\$15,988,420 thousand, and NT\$15,902,506 thousand, divided into 1,599,029,833 shares, 1,598,841,998 shares, and 1,590,250,608 shares as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively. Each share has one voting right and a right to receive dividends.

On July 5, 2021, the general shareholders' meeting approved to issue restricted stocks for employees. As of March 31, 2022, 8,538,455 shares of restricted stocks for employees were issued. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MTK has redeemed and cancelled 17,699 shares and 24,840 shares of issued restricted stocks for employees during the three months ended March 31, 2022 and 2021, respectively. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

MTK issued 58,459 new shares for the three months ended March 31, 2022, at par value of NT\$10 for exercising employee stock options. The aforementioned newly issued shares (NT\$585 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of March 31, 2022.

MTK issued 147,053 new shares for the three months ended March 31, 2021, at par value of NT\$10 for exercising employee stock options. The aforementioned newly issued shares (NT\$1,471 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of March 31, 2021.

B. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
Additional paid-in capital	\$ 45,627,004	\$ 45,612,340	\$ 69,660,260
Treasury share transactions	2,048,065	2,048,065	1,759,683
The difference between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	944,265	839,842	1,002,874
Changes in ownership interests in subsidiaries	3,090,734	2,968,846	2,994,174
Donated assets	1,261	1,261	1,261
Share of changes in net assets of associates	1,316,301	1,223,848	10,836
Employee stock options	391,175	391,175	358,371
Restricted stocks for employees	6,548,898	6,388,981	1,304,584
Others	304,411	301,687	329,872
Total	<u>\$ 60,272,114</u>	<u>\$ 59,776,045</u>	<u>\$ 77,421,915</u>

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

C. Treasury shares

As of March 31, 2022, December 31, 2021, and March 31, 2021, 7,794,085 shares of MTK's common shares amounting to NT\$55,970 thousand were held by the subsidiary, Hsiang Fa Co. These shares held by Hsiang Fa Co. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of March 31, 2022, December 31, 2021, and March 31, 2021, MTK did not hold any other treasury shares.

D. Retained earnings and dividend policy

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

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

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

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

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

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

The appropriations of earnings for 2021 were resolved by the Board of Directors' meeting on March 16, 2022, subject to the resolution of general shareholders' meeting which will be held on May 31, 2022. The appropriations of earnings for 2020 were resolved by the general shareholders' meeting on July 5, 2021. The details of the distribution are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 11,841,278	\$ 5,634,195	-	-
Cash dividends-common stock	91,147,046	33,398,284	\$ 57.00	\$ 21.00
Total	<u>\$ 102,988,324</u>	<u>\$ 39,032,479</u>		

In addition, the general shareholders' meeting on March 16, 2022 and July 5, 2021 resolved to distribute the additional paid-in capital by cash in the amount of NT\$25,585,136 thousand and NT\$25,446,312 thousand, or NT\$16 per share and NT\$16 per share, respectively.

E. Non-controlling interests

	Three months ended March 31	
	2022	2021
Beginning balance	\$ 1,632,598	\$ 3,250,630
Gains attributable to non-controlling interests	151,874	205,011
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	6,402	2,525
Share-based payment transactions	190,434	1,471
Changes in ownership interests in subsidiaries	447,251	(634,592)
Acquisition of additional interest in a subsidiary	(152,836)	(530)
Loss of control of subsidiaries	-	(1,617,596)
Other	(848,790)	-
Ending balance	<u>\$ 1,426,933</u>	<u>\$ 1,206,919</u>

(20) Share-based payment plans

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

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

In August 2011, August 2012, and August 2013, MTK was authorized by the FSC, Executive Yuan, to issue employee stock options of 3,500,000 units, 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 grant date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of MTK's common shares listed on the Taiwan Stock Exchange Corporation ("TWSE") on the grant date.

Detail information relevant to the share-based payment plans as of March 31, 2022 is as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT\$) (Note)
2011.08.24	2,109,871	-	-	\$ 272.6
2012.08.14	1,346,795	134,318	134,318	\$ 280.4
2013.08.22	1,436,343	263,702	263,702	\$ 368.0

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (e.g. shares 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%-3.07%
Expected volatility (%)	32.9%-38.5%
Risk free interest rate (%)	1.0479%-1.65%
Expected life (Years)	6.5 years

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

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

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

	Three months ended March 31			
	2022		2021	
	Weighted-average		Weighted-average	
Employee Stock Option	Options (Unit)	Exercise Price per Share (NT\$)	Options (Unit)	Exercise Price per Share (NT\$)
Outstanding at beginning of period	456,479	\$ 334.5	879,147	\$ 316.8
Granted	-	-	-	-
Exercised (Note)	(58,459)	307.4	(147,053)	301.4
Forfeited (Expired)	-	-	(690)	368.0
Outstanding at end of period	398,020	338.4	731,404	319.9
Exercisable at end of period	398,020		731,404	
Weighted-average fair value of options granted during the period (in NT\$)	\$ -		\$ -	

Note: The weighted average share price at the date of exercise of those options was NT\$1,043.9 and NT\$878.8 for the three months ended March 31, 2022 and 2021, respectively.

The information on the outstanding share-based payment plans as of March 31, 2022 and 2021 is as follows:

		March 31, 2022		March 31, 2021	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NT\$)	Weighted- average Expected Remaining	Weighted- average Exercise Price per Share (NT\$)	Weighted- average Expected Remaining	Weighted- average Exercise Price per Share (NT\$)
		Years		Years	
2011.08.09	\$ 272.6	-	\$ 272.6	-	\$ 272.6
2012.08.09	280.4	-	280.4	-	281.9
2013.08.09	368.0	-	368.0	-	368.0

Restricted stocks plan for employees of MTK

On July 5, 2021, the shareholders' meeting approved to issue gratuitous restricted stocks for employees, at a total of 19,080,000 common shares. MTK shall set up the actual issuance date(s) in one tranche or in installments within one year from the date of receipt of the effective registration of the competent authority.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

MTK issued 8,381,181 and 157,274 gratuitous restricted stocks on August 31, 2021, and February 23, 2022, respectively. The issuance process was granted effective registration by the securities authority.

The fair value of the restricted stocks issued was NT\$824.81-NT\$901 and NT\$1,024.8-NT\$1,120 per share, respectively. The estimated compensation expenses amounted to NT\$6,631,632 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of March 31, 2022, MTK had recognized NT\$2,430,803 thousand as compensation expense and NT\$4,200,372 thousand as unearned employee compensation, which were recorded under salary expense and other equity, respectively.

The first restricted stocks plans for employees of 2022 and 2021 were evaluated under the fair value method. Assumptions used in calculating the fair value are disclosed as follows:

	Restricted stocks plan for employees
Expected volatility (%)	40%
Risk free interest rate (%)	0.24%
Pricing Approach	Monte Carlo Simulation

Restrictions on the rights and vesting conditions of restricted stocks for employees of the 2021 plan are as follows:

- A. To issue common shares of MTK with gratuitous issue price.
- B. Employee's continuous employment with the Company through the vesting dates, with no violation on any terms of the Company's employment agreement, employee handbook, or policies and achievement of both personal performance criterion and the Company's operation objectives (including Total Shareholder Return) during the vesting period, are eligible to receive the vested shares. The maximum portions of the vesting shares of 2022 are 34%, and the cumulative maximum portions of vesting shares from 2022 to 2023 and 2022 to 2024 are 67%, 100%, respectively. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- C. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.
- D. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting, etc., are the same as those of the common shareholders', and the rights will be exercised by the custodian organizations according to the trust contracts.

Share-based payment plans of Subsidiaries

On May 21, 2018, Board of Directors of Airoha (Cayman) Inc. resolved to issue 486,873 common shares for the exercise of employee stock options of Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc.

Each unit of employee stock options is eligible to subscribe for one common share of Airoha (Cayman) Inc. The options may be granted to qualified employees of Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc. with exercise price of US\$3.48 per share. Total outstanding stock options of Airoha (Cayman) Inc. were 0 unit and 325,100 units as of December 31, 2021 and 2020, respectively. During the three months ended March 31, 2022 and 2021, totally 0 unit was granted and expired. Total outstanding stock options of Airoha (Cayman) Inc. were 0 unit and 325,100 units as of March 31, 2022 and 2021, respectively.

On November 29, 2021, Board of Directors of Airoha Technology Corp. approved the option plans for Taiwanese employees and foreign employees. The total units of the stock options are 2,155,464 units for Taiwanese optionees and 1,111,727 units for foreign optionees, each unit of employee stock options is eligible to subscribe for one common share of Airoha Technology Corp. The options may be granted to qualified employees of Airoha Technology Corp. or any of its domestic or foreign subsidiaries. Settlement upon the exercise of the options will be made through the issuance of new shares by Airoha Technology Corp. The rights of the new shares are the same as those of common shares.

The Chairman of Airoha Technology Corp. had determined the issuance date, the exercisable periods and the exercise price of the Taiwanese employee stock options to be on January 3, 2022, from January 3, 2022 to January 7, 2022 and NT\$264 per share, respectively. The options have all been exercised, with January 10, 2022 being the record date of the capital increase.

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

The Chairman of Airoha Technology Corp. had determined the issuance date of foreign employee stock options to be on January 10, 2022. The option holders of the employee stock options may exercise the options within two months after the date that the stocks of Airoha Technology Corp. are listed on a centralized exchange market and the designated accounts required by the relevant regulators are opened. The exercise price ranged between NT\$67 to NT\$137 per share. In accordance with the plan, the number of exercisable shares is subject to adjustment in the situation that Airoha Technology Corp. increases its capital through the capitalization of retained earnings or capital surplus. On February 8, 2022, the general shareholders' meeting of Airoha Technology Corp. resolved to issue 41,573 thousand new common shares through capitalization of capital surplus. Accordingly, the number of exercisable shares was adjusted upward by 444,690 common shares. The incremental fair value thus incurred would be recognized as expense during remaining vesting period.

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

	Three months ended March 31			
	2022		2021	
	Weighted-average		Weighted-average	
Employee Stock Option	Options (Unit)	Exercise Price per Share (NT\$)	Options (Unit)	Exercise Price per Share (NT\$)
Outstanding at beginning of period	-	\$ -	-	\$ -
Granted	3,711,881	188	-	-
Exercised (Note)	(2,155,464)	264	-	-
Forfeited (Expired)	(9,464)	79	-	-
Outstanding at end of period	1,546,953	82	-	-
Exercisable at end of period	-	-	-	-
Weighted-average fair value of options granted during the period (in NT\$)	\$ 131		\$ -	

Note: The weighted average share price at the date of exercise of those options was NT\$334.08 for the three months ended March 31, 2022.

The information on the outstanding share-based payment plans as of March 31, 2022 is as follows:

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

		March 31, 2022		March 31, 2021	
		Outstanding stock options		Outstanding stock options	
		Weighted- average Expected	Weighted- average Exercise Price	Weighted- average Expected	Weighted- average Exercise Price
	Range of Exercise Price (NT\$)	Remaining Years	per Share (NT\$)	Remaining Years	per Share (NT\$)
Date of grant					
2022.01.10	\$ 67-137	1.5	\$ 67-137	-	\$ -

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

	Employee Stock Option
Expected dividend yield (%)	0.00%
Expected volatility (%)	35.91%-54.66%
Risk free interest rate (%)	0.41%
Expected life (Years)	0.01-4.13 years

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

On March 15, 2021, Board of Directors of Airoha Technology (Cayman) Inc. resolved to issue 814,217 common shares for restricted stocks plan for employees of Airoha Technology (Cayman) Inc. and its affiliates.

New common shares of Airoha Technology (Cayman) Inc. would be issued for its restricted stocks plans. During the vesting period, employees may not transfer the restricted stocks to others, and the voting rights of the restricted stocks will be exercised by the custodian organizations on behalf of employees according to the trust contract. If the employees receiving the grant of restricted stocks terminate employment within the vesting period, the restricted stocks during the vesting period are clawed back by the Company.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Total units of restricted stocks issued by subsidiaries were 814,217 units and the total fair value amounted to US\$1,124 thousand for the year ended December 31, 2021. The grant dates were from March 2021 and the lock-up periods were 4 years after the grant dates. The Board of Directors resolved to adjust the vesting periods of aforementioned share-based payment plan until November 30, 2021.

The compensation cost was recognized under the fair value method and the Black-Scholes Option Pricing model, Income Approach and Market Approximation Approach were used to estimate the fair value of restricted stocks for employees. Assumptions of the Black-Scholes Option Pricing model used in calculating the fair value are disclosed as follows:

	Restricted stocks plan for employee
Expected dividend yield (%)	0.00%
Expected volatility (%)	47.65%
Risk free interest rate (%)	0.04%
Expected life (Years)	0.1205 years

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

Share-based compensation expenses recognized for employee services received for the three months ended March 31, 2022 and 2021 are shown in the following table:

	Three months ended March 31	
	2022	2021
Employee stock options	\$ 190,434	\$ 714
Restricted stocks for employees	1,049,575	114,060
Total	<u>\$ 1,240,009</u>	<u>\$ 114,774</u>

Except for the share-based payment plan of Airoha Technology Corp. whose exercisable shares had been increased due to the capitalization of capital surplus, the Company did not modify or cancel any other share-based payment plans during the three months ended March 31, 2022. The amendment of Airoha's share-based payment plan did not incur any incremental fair value.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The Company did not modify or cancel any share-based payment plans for the three months ended March 31, 2021.

(21) Sales

Analysis of revenues from contracts with customers for the three months ended March 31, 2022 and 2021 is as follows:

A. Disaggregation of revenues

	Three months ended March 31	
	2022	2021
Sales of goods	\$ 141,928,737	\$ 107,001,135
Services and other operating revenues	782,112	1,031,847
Total	<u>\$ 142,710,849</u>	<u>\$ 108,032,982</u>
Revenue recognition point:		
At a point in time	\$ 142,243,907	\$ 107,349,706
Satisfies the performance obligation over time	466,942	683,276
Total	<u>\$ 142,710,849</u>	<u>\$ 108,032,982</u>

B. Contract balances

Contract liabilities – current

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Sales of goods	\$ 8,334,638	\$ 5,930,981	\$ 6,552,853	\$ 11,560,361
Services and other operating revenues	644,729	437,502	376,270	132,556
Total	<u>\$ 8,979,367</u>	<u>\$ 6,368,483</u>	<u>\$ 6,929,123</u>	<u>\$ 11,692,917</u>

The significant changes in the Company's balances of contract liabilities for the three months ended March 31, 2022 and 2021 are as follows:

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Three months ended March 31	
	2022	2021
Revenues recognized during the period that were included in the beginning balance	\$ 4,047,944	\$ 10,383,411
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenues during the period)	\$ 6,597,793	\$ 5,736,968

C. Transaction price allocated to unsatisfied performance obligations

As of March 31, 2022, and 2021, no disclosure of the unsatisfied performance obligations is needed as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of service are NT\$640,595 thousand and NT\$1,417,420 thousand. The Company recognizes revenues in accordance with the stage of completion of the contracts. Those contracts are expected to be completed within the next 1 to 2 years.

(22) Expected credit gains

	Three months ended March 31	
	2022	2021
Operating expense- Expected credit gains		
Trade receivables	\$ 1,096	\$ 17,589

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

The Company measures the loss allowance of its receivables (including note receivables, trade receivables, trade receivables from related parties) and financing lease receivable, net at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at March 31, 2022, December 31, 2021, and March 31, 2021 is as follow:

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

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**2022.03.31

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 63,953,714	\$ 461,062	\$ 30,209	\$ 226	\$ 76,696	\$ 64,521,907
Loss ratio	0%	0%	0%	0%~10%	20%~100%	
Lifetime expected credit losses	-	-	-	-	(42,650)	(42,650)
Carrying amount of trade receivables	\$ 63,953,714	\$ 461,062	\$ 30,209	\$ 226	\$ 34,046	\$ 64,479,257

2021.12.31

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 58,349,480	\$ 178,102	\$ 9,480	\$ 7,867	\$ 75,622	\$ 58,620,551
Loss ratio	0%	0%	0%	0%~10%	20%~100%	
Lifetime expected credit losses	-	-	-	(766)	(41,885)	(42,651)
Carrying amount of trade receivables	\$ 58,349,480	\$ 178,102	\$ 9,480	\$ 7,101	\$ 33,737	\$ 58,577,900

2021.03.31

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 45,827,568	\$ 452,293	\$ 10,684	\$ 2,691	\$ 55,586	\$ 46,348,822
Loss ratio	0%	0%	0%	0%~10%	20%~100%	
Lifetime expected credit losses	-	-	-	(269)	(24,884)	(25,153)
Carrying amount of trade receivables	\$ 45,827,568	\$ 452,293	\$ 10,684	\$ 2,422	\$ 30,702	\$ 46,323,669

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Note: No any of the Company's note receivables, trade receivables from related parties or financing lease receivables was past due.

The movements in the provision for impairment of receivables and financing lease receivables for the three months ended March 31, 2022 and 2021 are as follows:

	Note receivables	Trade receivables (including related parties)	Financing lease receivables
As of January 1, 2022	\$ -	\$ 42,651	\$ -
Reversal for the current period	-	(1,096)	-
Effect of changes in exchange rate	-	1,095	-
As of March 31, 2022	<u>\$ -</u>	<u>\$ 42,650</u>	<u>\$ -</u>
As of January 1, 2021	\$ -	\$ 43,315	\$ -
Reversal for the current period	-	(17,589)	-
Effect of changes in exchange rate	-	(573)	-
As of March 31, 2021	<u>\$ -</u>	<u>\$ 25,153</u>	<u>\$ -</u>

(23) Leases

A. The Company as lessee

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

a. Right-of-use asset

	March 31, 2022	December 31, 2021	March 31, 2021
Land	\$ 1,655,026	\$ 1,662,523	\$ 1,677,249
Buildings and facilities	1,952,421	1,635,123	1,357,327
Machinery equipment	138,538	158,384	176,911
Transportation equipment	15,076	17,204	13,478
Office equipment	6,731	5,293	15,221
Total	<u>\$ 3,767,792</u>	<u>\$ 3,478,527</u>	<u>\$ 3,240,186</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

During the three months ended March 31, 2022 and 2021, the additions to right-of-use assets of the Company amounted to NT\$427,250 thousand and NT\$541,122 thousand, respectively.

b. Lease liability

	March 31, 2022	December 31, 2021	March 31, 2021
Lease liability-current	\$ 632,233	\$ 501,153	\$ 534,877
Lease liability-noncurrent	3,131,796	2,989,923	2,657,047
Total	<u>\$ 3,764,029</u>	<u>\$ 3,491,076</u>	<u>\$ 3,191,924</u>

Please refer to Note 6. (28) for the interest on lease liability recognized during the three months March 31, 2022 and 2021 and Note 12. (2) C. for the maturity analysis of lease liabilities.

c. Depreciation charge for right-of-use assets

	Three months ended March 31	
	2022	2021
Land	\$ 12,667	\$ 11,727
Buildings and facilities	136,464	118,902
Machinery equipment	19,846	6,957
Transportation equipment	2,135	1,805
Office equipment	3,259	3,443
Total	<u>\$ 174,371</u>	<u>\$ 142,834</u>

d. Income and costs relating to leasing activities

	Three months ended March 31	
	2022	2021
The expense relating to short-term leases	<u>\$ 15,530</u>	<u>\$ 16,955</u>
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	<u>\$ 1,016</u>	<u>\$ 891</u>
Income from subleasing right-of-use assets	<u>\$ 1,912</u>	<u>\$ 3,764</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

e. Cash outflow relating to leasing activities

During the three months ended March 31, 2022 and 2021, the Company's total cash outflows for leases amounted to NT\$188,208 thousand and NT\$215,531 thousand, respectively.

B. The Company as a lessor

Please refer to Note 6. (11) for details on the Company's owned investment properties and investment properties held by the Company as right-of-use assets. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

The Company has entered into machinery and equipment lease agreements with terms from the year 2020 to 2025. These leases are classified as finance leases as they transfer substantially all the risks and rewards incidental to ownership of the underlying assets.

	Three months ended March 31	
	2022	2021
Lease income for operating leases		
Income relating to fixed lease payments and variable		
lease payments that depend on an index or a rate	\$ 45,771	\$ 53,435
Lease income for finance leases		
Finance income on the net investment in the lease	5,473	706
Total	\$ 51,244	\$ 54,141

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

The undiscounted lease payments to be received for the remaining years as at March 31, 2022, December 31, 2021, and March 31, 2021 are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Not later than one year	\$ 23,293	\$ 23,293	\$ 9,944
Later than one year and not later than two years	205,329	23,292	9,944
Later than two years and not later than three years	743,918	746,853	87,661
Later than three years and not later than four years	550,298	735,143	317,600
Later than four years and not later than five years	-	-	234,938
Total non-discounted lease payments	1,522,838	1,528,581	660,087
Less: unearned finance income of finance lease	(67,054)	(72,797)	(38,571)
Less: allowance for doubtful debts	-	-	-
Net investment in the finance lease (receivable of a finance lease)	\$ 1,455,784	\$ 1,455,784	\$ 621,516
Current	\$ -	\$ -	\$ -
Non-Current	\$ 1,455,784	\$ 1,455,784	\$ 621,516

(24) Employee benefits, depreciation and amortization expenses are summarized by function as follows:

	Three months ended March 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 12,961	\$ 556,737	\$ 569,698	\$ 11,810	\$ 506,675	\$ 518,485
Others	\$ 428,920	\$ 24,865,664	\$ 25,294,584	\$ 324,534	\$ 18,729,151	\$ 19,053,685
Depreciation	\$ 32,720	\$ 1,879,812	\$ 1,912,532	\$ 32,250	\$ 1,140,560	\$ 1,172,810
Amortization	\$ 551	\$ 1,296,379	\$ 1,296,930	\$ 127	\$ 1,258,424	\$ 1,258,551

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

MTK accrued employees' compensation and remuneration to directors based on a specific rate of profit of the three months ended March 31, 2022, and 2021. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, MTK will recognize the change as an adjustment to income of next year. If the Board of Directors resolves to distribute employees' compensation in stock, the number of shares distributed is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of shares on the day preceding the Board of Directors' meeting. The amounts of employees' compensation and remuneration to directors were NT\$460,071 thousand and NT\$340,403 thousand for the three months ended March 31, 2022, respectively. The amounts of employees' compensation and remuneration to directors were NT\$46,582 thousand and NT\$77,931 thousand for the three months ended March 31, 2021, respectively. The employees' compensation and remuneration to directors were recognized as salary expense.

A resolution was approved in a meeting of the Board of Directors held on March 16, 2022 to distribute NT\$1,513,219 thousand and NT\$153,213 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no differences between the aforementioned approved amounts and the amounts charged against earnings in 2021.

There was no material difference between the actual distribution amounts of employees' compensation and remuneration to directors in 2021 and the amounts charged against earnings in 2020.

(25) Interest income

	Three months ended March 31	
	2022	2021
Financial assets measured at amortized cost	\$ 439,345	\$ 415,735
Financial assets at fair value through other comprehensive income	4,297	10,671
Total	\$ 443,642	\$ 426,406

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(26) Other income**

	Three months ended March 31	
	2022	2021
Rental income	\$ 45,771	\$ 53,435
Dividend income	717,894	854,213
Others	48,450	276,662
Total	<u>\$ 812,115</u>	<u>\$ 1,184,310</u>

(27) Other gains and losses

	Three months ended March 31	
	2022	2021
Losses on disposal of property, plant and equipment	\$ (6,507)	\$ (1,562)
(Losses) gains on disposal of intangible assets	(530)	4
(Losses) gains on disposal of investments		
Debt instruments measured at fair value through other comprehensive income	-	9,777
Investments accounted for using the equity method	-	37,368
Financial assets measured at amortized cost	(1,231)	-
Subsidiary	(4,090)	8,420,205
Foreign exchange losses	(38,528)	(11,311)
Gains (losses) on financial assets at fair value through profit or loss	249,306	(242,624)
Losses on financial liabilities at fair value through profit or loss	(28,905)	(15,510)
Others	(16,736)	(9,852)
Total	<u>\$ 152,779</u>	<u>\$ 8,186,495</u>

(28) Finance costs

	Three months ended March 31	
	2022	2021
Interest expense on borrowings	\$ 31,891	\$ 24,444
Interest expense on lease liabilities	17,420	15,155
Total	<u>\$ 49,311</u>	<u>\$ 39,599</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(29) Components of other comprehensive income

For the three months ended March 31, 2022 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	(5,447,131)	-	(5,447,131)	421,062	(5,026,069)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(16,228,337)	-	(16,228,337)	-	(16,228,337)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	9,113,322	4,088	9,117,410	-	9,117,410
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(7,975)	-	(7,975)	-	(7,975)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(26,518)	-	(26,518)	-	(26,518)
Total	\$ (12,596,639)	\$ 4,088	\$ (12,592,551)	\$ 421,062	\$ (12,171,489)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

For the three months ended March 31, 2021 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	(4,402,695)	-	(4,402,695)	508,860	(3,893,835)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	17,755,162	-	17,755,162	-	17,755,162
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	132,678	(92,387)	40,291	-	40,291
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	11,645	(9,777)	1,868	-	1,868
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(362,726)	-	(362,726)	-	(362,726)
Total	\$ 13,134,064	\$ (102,164)	\$ 13,031,900	\$ 508,860	\$ 13,540,760

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of NT\$0 and NT\$9,777 thousand for the three months ended March 31, 2022 and 2021, respectively, which had been recognized in other comprehensive income, were reclassified to profit or loss.

(30) Income tax

The major components of income tax expense are as follows:

	Three months ended March 31	
	2022	2021
Current income tax expense:		
Current income tax charge	\$ 3,650,414	\$ 3,004,317
Deferred tax (income) expense:		
Deferred tax expense (income) relating to		
origination and reversal of temporary differences	476,530	(174,465)
Deferred tax expense (income) relating to		
origination and reversal of tax loss and tax credit	(1,353)	28,717
Deferred tax (income) expense arising from write-		
down or reversal of write-down of deferred tax asset	149,993	393,186
Others	281,263	46,655
Income tax expense	<u>\$ 4,556,847</u>	<u>\$ 3,298,410</u>

Income tax recognized in other comprehensive income

	Three months ended March 31	
	2022	2021
Deferred tax income:		
Unrealized gains from equity instrument investments		
measured at fair value through other comprehensive		
income	\$ 421,062	\$ 508,860
Income tax relating to components of other		
comprehensive income	<u>\$ 421,062</u>	<u>\$ 508,860</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Income tax charged directly to equity

	Three months ended March 31	
	2022	2021
Current income tax expense:		
Realized gains from equity instrument investments		
measured at fair value through other comprehensive		
income	\$ 28,303	\$ 5,498

The assessment of income tax returns

As of March 31, 2022, the assessments of the income tax returns of MTK and its material subsidiaries are as follows:

	The assessment of income tax returns
MTK	Assessed and approved up to 2019
Subsidiary- Hsu-Ta Investment Corp.	Assessed and approved up to 2019
Subsidiary- Richtek Technology Corp.	Assessed and approved up to 2020
Subsidiary- Airoha Technology Corp.	Assessed and approved up to 2019

(31) 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.

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

	Three months ended March 31	
	2022	2021
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 33,261,383	\$ 25,572,233
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,582,739,450	1,577,282,725
Basic earnings per share (NT\$)	\$ 21.02	\$ 16.21
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 33,261,383	\$ 25,572,233
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,582,739,450	1,577,282,725
Effect of dilution:		
Employees' compensation-stock (share)	1,380,767	868,724
Employee stock options (share)	304,187	529,464
Restricted stocks for employees (share)	4,518,092	16,380,252
Weighted average number of ordinary shares outstanding after dilution (share)	1,588,942,496	1,595,061,165
Diluted earnings per share (NT\$)	\$ 20.93	\$ 16.03

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

(32) Loss of control of subsidiary

- A. On January 27, 2021, the Company's Board of Directors approved to sell the 16% shares of Sigmastar Technology Ltd. Total sale price was US\$115 million and the Company recognized a gain on disposal of a subsidiary of NT\$2,767,468 thousand. After the sale, the Company lost control over Sigmastar Technology Ltd. The remaining 34% shares were remeasured at the fair value of NT\$6,671,441 thousand on the date of disposal and the Company recognized a holding gain of NT\$5,652,737 thousand. Assets and liabilities of the disposed subsidiary as of February 28, 2021 are shown as follows:

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	<u>As of February 28, 2021</u>
Assets	
Cash and cash equivalents	\$ 1,285,672
Financial assets at fair value through profit or loss-current	837,002
Trade receivables, net	576,876
Other receivables	18,397
Current tax assets	13
Inventories, net	1,388,345
Prepayments	110,238
Financial assets measured at amortized cost-noncurrent	2,013
Property, plant and equipment	229,077
Right-of-use assets	85,555
Intangible assets	127,925
Deferred tax assets	17,350
Refundable deposits	69,170
	<u>4,747,633</u>
Liabilities	
Contract liabilities-current	(67,266)
Trade payables (including related parties)	(425,769)
Other payables (including related parties)	(682,095)
Current tax liabilities	(51,437)
Other current liabilities	(276,859)
Lease liabilities (including current and noncurrent)	(11,017)
	<u>(1,514,443)</u>
Net assets carrying amount	<u>\$ 3,233,190</u>

On February 24, 2021, the Company has completed the transfer of shareholding rights of Sigmastar Technology Ltd.

(33) Changes in ownership interests in subsidiaries

Changes in ownership of subsidiaries

In consideration of the Company's investment strategy, the 100% ownership of Airoha Technology Corp., which was previously owned by Hsu-Si Investment Corp., was transferred to Airoha Technology (Cayman) Inc. on January 1, 2021. Airoha Technology (Cayman) Inc. increased its capital by cash in April 2021. The Company did not subscribe to the new shares proportionate to its original ownership interest this time and its ownership rose to 91%. As the control over these two subsidiaries remained, the Company accounted for the change as an equity transaction.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

In June 2021, the Company acquired the additional 0.35% of voting shares of Airoha (Cayman) Inc. from other shareholders. Furthermore, as Airoha Technology Corp. completed a share swap and acquired the 100% ownership of Airoha (Cayman) Inc. on October 1, 2021, the Company's ownership of Airoha Technology Corp. and Airoha (Cayman) Inc. rose to 86%. Moreover, Airoha Technology Corp. completed a share swap and acquired the 100% ownership of Airoha Technology (Cayman) Inc. on January 1, 2022. Airoha Technology (Cayman) Inc. was dissolved on the same day. In addition, Airoha Technology Corp. increased capital by cash in January 2022. The Company did not subscribe to the new shares proportionate to its original ownership interest that resulted in a change in ownership interest but control remained. In February 2022, the Company acquired the additional 1.07% of voting shares of Airoha Technology Corp. from other shareholders. After all the changes mentioned above, the Company's ownership of Airoha Technology Corp. became 86%. As the control over the subsidiary remained, the changes of the ownership interest were accounted for as equity transactions.

The differences between the fair value of purchased equity investments and the increase in the non-controlling interest were NT\$226,311 thousand and NT\$635,122 thousand for the three months ended March 31, 2022 and 2021, respectively, which had been recorded in equity.

7. Related Party Transactions

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

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Intelligo Technology Inc.	Associate
Cyberon Corp.	Associate
ASIX Electronics Corporation	Associate
IC PLUS CORP.	Associate
Sigmastar Technology Ltd. and its subsidiaries	Associate (Note1)
Andes Technology Corp.	Substantive related party (Note2)
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
MediaTek Foundation	Substantive related party

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Note1: The Company lost control over Sigmastar Technology Ltd. in February 2021. As a result, Sigmastar Technology Ltd. has become an associate of the Company since that month.

Note2: The Andes Technology Corp became a non-related party as the chairman of MTK resigned as the chairman of Andes Technology Crop in July 2021.

Significant transactions with the related parties

(1) Sales

Sales of goods

	Three months ended March 31	
	2022	2021
Associates		
Intelligo Technology Inc.	\$ 3,263	\$ 1,453
IC PLUS CORP.	14,359	1,979
ASIX Electronics Corporation	124,488	12,089
Subtotal	142,110	15,521

Services and other operating revenues

Associates		
Sigmastar Technology Ltd. and its subsidiaries	33,031	11,037
Intelligo Technology Inc.	8,420	-
Subtotal	41,451	11,037
Total	\$ 183,561	\$ 26,558

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

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

	Three months ended March 31	
	2022	2021
Associates		
ASIX Electronics Corporation	\$ 1,800	\$ 11,750
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	2,351,620	2,155,142
Total	\$ 2,353,420	\$ 2,166,892

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

(3) Consign research and development expenses and license expense

	Three months ended March 31	
	2022	2021
Associate		
Cyberon Corp.	\$ 5,628	\$ 4,873
ASIX Electronics Corporation	14	-
Subtotal	5,642	4,873
Other related parties		
Andes Technology Corp.	-	7,073
Total	\$ 5,642	\$ 11,946

(4) Donation expense

	Three months ended March 31	
	2022	2021
Other related parties		
MediaTek Foundation	\$ -	\$ 120,000

(5) Rental income

	Three months ended March 31	
	2022	2021
Associate		
Sigmastar Technology Ltd. and its subsidiaries	\$ 5,432	\$ 1,488

(6) Trade receivables from related parties

	March 31, 2022	December 31, 2021	March 31, 2021
Associate			
Intelligo Technology Inc.	\$ 1,953	\$ 2,375	\$ 1,028
ASIX Electronics Corporation	44,021	29,203	12,837
Sigmastar Technology Ltd. and its subsidiaries	33,031	39,324	32,109
IC PLUS CORP.	10,540	8,334	-
Total	\$ 89,545	\$ 79,236	\$ 45,974

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(7) Trade payable to related parties**

	March 31, 2022	December 31, 2021	March 31, 2021
Other related parties			
ASIX Electronics Corporation	\$ -	\$ 1,680	\$ 6,037
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	2,463,517	2,174,955	2,183,488
Total	<u>\$ 2,463,517</u>	<u>\$ 2,176,635</u>	<u>\$ 2,189,525</u>

(8) Other payables to related parties

	March 31, 2022	December 31, 2021	March 31, 2021
Associate			
Cyberon Corp.	\$ 6,894	\$ 6,851	\$ 10,510
Intelligo Technology Inc.	85,794	110,696	-
Subtotal	<u>92,688</u>	<u>117,547</u>	<u>10,510</u>
Other related parties			
MediaTek Foundation	-	-	120,000
Andes Technology Corp.	-	-	5,480
Subtotal	<u>-</u>	<u>-</u>	<u>125,480</u>
Total	<u>\$ 92,688</u>	<u>\$ 117,547</u>	<u>\$ 135,990</u>

(9) Long-term payables

	March 31, 2022	December 31, 2021	March 31, 2021
Associate			
Intelligo Technology Inc.	<u>\$ 171,588</u>	<u>\$ 193,718</u>	<u>\$ -</u>

(10) Deposits received

	March 31, 2022	December 31, 2021	March 31, 2021
Associate			
Sigmastar Technology Ltd. and its subsidiaries	<u>\$ 4,039</u>	<u>\$ 3,718</u>	<u>\$ 3,066</u>

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**(11) Others**

During the three months ended March 31, 2021, the Company acquired patent from Andes Technology Corp. in the amount of NT\$19,915 thousand which was recorded as intangible assets.

(12) Key management personnel compensation

	March 31, 2022	March 31, 2021
Short-term employee benefits		
(Note)	\$ 510,656	\$ 447,672
Share-based payment	296,965	29,345
Post-employment benefits	1,811	1,197
Total	<u>\$ 809,432</u>	<u>\$ 478,214</u>

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

8. Assets Pledged as Collateral

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

Assets pledged as collateral	Carrying amount			Purpose of pledge
	March 31, 2022	December 31, 2021	March 31, 2021	
Financial assets measured at				Lease execution
amortized cost-noncurrent	\$ 9,987	\$ 9,986	\$ 9,990	deposits
Financial assets measured at				Customs clearance
amortized cost-noncurrent	79,293	84,283	64,308	deposits
Financial assets measured at				Land lease guarantee
amortized cost-noncurrent	30,890	30,890	30,558	
Financial assets measured at				Performance bond
amortized cost-noncurrent	<u>24,900</u>	<u>24,900</u>	<u>133,244</u>	
Total	<u>\$ 145,070</u>	<u>\$ 150,059</u>	<u>\$ 238,100</u>	

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

9. Contingencies and Off Balance Sheet Commitments

Significant Commitments

The Company entered into capacity reservation contracts with several suppliers. According to the contracts, the supplier shall provide agreed production capacity with the Company after prepayment by the Company.

Legal claim contingency

- A. Nippon Telegraph and Telephone Corporation (“NTT”) and Essential WiFi, LLC (“EWF”) filed complaints in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on March 25, 2020, alleging infringement of United States Patent Nos. 7,280,551, 7,545,781, 7,400,616, and 7,242,720. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.
- B. Koninklijke Philips N.V., and Philips North America LLC (“Philips”) filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiary MediaTek USA Inc. on September 17, 2020, alleging infringement of United States Patent Nos. 9,590,977 and 10,298,564. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.
- C. Ocean Semiconductor LLC (“Ocean”) filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on December 31, 2020, alleging infringement of U.S. Patent Nos. 6,660,651, 6,907,305, 6,725,402, 6,968,248, 7,080,330, 6,836,691, and 8,676,538. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.
- D. DivX, LLC (“DivX”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK and its subsidiary MediaTek Singapore Pte. Ltd. on August 11, 2021, alleging claims arising out of breach of contract. Pursuant to the parties’ joint motion to dismiss the case, the court dismissed the claims against MTK and subsidiary MediaTek Singapore Pte. Ltd. on January 28, 2022.
- E. NXP USA Inc. (“NXP”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. on August 24, 2021, alleging infringement of U.S. Patent Nos. 10,038,518, 10,560,158, and 10,742,780. The operations of MTK and its subsidiary will not be materially affected by this case.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

NXP Semiconductors Inc. (“NXP”) filed 8 complaint in the People’s Republic of China for the Nanjing Intellectual Property Court against MTK on September 26, 2021, September 27, 2021, September 29, 2021 and October 9, 2021 alleging infringement of China Patent Nos. ZL201510695445.0, ZL200580026196.0, ZL02820012.8 and ZL200780002987.9. The operations of MTK will not be materially affected by this case.

NXP USA Inc. and NXP Semiconductors NV (“NXP”) filed a complaint with the U.S. International Trade Commission against MTK and subsidiary MediaTek USA Inc. on November 1, 2021 alleging infringement of U.S. Patent Nos. 7,593,202, 8,482,136, 9,729,214, 10,904,058 and 8,558,591. The operations of MTK and its subsidiary will not be materially affected by this case.

NXP USA Inc. (“NXP”) filed a complaint in the United States District Court for the Central District of California against MTK and subsidiary MediaTek USA Inc. on November 1, 2021, alleging infringement of the same patents listed above. The operations of MTK and its subsidiary will not be materially affected by this case.

NXP USA Inc. (“NXP”) asserted counterclaims in the United States District Court for the Central District of California against MTK and subsidiary MediaTek USA Inc. on December 15, 2021, alleging infringement of U.S. Patent Nos. 9,480,018, 10,278,224, 10,404,839 and 10,764,874. The operations of MTK and its subsidiary will not be materially affected by this case.

The Company will handle these cases carefully.

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****12. Others****(1) Financial instruments****A. Categories of financial instruments**Financial assets

	March 31, 2022	December 31, 2021	March 31, 2021
Financial assets at fair value through profit or loss:			
Held for trading financial assets	\$ 216,873	\$ 11,216	\$ 41,700
Mandatorily measured at fair value through profit or loss (Note 1)	31,567,576	30,849,607	17,861,374
Subtotal	31,784,449	30,860,823	17,903,074
Financial assets at fair value through other comprehensive income	55,302,832	58,902,638	49,313,507
Financial assets measured at amortized cost (Note 2)	302,567,256	249,881,975	259,493,025
Total	\$ 389,654,537	\$ 339,645,436	\$ 326,709,606

Financial liabilities

Financial liabilities at fair value through profit or loss:			
Held for trading financial liabilities	\$ 28,905	\$ 4,252	\$ 15,510
Financial liabilities at amortized cost:			
Short-term borrowings	70,125,261	51,267,307	27,220,091
Trade payables (including related parties)	50,758,823	43,503,692	43,301,209
Other payables (including related parties)	42,714,615	53,243,913	35,535,452
Long-term payables (including current portion and related parties)	3,755,198	3,991,628	5,766,733
Long-term borrowings (including current portion)	1,385,720	1,385,720	-
Lease liabilities	3,764,029	3,491,076	3,191,924
Subtotal	172,503,646	156,883,336	115,015,409
Total	\$ 172,532,551	\$ 156,887,588	\$ 115,030,919

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Notes:

1. Includes trade receivables classified as financial assets measured at fair value through profit or loss in the amount of NT\$16,754,109 thousand, NT\$15,706,099 thousand and NT\$6,548,589 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively. Please refer to Note 6.(5) for further explanation.
2. Includes cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables (excluding financial assets measured at fair value through profit or loss in the amount of NT\$16,754,109 thousand, NT\$15,706,099 thousand and NT\$ 6,548,589 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively. Please refer to Note 6.(5) for further explanation.), other receivables and financing lease receivables, net.

B. Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties) and other payables (including related parties) approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(d) The fair value of derivative financial instruments is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

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

b. Fair value of financial instruments measured at amortized cost

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

c. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3: Unobservable inputs for the assets or liabilities.

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

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

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

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

As of March 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ 101,000	\$ -	\$ 1,366,070	\$ 1,467,070
Linked deposits	-	-	3,721,963	3,721,963
Stocks	197,067	-	12,819	209,886
Funds	1,504,276	-	6,737,061	8,241,337
Trust funds	1,173,211	-	-	1,173,211
Forward exchange contracts	-	216,873	-	216,873
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	18,942,104	-	35,913,346	54,855,450
Debt instruments measured				
at fair value through other				
comprehensive income	-	-	447,382	447,382
Total	\$ 21,917,658	\$ 216,873	\$ 48,198,641	\$ 70,333,172

Liabilities measured at fair value:

Financial liabilities at fair

value through profit or loss

Forward exchange contracts	\$ -	\$ 28,905	\$ -	\$ 28,905
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MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)**
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)As of December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ -	\$ -	\$ 1,364,513	\$ 1,364,513
Linked deposits	387,121	-	3,624,673	4,011,794
Stocks	394,598	-	12,534	407,132
Funds	1,502,219	-	6,706,160	8,208,379
Trust funds	1,151,690	-	-	1,151,690
Forward exchange contracts	-	11,216	-	11,216
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	24,216,721	-	34,245,140	58,461,861
Debt instruments measured				
at fair value through other				
comprehensive income	-	-	440,777	440,777
Total	\$ 27,652,349	\$ 11,216	\$ 46,393,797	\$ 74,057,362

Liabilities measured at fair value:

Financial liabilities at fair

value through profit or loss

Forward exchange contracts	\$ -	\$ 4,252	\$ -	\$ 4,252
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MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)As of March 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ -	\$ -	\$ 88,447	\$ 88,447
Linked deposits	379,850	-	3,800,221	4,180,071
Stocks	182,490	-	12,528	195,018
Funds	1,163,082	-	4,688,528	5,851,610
Trust funds	997,639	-	-	997,639
Forward exchange contracts	-	41,700	-	41,700
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	25,422,365	326,405	22,864,236	48,613,006
Debt instruments measured				
at fair value through other				
comprehensive income	-	-	700,501	700,501
Total	<u>\$ 28,145,426</u>	<u>\$ 368,105</u>	<u>\$ 32,154,461</u>	<u>\$ 60,667,992</u>

Liabilities measured at fair value:

Financial liabilities at fair

value through profit or loss

Forward exchange contracts \$ - \$ 15,510 \$ - \$ 15,510

For the three months ended March 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

	Mandatorily measured at fair value through profit or loss				Measured at fair value through other comprehensive income			Total
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	
As of January 1, 2022	\$ 12,534	\$ 1,364,513	\$ 6,706,160	\$ 3,624,673	\$ 440,777	\$ 25,373,262	\$ 8,871,878	\$ 46,393,797
Amount recognized in profit or loss	(156)	(10,294)	38,978	(17,166)	-	-	-	11,362
Amount recognized in OCI	-	-	-	-	(8,830)	239,446	(357,965)	(127,349)
Amount recognized in OCI- exchange differences	441	11,851	238,422	93,691	15,435	875,526	152,461	1,387,827
Acquisitions	-	-	3,246,454	370,000	-	791,142	483	4,408,079
Settlements	-	-	(3,492,953)	(349,235)	-	(14,387)	(18,500)	(3,875,075)
As of March 31, 2022	\$ 12,819	\$ 1,366,070	\$ 6,737,061	\$ 3,721,963	\$ 447,382	\$ 27,264,989	\$ 8,648,357	\$ 48,198,641

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Mandatorily measured at fair value				Measured at fair value through other			
	through profit or loss				comprehensive income			
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	Total
As of January 1, 2021	\$ 12,569	\$ 363,584	\$ 5,573,450	\$ 4,506,359	\$ 694,083	\$ 17,263,503	\$ 5,547,578	\$ 33,961,126
Amount recognized in profit or loss	-	(274,017)	28,408	26,295	418	-	-	(218,896)
Amount recognized in OCI	-	-	-	-	7,278	(648,712)	554,712	(86,722)
Amount recognized in OCI- exchange differences	(41)	(1,120)	(15,271)	4,592	(1,278)	(8,211)	4,629	(16,700)
Acquisitions	-	-	2,528,239	256,779	-	433,444	26,848	3,245,310
Settlements	-	-	(2,595,441)	(993,804)	-	(62,418)	-	(3,651,663)
Others	-	-	(830,857)	-	-	-	-	(830,857)
Transfer out of level 3	-	-	-	-	-	-	(247,137)	(247,137)
As of March 31, 2021	\$ 12,528	\$ 88,447	\$ 4,688,528	\$ 3,800,221	\$ 700,501	\$ 16,977,606	\$ 5,886,630	\$ 32,154,461

Total losses related to assets recognized for the three months ended March 31, 2022 and 2021 amounted to NT\$5,013 thousand and NT\$ 246,542 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

The Company's recurring fair value measurements in Level 3 of the fair value hierarchy and significant unobservable inputs of fair value measurement in Level 3 fair value hierarchy are as follows:

As of March 31, 2022:

	Valuation technique	Significant unobservable inputs	Quantitative information	Interrelationship between inputs and fair values	Sensitivity analysis of interrelationship between inputs and fair values
Financial Assets:					
At fair value through profit or loss					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's profit (loss) for the three-month period ended March 31, 2022 by NT\$1,282 thousand.
At fair value through other comprehensive income					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's equity for the three-month period ended March 31, 2022 by NT\$54,212 thousand.
Capital	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's equity for the three-month period ended March 31, 2022 by NT\$6,668 thousand.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

As of December 31, 2021:

	Valuation technique	Significant unobservable inputs	Quantitative information	Interrelationship between inputs and fair values	Sensitivity analysis of interrelationship between inputs and fair values
Financial Assets:					
At fair value through profit or loss					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's profit (loss) for the year ended December 31, 2021 by NT\$1,253 thousand.
At fair value through other comprehensive income					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's equity for the year ended December 31, 2021 by NT\$45,812 thousand.
Capital	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's equity for the year ended December 31, 2021 by NT\$17,306 thousand.

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**As of March 31, 2021:

	Valuation technique	Significant unobservable inputs	Quantitative information	Interrelationship between inputs and fair values	Sensitivity analysis of interrelationship between inputs and fair values
Financial Assets:					
At fair value through profit or loss					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's profit (loss) for the three- month period ended March 31, 2021 by NT\$1,253 thousand.
At fair value through other comprehensive income					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's equity for the three-month period ended March 31, 2021 by NT\$57,825 thousand.
Capital	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could increase (decrease) the Company's equity for the three-month period ended March 31, 2021 by NT\$7,815 thousand.

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

As of March 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 2,884,051	\$ 2,884,051

As of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 2,773,273	\$ 2,773,273

As of March 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 2,900,706	\$ 2,900,706

D. Derivative financial instruments

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of March 31, 2022	TWD to USD	Buy USD 20,000	April 2022
As of March 31, 2022	TWD to USD	Sell USD 51,000	April 2022
As of March 31, 2022	CNY to USD	Buy USD 1,891	April 2022
As of March 31, 2022	CNY to USD	Sell USD 26,000	April 2022
As of March 31, 2022	TWD to USD	Buy USD 40,000	May 2022
As of March 31, 2022	TWD to USD	Sell USD 20,000	May 2022
As of March 31, 2022	CNY to USD	Sell USD 11,000	May 2022
As of March 31, 2022	TWD to USD	Buy USD 50,000	June 2022
As of March 31, 2022	TWD to USD	Sell USD 8,000	June 2022
As of March 31, 2022	JPY to USD	Buy USD 1,766	June 2022
As of March 31, 2022	CNY to USD	Sell USD 8,000	June 2022
As of March 31, 2022	TWD to USD	Buy USD 140,000	July 2022
As of March 31, 2022	TWD to USD	Buy USD 50,000	August 2022
As of March 31, 2022	TWD to USD	Buy USD 30,000	September 2022
As of December 31, 2021	TWD to USD	Sell USD 28,000	January 2022
As of December 31, 2021	CNY to USD	Sell USD 9,000	January 2022
As of December 31, 2021	TWD to USD	Sell USD 15,000	February 2022
As of December 31, 2021	CNY to USD	Sell USD 12,000	February 2022
As of December 31, 2021	TWD to USD	Buy USD 10,000	February 2022
As of December 31, 2021	CNY to USD	Sell USD 5,000	March 2022
As of December 31, 2021	TWD to USD	Buy USD 20,000	March 2022
As of December 31, 2021	CNY to USD	Sell USD 2,000	April 2022
As of December 31, 2021	CNY to USD	Sell USD 5,000	May 2022
As of December 31, 2021	JPY to USD	Buy USD 1,766	June 2022
As of March 31, 2021	CNY to USD	Sell USD 2,000	April 2021
As of March 31, 2021	CNY to USD	Buy USD 97,534	April 2021
As of March 31, 2021	TWD to USD	Sell USD 35,000	April 2021
As of March 31, 2021	CNY to USD	Sell USD 3,000	May 2021
As of March 31, 2021	TWD to USD	Sell USD 10,000	May 2021
As of March 31, 2021	TWD to USD	Buy USD 90,000	May 2021
As of March 31, 2021	CNY to USD	Sell USD 2,000	June 2021
As of March 31, 2021	TWD to USD	Buy USD 210,000	June 2021
As of March 31, 2021	CNY to USD	Sell USD 4,000	July 2021

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

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

(2) Financial risk management objectives and policies

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

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

A. Market risk

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

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

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 revenues or expenses are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

When NTD appreciates or depreciates against USD by 0.1%, the profit for the three months ended March 31, 2022 and 2021 decreases/increases by NT\$31,083 thousand and NT\$6,493 thousand, while equity decreases/increases by NT\$170,618 thousand and NT\$147,324 thousand, respectively.

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the three months ended March 31, 2022 and 2021 increases/decreases by NT\$ 1 thousand and NT\$13 thousand, while equity decreases/increases by NT\$24,927 thousand and NT\$16,734 thousand, respectively.

b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment of debt instruments at variable interest rates, bank borrowings with fixed and variable interest rates. Moreover, the market value of the Company's investments in credit-linked deposits and interest rate-linked deposits are affected by interest rates. 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and bank borrowings with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the three months ended March 31, 2022 and 2021 to increase/decrease by NT\$3,840 thousand and NT\$4,365 thousand, respectively.

c. Other price risk

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

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through profit or loss could cause the profit or loss for the three months ended March 31, 2022 and 2021 to increase/decrease by NT\$1,971 thousand and NT\$1,825 thousand, respectively.

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through other comprehensive income could cause the other comprehensive income for the profit or loss for the three months ended March 31, 2022 and 2021 to increase/decrease by NT\$189,422 thousand and NT\$254,224 thousand, respectively.

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

B. Credit risk management

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

As of March 31, 2022, December 31, 2021, and March 31, 2021, receivables from top ten customers represented 64.23%, 48.63%, and 61.27% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount		
			March 31, 2022	December 31, 2021	March 31, 2021
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 13,537,706	\$ 12,279,183	\$ 10,902,191
	Counter parties with investment grade credit rating				
Credit risk significantly increased	Credit risk measure reduced from IG category to HY category	Lifetime expected credit losses	\$ 640,284	\$ -	\$ 1,509,132
	Contract payment overdue 30 days				
Credit-impaired	Credit risk measure belongs to DS category or above	Lifetime expected credit losses	\$ -	\$ -	\$ -
	Contract payment overdue 90 days				
	Other impaired evidence				
Simplified method (Note)	(Note)	Lifetime expected credit losses	\$ 66,176,687	\$ 60,158,382	\$ 47,017,919

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes notes receivables, trade receivables (including related parties) and financing lease receivables.

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

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

C. Liquidity risk management

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

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

	Less than 1 year	1 to 5 years	Later than 5 years	Total
<u>As of March 31, 2022</u>				
Short-term borrowings	\$ 70,146,436	\$ -	\$ -	\$ 70,146,436
Trade payables (including related parties)	50,758,823	-	-	50,758,823
Other payables (including related parties)	42,708,744	-	-	42,708,744
Lease liabilities	692,905	1,708,259	1,954,236	4,355,400
Long-term borrowings	558,060	827,660	-	1,385,720
Long-term payables (including related parties)	2,650,982	1,104,216	-	3,755,198
Total	<u>\$ 167,515,950</u>	<u>\$ 3,640,135</u>	<u>\$ 1,954,236</u>	<u>\$ 173,110,321</u>

As of December 31, 2021

Short-term borrowings	\$ 51,275,086	\$ -	\$ -	\$ 51,275,086
Trade payables (including related parties)	43,503,692	-	-	43,503,692
Other payables (including related parties)	53,239,910	-	-	53,239,910
Lease liabilities	569,403	1,519,801	1,987,708	4,076,912
Long-term borrowings	558,060	827,660	-	1,385,720
Long-term payables (including related parties)	3,135,731	855,897	-	3,991,628
Total	<u>\$ 152,281,882</u>	<u>\$ 3,203,358</u>	<u>\$ 1,987,708</u>	<u>\$ 157,472,948</u>

As of March 31, 2021

Short-term borrowings	\$ 27,231,067	\$ -	\$ -	\$ 27,231,067
Trade payables (including related parties)	43,301,209	-	-	43,301,209
Other payables (including related parties)	35,530,861	-	-	35,530,861
Lease liabilities	586,759	1,153,840	2,060,284	3,800,883
Long-term payables	3,479,045	2,287,688	-	5,766,733
Total	<u>\$ 110,128,941</u>	<u>\$ 3,441,528</u>	<u>\$ 2,060,284</u>	<u>\$ 115,630,753</u>

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

	Less than		
	1 year	1 to 5 years	Total
<u>As of March 31, 2022</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,516,608	\$ -	\$ 1,516,608
Outflow	(1,544,292)	-	(1,544,292)
Net	<u>\$ (27,684)</u>	<u>\$ -</u>	<u>\$ (27,684)</u>
<u>As of December 31, 2021</u>			
Net settlement			
Forward exchange contracts	<u>\$ (4,252)</u>	<u>\$ -</u>	<u>\$ (4,252)</u>
<u>As of March 31, 2021</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,529,375	\$ -	\$ 1,529,375
Outflow	(1,542,659)	-	(1,542,659)
Net	<u>(13,284)</u>	<u>-</u>	<u>(13,284)</u>
Net settlement			
Forward exchange contracts	<u>(2,383)</u>	<u>-</u>	<u>(2,383)</u>
Total	<u>\$ (15,667)</u>	<u>\$ -</u>	<u>\$ (15,667)</u>

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

D. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three months ended March 31, 2022:

	Short-term	Long-term	Lease	Deposits	Total liabilities
	borrowings	borrowings	liabilities	received	from financing
					activities
As of January 1, 2022	\$ 51,267,307	\$ 1,385,720	\$ 3,491,076	\$ 227,570	\$ 56,371,673
Cash flows	18,798,310	-	(154,242)	13,150	18,657,218
Non-cash movement	-	-	427,195	-	427,195
Foreign exchange					
movement	59,644	-	-	-	59,644
As of March 31, 2022	<u>\$ 70,125,261</u>	<u>\$ 1,385,720</u>	<u>\$ 3,764,029</u>	<u>\$ 240,720</u>	<u>\$ 75,515,730</u>

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

Reconciliation of liabilities for the three months ended March 31, 2021:

	Short-term			Total liabilities from financing
	borrows	Lease liabilities	Deposits received	activities
As of January 1, 2021	\$ 21,470,853	\$ 2,845,369	\$ 430,736	\$ 24,746,958
Cash flows	5,745,031	(182,530)	(28,524)	5,533,977
Non-cash movement	-	529,085	-	529,085
Foreign exchange movement	4,207	-	-	4,207
As of March 31, 2021	<u>\$ 27,220,091</u>	<u>\$ 3,191,924</u>	<u>\$ 402,212</u>	<u>\$ 30,814,227</u>

(3) Significant assets and liabilities denominated in foreign currencies

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

	March 31, 2022		
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
Financial assets			
Monetary item:			
USD	\$ 8,991,339	28.598	\$ 257,134,349
CNY	\$ 6,156	4.511	\$ 27,773
Non-monetary item:			
USD	\$ 1,478,614	28.598	\$ 42,285,412
CNY	\$ 5,521,446	4.511	\$ 24,908,457
Financial liabilities			
Monetary item:			
USD	\$ 3,626,615	28.598	\$ 103,713,936
CNY	\$ 2,306	4.511	\$ 10,403

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

December 31, 2021			
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 3,993,471	27.674	\$ 110,515,481
CNY	\$ 5,460	4.357	\$ 23,790
Non-monetary item:			
USD	\$ 1,708,693	27.674	\$ 47,286,358
CNY	\$ 5,001,399	4.357	\$ 21,789,443
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 3,001,013	27.674	\$ 83,049,771
CNY	\$ 1,464	4.357	\$ 6,379
March 31, 2021			
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 6,468,930	28.531	\$ 184,565,065
CNY	\$ 2,199	4.355	\$ 9,576
Non-monetary item:			
USD	\$ 1,479,885	28.531	\$ 42,222,608
CNY	\$ 3,838,990	4.355	\$ 16,717,572
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,899,139	28.531	\$ 82,715,333
CNY	\$ 1,570	4.355	\$ 6,837

The above information is disclosed based on the carrying amounts of foreign currencies (after conversion to the Company's functional currency.)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange losses were NT\$38,528 thousand and NT\$11,311 thousand for the three months ended March 31, 2022 and 2021, respectively.

(4) Capital management

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

13. 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.