

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, 2023 AND 2022

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, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three -month periods ended March 31, 2023 and 2022, 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 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 Standards on Auditing No. 2410, “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, 2023 and 2022, their consolidated financial performance and cash flows for the three-month periods ended March 31, 2023 and 2022, 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 28, 2023

Notice to Readers

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

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

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2023, December 31, 2022, and March 31, 2022

(March 31, 2023 and 2022 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	March 31, 2023	%	December 31, 2022	%	March 31, 2022	%
Current assets							
Cash and cash equivalents	6(1)	\$ 139,696,362	23	\$ 147,502,155	24	\$ 230,432,898	32
Financial assets at fair value through profit or loss-current	6(2)	5,402,085	1	8,541,857	1	10,567,214	1
Financial assets at fair value through other comprehensive income-current	6(3)	4,315,653	1	3,169,019	-	4,590,258	1
Financial assets measured at amortized cost-current	6(4)	5,296,224	1	5,596,485	1	4,303,160	1
Notes receivable, net	6(22)	46,585	-	2,811	-	109,451	-
Trade receivables, net	6(5), 6(22)	46,224,285	8	40,804,936	7	64,479,257	9
Trade receivables from related parties, net	6(5), 6(22), 7	39,871	-	34,593	-	89,545	-
Financing lease receivables, net	6(22), 6(23)	181,973	-	-	-	-	-
Other receivables	6(6), 7	14,972,019	2	15,823,997	3	6,109,995	1
Current tax assets	4, 6(30)	183,920	-	133,072	-	155,296	-
Inventories, net	6(7)	69,264,769	11	70,703,336	12	89,376,605	13
Prepayments	6(8), 9	4,708,686	1	4,138,284	1	5,755,839	1
Other current assets		1,126,279	-	1,203,062	-	1,905,331	-
Total current assets		291,458,711	48	297,653,607	49	417,874,849	59
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	6(2)	6,326,850	1	6,624,993	1	4,463,126	1
Financial assets at fair value through other comprehensive income-noncurrent	6(3)	74,814,438	12	73,801,249	12	50,712,574	7
Financial assets measured at amortized cost-noncurrent	6(4), 8	32,506,349	5	25,264,394	4	12,342,407	2
Investments accounted for using the equity method	6(9)	17,578,361	3	17,798,462	3	46,221,382	7
Property, plant and equipment	6(10)	53,692,785	9	53,861,629	9	51,544,475	7
Right-of-use assets	6(23)	8,910,703	2	8,927,750	2	3,767,792	1
Investment property, net	6(11)	1,986,995	-	2,086,194	-	1,625,118	-
Intangible assets	6(12), 6(13)	78,374,911	13	73,454,530	12	73,953,131	10
Deferred tax assets	4, 6(30)	12,047,870	2	11,511,991	2	8,837,076	1
Refundable deposits	9	6,667,641	1	7,316,702	1	9,478,823	1
Long-term financing lease receivables, net	6(22), 6(23)	1,273,811	-	1,455,784	-	1,455,784	-
Net defined benefit assets-noncurrent		15,395	-	15,852	-	-	-
Other non-current assets-others	9	26,730,575	4	28,626,337	5	26,407,290	4
Total non-current assets		320,926,684	52	310,745,867	51	290,808,978	41
Total assets		<u>\$ 612,385,395</u>	<u>100</u>	<u>\$ 608,399,474</u>	<u>100</u>	<u>\$ 708,683,827</u>	<u>100</u>

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 2023, December 31, 2022, and March 31, 2022

(March 31, 2023 and 2022 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	March 31, 2023	%	December 31, 2022	%	March 31, 2022	%
Current liabilities							
Short-term borrowings	6(14)	\$ 4,600,000	1	\$ 3,700,000	1	\$ 70,125,261	10
Financial liabilities at fair value through profit or loss-current	6(2)	40,889	-	6,097	-	28,905	-
Contract liabilities-current	6(21)	2,488,611	-	4,900,894	1	8,979,367	1
Trade payables		19,515,224	3	19,754,156	3	48,295,306	7
Trade payables to related parties	7	1,654,002	-	1,763,794	-	2,463,517	1
Other payables	6(15)	159,019,242	26	52,384,543	9	42,621,927	6
Other payables to related parties	7	132,071	-	125,059	-	92,688	-
Current tax liabilities	4, 6(30)	13,883,439	2	12,022,458	2	15,031,737	2
Lease liabilities-current	6(23)	715,514	-	795,500	-	632,233	-
Other current liabilities	6(16)	39,222,466	7	43,249,196	7	43,979,466	6
Current portion of long-term liabilities	6(17)	5,635,480	1	2,868,692	-	3,209,042	-
Total current liabilities		246,906,938	40	141,570,389	23	235,459,449	33
Non-current liabilities							
Long-term borrowings	6(17)	-	-	-	-	827,660	-
Long-term payables		3,266,315	1	771,209	-	932,628	-
Long-term payables to related parties	7	60,844	-	92,139	-	171,588	-
Net defined benefit liabilities-noncurrent	4, 6(18)	756,561	-	762,337	-	848,327	-
Deposits received	7	189,342	-	189,707	-	240,720	-
Deferred tax liabilities	4, 6(30)	11,469,658	2	11,584,725	3	8,997,349	1
Lease liabilities-noncurrent	6(23)	8,350,203	2	8,308,237	1	3,131,796	1
Other non-current liabilities-others		2,413,400	-	2,062,492	-	2,159,970	1
Total non-current liabilities		26,506,323	5	23,770,846	4	17,310,038	3
Total liabilities		273,413,261	45	165,341,235	27	252,769,487	36
Equity attributable to owners of the parent							
Share capital	6(19)						
Common stock		15,996,292	3	15,994,353	3	15,990,298	2
Capital collected in advance		550	-	113	-	585	-
Capital surplus	6(19), 6(20), 6(33)	24,972,058	4	47,185,281	8	60,272,114	9
Retained earnings	6(19)						
Legal reserve		62,058,498	10	62,058,498	10	50,217,220	7
Undistributed earnings		204,597,263	33	286,688,675	47	286,661,057	40
Other equity	6(20)	28,909,491	5	28,238,340	5	41,402,103	6
Treasury shares	6(19)	(55,970)	-	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		336,478,182	55	440,109,290	73	454,487,407	64
Non-controlling interests	6(19), 6(33)	2,493,952	-	2,948,949	-	1,426,933	-
Total equity		338,972,134	55	443,058,239	73	455,914,340	64
Total liabilities and equity		<u>\$ 612,385,395</u>	<u>100</u>	<u>\$ 608,399,474</u>	<u>100</u>	<u>\$ 708,683,827</u>	<u>100</u>

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2023 and 2022

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

Description	Notes	Three Months Ended March 31			
		2023	%	2022	%
Net sales	6(21), 7	\$ 95,651,513	100	\$ 142,710,849	100
Operating costs	6(7), 6(24), 7	(49,739,271)	(52)	(70,927,474)	(50)
Gross profit		45,912,242	48	71,783,375	50
Operating expenses	6(22), 6(23), 6(24), 7				
Selling expenses		(2,694,325)	(3)	(3,410,479)	(2)
Administrative expenses		(2,360,947)	(2)	(3,365,424)	(2)
Research and development expenses		(26,483,077)	(28)	(28,541,364)	(20)
Expected credit (losses) gains		(5,131)	-	1,096	-
Total operating expenses		(31,543,480)	(33)	(35,316,171)	(24)
Operating income		14,368,762	15	36,467,204	26
Non-operating income and expenses					
Interest income	6(25)	1,390,615	2	443,642	-
Other income	6(26), 7	3,203,268	3	812,115	1
Other gains and losses	6(27)	285,463	-	152,779	-
Finance costs	6(28)	(36,086)	-	(49,311)	-
Share of profit of associates and joint ventures accounted for using the equity method	6(9)	(108,251)	-	143,675	-
Total non-operating income and expenses		4,735,009	5	1,502,900	1
Net income before income tax		19,103,771	20	37,970,104	27
Income tax expense	4, 6(30)	(2,213,280)	(2)	(4,556,847)	(3)
Net income		16,890,491	18	33,413,257	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		2,886,725	3	(5,447,131)	(4)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		88,664	-	(16,228,337)	(11)
Income tax relating to those items not to be reclassified to profit or loss		(153,220)	-	421,062	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		(2,406,980)	(3)	9,117,410	6
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		11,317	-	(7,975)	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		24,079	-	(26,518)	-
Other comprehensive income, net of tax		450,585	-	(12,171,489)	(9)
Total comprehensive income		\$ 17,341,076	18	\$ 21,241,768	15
Net income for the periods attributable to :					
Owners of the parent	6(31)	\$ 16,873,549		\$ 33,261,383	
Non-controlling interests	6(19)	16,942		151,874	
		\$ 16,890,491		\$ 33,413,257	
Total comprehensive income for the periods attributable to :					
Owners of the parent		\$ 17,334,712		\$ 21,083,492	
Non-controlling interests		6,364		158,276	
		\$ 17,341,076		\$ 21,241,768	
Basic Earnings Per Share (in New Taiwan Dollars)	6(31)	\$ 10.64		\$ 21.02	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(31)	\$ 10.60		\$ 20.93	

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

English Translation of Financial Statements Originally Issued in Chinese
MEDIATEK INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2023 and 2022
(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, 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
Balance as of January 1, 2023	\$ 15,994,353	\$ 113	\$ 47,185,281	\$ 62,058,498	\$ 286,688,675	\$ 7,359,676	\$ 23,079,555	\$ (2,200,891)	\$ (55,970)	\$ 440,109,290	\$ 2,948,949	\$ 443,058,239
Appropriation and distribution of 2022 earnings:												
Cash dividends	-	-	-	-	(99,178,441)	-	-	-	-	(99,178,441)	-	(99,178,441)
Total	-	-	-	-	(99,178,441)	-	-	-	-	(99,178,441)	-	(99,178,441)
Cash dividends distributed from capital surplus	-	-	(22,395,132)	-	-	-	-	-	-	(22,395,132)	-	(22,395,132)
Profit for the three months ended March 31, 2023	-	-	-	-	16,873,549	-	-	-	-	16,873,549	16,942	16,890,491
Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	(2,364,168)	2,825,331	-	-	461,163	(10,578)	450,585
Total comprehensive income	-	-	-	-	16,873,549	(2,364,168)	2,825,331	-	-	17,334,712	6,364	17,341,076
Share-based payment transactions	113	437	4,037	-	-	-	-	-	-	4,587	48,185	52,772
Changes in associates and joint ventures accounted for using the equity method	-	-	51,450	-	-	-	-	-	-	51,450	4,453	55,903
Issuance of restricted stock for employees	1,826	-	110,754	-	14,889	-	-	408,579	-	536,048	-	536,048
Changes in other capital surplus	-	-	15,668	-	-	-	-	-	-	15,668	-	15,668
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	198,591	-	(198,591)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(513,999)	(513,999)
Balance as of March 31, 2023	\$ 15,996,292	\$ 550	\$ 24,972,058	\$ 62,058,498	\$ 204,597,263	\$ 4,995,508	\$ 25,706,295	\$ (1,792,312)	\$ (55,970)	\$ 336,478,182	\$ 2,493,952	\$ 338,972,134

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
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Description	Three Months Ended March 31	
	2023	2022
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 19,103,771	\$ 37,970,104
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	2,793,805	1,912,532
Amortization	1,522,386	1,296,930
Expected credit losses (gains)	5,131	(1,096)
Gains on financial assets and liabilities at fair value through profit or loss	(118,693)	(199,987)
Interest expenses	36,086	49,311
Gains on derecognition of financial assets measured at amortized cost	-	(4,850)
Interest income	(1,390,615)	(443,642)
Dividend income	(3,116,021)	(717,894)
Share-based payment expenses	566,297	1,240,009
Share of profit of associates and joint ventures accounted for using the equity method	108,251	(143,675)
(Gains) losses on disposal of property, plant and equipment	(1,945)	6,507
Losses on disposal of intangible assets	-	530
Losses on disposal of investments	-	4,090
Others	(12)	(1)
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	3,685,516	743,592
Notes receivable	(43,774)	(106,640)
Trade receivables	(5,540,066)	(5,250,515)
Trade receivables from related parties	(5,278)	(10,309)
Other receivables	1,167,590	992,089
Inventories	1,485,472	(16,186,557)
Prepayments	1,185,928	(419,705)
Other current assets	76,783	(616,321)
Other non-current assets-others	8	9,664,661
Contract liabilities	(2,412,283)	2,610,884
Trade payables	(238,932)	6,968,249
Trade payables to related parties	(109,792)	286,882
Other payables	(15,619,314)	(11,984,407)
Other payables to related parties	(22,246)	43
Other current liabilities	(3,877,706)	2,432,044
Net defined benefit liabilities	(5,319)	(8,085)
Other non-current liabilities-others	231,981	106,539
Cash (used in) generated from operating activities:	(532,991)	30,191,312
Interest received	1,381,640	296,186
Dividend received	3,255,670	696,778
Interest paid	(46,561)	(47,443)
Income tax paid	(1,200,218)	(401,347)
Net cash provided by operating activities	2,857,540	30,735,486
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(379,258)	(791,625)
Proceeds from disposal of financial assets at fair value through other comprehensive income	215,644	360,700
Proceeds from capital return of financial assets at fair value through other comprehensive income	3,196	26,766
Acquisition of financial assets measured at amortized cost	(8,198,014)	(1,830,323)
Proceeds from redemption of financial assets measured at amortized cost	1,041,002	473,863
Acquisition of investments accounted for using the equity method	-	(6,940)
Proceeds from capital return of investments accounted for using the equity method	-	25,738
Acquisition of property, plant and equipment	(2,100,216)	(3,052,451)
Proceeds from disposal of property, plant and equipment	4,949	2,951
Decrease (increase) in refundable deposits	649,061	(144,154)
Acquisition of intangible assets	(1,191,735)	(1,961,137)
Net cash used in investing activities	(9,955,371)	(6,896,612)
Cash flows from financing activities :		
Increase in short-term borrowings	900,000	18,798,310
(Decrease) increase in deposits received	(365)	13,150
Cash payment for the principal portion of the lease liabilities	(252,341)	(154,242)
Proceeds from exercise of employee stock options	20,255	17,972
Cash dividends	(959)	-
Acquisition of ownership interests in subsidiaries	-	(48,413)
Change in non-controlling interests	50	583,919
Net cash provided by financing activities	666,640	19,210,696
Effect of changes in exchange rate on cash and cash equivalents	(1,374,602)	3,678,734
Net (decrease) increase in cash and cash equivalents	(7,805,793)	46,728,304
Cash and cash equivalents at the beginning of the period	147,502,155	183,704,594
Cash and cash equivalents at the end of the period	\$ 139,696,362	\$ 230,432,898

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 28, 2023.

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, 2023. The application of these new standards and amendments had no material effect on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standard Board (“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, 2024
IFRS 16	“Lease Liability in a Sale and Leaseback” (Amendment)	January 1, 2024
IAS 1	“Non-current Liabilities with Covenants” (Amendment)	January 1, 2024

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

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

4. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company for the three-month periods ended March 31, 2023 and 2022 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:

- (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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

If loses control of a subsidiary, it:

- (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) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss; and
- (6) recognizes differences in profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
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	HFI Innovation Inc.	Intellectual property right management	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, 2023	December 31, 2022	March 31, 2022	
MTK	MStar Co., Ltd.	General investing	100%	100%	100%	-
MTK	Spidcom Technologies	Intellectual property right management	100%	100%	100%	-
MTK	Richtek Technology Corp.	Research, manufacturing and sales	100%	100%	100%	-
MTK	MediaTek Capital Co.	General investing	100%	100%	100%	-
MTK	Airoha Technology Corp.	Research, manufacturing and sales	76%	76%	77%	1
MTK	Airoha Technology (Cayman) Inc.	General investing	-	-	-	1
MTK	Hsu-Yuan Investment Corp.	General investing	100%	100%	-	2
MTK	MediaTek Research UK Limited	Research	100%	100%	-	3
MTK	MediaTek Bangalore Private Limited	Research	100%	100%	-	4
Hsu-Ta Investment Corp.	Hsiang Fa Co.	General investing	100%	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Bangalore Private Limited	Research	0%	0%	0%	-
Hsiang Fa Co.	Chingis Technology Corporation	Research	100%	100%	100%	-
Hsiang Fa Co.	MediaTek Research Corp.	Research	100%	100%	100%	-
Hsiang Fa Co.	InnoFusion Technology Corp.	Technical services	100%	100%	100%	-
MediaTek Singapore Pte. Ltd.	Core Tech Resources Inc.	General investing	100%	100%	100%	-
MediaTek Singapore Pte. Ltd.	MediaTek Investment HK Limited	General investing	100%	100%	-	5

(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, 2023	December 31, 2022	March 31, 2022	
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Research	0%	0%	0%	-
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.	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%	-
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%	6
Richtek Technology Corp.	Richtek Japan Inc.	Research and technical services	100%	100%	-	7
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 (Cayman) Inc.	Airoha Technology India Private Limited	Research	0%	0%	-	8
Airoha Technology Corp.	Airoha (Cayman) Inc.	General investing	100%	100%	100%	-
Airoha Technology Corp.	Shadow Investment Limited	General investing	100%	100%	100%	1

(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, 2023	December 31, 2022	March 31, 2022	
Airoha Technology Corp.	MediaTek Research UK Limited	Research	-	-	100%	1,3
Airoha Technology Corp.	Airoha Technology (HK) Limited	General investing, research, manufacturing and sales	100%	100%	100%	1
Airoha Technology Corp.	Airoha Technology USA Inc.	Research	100%	100%	-	9
Airoha Technology Corp.	Airoha Technology India Private Limited	Research	100%	100%	-	8
Airoha Technology Corp.	Audiowise Technology Inc.	Research, manufacturing and sales	-	-	-	10
Gaintech Co. Limited	MediaTek China Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	MTK Wireless Limited	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek Japan Inc.	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	Research	-	-	100%	11
Gaintech Co. Limited	MediaTek Korea Inc.	Research	100%	100%	100%	-
Gaintech Co. Limited	Smarthead Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Airoha Technology (Cayman) Inc.	General investing	-	-	-	1
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technical services	100%	100%	100%	-
Gaintech Co. Limited	Nephos Pte. Ltd.	Research	-	-	100%	12
Gaintech Co. Limited	Nephos Cayman Co. Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Zelus (Shenzhen) Technology Ltd.	Research and sales	88%	88%	88%	13
Gaintech Co. Limited	IStar Technology Ltd.	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, 2023	December 31, 2022	March 31, 2022	
Gaintech Co. Limited	Sigmastar Technology Inc.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Mountain Capital Fund, L.P.	General investing	-	90%	90%	14
Gaintech Co. Limited	Hsu Zhan (HK) Investment Limited	General investing	-	-	100%	15
Gaintech Co. Limited	MTKC Global Holdings Co. Limited	General investing	-	-	100%	15
Gaintech Co. Limited	Digimoc Holdings Limited	General investing	-	-	100%	15
Gaintech Co. Limited	MediaTek Investment HK Limited	General investing	-	-	100%	5
Gaintech Co. Limited	MediaTek Global Holdings Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Airoha Technology Corp.	Research, manufacturing and sales	-	-	9%	1,16
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	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	MediaTek Sweden AB	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, 2023	December 31, 2022	March 31, 2022	
MTK Wireless Limited	MediaTek USA Inc.	Research	100%	100%	100%	-
MTK Wireless Limited	MediaTek Wireless Finland Oy	Research	100%	100%	100%	-
MTK Wireless Limited	MStar Semiconductor UK Ltd.	Research and technical services	-	100%	100%	17
MTK Wireless Limited	MStar France SAS	Research	100%	100%	100%	-
MTK Wireless Limited	MediaTek North America Inc.	Sales support and marketing services	100%	100%	-	18
MTK Wireless Limited	MediaTek Poland sp. z o.o.	Technical services	100%	-	-	19
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	-	-	-	1
Airoha Technology (Cayman) Inc.	Shadow Investment Limited	General investing	-	-	-	1
Airoha Technology (Cayman) Inc.	Airoha Technology (HK) Limited	General investing, research, manufacturing and sales	-	-	-	1
Airoha Technology (Cayman) Inc.	MediaTek Research UK Limited	Research	-	-	-	1
Airoha Technology (HK) Limited	Airoha Technology (Suzhou) Limited	Research, manufacturing and sales	100%	100%	100%	-
Airoha Technology (Suzhou) Limited	EcoNet Limited	General investing and sales	100%	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	-	-	100%	4
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	100%	100%	-
MediaTek Bangalore Private Limited	MediaTek India Technology Pvt. Ltd.	Research	100%	100%	-	11
MStar Co., Ltd.	MStar Software R&D (Shenzhen), Ltd.	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, 2023	December 31, 2022	March 31, 2022	
IStar Technology Ltd.	Beijing Ilitek Technology Co., Ltd.	Research and technical services	-	-	100%	20
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%	100%	-
Digimoc Holdings Limited	Gold Rich International (Samoa) Limited	General investing	100%	100%	100%	-
MTKC Global Holdings Co. Limited	LePower (HK) Limited	General investing	100%	100%	100%	-
MediaTek Investment HK Limited	Hsu Chia (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
MediaTek Investment HK Limited	Hsu Fa (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
MediaTek Investment HK Limited	Hsu Kang (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
MediaTek Wireless Finland Oy	MediaTek Germany GmbH	Technical services	100%	100%	100%	-
MediaTek Global Holdings Limited	Hsu Zhan (HK) Investment Limited	General investing	100%	100%	-	15
MediaTek Global Holdings Limited	MTKC Global Holdings Co. Limited	General investing	100%	100%	-	15
MediaTek Global Holdings Limited	Digimoc Holdings Limited	General investing	100%	100%	-	15

MEDiatek INC. AND SUBSIDIARIES

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

1. For the purpose of reorganization, 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 were previously owned by Airoha Technology (Cayman) Inc. were transferred to Airoha Technology Corp. Furthermore, the 13% ownership of Airoha Technology Corp. which was previously owned by Gaintech Co. Limited was transferred to MTK in March 2022.
2. MTK established Hsu-Yuan Investment Corp. in May 2022.
3. For the purpose of reorganization, the 100% ownership of MediaTek Research UK Limited, which was previously owned by Airoha Technology Corp., was transferred to MTK in April 2022.
4. For the purpose of reorganization, the 100% ownership of MediaTek Bangalore Private Limited, which was previously owned by MediaTek Investment Singapore Pte. Ltd., was transferred to MTK in December 2022.
5. For the purpose of reorganization, the 100% ownership of MediaTek Investment HK Limited, which was previously owned by Gaintech Co. Limited, was transferred to MediaTek Singapore Pte. Ltd. in November 2022.
6. For the purpose of reorganization, Richtek IC Design Ireland Limited has been liquidated in June 2022.
7. Richtek Technology Corp. established Richtek Japan Inc. in July 2022.
8. Airoha Technology Corp. established Airoha Technology India Private Limited in July 2022, and transferred portion of its shares to Airoha (Cayman) Inc. in December 2022.
9. Airoha Technology Corp. established Airoha Technology USA Inc. in June 2022.
10. Airoha Technology Corp. accomplished the acquisition of 100% shares of Audiowise Technology Inc. in July 2022. Moreover, Audiowise Technology Inc. was dissolved due to merger with Airoha Technology Corp. in September 2022.
11. For the purpose of reorganization, the 100% ownership of MediaTek India Technology Pvt. Ltd., which was previously owned by Gaintech Co. Limited, was transferred to MediaTek Bangalore Private Limited in May 2022.
12. For the purpose of reorganization, Nephos Pte. Ltd. has been liquidated in October 2022.
13. Zelus Technology (HangZhou) Ltd. was renamed Zelus (Shenzhen) Technology Ltd. in November 2022.
14. Mountain Capital Fund, L.P. has not been consolidated by Gaintech Co. Limited since the day Gaintech Co. Limited lost control over it.
15. For the purpose of reorganization, the 100% ownership of Hsu Zhan (HK) Investment Limited, MTKC Global Holdings Co. Limited and Digimoc Holdings Limited, which were previously owned by Gaintech Co. Limited, were transferred to MediaTek Global Holdings Limited in December 2022.
16. Gaintech Co. Limited has completed the transfer of 9% shareholding rights of Airoha Technology Corp. by June 2022.
17. For the purpose of reorganization, MStar Semiconductor UK Ltd. has been liquidated in February 2023.

MEDIATEK INC. AND SUBSIDIARIES

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

- 18. MTK Wireless Limited established MediaTek North America Inc. in June 2022.
- 19. MTK Wireless Limited established MediaTek Poland sp. z o.o. in January 2023.
- 20. For the purpose of reorganization, Beijing Ilitek Technology Co., Ltd. has been liquidated in November 2022.

The financial statements of all the 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, 2023 and 2022 as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2022. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2022.

- (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, 2023 and 2022 as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2022. Please refer to the consolidated financial statements for the year ended December 31, 2022.

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****6. Contents of Significant Accounts****(1) Cash and cash equivalents**

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand and petty cash	\$ 1,169	\$ 1,122	\$ 1,132
Checking and savings accounts	16,968,032	15,941,203	23,195,223
Time deposits	119,777,161	131,559,830	207,236,543
Cash equivalents-repurchase agreements	2,950,000	-	-
Total	<u>\$ 139,696,362</u>	<u>\$ 147,502,155</u>	<u>\$ 230,432,898</u>

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

Cash and cash equivalents were not pledged.

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Funds	\$ 4,663,807	\$ 7,284,992	\$ 8,241,337
Linked deposits	525,163	987,899	2,071,258
Bonds	147,160	146,981	20,019
Stocks	-	46,631	17,727
Forward exchange contracts	65,955	75,354	216,873
Total	<u>\$ 5,402,085</u>	<u>\$ 8,541,857</u>	<u>\$ 10,567,214</u>
<u>Held for trading financial liabilities</u>			
Forward exchange contracts	<u>\$ 40,889</u>	<u>\$ 6,097</u>	<u>\$ 28,905</u>

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, 2023	December 31, 2022	March 31, 2022
<u>Noncurrent</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Linked deposits	\$ 3,520,557	\$ 4,005,545	\$ 1,650,705
Bonds	1,553,421	1,482,712	1,447,051
Trust funds	1,103,352	985,956	1,173,211
Stocks	149,520	150,780	192,159
Total	<u>\$ 6,326,850</u>	<u>\$ 6,624,993</u>	<u>\$ 4,463,126</u>

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	\$ 4,315,653	\$ 3,155,612	\$ 4,555,297
Unlisted company stocks	-	13,407	34,961
Total	<u>\$ 4,315,653</u>	<u>\$ 3,169,019</u>	<u>\$ 4,590,258</u>
<u>Noncurrent</u>			
<u>Debt instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Bonds	\$ 1,188,336	\$ 1,181,885	\$ 447,382
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	9,332,063	9,730,075	11,451,809
Capital	51,660,879	49,386,393	27,264,989
Unlisted company stocks	9,610,151	10,418,092	8,196,241
Funds	3,023,009	3,084,804	3,352,153
Subtotal	<u>73,626,102</u>	<u>72,619,364</u>	<u>50,265,192</u>
Total	<u>\$ 74,814,438</u>	<u>\$ 73,801,249</u>	<u>\$ 50,712,574</u>

Financial assets at fair value through other comprehensive income 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)**

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.

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, 2023 and 2022 are as follows:

	Three months ended March 31	
	2023	2022
Related to investments held at the end of the reporting period	\$ 3,116,021	\$ 717,789

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, 2023 and 2022 are as follows:

	Three months ended March 31	
	2023	2022
The fair value of the investments at the date of derecognition	\$ 549,684	\$ 342,924
The cumulative gain on disposal reclassified from other equity to retained earnings	\$ 202,314	\$ 115,755

(4) Financial assets measured at amortized cost

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
Bonds	\$ 3,506,589	\$ 3,775,220	\$ 3,707,679
Time deposits	1,789,635	1,821,265	595,481
Total	<u>\$ 5,296,224</u>	<u>\$ 5,596,485</u>	<u>\$ 4,303,160</u>
<u>Noncurrent</u>			
Bonds	\$ 31,902,748	\$ 24,303,097	\$ 10,022,929
Time deposits (including the portion with maturity later than one year)	603,601	961,297	2,319,478
Total	<u>\$ 32,506,349</u>	<u>\$ 25,264,394</u>	<u>\$ 12,342,407</u>

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, 2023	December 31, 2022	March 31, 2022
Trade receivables	\$ 46,231,029	\$ 40,806,576	\$ 64,521,907
Less: allowance for doubtful debts	(6,744)	(1,640)	(42,650)
Subtotal	46,224,285	40,804,936	64,479,257
Trade receivables from related parties	39,871	34,593	89,545
Less: allowance for doubtful debts	-	-	-
Subtotal	39,871	34,593	89,545
Total	\$ 46,264,156	\$ 40,839,529	\$ 64,568,802

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\$46,270,900 thousand, NT\$40,841,169 thousand and NT\$64,611,452 thousand as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively. Please refer to Note 6. (22) for more details on impairment of trade receivables for the three months ended March 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

Trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring without recourse were NT\$2,426,193 thousand, NT\$2,151,487 thousand and NT\$2,470,008 thousand as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

(6) Other receivables

	March 31, 2023	December 31, 2022	March 31, 2022
Factoring receivables	\$ 3,031,674	\$ 3,557,643	\$ 4,000,652
Others	11,940,345	12,266,354	2,109,343
Total	\$ 14,972,019	\$ 15,823,997	\$ 6,109,995

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\$3,031,674 thousand, NT\$3,557,643 thousand and NT\$4,000,652 thousand as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

As of March 31, 2023, December 31, 2022, and March 31, 2022, trade receivables derecognized were summarized (by transferee) as follows:

A. As of March 31, 2023:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
BNP Paribas	-	\$ 9,616	\$ -	\$ 9,616	\$ 155,000
Taishin					
International Bank	-	87,823	-	87,823	227,000
SMBC	-	-	-	-	18,000
CTBC	-	33	-	33	400
SinoPac	-	2,078	-	2,078	10,000
CHB	-	104	-	104	1,500
Total		<u>\$ 99,654</u>	<u>\$ -</u>	<u>\$ 99,654</u>	<u>\$ 411,900</u>

B. As of December 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	-	\$ 7,334	\$ -	\$ 7,334	\$ 155,000
Taishin				107,240	
International Bank	-	107,240	-		227,000
SMBC	-	-	-	-	18,000
CTBC	-	-	-	-	400
SinoPac	-	1,261	-	1,261	10,000
CHB	-	-	-	-	1,500
Total		<u>\$ 115,835</u>	<u>\$ -</u>	<u>\$ 115,835</u>	<u>\$ 411,900</u>

MEDIATEK INC. AND SUBSIDIARIES

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

C. 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>

(7) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 2,017,583	\$ 1,656,255	\$ 4,741,727
Work in progress	47,169,317	47,138,249	58,169,886
Finished goods	20,077,869	21,908,832	26,464,992
Net amount	<u>\$ 69,264,769</u>	<u>\$ 70,703,336</u>	<u>\$ 89,376,605</u>

The operating cost related to inventories included the write-down of inventories of NT\$377,964 thousand and NT\$5,370,225 thousand for the three months ended March 31, 2023 and 2022, respectively.

Inventories were not pledged.

(8) Prepayments

	March 31, 2023	December 31, 2022	March 31, 2022
Prepaid expenses	\$ 854,805	\$ 1,005,158	\$ 708,943
Input tax	214,508	140,137	418,402
Others	3,639,373	2,992,989	4,628,494
Total	<u>\$ 4,708,686</u>	<u>\$ 4,138,284</u>	<u>\$ 5,755,839</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) Investments accounted for using the equity method**

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

Investees	March 31, 2023		December 31, 2022		March 31, 2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:						
Vanchip (Tianjin) Technology Co., Ltd.	\$ 4,443,903	25	\$ 4,595,566	25	\$ 1,772,226	28
FONTAINE CAPITAL FUND, L.P.	585,759	57	642,825	57	659,299	57
Sigmastar Technology Ltd.	8,545,275	32	8,566,099	32	8,079,701	32
Zilltek Technology Corp.	1,771,222	18	1,773,079	18	-	-
Others	2,232,202	-	2,220,893	-	1,945,097	-
Subtotal	<u>17,578,361</u>		<u>17,798,462</u>		<u>12,456,323</u>	
Investments in jointly controlled entities:						
Yuan Ke (Pingtan) Investment Fund Limited Partnership	-	-	-	-	33,765,059	94
Total	<u>\$ 17,578,361</u>		<u>\$ 17,798,462</u>		<u>\$ 46,221,382</u>	

Vanchip increased capital by cash in April and September 2022, and the Company did not subscribe to the new share proportionate to its original ownership interest. Its ownership was therefore reduced to 25%. 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 Hsu-Ta Investment Corp. won two seats of the board of directors of Zilltek Technology Corp. in November 2022. Since Hsu-Ta Investment Corp. can exercise significant influence over Zilltek Technology Corp. through its board of directors but still does not have a control, Hsu-Ta Investment Corp. reclassified Zilltek Technology Corp. from equity instrument investments measured at fair value through other comprehensive income-noncurrent to investments accounted for 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)**

The investment in Yuan Ke (Pingtan) Investment Fund Limited Partnership originally accounted for using the equity method was reclassified to equity instrument investments measured at fair value through other comprehensive income-noncurrent as it was dissolved in November 2022.

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	
	2023	2022
(Loss) profit from continuing operations	\$ (44,847)	\$ 229,099
Other comprehensive income (post-tax)	32,775	3,981
Total comprehensive income	<u>\$ (12,072)</u>	<u>\$ 233,080</u>

B. Investments in jointly controlled entities

	Three months ended March 31	
	2023	2022
Profit from continuing operations	\$ -	\$ 23,307
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$ -</u>	<u>\$ 23,307</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, 2023, December 31, 2022, and March 31, 2022.

(10) Property, plant and equipment

	March 31, 2023	December 31, 2022	March 31, 2022
Owner-occupied property, plant and equipment	<u>\$ 53,692,785</u>	<u>\$ 53,861,629</u>	<u>\$ 51,544,475</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, 2023	\$ 9,068,386	\$ 32,536,899	\$ 1,332,015	\$ 15,376,222	\$ 18,434,608	\$ 10,057,520	\$ 547,525	\$ 87,353,175
Additions-acquired separately	-	68,428	4,093	505,001	298,476	1,283,724	145,583	2,305,305
Disposals	-	(1,834)	(129)	(43,045)	(75,424)	(9,593)	-	(130,025)
Transfers	-	99,178	298	213,846	56,565	(223,205)	(52,116)	94,566
Exchange differences	-	(75,429)	(62)	(17,677)	(21,692)	55,596	-	(59,264)
As of March 31, 2023	<u>\$ 9,068,386</u>	<u>\$ 32,627,242</u>	<u>\$ 1,336,215</u>	<u>\$ 16,034,347</u>	<u>\$ 18,692,533</u>	<u>\$ 11,164,042</u>	<u>\$ 640,992</u>	<u>\$ 89,563,757</u>
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	<u>\$ 8,901,545</u>	<u>\$ 31,670,699</u>	<u>\$ 1,291,201</u>	<u>\$ 14,527,547</u>	<u>\$ 15,652,330</u>	<u>\$ 5,193,637</u>	<u>\$ 1,396,236</u>	<u>\$ 78,633,195</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
Depreciation and impairment:								
As of January 1, 2023	\$ -	\$ 7,394,611	\$ 935,345	\$ 9,201,784	\$ 11,205,065	\$ 4,754,741	\$ -	\$ 33,491,546
Depreciation	-	222,650	32,802	682,536	534,592	1,101,164	-	2,573,744
Disposals	-	(1,816)	(129)	(41,861)	(74,618)	(8,607)	-	(127,031)
Transfers	-	21,677	73	142,398	11,871	(154,342)	-	21,677
Exchange differences	-	(12,021)	(60)	(15,170)	(14,044)	(47,669)	-	(88,964)
As of March 31, 2023	\$ -	\$ 7,625,101	\$ 968,031	\$ 9,969,687	\$ 11,662,866	\$ 5,645,287	\$ -	\$ 35,870,972
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
Net carrying amount as of:								
March 31, 2023	\$ 9,068,386	\$ 25,002,141	\$ 368,184	\$ 6,064,660	\$ 7,029,667	\$ 5,518,755	\$ 640,992	\$ 53,692,785
December 31, 2022	\$ 9,068,386	\$ 25,142,288	\$ 396,670	\$ 6,174,438	\$ 7,229,543	\$ 5,302,779	\$ 547,525	\$ 53,861,629
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

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)**

In accordance with IAS 16 and IAS 23, the Company capitalized depreciation expense and interest expense arising from right-of-use assets and lease liabilities in the amount of NT\$17,174 thousand and NT\$11,141 thousand for the three months ended March 31, 2023, respectively. The interest rate of the capitalization was 0.925% for the three months ended of March 31, 2023.

(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, 2023	\$ -	\$ 2,326,327	\$ 116,159	\$ 2,442,486
Transfers	-	(94,565)	(3,408)	(97,973)
Exchange differences	-	(10,895)	(203)	(11,098)
As of March 31, 2023	<u>\$ -</u>	<u>\$ 2,220,867</u>	<u>\$ 112,548</u>	<u>\$ 2,333,415</u>
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>
Depreciation and impairment:				
As of January 1, 2023	\$ -	\$ 345,083	\$ 11,209	\$ 356,292
Depreciation	-	12,460	908	13,368
Transfers	-	(21,676)	-	(21,676)
Exchange differences	-	(1,556)	(8)	(1,564)
As of March 31, 2023	<u>\$ -</u>	<u>\$ 334,311</u>	<u>\$ 12,109</u>	<u>\$ 346,420</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	Right-of-use assets	Total
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>
Net carrying amount as of:				
March 31, 2023	<u>\$ -</u>	<u>\$ 1,886,556</u>	<u>\$ 100,439</u>	<u>\$ 1,986,995</u>
December 31, 2022	<u>\$ -</u>	<u>\$ 1,981,244</u>	<u>\$ 104,950</u>	<u>\$ 2,086,194</u>
March 31, 2022	<u>\$ 166,841</u>	<u>\$ 1,385,672</u>	<u>\$ 72,605</u>	<u>\$ 1,625,118</u>

	Three months ended March 31	
	2023	2022
Rental income from investment properties	\$ 40,493	\$ 31,648
Less:		
Direct operating expenses from investment properties generating rental income	(13,368)	(14,622)
Total	<u>\$ 27,125</u>	<u>\$ 17,026</u>

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, 2023	December 31, 2022	March 31, 2022
Fair value	<u>\$ 3,052,528</u>	<u>\$ 3,067,378</u>	<u>\$ 2,682,734</u>

MEDIATEK INC. AND SUBSIDIARIES

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

Based on comparative approach and income approach:	March 31, 2023	December 31, 2022	March 31, 2022
Fair value	\$ -	\$ -	\$ 201,317
Income capitalization rate	-	-	1.36%-3.21%

The fair values of investment properties were NT\$3,067,378 thousand and NT\$2,773,273 thousand as of December 31, 2022 and 2021, 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, 2023 and 2022.

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, 2023	\$ 352,055	\$ 1,188,524	\$ 2,581,940	\$ 23,365,076	\$ 66,042,887	\$ 93,530,482
Additions-acquired separately	-	27,185	-	6,431,303	-	6,458,488
Disposals	-	(40,816)	-	(2,242,988)	-	(2,283,804)
Exchange differences	-	(835)	-	(65,164)	(5,267)	(71,266)
As of March 31, 2023	<u>\$ 352,055</u>	<u>\$ 1,174,058</u>	<u>\$ 2,581,940</u>	<u>\$ 27,488,227</u>	<u>\$ 66,037,620</u>	<u>\$ 97,633,900</u>
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>

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, 2023	\$ 344,565	\$ 651,925	\$ 1,644,762	\$ 17,434,700	\$ -	\$ 20,075,952
Amortization	7,165	79,883	63,452	1,371,886	-	1,522,386
Disposals	-	(40,816)	-	(2,242,988)	-	(2,283,804)
Exchange differences	-	(630)	-	(54,915)	-	(55,545)
As of March 31, 2023	<u>\$ 351,730</u>	<u>\$ 690,362</u>	<u>\$ 1,708,214</u>	<u>\$ 16,508,683</u>	<u>\$ -</u>	<u>\$ 19,258,989</u>
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>
Net carrying amount as of:						
March 31, 2023	<u>\$ 325</u>	<u>\$ 483,696</u>	<u>\$ 873,726</u>	<u>\$ 10,979,544</u>	<u>\$ 66,037,620</u>	<u>\$ 78,374,911</u>
December 31, 2022	<u>\$ 7,490</u>	<u>\$ 536,599</u>	<u>\$ 937,178</u>	<u>\$ 5,930,376</u>	<u>\$ 66,042,887</u>	<u>\$ 73,454,530</u>
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>

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, 2022. The Company did not identify any impairment of goodwill for the year ended December 31, 2022.

(14) Short-term borrowings

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	\$ 4,600,000	\$ 3,700,000	\$ 70,125,261
Interest rates	1.73%-1.98%	1.83%-2.35%	(0.5)%-1.31%

(15) Other payables

	March 31, 2023	December 31, 2022	March 31, 2022
Accrued salaries and bonuses	\$ 22,592,183	\$ 37,802,481	\$ 27,114,270
Accrued royalties	2,893,032	3,359,937	2,394,807
Dividends payable	122,087,622	-	863,570
Others	11,446,405	11,222,125	12,249,280
Total	\$ 159,019,242	\$ 52,384,543	\$ 42,621,927

(16) Other current liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Refund liabilities	\$ 38,078,447	\$ 42,396,837	\$ 42,805,551
Others	1,144,019	852,359	1,173,915
Total	\$ 39,222,466	\$ 43,249,196	\$ 43,979,466

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, 2023 are as follows:

Lenders	March 31, 2023	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.
Less: current portion	(827,660)		
Noncurrent portion	<u>\$ -</u>		

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

Lenders	December 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.
Less: current portion	(827,660)		
Noncurrent portion	<u>\$ -</u>		

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	<u>1,385,720</u>		
Less: current portion	(558,060)		
Noncurrent portion	<u>\$ 827,660</u>		

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(18) Post-employment benefits plans

Defined contribution plan

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

Pension expenses under the defined contribution plan for the three months ended March 31, 2023 and 2022 were NT\$689,548 thousand and NT\$566,033 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, 2023 and 2022 were NT\$4,284 thousand and NT\$3,665 thousand, respectively.

(19) Equity

A. Share capital

MTK's authorized capital as of March 31, 2023, December 31, 2022, and March 31, 2022 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\$15,996,292 thousand, NT\$15,994,353 thousand, and NT\$15,990,298 thousand, divided into 1,599,629,197 shares, 1,599,435,327 shares, and 1,599,029,833 shares as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively. Each share has one voting right and a right to receive dividends.

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

On July 5, 2021, the general shareholders' meeting approved to issue restricted stocks for employees. As of March 31, 2023, 9,012,427 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 19,344 shares and 17,699 shares of issued restricted stocks for employees during the three months ended March 31, 2023 and 2022, respectively. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MTK issued 55,042 new shares for the three months ended March 31, 2023, at par value of NT\$10 for exercising employee stock options. The aforementioned newly issued shares (NT\$550 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of March 31, 2023.

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.

B. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
Additional paid-in capital	\$ 123,087	\$ 22,510,861	\$ 45,627,004
Treasury share transactions	2,617,042	2,617,042	2,048,065
The difference between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	9,477,276	9,477,276	944,265
Changes in ownership interests in subsidiaries	3,003,434	3,003,434	3,090,734
Donated assets	1,261	1,261	1,261
Share of changes in net assets of associates	4,157,383	4,105,933	1,316,301
Employee stock options	391,175	391,175	391,175
Restricted stocks for employees	4,894,671	4,787,238	6,548,898
Others	306,729	291,061	304,411
Total	<u>\$ 24,972,058</u>	<u>\$ 47,185,281</u>	<u>\$ 60,272,114</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

C. Treasury shares

As of March 31, 2023, December 31, 2022, and March 31, 2022, 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, 2023, December 31, 2022, and March 31, 2022, MTK did not hold any other treasury shares.

D. Retained earnings and dividend policy

According to the MTK's previous version of 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.

On May 31, 2022, MTK's shareholders resolved to amend the earnings distribution clause of the Articles of Incorporation according to the Articles 240 and 241 of the Company Act. According to the amendment, MTK's current year earnings, if any, shall be distributed in the following order:

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- 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 according to laws and regulations and the procedures and principles specified in the Articles of Incorporation and report such distribution to the shareholders' meeting or submit the same to the shareholders' meeting for review and approval by a resolution.

Based on the authorization from the amendment of the Articles of Incorporation as mentioned above, Board of Directors may resolve (by a majority vote in a meeting attended by over two thirds of the Directors) to distribute cash dividends and report such resolution to the shareholders' meeting.

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.

The appropriations of earnings for 2022 and 2021 were resolved by the Board of Directors' meeting on February 24, 2023, and the general shareholders' meeting on May 31, 2022, respectively. The details of the distribution 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)**

	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal reserve(Note)	\$ 13,724,450	\$ 11,841,278	-	-
Cash dividends-common stock	99,178,441	91,147,046	\$ 62.00	\$ 57.00
Total	<u>\$ 112,902,891</u>	<u>\$ 102,988,324</u>		

Note: Legal reserve for 2022 is subject to the resolution of general shareholders' meeting which will be held on May 31, 2023.

In addition, Board of Directors' meeting on February 24, 2023, and the general shareholders' meeting on May 31, 2022 resolved to distribute the additional paid-in capital by cash in the amount of NT\$22,395,132 thousand and NT\$25,585,136 thousand, or NT\$14 per share and NT\$16 per share, respectively.

E. Non-controlling interests

	Three months ended March 31	
	2023	2022
Beginning balance	\$ 2,948,949	\$ 1,632,598
Gains attributable to non-controlling interests	16,942	151,874
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(10,578)	6,402
Share-based payment transactions	48,185	190,434
Changes in associates and joint ventures accounted for using the equity method	4,453	-
Changes in ownership interests in subsidiaries	-	447,251
Acquisition of additional interest in a subsidiary	-	(152,836)
Others	(513,999)	(848,790)
Ending balance	<u>\$ 2,493,952</u>	<u>\$ 1,426,933</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)**Employee stock option plans of MTK

In 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 granted date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of MTK's common shares listed on the Taiwan Stock Exchange Corporation ("TWSE") on the grant date.

Detail information relevant to the share-based payment plans are as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT\$) (Note)
2012.08.14	1,346,795	-	-	\$ 280.4
2013.08.22	1,436,343	163,078	163,078	\$ 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:

Employee Stock Option	Three months ended March 31			
	2023		2022	
	Options	Weighted-average Exercise Price per Share (NT\$)	Options	Weighted-average Exercise Price per Share (NT\$)
	(Unit)		(Unit)	
Outstanding at beginning of period	218,120	\$ 368.0	456,479	\$ 334.5
Granted	-	-	-	-
Exercised (Note)	(55,042)	368.0	(58,459)	307.4
Forfeited (Expired)	-	-	-	-
Outstanding at end of period	163,078	368.0	398,020	338.4
Exercisable at end of period	163,078		398,020	
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\$750.3 and NT\$1,043.9 for the three months ended March 31, 2023 and 2022, respectively.

The information on the outstanding share-based payment plans is as follows:

		March 31, 2023		March 31, 2022	
		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	
2012.08.09	\$ 280.4	-	\$ -	-	\$ 280.4
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, 157,274, 272,034 and 201,938 gratuitous restricted stocks on August 31, 2021, February 23, 2022, August 31, 2022 and February 23, 2023, 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, NT\$1,024.8-NT\$1,120, NT\$610.31-667 and NT\$681.68~745 per share, respectively. The estimated compensation expenses amounted to NT\$7,534,400 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of March 31, 2023, MTK had recognized NT\$5,720,772 thousand as compensation expense and NT\$1,792,312 thousand as unearned employee compensation, which were recorded under salary expense and other equity, respectively.

The restricted stocks plans for employees 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 the first 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.
- 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.

MEDIATEK INC. AND SUBSIDIARIES

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

Restrictions on the rights and vesting conditions of the second 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 2023 are 50%, and the cumulative maximum portions of vesting shares from 2023 to 2024 are 100%. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives.
- C. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.
- D. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting, 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 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.

MEDIATEK INC. AND SUBSIDIARIES

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

The issuance date, the exercisable periods and the exercise price of the Taiwanese employee stock options were determined 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. Relevant regulators' approvals have been obtained and related registration processes have been completed.

The issuance date of foreign employee stock options was determined 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 adjustments 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 441,986 common shares. The incremental fair value thus incurred would be recognized as an expense during the remaining vesting period.

Airoha Technology Corp. adopted the fair value method to determine the compensation cost 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 (%)	0.00%
Expected volatility (%)	35.91%-54.66%
Risk free interest rate (%)	0.41%
Expected life (Years)	0.01-1.61 years

The expected life of the shares 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			
	2023		2022	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)
Outstanding at beginning of period	1,491,839	\$ 82.0	-	\$ -
Granted	-	-	3,709,177	188.0
Exercised (Note)	-	-	(2,155,464)	264.0
Forfeited (Expired)	(7,988)	80.0	(6,760)	79.0
Outstanding at end of period	<u>1,483,851</u>	82.0	<u>1,546,953</u>	82.0
Exercisable at end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted during the period (in NT\$)	<u>\$ -</u>		<u>\$ 131</u>	

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 is as follows:

		March 31, 2023		March 31, 2022	
		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	
2022.01.10	\$ 67.0-137.0	0.5	\$ 67.0-137.0	1.5	\$ 67.0-137.0

Share-based compensation expenses recognized for employee services received for the three months ended March 31, 2023 and 2022 are shown in the following table:

	Three months ended March 31	
	2023	2022
Employee stock options	\$ 48,185	\$ 190,434
Restricted stocks for employees	518,112	1,049,575
Total	<u>\$ 566,297</u>	<u>\$ 1,240,009</u>

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, 2023.

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.

(21) Sales

Analysis of revenue from contracts with customers for the three months ended March 31, 2023 and 2022 is as follows:

A. Disaggregation of revenue

	Three months ended March 31	
	2023	2022
Sale of goods	\$ 94,071,563	\$ 141,928,737
Services and other operating revenue	1,579,950	782,112
Total	<u>\$ 95,651,513</u>	<u>\$ 142,710,849</u>
Revenue recognition point:		
At a point in time	\$ 94,432,997	\$ 142,243,907
Satisfies the performance obligation over time	1,218,516	466,942
Total	<u>\$ 95,651,513</u>	<u>\$ 142,710,849</u>

B. Contract balances

a. Contract liabilities – current

	March 31, 2023	December 31, 2022	March 31, 2022	January 1, 2022
Sale of goods	\$ 1,560,827	\$ 4,043,364	\$ 8,334,638	\$ 5,930,981
Services and other operating revenue	927,784	857,530	644,729	437,502
Total	<u>\$ 2,488,611</u>	<u>\$ 4,900,894</u>	<u>\$ 8,979,367</u>	<u>\$ 6,368,483</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The significant changes in the Company's balances of contract liabilities for the three months ended March 31, 2023 and 2022 are as follows:

	Three months ended March 31	
	2023	2022
Revenue recognized during the period that was included in the beginning balance	\$ 3,744,957	\$ 4,047,944
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	\$ 1,337,306	\$ 6,597,793

C. Transaction price allocated to unsatisfied performance obligations

As of March 31, 2023, and 2022, 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\$5,643,585 thousand and NT\$640,595 thousand. The Company recognizes revenue 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 (losses) gains

	Three months ended March 31	
	2023	2022
Operating expense- expected credit (losses) gains		
Trade receivables	\$ (5,131)	\$ 1,096

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

The Company measures the loss allowance of its receivables (including notes receivable, trade receivables and trade receivables from related parties) and financing lease receivables, net at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of March 31, 2023, December 31, 2022, and March 31, 2022 is as follows:

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)**2023.03.31

	Neither past due		Past due				
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	Total	
Gross carrying amount	\$ 45,536,497	\$ 603,795	\$ 30,358	\$ 57,306	\$ 3,073	\$ 46,231,029	
Loss ratio	0%	0%	0%	0%-10%	20%-100%		
Lifetime expected credit losses	-	-	-	(5,730)	(1,014)	(6,744)	
Carrying amount of trade receivables	\$ 45,536,497	\$ 603,795	\$ 30,358	\$ 51,576	\$ 2,059	\$ 46,224,285	

2022.12.31

	Neither past due		Past due				
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	Total	
Gross carrying amount	\$ 39,842,984	\$ 815,777	\$ 25,932	\$ 119,169	\$ 2,714	\$ 40,806,576	
Loss ratio	0%	0%	0%	0%-10%	20%-100%		
Lifetime expected credit losses	-	-	-	(1,640)	-	(1,640)	
Carrying amount of trade receivables	\$ 39,842,984	\$ 815,777	\$ 25,932	\$ 117,529	\$ 2,714	\$ 40,804,936	

2022.03.31

	Neither past due		Past due				
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	Total	
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	

Note: Neither the Company's note and trade receivables from related parties nor financing lease receivables were past due.

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

The movements in the provision for impairment of receivables and financing lease receivables for the three months ended March 31, 2023 and 2022 are as follows:

	Notes receivable	Trade receivables (including related parties)	Financing lease receivables
As of January 1, 2023	\$ -	\$ 1,640	\$ -
Allowance for the current period	-	5,131	-
Effect of changes in exchange rate	-	(27)	-
As of March 31, 2023	<u>\$ -</u>	<u>\$ 6,744</u>	<u>\$ -</u>
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>

(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, 2023	December 31, 2022	March 31, 2022
Land	\$ 6,628,503	\$ 6,652,269	\$ 1,655,026
Buildings and facilities	2,198,834	2,172,719	1,952,421
Machinery equipment	66,811	83,797	138,538
Transportation equipment	12,555	14,537	15,076
Office equipment	4,000	4,428	6,731
Total	<u>\$ 8,910,703</u>	<u>\$ 8,927,750</u>	<u>\$ 3,767,792</u>

During the three months ended March 31, 2023 and 2022, the additions to right-of-use assets of the Company amounted to NT\$216,366 thousand and NT\$427,250 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)

b. Lease liability

	March 31, 2023	December 31, 2022	March 31, 2022
Lease liability-current	\$ 715,514	\$ 795,500	\$ 632,233
Lease liability-noncurrent	8,350,203	8,308,237	3,131,796
Total	<u>\$ 9,065,717</u>	<u>\$ 9,103,737</u>	<u>\$ 3,764,029</u>

Please refer to Note 6. (28) for the interest on lease liability recognized during the three months ended March 31, 2023 and 2022 and Note 12. (2) C. for the maturity analysis of lease liabilities.

In accordance with IAS 16 and IAS 23, the Company capitalized certain depreciation and interest expenses during the three months ended March 31, 2023. Please refer to Note 6. (10) for related information.

c. Depreciation charge for right-of-use assets

	Three months ended March 31	
	2023	2022
Land	\$ 31,142	\$ 12,667
Buildings and facilities	173,113	136,464
Machinery equipment	16,986	19,846
Transportation equipment	2,206	2,135
Office equipment	420	3,259
Total	<u>\$ 223,867</u>	<u>\$ 174,371</u>

d. Income and costs relating to lessee and leasing activities

	Three months ended March 31	
	2023	2022
The expense relating to short-term leases	<u>\$ 29,490</u>	<u>\$ 15,530</u>
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	<u>\$ 1,480</u>	<u>\$ 1,016</u>
Income from-subleasing right-of-use assets	<u>\$ 499</u>	<u>\$ 1,912</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, 2023 and 2022, the Company's total cash outflows for leases amounted to NT\$299,421 thousand and NT\$188,208 thousand, respectively.

f. Other information relating to leasing activities

Subsidiary Hsu-Yuan Investment Corp. ("Hsu-Yuan") signed a contract with Railway Bureau, MOTC ("RB") to obtain land use right. The contract contains variable payment terms that are linked to certain percentages of sales generated from the leased land. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities. The variable rental payment will be 1% (when Hsu-Yuan's sales range between NT\$350,000-430,000 thousand), 2% (when Hsu-Yuan's sales range between NT\$430,000-520,000 thousand), and 3% (when Hsu-Yuan's sales exceed NT\$520,000 thousand) of Hsu-Yuan's sales, 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	
	2023	2022
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$ 56,409	\$ 45,771
Lease income for finance leases		
Finance income on the net investment in the lease	5,743	5,473
Total	\$ 62,152	\$ 51,244

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 of March 31, 2023, December 31, 2022, and March 31, 2022 are as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Not later than one year	\$ 205,329	\$ 23,293	\$ 23,293
Later than one year and not later than two years	743,918	746,853	205,329
Later than two years and not later than three years	550,298	735,143	743,918
Later than three years and not later than four years	-	-	550,298
Total non-discounted lease payments	1,499,545	1,505,289	1,522,838
Less: unearned finance income of finance lease	(43,761)	(49,505)	(67,054)
Less: allowance for doubtful debts	-	-	-
Net investment in the finance lease (receivable of a finance lease)	\$ 1,455,784	\$ 1,455,784	\$ 1,455,784
Current	\$ 181,973	\$ -	\$ -
Noncurrent	\$ 1,273,811	\$ 1,455,784	\$ 1,455,784

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

	Three months ended March 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 13,340	\$ 680,492	\$ 693,832	\$ 12,961	\$ 556,737	\$ 569,698
Others	\$ 364,637	\$ 19,476,187	\$ 19,840,824	\$ 428,920	\$ 24,865,664	\$ 25,294,584
Depreciation	\$ 24,735	\$ 2,769,070	\$ 2,793,805	\$ 32,720	\$ 1,879,812	\$ 1,912,532
Amortization	\$ 1,146	\$ 1,521,240	\$ 1,522,386	\$ 551	\$ 1,296,379	\$ 1,296,930

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

MTK accrued employees' compensation and remuneration to directors based on a specific rate of profit for the three months ended March 31, 2023, and 2022. 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\$224,120 thousand and NT\$22,692 thousand for the three months ended March 31, 2023, respectively. The amounts of employees' compensation and remuneration to directors were NT\$460,071 thousand and NT\$46,582 thousand for the three months ended March 31, 2022, respectively. The employees' compensation and remuneration to directors were recognized as expense.

A resolution was approved in a meeting of the Board of Directors held on February 24, 2023 to distribute NT\$1,596,127 thousand and NT\$96,000 thousand in cash as employees' compensation and remuneration to directors, respectively. There was no difference between the aforementioned approved amounts and the amounts charged against earnings in 2022.

There was no difference between the actual distribution amounts of employees' compensation and remuneration to directors in 2022 and the amounts charged against earnings in 2021.

(25) Interest income

	Three months ended March 31	
	2023	2022
Financial assets measured at amortized cost	\$ 1,380,237	\$ 439,345
Financial assets at fair value through other comprehensive income	10,378	4,297
Total	\$ 1,390,615	\$ 443,642

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	
	2023	2022
Rental income	\$ 56,409	\$ 45,771
Dividend income	3,116,021	717,894
Others	30,838	48,450
Total	<u>\$ 3,203,268</u>	<u>\$ 812,115</u>

(27) Other gains and losses

	Three months ended March 31	
	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$ 1,945	\$ (6,507)
Losses on disposal of intangible assets	-	(530)
Losses on disposal of investments		
Financial assets measured at amortized cost	-	(1,231)
Subsidiary	-	(4,090)
Foreign exchange gains (losses)	165,988	(38,528)
Gains on financial assets at fair value through profit or loss	187,916	249,306
Losses on financial liabilities at fair value through profit or loss	(40,889)	(28,905)
Others	(29,497)	(16,736)
Total	<u>\$ 285,463</u>	<u>\$ 152,779</u>

(28) Finance costs

	Three months ended March 31	
	2023	2022
Interest expense on borrowings	\$ 19,976	\$ 31,891
Interest expense on lease liabilities	16,110	17,420
Total	<u>\$ 36,086</u>	<u>\$ 49,311</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, 2023 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$ 2,886,725	\$ -	\$ 2,886,725	\$ (153,220)	\$ 2,733,505
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	88,664	-	88,664	-	88,664
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(2,406,980)	-	(2,406,980)	-	(2,406,980)
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	11,317	-	11,317	-	11,317
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	24,079	-	24,079	-	24,079
Total	\$ 603,805	\$ -	\$ 603,805	\$ (153,220)	\$ 450,585

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, 2022 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
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)

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss NT\$0 for the three months ended March 31, 2023 and 2022, which were reclassified from other comprehensive income to profit or loss.

(30) Income tax

The major components of income tax expense are as follows:

	Three months ended March 31	
	2023	2022
Current income tax expense:		
Current income tax charge	\$ 2,946,476	\$ 3,650,414
Deferred tax (income) expense:		
Deferred tax (income) expense relating to origination and reversal of temporary differences	(1,427,521)	476,530
Deferred tax income relating to origination and reversal of tax loss and tax credit	595,642	(1,353)
Deferred tax (income) expense arising from write-down or reversal of write-down of deferred tax asset	78,428	149,993
Others	20,255	281,263
Income tax expense	<u>\$ 2,213,280</u>	<u>\$ 4,556,847</u>

Income tax recognized in other comprehensive income

	Three months ended March 31	
	2023	2022
Deferred tax (expense) income:		
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	<u>\$ (153,220)</u>	<u>\$ 421,062</u>

Income tax charged directly to equity

	Three months ended March 31	
	2023	2022
Current income tax expense:		
Realized gains from equity instrument investments measured at fair value through other comprehensive income	<u>\$ 9,752</u>	<u>\$ 28,303</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The assessment of income tax returns

As of March 31, 2023, the assessments of the income tax returns of MTK and its material subsidiaries are as follows:

	<u>The assessment of income tax returns</u>	<u>Note</u>
MTK	Assessed and approved up to 2019	
Subsidiary- Hsu-Ta Investment Corp.	Assessed and approved up to 2020	(1)
Subsidiary- Richtek Technology Corp.	Assessed and approved up to 2021	
Subsidiary- Airoha Technology Corp.	Assessed and approved up to 2021	

Note 1: Hsu-Ta Investment Corp. ("Hsu-Ta") disagreed with the decision made in the tax assessment notice for the year 2020 and applied for corrections.

(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.

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	\$ 16,873,549	\$ 33,261,383
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	<u>1,585,830,719</u>	<u>1,582,739,450</u>
Basic earnings per share (NT\$)	<u>\$ 10.64</u>	<u>\$ 21.02</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	
	2023	2022
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	\$ 16,873,549	\$ 33,261,383
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,585,830,719	1,582,739,450
Effect of dilution:		
Employees' compensation-stock (share)	1,609,365	1,380,767
Employee stock options (share)	117,445	304,187
Restricted stocks for employees (share)	3,658,276	4,518,092
Weighted average number of ordinary shares outstanding after dilution (share)	1,591,215,805	1,588,942,496
Diluted earnings per share (NT\$)	\$ 10.60	\$ 20.93

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

(32) Business Combination

For resource integration and market development purposes, subsidiary Airoha Technology Corp. acquired the 100% of voting shares of Audiowise Technology Inc. ("Audiowise") on July 1, 2022. The acquisition price was NT\$33 per share. Audiowise has been specialized in Bluetooth audio system ICs R&D, production, design, manufacturing and marketing.

The fair values of the identifiable assets and liabilities of Audiowise as of the acquisition date were :

	Fair value recognized on the acquisition date
Cash and cash equivalents	\$ 13,269
Other current assets	174,369
Property, plant and equipment	38,071
Intangible assets-computer software, IPs, core techniques and customer relationship	570,744
Other non-current assets	2,823
	799,276
Short-term borrowings	(253,000)
Other current liabilities	(85,179)
Deferred tax liabilities	(116,636)
	(454,815)
The fair value of net identifiable assets	\$ 344,461

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The net asset amounts recognized by the Company in the consolidated financial statements as of December 31, 2022 were based on the appraisal report dated January 18, 2023.

Goodwill of Audiowise is as follows:

	Fair value recognized on the acquisition date
Cash consideration	\$ 990,000
Less : identifiable net assets at fair value	(344,461)
Goodwill	<u>\$ 645,539</u>

Cash flows on acquisition:

	Amount
Net cash acquired from the subsidiary	\$ 13,269
Transaction costs attributable to cash paid	(990,000)
Net cash flow-out on acquisition	<u>\$ (976,731)</u>

The goodwill comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is expected to be fully deductible for income tax purpose.

If the combination had taken place on January 1, 2022, revenue and net income of the Company for the year ended December 31, 2022 would have been NT\$548,849,339 thousand and NT\$118,284,090 thousand, respectively. The amounts are not to reflect the revenue and operating results that the Company could have generated if the merger had been completed at the beginning of the year, nor should it be used as a forecast of future operating results.

(33) Changes in ownership interests in subsidiaries

Changes in ownership of subsidiaries

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.

The Company disposed of a portion of Airoha Technology Corp. shares in June 2022. After all the changes mentioned above, the Company's ownership of Airoha Technology Corp. became 76%. As the control over the subsidiary remained, the changes of the ownership interest were accounted for as equity transactions.

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

The differences between the fair value of purchased equity investments and the increase in the non-controlling interest was NT\$226,311 thousand for the three months ended March 31, 2022, 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. and its subsidiaries	Associate (Note)
Cyberon Corp.	Associate (Note)
ASIX Electronics Corporation	Associate
IC PLUS CORP.	Associate
Amobile Intelligent Holding Corporation	Associate
Sigmastar Technology Ltd. and its subsidiaries	Associate
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party

Note : Intelligo Technology Inc. had accomplished acquisition of 100% shares of Cyberon Corp. in August 2022.

Significant transactions with the related parties

(1) Sales

Sales of goods

	<u>Three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Associates		
Intelligo Technology Inc. and its subsidiaries	\$ 2,127	\$ 3,263
IC PLUS CORP.	-	14,359
ASIX Electronics Corporation	42,628	124,488
Subtotal	44,755	142,110

Services and other operating revenues

Associates		
Sigmastar Technology Ltd. and its subsidiaries	\$ 15,611	\$ 33,031
ASIX Electronics Corporation	-	-
Intelligo Technology Inc. and its subsidiaries	-	8,420
Subtotal	15,611	41,451
Total	\$ 60,366	\$ 183,561

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 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	
	2023	2022
Associate		
ASIX Electronics Corporation	\$ -	\$ 1,800
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	1,756,019	2,351,620
Total	<u>\$ 1,756,019</u>	<u>\$ 2,353,420</u>

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

(3) Payments of operating expense (mainly license expense)

	Three months ended March 31	
	2023	2022
Associate		
Intelligo Technology Inc. and its subsidiaries	\$ 10,667	\$ -
Cyberon Corp.	-	5,628
ASIX Electronics Corporation	-	14
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	1,241	-
Total	<u>\$ 11,908</u>	<u>\$ 5,642</u>

(4) Other income

	Three months ended March 31	
	2023	2022
Associate		
ASIX Electronics Corporation	<u>\$ 10</u>	<u>\$ -</u>

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

(5) Rental income

	Three months ended March 31	
	2023	2022
Associate		
Sigmastar Technology Ltd. and its subsidiaries	\$ 215	\$ 5,432

(6) Trade receivables from related parties

	March 31, 2023	December 31, 2022	March 31, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 801	\$ 1,836	\$ 1,953
ASIX Electronics Corporation	32,218	19,694	44,021
Sigmastar Technology Ltd. and its subsidiaries	6,852	13,063	33,031
IC PLUS CORP.	-	-	10,540
Total	\$ 39,871	\$ 34,593	\$ 89,545

(7) Trade payables to related parties

	March 31, 2023	December 31, 2022	March 31, 2022
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	\$ 1,654,002	1,763,794	2,463,517

(8) Other payables to related parties

	March 31, 2023	December 31, 2022	March 31, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 132,056	124,675	85,794
Cyberon Corp.	-	-	6,894
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	15	384	-
Total	\$ 132,071	\$ 125,059	\$ 92,688

MEDIATEK INC. AND SUBSIDIARIES

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

(9) Long-term payables

	March 31, 2023	December 31, 2022	March 31, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 60,844	\$ 92,139	\$ 171,588

(10) Deposits received

	March 31, 2023	December 31, 2022	March 31, 2022
Associate			
Sigmastar Technology Ltd. and its subsidiaries	\$ 151	\$ 3,989	\$ 4,039

(11) Key management personnel compensation

	Three months ended March 31	
	2023	2022
Short-term employee benefits (Note)	\$ 439,019	\$ 510,656
Share-based payment	142,120	296,965
Post-employment benefits	1,023	1,811
Total	\$ 582,162	\$ 809,432

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

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****8. Assets Pledged as Collateral**

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

Assets pledged as collateral	Carrying amount			Purpose of pledge
	March 31, 2023	December 31, 2022	March 31, 2022	
Financial assets measured at amortized cost-noncurrent	\$ 12,095	\$ 12,095	\$ 9,987	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	79,294	79,292	79,293	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	63,135	63,135	30,890	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	170,000	170,000	24,900	Performance bond
Total	<u>\$ 324,524</u>	<u>\$ 324,522</u>	<u>\$ 145,070</u>	

9. Contingencies and Off Balance Sheet Commitments**(1) Commitment**

Hsu-Yuan signed a contract with RB on June 14, 2022, to obtain a land use right of Shuxing Section in Zhubei City which is of 17,363.24 square meters. The duration of the superficies is from the date the registration was completed (July 6, 2022) to June 13, 2092.

Hsu-Yuan shall pay the land rent and a royalty as agreed by both parties during the contract period. Hsu-Yuan also needs to pay NT\$170,000 thousand as a performance bond.

(2) 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 prepayments by the Company. During the period ended March 31, 2023, the Company determined that certain prepayments (recorded as refundable deposits) were not recoverable and the Company wrote them off.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(3) Legal claim contingency

- A. 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.
- B. Tyche Licensing LLC (“Tyche”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK on May 16, 2022, alleging infringement of U.S. Patent Nos. 6,900,087 and 7,084,481. Pursuant to the plaintiff’s motion for voluntary dismissal, the court dismissed the claims against MTK on February 6, 2023.
- C. American Patents LLC (“AP”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. on June 6, 2022, alleging infringement of U.S. Patent Nos. 7,088,782, 7,310,304 and 7,706,458. Pursuant to the parties’ joint motion to dismiss the case, the court dismissed the claims against MTK and subsidiary MediaTek USA on April 17, 2023.
- D. Cedar Lane Technologies Inc. (“Cedar”) filed a complaint in the United States District Court for the Western District of Texas against MTK on October 4, 2022, alleging infringement of U.S. Patent Nos. 6,972,790 and 8,537,242. The operations of MTK will not be materially affected by this case.
- E. ParkerVision, Inc. (“ParkerVision”) filed a complaint in the United States District Court for the Western District of Texas against MTK on November 10, 2022, alleging infringement of U.S. Patent Nos. 6,049,706, 6,266,518, 7,292,835 and 8,660,513. The operations of MTK will not be materially affected by this case.
- F. Winterspring Digital LLC (“Winterspring”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK on January 12, 2023, alleging infringement of U.S. Patent Nos. 7,420,975, 7,164,692 and 7,774,468. The operations of MTK 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)

G.MOSAID Technologies, Inc. (“MOSAID”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. on March 28, 2023, alleging infringement of U.S. Patent Nos. 8,253,438, 8,854,077, 9,350,349, 7,224,563, 7,051,306, 7,945,885 and 7,996,811. 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

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at fair value through profit or loss:			
Held for trading financial assets	\$ 65,955	\$ 75,354	\$ 216,873
Mandatorily measured at fair value through profit or loss (Note 1)	14,089,173	17,242,983	17,283,475
Subtotal	14,155,128	17,318,337	17,500,348
Financial assets at fair value through other comprehensive income	79,130,091	76,970,268	55,302,832
Financial assets measured at amortized cost (Note 2)	237,810,117	234,332,546	316,851,357
Total	\$ 331,095,336	\$ 328,621,151	\$ 389,654,537

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

	March 31, 2023	December 31, 2022	March 31, 2022
Financial liabilities at fair value through profit or loss:			
Held for trading financial liabilities	\$ 40,889	\$ 6,097	\$ 28,905
Financial liabilities at amortized cost:			
Short-term borrowings	4,600,000	3,700,000	70,125,261
Trade payables (including related parties)	21,169,226	21,517,950	50,758,823
Other payables (including related parties)	159,151,313	52,509,602	42,714,615
Long-term payables (including current portion and related parties)	8,134,979	2,904,380	3,755,198
Long-term borrowings (including current portion)	827,660	827,660	1,385,720
Lease liabilities	9,065,717	9,103,737	3,764,029
Subtotal	202,948,895	90,563,329	172,503,646
Total	\$ 202,989,784	\$ 90,569,426	\$ 172,532,551

Notes:

1. Includes trade receivables classified as financial assets measured at fair value through profit or loss in the amount of NT\$2,426,193 thousand, NT\$2,151,487 thousand and NT\$2,470,008 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, 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\$2,426,193 thousand, NT\$2,151,487 thousand and NT\$2,470,008 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. Please refer to Note 6.(5) for further explanation.), other receivables and financing lease receivables, net.

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 values of financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

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

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 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.

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

As of March 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ 153,775	\$ -	\$ 1,546,806	\$ 1,700,581
Linked deposits	-	-	4,045,720	4,045,720
Stocks	149,520	-	-	149,520
Funds	1,796,534	-	2,867,273	4,663,807
Trust funds	1,103,352	-	-	1,103,352
Forward exchange				
contracts	-	65,955	-	65,955
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	16,365,052	305,673	61,271,030	77,941,755
Debt instruments measured				
at fair value through				
other comprehensive				
income	543,975	-	644,361	1,188,336
Total	<u>\$ 20,112,208</u>	<u>\$ 371,628</u>	<u>\$ 70,375,190</u>	<u>\$ 90,859,026</u>

Liabilities measured at fair

value:

Financial liabilities at fair

value through profit or loss

Forward exchange

contracts	\$ -	\$ 40,889	\$ -	\$ 40,889
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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, 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	\$ 149,300	\$ -	\$ 1,480,393	\$ 1,629,693
Linked deposits	-	-	4,993,444	4,993,444
Stocks	197,411	-	-	197,411
Funds	1,729,818	-	5,555,174	7,284,992
Trust funds	985,956	-	-	985,956
Forward exchange contracts	-	75,354	-	75,354
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	15,799,525	170,966	59,817,892	75,788,383
Debt instruments measured				
at fair value through other				
comprehensive income	540,702	-	641,183	1,181,885
Total	\$ 19,402,712	\$ 246,320	\$ 72,488,086	\$ 92,137,118

Liabilities measured at fair value:

Financial liabilities at fair

value through profit or loss

Forward exchange

contracts	\$ -	\$ 6,097	\$ -	\$ 6,097
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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, 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	19,359,259	-	35,496,191	54,855,450
Debt instruments measured				
at fair value through other				
comprehensive income	-	-	447,382	447,382
Total	\$ 22,334,813	\$ 216,873	\$ 47,781,486	\$ 70,333,172

Liabilities measured at fair value:

Financial liabilities at fair				
value through profit or loss				
Forward exchange				
contracts	\$ -	\$ 28,905	\$ -	\$ 28,905

For the three months ended March 31, 2023 and 2022, 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:

	Asset						
	Mandatorily measured at fair value through profit or loss			Measured at fair value through other comprehensive income			Total
	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	
As of January 1, 2023	\$ 1,480,393	\$ 5,555,174	\$ 4,993,444	\$ 641,183	\$ 49,386,393	\$ 10,431,499	\$ 72,488,086
Amount recognized in profit or loss	40,100	58,204	12,607	-	-	-	110,911
Amount recognized in OCI	-	-	-	5,481	2,878,450	(878,931)	2,005,000
Amount recognized in OCI-exchange differences	(4,109)	(29,703)	(22,620)	(2,303)	(412,557)	(93,795)	(565,087)
Acquisitions	30,422	2,025,303	-	-	140,181	259,902	2,455,808
Settlements	-	(4,741,705)	(937,711)	-	(340,119)	(44,294)	(6,063,829)
Others	-	-	-	-	8,531	-	8,531
Transfer out of level 3	-	-	-	-	-	(64,230)	(64,230)
As of March 31, 2023	<u>\$ 1,546,806</u>	<u>\$ 2,867,273</u>	<u>\$ 4,045,720</u>	<u>\$ 644,361</u>	<u>\$ 51,660,879</u>	<u>\$ 9,610,151</u>	<u>\$ 70,375,190</u>

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

	Asset							
	Mandatorily measured at fair value through profit or loss				Measured at fair value through other comprehensive income			
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	Total
As of January 1,2022	\$ 12,534	\$ 1,364,513	\$ 6,706,160	\$ 3,624,673	\$ 440,777	\$ 25,373,262	\$ 7,740,144	\$ 45,262,063
Amount recognized in profit or loss	(156)	(10,294)	38,978	(17,166)	-	-	-	11,362
Amount recognized in OCI	-	-	-	-	(8,830)	239,446	251,145	481,761
Amount recognized in OCI- exchange differences	441	11,851	238,422	93,691	15,435	875,526	257,930	1,493,296
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	\$ 8,231,202	\$ 47,781,486

Total losses related to assets recognized for the three months ended March 31, 2023 and 2022 amounted to NT\$56,570 thousand and NT\$5,013 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, 2023:

	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 decrease/increase the Company's profit (loss) for the three-month period ended March 31, 2023 by NT\$0 dollar.
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 decrease/increase the Company's equity for the three-month period ended March 31, 2023 by NT\$382,422 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 decrease/increase the Company's equity for the three-month period ended March 31, 2023 by NT\$128,809 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, 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 decrease/increase the Company's profit (loss) for the year ended December 31, 2022 by NT\$0 dollar.
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 decrease/increase the Company's equity for the year ended December 31, 2022 by NT\$488,423 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 decrease/increase the Company's equity for the year ended December 31, 2022 by NT\$138,578 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, 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 decrease/increase 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 decrease/increase 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 decrease/increase the Company's equity for the three-month period ended March 31, 2022 by NT\$6,668 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, 2023

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 3,052,528	\$ 3,052,528

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 3,067,378	\$ 3,067,378

As of March 31, 2022

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

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

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

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

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of March 31, 2023	TWD to USD	Sell USD 218,000	April 2023
As of March 31, 2023	CNY to USD	Buy USD 456,335	April 2023
As of March 31, 2023	TWD to USD	Buy USD 310,000	May 2023
As of March 31, 2023	TWD to USD	Sell USD 3,000	May 2023
As of March 31, 2023	JPY to USD	Buy USD 1,538	June 2023
As of December 31, 2022	TWD to USD	Buy USD 30,000	January 2023
As of December 31, 2022	TWD to USD	Sell USD 19,000	January 2023
As of December 31, 2022	CNY to USD	Buy USD 246,947	January 2023
As of December 31, 2022	TWD to USD	Buy USD 120,000	February 2023
As of December 31, 2022	TWD to USD	Sell USD 12,000	February 2023
As of December 31, 2022	CNY to USD	Buy USD 309,504	February 2023
As of December 31, 2022	GBP to USD	Buy USD 90,817	February 2023
As of December 31, 2022	TWD to USD	Buy USD 60,000	March 2023
As of December 31, 2022	JPY to USD	Buy USD 1,538	June 2023
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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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, 2023 and 2022 decreases/increases by NT\$23,825 thousand and NT\$31,083 thousand, while equity decreases/increases by NT\$99,910 thousand and NT\$170,618 thousand, respectively.

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the three months ended March 31, 2023 and 2022 increases/decreases by NT\$1,820 thousand and NT\$1 thousand, while equity decreases/increases by NT\$21,239 thousand and NT\$24,927 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.

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, 2023 and 2022 to decrease/increase by NT\$2,022 thousand and NT\$3,840 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)

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 company 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, 2023 and 2022 to increase/decrease by NT\$ 1,495 thousand and NT\$ 1,971 thousand, respectively.

A change of 1% in the price of the listed company stocks classified under equity instrument investments measured at fair value through other comprehensive income could cause the other comprehensive income for the three months ended March 31, 2023 and 2022 to increase/decrease by NT\$ 166,707 thousand and NT\$ 193,593 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, 2023, December 31, 2022, and March 31, 2022, receivables from top ten customers represented 60.03%, 57.27%, and 64.23% of the total trade receivables of the Company, respectively. The credit concentration risk of other account 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 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, 2023	December 31, 2022	March 31, 2022
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 35,933,678	\$ 28,325,072	\$ 13,537,706
	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	\$ 663,995	\$ 935,130	\$ 640,284
	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	\$ 47,773,269	\$ 42,299,764	\$ 66,176,687

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes notes receivable, 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 a debt instrument investment has increased, the Company will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (which is available without undue cost and effort) 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, 2023</u>				
Short-term borrowings	\$ 4,616,629	\$ -	\$ -	\$ 4,616,629
Trade payables (including related parties)	21,169,226	-	-	21,169,226
Other payables (including related parties)	159,143,777	-	-	159,143,777
Lease liabilities	814,752	2,022,885	8,886,283	11,723,920
Long-term borrowings	827,660	-	-	827,660
Long-term payables (including related parties)	4,807,820	3,327,159	-	8,134,979
Total	<u>\$ 191,379,864</u>	<u>\$ 5,350,044</u>	<u>\$ 8,886,283</u>	<u>\$ 205,616,191</u>
<u>As of December 31, 2022</u>				
Short-term borrowings	\$ 3,713,922	\$ -	\$ -	\$ 3,713,922
Trade payables (including related parties)	21,517,950	-	-	21,517,950
Other payables (including related parties)	52,502,732	-	-	52,502,732
Lease liabilities	856,378	1,948,109	8,980,835	11,785,322
Long-term borrowings	827,660	-	-	827,660
Long-term payables (including related parties)	2,041,032	863,348	-	2,904,380
Total	<u>\$ 81,459,674</u>	<u>\$ 2,811,457</u>	<u>\$ 8,980,835</u>	<u>\$ 93,251,966</u>
<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>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of March 31, 2023</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 333,430	\$ -	\$ 333,430
Outflow	(334,642)	-	(334,642)
Net	<u>\$ (1,212)</u>	<u>\$ -</u>	<u>\$ (1,212)</u>
Net settlement			
Forward exchange contracts	(39,828)	-	(39,828)
Total	<u>\$ (41,040)</u>	<u>\$ -</u>	<u>\$ (41,040)</u>

As of December 31, 2022

Gross settlement			
Forward exchange contracts			
Inflow	\$ 2,508,242	\$ -	\$ 2,508,242
Outflow	(2,523,668)	-	(2,523,668)
Net	<u>\$ (15,426)</u>	<u>\$ -</u>	<u>\$ (15,426)</u>
Net settlement			
Forward exchange contracts	(3,353)	-	(3,353)
Total	<u>\$ (18,779)</u>	<u>\$ -</u>	<u>\$ (18,779)</u>

As of March 31, 2022

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>

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

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

Reconciliation of liabilities for the three months ended March 31, 2023:

	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	Total liabilities from financing activities
As of January 1, 2023	\$ 3,700,000	\$ 827,660	\$ 9,103,737	\$ 189,707	\$ 13,821,104
Cash flows	900,000	-	(252,341)	(365)	647,294
Non-cash movement	-	-	214,321	-	214,321
As of March 31, 2023	<u>\$ 4,600,000</u>	<u>\$ 827,660</u>	<u>\$ 9,065,717</u>	<u>\$ 189,342</u>	<u>\$ 14,682,719</u>

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

	Short-term borrowings	Long-term borrowings	Lease liabilities	Deposits received	Total liabilities 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>

(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, 2023		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial assets			
Monetary item:			
USD	\$ 5,250,654	30.422	\$ 159,734,376
CNY	\$ 40,529	4.430	\$ 179,536
Non-monetary item:			
USD	\$ 2,796,883	30.422	\$ 85,086,773
CNY	\$ 4,792,767	4.430	\$ 21,230,953

(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)

March 31, 2023			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial liabilities			
Monetary item:			
USD	\$ 4,307,118	30.422	\$ 131,031,161
CNY	\$ 449,582	4.430	\$ 1,991,554
December 31, 2022			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial assets			
Monetary item:			
USD	\$ 6,010,478	30.713	\$ 184,599,812
CNY	\$ 39,598	4.453	\$ 176,329
Non-monetary item:			
USD	\$ 2,403,997	30.713	\$ 73,833,961
CNY	\$ 5,923,841	4.453	\$ 26,378,685
Financial liabilities			
Monetary item:			
USD	\$ 1,060,940	30.713	\$ 32,584,650
CNY	\$ 69,928	4.453	\$ 311,385
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

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 gains (losses) were NT\$165,988 thousand and NT\$(38,528) thousand for the three months ended March 31, 2023 and 2022, respectively.

(4) Capital management

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

13. Additional Disclosures

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

- A. Financing provided to others for the three months ended March 31, 2023: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the three months ended March 31, 2023: Please refer to Attachment 2.
- C. Securities held as of March 31, 2023: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the three months ended March 31, 2023: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the three months ended March 31, 2023: Please refer to Attachment 4.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the three months ended March 31, 2023: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three months ended March 31, 2023: Please refer to Attachment 5.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of March 31, 2023: Please refer to Attachment 6.
- I. Financial instruments and derivative transactions: Please refer to Note 12.
- J. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 7.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(2) Information on investees

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

(3) Investment in Mainland China

- A. Relevant information of investees over which the Company has direct or indirect significant influence or control, or jointly control, which discloses investee company name, main business and products, total amount of capital, method of investment, accumulated inflows and outflows of investments from Taiwan, percentage of ownership, net income (loss), investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 9.
- B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 1 and Attachment 7.

(4) Main shareholder information

None.

14. Segment Information

(1) General information

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