

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 SIX MONTHS ENDED
JUNE 30, 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 June 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022, changes in equity and cash flows for the six-month periods ended June 30, 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 June 30, 2023 and 2022, their consolidated financial performance for the three-month and six-month periods ended June 30, 2023 and 2022, and cash flows for the six-month periods ended June 30, 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

July 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 the Standards on Auditing of 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 June 30, 2023, December 31, 2022, and June 30, 2022

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	June 30, 2023	%	December 31, 2022	%	June 30, 2022	%
Current assets							
Cash and cash equivalents	6(1)	\$ 178,093,942	27	\$ 147,502,155	24	\$ 238,217,898	33
Financial assets at fair value through profit or loss-current	6(2)	6,543,137	1	8,541,857	1	11,056,710	1
Financial assets at fair value through other comprehensive income-current	6(3)	3,028,241	-	3,169,019	-	2,158,637	-
Financial assets measured at amortized cost-current	6(4)	4,762,489	1	5,596,485	1	5,114,002	1
Notes receivable, net	6(22)	402	-	2,811	-	402	-
Trade receivables, net	6(5), 6(22)	45,608,749	7	40,804,936	7	61,810,859	8
Trade receivables from related parties, net	6(5), 6(22), 7	30,028	-	34,593	-	87,957	-
Financing lease receivables, net	6(22), 6(23)	363,946	-	-	-	-	-
Other receivables	6(6), 7	14,603,766	2	15,823,997	3	7,230,143	1
Current tax assets	4, 6(30)	129,105	-	133,072	-	192,940	-
Inventories, net	6(7)	61,067,114	9	70,703,336	12	91,409,856	13
Prepayments	6(8), 9	3,085,741	1	4,138,284	1	4,117,227	1
Other current assets		822,071	-	1,203,062	-	3,039,075	-
Total current assets		318,138,731	48	297,653,607	49	424,435,706	58
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	6(2)	6,379,235	1	6,624,993	1	6,702,124	1
Financial assets at fair value through other comprehensive income-noncurrent	6(3)	76,863,219	12	73,801,249	12	56,415,883	8
Financial assets measured at amortized cost-noncurrent	6(4), 8	48,981,368	7	25,264,394	4	13,600,698	2
Investments accounted for using the equity method	6(9)	17,605,403	3	17,798,462	3	47,960,088	7
Property, plant and equipment	6(10)	51,926,685	8	53,861,629	9	53,650,415	7
Right-of-use assets	6(23)	8,942,663	1	8,927,750	2	4,138,440	1
Investment property, net	6(11)	1,970,133	-	2,086,194	-	1,468,253	-
Intangible assets	6(12), 6(13)	81,053,031	12	73,454,530	12	73,661,991	10
Deferred tax assets	4, 6(30)	12,100,503	2	11,511,991	2	10,090,972	1
Refundable deposits	9	6,809,926	1	7,316,702	1	9,634,551	1
Long-term financing lease receivables, net	6(22), 6(23)	1,091,838	-	1,455,784	-	1,455,784	-
Prepayments for investments		-	-	-	-	139,204	-
Net defined benefit assets-noncurrent		14,938	-	15,852	-	-	-
Other non-current assets-others	9	28,806,161	5	28,626,337	5	27,387,920	4
Total non-current assets		342,545,103	52	310,745,867	51	306,306,323	42
Total assets		<u>\$ 660,683,834</u>	<u>100</u>	<u>\$ 608,399,474</u>	<u>100</u>	<u>\$ 730,742,029</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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of June 30, 2023, December 31, 2022, and June 30, 2022

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	June 30, 2023	%	December 31, 2022	%	June 30, 2022	%
Current liabilities							
Short-term borrowings	6(14)	\$ 4,450,000	1	\$ 3,700,000	1	\$ 41,290,515	6
Financial liabilities at fair value through profit or loss-current	6(2)	3,529	-	6,097	-	11,529	-
Contract liabilities-current	6(21)	5,668,325	1	4,900,894	1	4,563,349	1
Trade payables		27,870,291	4	19,754,156	3	42,762,232	6
Trade payables to related parties	7	1,685,102	-	1,763,794	-	2,565,429	-
Other payables	6(15)	165,897,172	25	52,384,543	9	170,201,056	23
Other payables to related parties	7	136,503	-	125,059	-	94,335	-
Current tax liabilities	4, 6(30)	12,758,236	2	12,022,458	2	13,470,037	2
Lease liabilities-current	6(23)	816,629	-	795,500	-	772,420	-
Other current liabilities	6(16)	43,273,717	7	43,249,196	7	43,401,997	6
Current portion of long-term liabilities	6(17)	5,246,422	1	2,868,692	-	1,786,412	-
Total current liabilities		267,805,926	41	141,570,389	23	320,919,311	44
Non-current liabilities							
Long-term borrowings	6(17)	-	-	-	-	827,660	-
Long-term payables		3,786,266	1	771,209	-	495,388	-
Long-term payables to related parties	7	62,260	-	92,139	-	178,332	-
Net defined benefit liabilities-noncurrent	4, 6(18)	755,005	-	762,337	-	846,827	-
Deposits received	7	191,607	-	189,707	-	178,766	-
Deferred tax liabilities	4, 6(30)	10,742,417	2	11,584,725	3	9,149,139	1
Lease liabilities-noncurrent	6(23)	8,296,362	1	8,308,237	1	3,401,245	1
Other non-current liabilities-others		2,627,404	-	2,062,492	-	1,948,636	-
Total non-current liabilities		26,461,321	4	23,770,846	4	17,025,993	2
Total liabilities		294,267,247	45	165,341,235	27	337,945,304	46
Equity attributable to owners of the parent							
Share capital	6(19)						
Common stock		15,996,450	2	15,994,353	3	15,990,852	2
Capital collected in advance		-	-	113	-	-	-
Capital surplus	6(19), 6(20), 6(33)	25,531,934	4	47,185,281	8	46,364,977	6
Retained earnings	6(19)						
Legal reserve		75,782,948	11	62,058,498	10	62,058,498	9
Undistributed earnings		209,194,597	32	286,688,675	47	219,977,867	30
Other equity	6(20)	37,368,787	6	28,238,340	5	45,784,358	6
Treasury shares	6(19)	(55,970)	-	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		363,818,746	55	440,109,290	73	390,120,582	53
Non-controlling interests	6(19), 6(33)	2,597,841	-	2,948,949	-	2,676,143	1
Total equity		366,416,587	55	443,058,239	73	392,796,725	54
Total liabilities and equity		\$ 660,683,834	100	\$ 608,399,474	100	\$ 730,742,029	100

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

English Translation of Financial Statements Originally Issued in Chinese
MEDIATEK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the six months ended June 30, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	Three Months Ended June 30				Six Months Ended June 30			
		2023	%	2022	%	2023	%	2022	%
Net sales	6(21), 7	\$ 98,135,284	100	\$ 155,729,821	100	\$ 193,786,797	100	\$ 298,440,670	100
Operating costs	6(7), 6(24), 7	(51,489,222)	(52)	(78,965,536)	(51)	(101,228,493)	(52)	(149,893,010)	(50)
Gross profit		<u>46,646,062</u>	<u>48</u>	<u>76,764,285</u>	<u>49</u>	<u>92,558,304</u>	<u>48</u>	<u>148,547,660</u>	<u>50</u>
Operating expenses	6(22), 6(23), 6(24), 7								
Selling expenses		(3,292,542)	(3)	(3,634,830)	(2)	(5,986,867)	(3)	(7,045,309)	(2)
Administrative expenses		(2,332,580)	(3)	(3,767,877)	(3)	(4,693,527)	(3)	(7,133,301)	(3)
Research and development expenses		(26,187,573)	(27)	(30,179,884)	(19)	(52,670,650)	(27)	(58,721,248)	(20)
Expected credit (losses) gains		(82,817)	-	(731)	-	(87,948)	-	365	-
Total operating expenses		<u>(31,895,512)</u>	<u>(33)</u>	<u>(37,583,322)</u>	<u>(24)</u>	<u>(63,438,992)</u>	<u>(33)</u>	<u>(72,899,493)</u>	<u>(25)</u>
Operating income		<u>14,750,550</u>	<u>15</u>	<u>39,180,963</u>	<u>25</u>	<u>29,119,312</u>	<u>15</u>	<u>75,648,167</u>	<u>25</u>
Non-operating income and expenses									
Interest income	6(25)	1,885,057	2	530,449	-	3,275,672	2	974,091	-
Other income	6(26), 7	1,222,339	1	391,506	-	4,425,607	2	1,203,621	1
Other gains and losses	6(27)	419,304	-	107,949	-	704,767	-	260,728	-
Finance costs	6(28)	(38,399)	-	(95,483)	-	(74,485)	-	(144,794)	-
Share of profit of associates and joint ventures accounted for using the equity method	6(9)	131,318	-	821,931	1	23,067	-	965,606	-
Total non-operating income and expenses		<u>3,619,619</u>	<u>3</u>	<u>1,756,352</u>	<u>1</u>	<u>8,354,628</u>	<u>4</u>	<u>3,259,252</u>	<u>1</u>
Net income before income tax		<u>18,370,169</u>	<u>18</u>	<u>40,937,315</u>	<u>26</u>	<u>37,473,940</u>	<u>19</u>	<u>78,907,419</u>	<u>26</u>
Income tax expense	4, 6(30)	(2,351,345)	(2)	(5,325,314)	(3)	(4,564,625)	(2)	(9,882,161)	(3)
Net income		<u>16,018,824</u>	<u>16</u>	<u>35,612,001</u>	<u>23</u>	<u>32,909,315</u>	<u>17</u>	<u>69,025,258</u>	<u>23</u>
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		7,611,835	8	1,028,828	1	10,498,560	5	(4,418,303)	(1)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		12,265	-	(3,410,330)	(2)	100,929	-	(19,638,667)	(7)
Income tax relating to those items not to be reclassified to profit or loss		(762,639)	(1)	363,130	-	(915,859)	-	784,192	-
Items that may be reclassified subsequently to profit or loss									
Exchange differences resulting from translating the financial statements of foreign operations		3,736,309	4	7,931,875	5	1,329,329	1	17,049,285	6
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		(8,987)	-	(17,614)	-	2,330	-	(25,589)	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(382,201)	-	(1,618,080)	(1)	(358,122)	-	(1,644,598)	(1)
Other comprehensive income, net of tax		<u>10,206,582</u>	<u>11</u>	<u>4,277,809</u>	<u>3</u>	<u>10,657,167</u>	<u>6</u>	<u>(7,893,680)</u>	<u>(3)</u>
Total comprehensive income		<u>\$ 26,225,406</u>	<u>27</u>	<u>\$ 39,889,810</u>	<u>26</u>	<u>\$ 43,566,482</u>	<u>23</u>	<u>\$ 61,131,578</u>	<u>20</u>
Net income for the periods attributable to :									
Owners of the parent	6(31)	\$ 15,964,792		\$ 35,437,018		\$ 32,838,341		\$ 68,698,401	
Non-controlling interests	6(19)	54,032		174,983		70,974		326,857	
		<u>\$ 16,018,824</u>		<u>\$ 35,612,001</u>		<u>\$ 32,909,315</u>		<u>\$ 69,025,258</u>	
Total comprehensive income for the periods attributable to :									
Owners of the parent		\$ 26,180,057		\$ 39,721,946		\$ 43,514,769		\$ 60,805,438	
Non-controlling interests		45,349		167,864		51,713		326,140	
		<u>\$ 26,225,406</u>		<u>\$ 39,889,810</u>		<u>\$ 43,566,482</u>		<u>\$ 61,131,578</u>	
Basic Earnings Per Share (in New Taiwan Dollars)	6(31)	<u>\$ 10.07</u>		<u>\$ 22.39</u>		<u>\$ 20.71</u>		<u>\$ 43.40</u>	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(31)	<u>\$ 10.04</u>		<u>\$ 22.30</u>		<u>\$ 20.63</u>		<u>\$ 43.21</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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 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
Appropriation and distribution of 2021 earnings:												
Legal reserve	-	-	-	11,841,278	(11,841,278)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(91,147,046)	-	-	-	-	(91,147,046)	-	(91,147,046)
Total	-	-	-	11,841,278	(102,988,324)	-	-	-	-	(91,147,046)	-	(91,147,046)
Cash dividends distributed from capital surplus	-	-	(25,585,136)	-	-	-	-	-	-	(25,585,136)	-	(25,585,136)
Profit for the six months ended June 30, 2022	-	-	-	-	68,698,401	-	-	-	-	68,698,401	326,857	69,025,258
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	15,405,404	(23,298,367)	-	-	(7,892,963)	(717)	(7,893,680)
Total comprehensive income	-	-	-	-	68,698,401	15,405,404	(23,298,367)	-	-	60,805,438	326,140	61,131,578
Share-based payment transactions	1,067	(483)	32,051	-	-	-	-	-	-	32,635	250,023	282,658
Changes in associates and joint ventures accounted for using the equity method	-	-	3,126,417	-	-	-	-	-	-	3,126,417	-	3,126,417
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	8,637,434	-	-	-	-	-	-	8,637,434	781,621	9,419,055
Changes in ownership interests in subsidiaries	-	-	(33,747)	-	-	-	-	-	-	(33,747)	534,551	500,804
Issuance of restricted stock for employees	1,365	-	426,576	-	34,602	-	-	1,821,411	-	2,283,954	-	2,283,954
Changes in other capital surplus	-	-	(14,663)	-	-	-	-	-	-	(14,663)	-	(14,663)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	1,800,687	-	(1,800,687)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(848,790)	(848,790)
Balance as of June 30, 2022	\$ 15,990,852	\$ -	\$ 46,364,977	\$ 62,058,498	\$ 219,977,867	\$ 1,930,567	\$ 47,123,322	\$ (3,269,531)	\$ (55,970)	\$ 390,120,582	\$ 2,676,143	\$ 392,796,725
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:												
Legal reserve	-	-	-	13,724,450	(13,724,450)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(99,178,441)	-	-	-	-	(99,178,441)	-	(99,178,441)
Total	-	-	-	13,724,450	(112,902,891)	-	-	-	-	(99,178,441)	-	(99,178,441)
Cash dividends distributed from capital surplus	-	-	(22,395,132)	-	-	-	-	-	-	(22,395,132)	-	(22,395,132)
Profit for the six months ended June 30, 2023	-	-	-	-	32,838,341	-	-	-	-	32,838,341	70,974	32,909,315
Other comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	1,001,992	9,674,436	-	-	10,676,428	(19,261)	10,657,167
Total comprehensive income	-	-	-	-	32,838,341	1,001,992	9,674,436	-	-	43,514,769	51,713	43,566,482
Share-based payment transactions	663	(113)	23,742	-	-	-	-	-	-	24,292	106,725	131,017
Adjustments due to dividends that subsidiaries received from parent company	-	-	592,350	-	-	-	-	-	-	592,350	-	592,350
Changes in associates and joint ventures accounted for using the equity method	-	-	70,012	-	-	-	-	-	-	70,012	4,453	74,465
Issuance of restricted stock for employees	1,434	-	14,278	-	17,363	-	-	1,007,128	-	1,040,203	-	1,040,203
Changes in other capital surplus	-	-	41,403	-	-	-	-	-	-	41,403	-	41,403
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	2,553,109	-	(2,553,109)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(513,999)	(513,999)
Balance as of June 30, 2023	\$ 15,996,450	\$ -	\$ 25,531,934	\$ 75,782,948	\$ 209,194,597	\$ 8,361,668	\$ 30,200,882	\$ (1,193,763)	\$ (55,970)	\$ 363,818,746	\$ 2,597,841	\$ 366,416,587

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars)

Description	Six Months Ended June 30	
	2023	2022
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 37,473,940	\$ 78,907,419
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	5,221,320	4,083,367
Amortization	3,313,821	2,706,023
Expected credit losses (gains)	87,948	(365)
Gains on financial assets and liabilities at fair value through profit or loss	(232,563)	(448,477)
Interest expenses	74,485	144,794
Gains on derecognition of financial assets measured at amortized cost	-	(12,212)
Interest income	(3,275,672)	(974,091)
Dividend income	(4,258,086)	(921,245)
Share-based payment expenses	1,125,591	2,487,593
Share of profit of associates and joint ventures accounted for using the equity method	(23,067)	(965,606)
Losses on disposal of property, plant and equipment	577	14,019
Losses on disposal of intangible assets	-	530
Losses on disposal of investments	-	4,051
Losses on disposal of investments accounted for using the equity method	89	-
Others	(4)	(304)
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	2,568,099	(1,996,018)
Notes receivable	2,409	2,409
Trade receivables	(4,730,785)	(1,804,170)
Trade receivables from related parties	4,565	(8,721)
Other receivables	(776,277)	(1,849)
Inventories	9,585,397	(18,365,904)
Prepayments	1,072,504	(857,864)
Other current assets	380,991	(1,750,065)
Other non-current assets-others	8	11,532,149
Contract liabilities	767,431	(1,805,134)
Trade payables	8,116,135	1,435,175
Trade payables to related parties	(78,692)	388,794
Other payables	(7,972,223)	(629,371)
Other payables to related parties	9,776	(1,682)
Other current liabilities	(293,288)	1,147,926
Net defined benefit liabilities	(6,418)	(9,585)
Other non-current liabilities-others	84,783	(20,110)
Cash generated from operating activities:	48,242,794	72,281,476
Interest received	3,126,670	776,569
Dividend received	4,387,016	1,442,703
Interest paid	(96,939)	(145,990)
Income tax paid	(6,069,945)	(8,064,981)
Net cash provided by operating activities	49,589,596	66,289,777
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(1,032,436)	(4,843,489)
Proceeds from disposal of financial assets at fair value through other comprehensive income	11,346,150	1,541,002
Proceeds from capital return of financial assets at fair value through other comprehensive income	5,141	27,091
Acquisition of financial assets measured at amortized cost	(25,536,952)	(4,572,609)
Proceeds from redemption of financial assets measured at amortized cost	2,487,017	1,193,334
Acquisition of investments accounted for using the equity method	-	(6,932)
Increase in prepayments for investments	-	(139,204)
Proceeds from capital return of investments accounted for using the equity method	1,423	26,750
Acquisition of property, plant and equipment	(3,675,940)	(7,737,757)
Proceeds from disposal of property, plant and equipment	6,026	3,446
Decrease (increase) in refundable deposits	506,776	(299,882)
Acquisition of intangible assets	(5,324,319)	(4,766,123)
Net cash used in investing activities	(21,217,114)	(19,574,373)
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings	750,000	(10,108,990)
Increase (decrease) in deposits received	1,900	(48,804)
Cash payment for the principal portion of the lease liabilities	(437,292)	(296,414)
Proceeds from exercise of employee stock options	20,255	17,972
Acquisition of ownership interests in subsidiaries	-	(48,413)
Disposal of ownership interests in subsidiaries (without losing control)	-	9,467,468
Change in non-controlling interests	50	515,584
Other financing activities	10,493	-
Net cash provided by (used in) financing activities	345,406	(501,597)
Effect of changes in exchange rate on cash and cash equivalents	1,873,899	8,299,497
Net increase in cash and cash equivalents	30,591,787	54,513,304
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	<u>\$ 178,093,942</u>	<u>\$ 238,217,898</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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Organization and Operation

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

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

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on July 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 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
IAS 12	“International Tax Reform - Pillar Two Model Rules” (Amendment)	January 1, 2023
IAS 7 and IFRS 7	“Supplier Finance Arrangements” (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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

B. IAS 12 “International Tax Reform – Pillar Two Model Rules”

The amendments introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and targeted disclosure requirements for affected entities. An entity is not required to disclose the information required for any interim period ending on or before December 31, 2023.

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 and B. All other standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company for the six-month periods ended June 30, 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:

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (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.

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, or transfers directly to retained earnings; and
- (6) recognizes differences in profit or loss.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 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%	-
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%	76%	1
MTK	Airoha Technology (Cayman) Inc.	General investing	-	-	-	1
MTK	Hsu-Yuan Investment Corp.	General investing	100%	100%	100%	2
MTK	MediaTek Research UK Limited	Research	100%	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%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
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
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	-	-	-	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%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
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
Airoha Technology Corp.	MediaTek Research UK Limited	Research	-	-	-	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%	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	-	-	-	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

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
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%	-
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	-	-	-	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%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
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%	-
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%	100%	18
MTK Wireless Limited	MediaTek Poland sp. z o.o.	Technical services	100%	-	-	19
MTK Wireless Limited	MediaTek Technology USA Inc.	Research	100%	-	-	20
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%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
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%	100%	11
MStar Co., Ltd.	MStar Software R&D (Shenzhen), Ltd.	Technical services	100%	100%	100%	-
IStar Technology Ltd.	Beijing Ilitek Technology Co., Ltd.	Research and technical services	-	-	100%	21
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%	-

(To be continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
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

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.
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. MTK Wireless Limited established MediaTek Technology USA Inc. in June 2023. As of June 30, 2023, no capital has been injected into MediaTek Technology USA Inc. yet.
21. 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 six-month periods ended June 30, 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.

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

The same significant accounting judgments, estimates and assumptions have been followed in the consolidated financial statements for the six-month periods ended June 30, 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.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and petty cash	\$ 1,027	\$ 1,122	\$ 1,024
Checking and savings accounts	10,153,805	15,941,203	23,008,353
Time deposits	160,189,110	131,559,830	212,208,521
Cash equivalents-repurchase agreements	7,750,000	-	3,000,000
Total	<u>\$ 178,093,942</u>	<u>\$ 147,502,155</u>	<u>\$ 238,217,898</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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Funds	\$ 5,684,586	\$ 7,284,992	\$ 8,957,784
Linked deposits	658,408	987,899	1,580,736
Bonds	137,870	146,981	20,805
Stocks	-	46,631	7,853
Forward exchange contracts	62,273	75,354	489,532
Total	<u>\$ 6,543,137</u>	<u>\$ 8,541,857</u>	<u>\$ 11,056,710</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Held for trading financial liabilities</u>			
Forward exchange contracts	\$ 3,529	\$ 6,097	\$ 11,529
<u>Noncurrent</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Linked deposits	\$ 3,359,212	\$ 4,005,545	\$ 4,054,936
Bonds	1,580,765	1,482,712	1,519,712
Trust funds	1,304,438	985,956	943,926
Stocks	134,820	150,780	183,550
Total	\$ 6,379,235	\$ 6,624,993	\$ 6,702,124

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	\$ 3,028,241	\$ 3,155,612	\$ 2,144,369
Unlisted company stocks	-	13,407	14,268
Total	\$ 3,028,241	\$ 3,169,019	\$ 2,158,637
<u>Noncurrent</u>			
<u>Debt instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Bonds	\$ 1,179,831	\$ 1,181,885	\$ 1,175,942
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	8,803,847	9,730,075	12,413,733
Capital	55,138,882	49,386,393	27,184,961
Unlisted company stocks	8,739,239	10,418,092	12,517,919
Funds	3,001,420	3,084,804	3,123,328
Subtotal	75,683,388	72,619,364	55,239,941
Total	\$ 76,863,219	\$ 73,801,249	\$ 56,415,883

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the three months and six months ended June 30, 2023 and 2022 are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Related to investments held at the end of the reporting period	\$ 1,117,397	\$ 203,351	\$ 4,233,418	\$ 921,140
Related to investments derecognized during the period	24,668	-	24,668	-
Dividends recognized during the period	\$ 1,142,065	\$ 203,351	\$ 4,258,086	\$ 921,140

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 and six months ended June 30, 2023 and 2022 are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
The fair value of the investments at the date of derecognition	\$ 8,676,970	\$ 1,198,078	\$ 9,226,654	\$ 1,541,002
The cumulative gain on disposal reclassified from other equity to retained earnings	\$ 2,585,855	\$ 930,875	\$ 2,788,169	\$ 1,046,630

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(4) Financial assets measured at amortized cost**

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Bonds	\$ 4,150,166	\$ 3,775,220	\$ 3,299,113
Time deposits	612,323	1,821,265	1,814,889
Total	<u>\$ 4,762,489</u>	<u>\$ 5,596,485</u>	<u>\$ 5,114,002</u>
<u>Noncurrent</u>			
Bonds	\$ 48,651,636	\$ 24,303,097	\$ 12,598,972
Time deposits (including the portion with maturity later than one year)	329,732	961,297	1,001,726
Total	<u>\$ 48,981,368</u>	<u>\$ 25,264,394</u>	<u>\$ 13,600,698</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Trade receivables	\$ 45,698,888	\$ 40,806,576	\$ 61,811,621
Less: allowance for doubtful debts	(90,139)	(1,640)	(762)
Subtotal	45,608,749	40,804,936	61,810,859
Trade receivables from related parties	30,028	34,593	87,957
Less: allowance for doubtful debts	-	-	-
Subtotal	30,028	34,593	87,957
Total	<u>\$ 45,638,777</u>	<u>\$ 40,839,529</u>	<u>\$ 61,898,816</u>

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\$ 45,728,916 thousand, NT\$40,841,169 thousand and NT\$61,899,578 thousand as of June 30, 2023, December 31, 2022, and June 30, 2022, respectively. Please refer to Note 6. (22) for more details on impairment of trade receivables for the three months and six months ended June 30, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring without recourse were NT\$3,193,079 thousand, NT\$2,151,487 thousand and NT\$3,300,230 thousand as of June 30, 2023, December 31, 2022, and June 30, 2022, respectively.

(6) Other receivables

	June 30, 2023	December 31, 2022	June 30, 2022
Factoring receivables	\$ 4,732,784	\$ 3,557,643	\$ 4,922,463
Others	9,870,982	12,266,354	2,307,680
Total	<u>\$ 14,603,766</u>	<u>\$ 15,823,997</u>	<u>\$ 7,230,143</u>

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. Receivables from banks due to factoring agreement were NT\$4,732,784 thousand, NT\$3,557,643 thousand and NT\$4,922,463 thousand as of June 30, 2023, December 31, 2022, and June 30, 2022, respectively.

As of June 30, 2023, December 31, 2022, and June 30, 2022, trade receivables derecognized were summarized (by transferee) as follows:

A. As of June 30, 2023:

The Factor (Transferee)	Interest Rate (%)	Trade receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)	Unutilized (US\$'000)	Credit line (US\$'000)
BNP Paribas	-	\$ 61,146	\$ -	\$ 61,146	\$ 105,000
Taishin					
International Bank	-	88,762	-	88,762	227,000
SMBC	-	-	-	-	18,000
CTBC	-	33	-	33	400
SinoPac	-	1,842	-	1,842	10,000
CHB	-	250	-	250	1,200
Total		<u>\$ 152,033</u>	<u>\$ -</u>	<u>\$ 152,033</u>	<u>\$ 361,600</u>

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

B. As of December 31, 2022:

The Factor (Transferee)	Interest Rate (%)	Trade		Unutilized (US\$'000)	Credit line (US\$'000)
		receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)		
BNP Paribas	-	\$ 7,334	\$ -	\$ 7,334	\$ 155,000
Taishin					
International Bank	-	107,240	-	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>

C. As of June 30, 2022:

The Factor (Transferee)	Interest Rate (%)	Trade		Unutilized (US\$'000)	Credit line (US\$'000)
		receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)		
BNP Paribas	-	\$ 40,449	\$ -	\$ 40,449	\$ 155,000
Taishin					
International Bank	-	119,796	-	119,796	225,000
SMBC	-	2,527	-	2,527	18,000
CTBC	-	629	-	629	400
SinoPac	-	1,779	-	1,779	10,000
CHB	-	437	-	437	1,500
Total		<u>\$ 165,617</u>	<u>\$ -</u>	<u>\$ 165,617</u>	<u>\$ 409,900</u>

(7) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 2,674,532	\$ 1,656,255	\$ 3,764,433
Work in progress	37,139,885	47,138,249	62,038,386
Finished goods	21,252,697	21,908,832	25,607,037
Net amount	<u>\$ 61,067,114</u>	<u>\$ 70,703,336</u>	<u>\$ 91,409,856</u>

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

The operating cost related to inventories included the reversal of write-down of inventories of NT\$1,812,436 thousand for the three months ended June 30, 2023 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed and write-down of inventories of NT\$5,982,882 thousand for the three months ended June 30, 2022.

The operating cost related to inventories included the reversal of write-down of inventories of NT\$1,434,472 thousand for the six months ended June 30, 2023 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed and write-down of inventories of NT\$11,353,107 thousand for the six months ended June 30, 2022.

Inventories were not pledged.

(8) Prepayments

	June 30, 2023	December 31, 2022	June 30, 2022
Prepaid expenses	\$ 706,948	\$ 1,005,158	\$ 1,106,007
Input tax	454,971	140,137	471,610
Others	1,923,822	2,992,989	2,539,610
Total	<u>\$ 3,085,741</u>	<u>\$ 4,138,284</u>	<u>\$ 4,117,227</u>

(9) Investments accounted for using the equity method

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

Investees	June 30, 2023		December 31, 2022		June 30, 2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:						
Vanchip (Tianjin) Technology Co., Ltd.	\$ 4,333,358	25	\$ 4,595,566	25	\$ 4,802,143	25
FONTAINE CAPITAL FUND, L.P.	598,820	57	642,825	57	662,433	57

(To be continued)

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

(Continued)

Investees	June 30, 2023		December 31, 2022		June 30, 2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Sigmastar Technology Ltd.	8,712,881	32	8,566,099	32	8,150,982	32
Zilltek Technology Corp.	1,696,976	18	1,773,079	18	-	-
Others	2,263,368	-	2,220,893	-	1,927,708	-
Subtotal	<u>17,605,403</u>		<u>17,798,462</u>		<u>15,543,266</u>	
Investments in jointly controlled entities:						
Yuan Ke (Pingtan) Investment Fund Limited Partnership	-	-	-	-	32,416,822	94
Total	<u>\$ 17,605,403</u>		<u>\$ 17,798,462</u>		<u>\$ 47,960,088</u>	

Vanchip increased capital by cash in several tranches in 2022, and the Company did not subscribe to the new shares 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.

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.

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

The Company's 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 June 30		Six months ended June 30	
	2023	2022	2023	2022
Profit from continuing operations	\$ 118,294	\$ 382,689	\$ 73,447	\$ 611,788
Other comprehensive income (post-tax)	(27,397)	(6,945)	5,378	(2,964)
Total comprehensive income	<u>\$ 90,897</u>	<u>\$ 375,744</u>	<u>\$ 78,825</u>	<u>\$ 608,824</u>

B. Investments in jointly controlled entities

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Profit from continuing operations	\$ -	\$ 470,579	\$ -	\$ 493,886
Other comprehensive income (post-tax)	-	-	-	-
Total comprehensive income	<u>\$ -</u>	<u>\$ 470,579</u>	<u>\$ -</u>	<u>\$ 493,886</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 June 30, 2023, December 31, 2022, and June 30, 2022.

(10) Property, plant and equipment

	June 30, 2023	December 31, 2022	June 30, 2022
Owner-occupied property, plant and equipment	<u>\$ 51,926,685</u>	<u>\$ 53,861,629</u>	<u>\$ 53,650,415</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
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	-	87,637	8,924	697,607	921,726	1,674,946	212,685	3,603,525
Disposals	-	(3,885)	(129)	(102,962)	(395,490)	(12,235)	-	(514,701)
Transfers	-	24,277	292	213,781	56,096	(222,666)	(52,115)	19,665
Exchange differences	-	(553,163)	58	(57,516)	(106,704)	(282,017)	576	(998,766)
As of June 30, 2023	<u>\$ 9,068,386</u>	<u>\$ 32,091,765</u>	<u>\$ 1,341,160</u>	<u>\$ 16,127,132</u>	<u>\$ 18,910,236</u>	<u>\$ 11,215,548</u>	<u>\$ 708,671</u>	<u>\$ 89,462,898</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	314,759	73,754	886,048	1,447,306	3,133,208	1,484,676	7,842,026
Disposals	-	(3,452)	(16,910)	(206,623)	(119,448)	(47,949)	-	(394,382)
Transfers	9,383	816,526	-	-	41,444	2,112	(715,560)	153,905
Exchange differences	-	251,380	(753)	85,154	62,330	110,004	(28,874)	479,241
As of June 30, 2022	<u>\$ 8,901,545</u>	<u>\$ 31,665,480</u>	<u>\$ 1,311,998</u>	<u>\$ 14,656,855</u>	<u>\$ 16,608,975</u>	<u>\$ 7,472,902</u>	<u>\$ 1,895,528</u>	<u>\$ 82,513,283</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Land	Buildings and facilities	Machinery equipment	Computer and telecommunication equipment	Testing equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As of January 1, 2023	\$ -	\$ 7,394,611	\$ 935,345	\$ 9,201,784	\$ 11,205,065	\$ 4,754,741	\$ -	\$ 33,491,546
Depreciation	-	441,918	61,852	1,356,943	1,078,202	1,833,160	-	4,772,075
Disposals	-	(3,511)	(28,588)	(71,790)	(394,492)	(9,723)	-	(508,104)
Transfers	-	6,110	73	142,371	11,538	(153,982)	-	6,110
Exchange differences	-	(87,449)	28,537	(77,045)	(88,782)	(675)	-	(225,414)
As of June 30, 2023	\$ -	\$ 7,751,679	\$ 997,219	\$ 10,552,263	\$ 11,811,531	\$ 6,423,521	\$ -	\$ 37,536,213
As of January 1, 2022	\$ -	\$ 6,467,480	\$ 802,967	\$ 6,921,861	\$ 9,360,753	\$ 1,768,252	\$ -	\$ 25,321,313
Depreciation	-	423,389	79,478	1,209,058	905,678	1,071,152	-	3,688,755
Disposals	-	(585)	(16,910)	(202,096)	(114,327)	(42,814)	-	(376,732)
Transfers	-	32,562	-	-	-	-	-	32,562
Exchange differences	-	32,840	(754)	65,778	45,997	53,109	-	196,970
As of June 30, 2022	\$ -	\$ 6,955,686	\$ 864,781	\$ 7,994,601	\$ 10,198,101	\$ 2,849,699	\$ -	\$ 28,862,868
Net carrying amount as of:								
June 30, 2023	\$ 9,068,386	\$ 24,340,086	\$ 343,941	\$ 5,574,869	\$ 7,098,705	\$ 4,792,027	\$ 708,671	\$ 51,926,685
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
June 30, 2022	\$ 8,901,545	\$ 24,709,794	\$ 447,217	\$ 6,662,254	\$ 6,410,874	\$ 4,623,203	\$ 1,895,528	\$ 53,650,415

The property, plant and equipment were not pledge.

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

In accordance with 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 June 30, 2023, respectively. The Company capitalized depreciation expense interest expense arising from right-of-use assets and lease liabilities in the amount of NT\$ 34,348 thousand and NT\$22,282 thousand for the six months ended June 30, 2023, respectively. The interest rate of the capitalization were 0.925% for the three months and six months ended of June 30, 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	-	(19,665)	(3,294)	(22,959)
Exchange differences	-	(80,365)	(1,498)	(81,863)
As of June 30, 2023	<u>\$ -</u>	<u>\$ 2,226,297</u>	<u>\$ 111,367</u>	<u>\$ 2,337,664</u>
As of January 1, 2022	\$ 176,224	\$ 1,685,164	\$ 81,128	\$ 1,942,516
Transfers	(9,383)	(160,219)	1,455	(168,147)
Exchange differences	-	26,165	79	26,244
As of June 30, 2022	<u>\$ 166,841</u>	<u>\$ 1,551,110</u>	<u>\$ 82,662</u>	<u>\$ 1,800,613</u>
Depreciation and impairment:				
As of January 1, 2023	\$ -	\$ 345,083	\$ 11,209	\$ 356,292
Depreciation	-	27,506	1,803	29,309
Transfers	-	(6,110)	-	(6,110)
Exchange differences	-	(11,893)	(67)	(11,960)
As of June 30, 2023	<u>\$ -</u>	<u>\$ 354,586</u>	<u>\$ 12,945</u>	<u>\$ 367,531</u>

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

	Land	Buildings and facilities	Right-of-use assets	Total
As of January 1, 2022	\$ -	\$ 329,216	\$ 7,946	\$ 337,162
Depreciation	-	21,138	1,426	22,564
Transfers	-	(32,562)	-	(32,562)
Exchange differences	-	5,180	16	5,196
As of June 30, 2022	\$ -	\$ 322,972	\$ 9,388	\$ 332,360

Net carrying amount as of:

June 30, 2023	\$ -	\$ 1,871,711	\$ 98,422	\$ 1,970,133
December 31, 2022	\$ -	\$ 1,981,244	\$ 104,950	\$ 2,086,194
June 30, 2022	\$ 166,841	\$ 1,228,138	\$ 73,274	\$ 1,468,253

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Rental income from investment properties	\$ 39,920	\$ 25,489	\$ 80,413	\$ 57,137
Less:				
Direct operating expenses from investment properties generating rental income	(15,941)	(7,942)	(29,309)	(22,564)
Total	\$ 23,979	\$ 17,547	\$ 51,104	\$ 34,573

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:	June 30, 2023	December 31, 2022	June 30, 2022
Fair value	\$ 2,921,080	\$ 3,067,378	\$ 2,363,142

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Based on comparative approach and income approach:	June 30, 2023	December 31, 2022	June 30, 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 six months ended June 30, 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 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	-	168,228	-	10,670,103	-	10,838,331
Disposals	-	(70,551)	-	(8,606,403)	-	(8,676,954)
Exchange differences	-	(233)	-	150,004	6,600	156,371
As of June 30, 2023	<u>\$ 352,055</u>	<u>\$ 1,285,968</u>	<u>\$ 2,581,940</u>	<u>\$ 25,578,780</u>	<u>\$ 66,049,487</u>	<u>\$ 95,848,230</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	450	130,302	-	2,544,889	-	2,675,641
Disposals	-	(20,742)	-	(1,451)	-	(22,193)
Transfers	-	15,697	-	-	-	15,697
Exchange differences	-	813	-	139,561	36,684	177,058
As of June 30, 2022	<u>\$ 772,937</u>	<u>\$ 1,328,188</u>	<u>\$ 5,114,146</u>	<u>\$ 25,270,567</u>	<u>\$ 65,379,706</u>	<u>\$ 97,865,544</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Trademarks	Software	Customer relationship	Patents, IPs and others	Goodwill	Total
Amortization and impairment:						
As of January 1, 2023	\$ 344,565	\$ 651,925	\$ 1,644,762	\$ 17,434,700	\$ -	\$ 20,075,952
Amortization	7,202	167,506	126,905	3,012,208	-	3,313,821
Disposals	-	(70,551)	-	(8,606,403)	-	(8,676,954)
Exchange differences	-	759	-	81,621	-	82,380
As of June 30, 2023	<u>\$ 351,767</u>	<u>\$ 749,639</u>	<u>\$ 1,771,667</u>	<u>\$ 11,922,126</u>	<u>\$ -</u>	<u>\$ 14,795,199</u>
As of January 1, 2022	\$ 717,845	\$ 628,332	\$ 4,271,093	\$ 15,876,422	\$ -	\$ 21,493,692
Amortization	23,770	139,790	112,407	2,430,056	-	2,706,023
Disposals	-	(20,218)	-	(1,445)	-	(21,663)
Exchange differences	-	14	-	25,487	-	25,501
As of June 30, 2022	<u>\$ 741,615</u>	<u>\$ 747,918</u>	<u>\$ 4,383,500</u>	<u>\$ 18,330,520</u>	<u>\$ -</u>	<u>\$ 24,203,553</u>
Net carrying amount as of:						
June 30, 2023	<u>\$ 288</u>	<u>\$ 536,329</u>	<u>\$ 810,273</u>	<u>\$ 13,656,654</u>	<u>\$ 66,049,487</u>	<u>\$ 81,053,031</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>
June 30, 2022	<u>\$ 31,322</u>	<u>\$ 580,270</u>	<u>\$ 730,646</u>	<u>\$ 6,940,047</u>	<u>\$ 65,379,706</u>	<u>\$ 73,661,991</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(13) Impairment testing of goodwill

The Company 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

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	\$ 4,450,000	\$ 3,700,000	\$ 41,290,515
Interest rates	1.85%-2.11%	1.83%-2.35%	(0.5)%-2.15%

(15) Other payables

	June 30, 2023	December 31, 2022	June 30, 2022
Accrued salaries and bonuses	\$ 28,096,749	\$ 37,802,481	\$ 38,401,846
Accrued royalties	2,793,956	3,359,937	2,354,808
Dividends payable	121,495,272	-	116,732,182
Others	13,511,195	11,222,125	12,712,220
Total	\$ 165,897,172	\$ 52,384,543	\$ 170,201,056

(16) Other current liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Refund liabilities	\$ 42,738,432	\$ 42,396,837	\$ 42,756,595
Others	535,285	852,359	645,402
Total	\$ 43,273,717	\$ 43,249,196	\$ 43,401,997

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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 June 30, 2023 are as follows:

Lenders	June 30, 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 June 30, 2022 are as follows:

Lenders	June 30, 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 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 June 30, 2023 and 2022 were NT\$662,581 thousand and NT\$626,009 thousand, respectively. Pension expenses under the defined contribution plan for the six months ended June 30, 2023 and 2022 were NT\$1,352,129 thousand and NT\$1,192,042 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 June 30, 2023 and 2022 were NT\$4,285 thousand and NT\$3,701 thousand, respectively. Pension expenses under the defined benefits plan for the six months ended June 30, 2023 and 2022 were NT\$8,569 thousand and NT\$7,366 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(19) Equity

A. Share capital

MTK's authorized capital as of June 30, 2023, December 31, 2022, and June 30, 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\$15,996,450 thousand, NT\$15,994,353 thousand, and NT\$15,990,852 thousand, divided into 1,599,645,032 shares, 1,599,435,327 shares, and 1,599,085,195 shares as of June 30, 2023, December 31, 2022, and June 30, 2022, respectively. Each share has one voting right and a right to receive dividends.

On July 5, 2021, the general shareholders' meeting approved to issue restricted stocks for employees. As of June 30, 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 58,551 shares and 20,796 shares of issued restricted stocks for employees during the six months ended June 30, 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 six months ended June 30, 2023, at par value of NT\$10 for exercising employee stock options. Relevant regulators' approvals have been obtained and related registration processes have been completed as of June 30, 2023.

MTK issued 58,459 new shares for the six months ended June 30, 2022, at par value of NT\$10 for exercising employee stock options. Relevant regulators' approvals have been obtained and related registration processes have been completed as of June 30, 2022.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital	\$ 143,416	\$ 22,510,861	\$ 20,000,633
Treasury share transactions	3,209,392	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	9,477,276
Changes in ownership interests in subsidiaries	3,003,434	3,003,434	3,003,434
Donated assets	1,261	1,261	1,261
Share of changes in net assets of associates	4,175,945	4,105,933	4,350,265
Employee stock options	391,175	391,175	391,175
Restricted stocks for employees	4,797,571	4,787,238	6,805,844
Others	332,464	291,061	287,024
Total	<u>\$ 25,531,934</u>	<u>\$ 47,185,281</u>	<u>\$ 46,364,977</u>

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

C. Treasury shares

As of June 30, 2023, December 31, 2022, and June 30, 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 June 30, 2023, December 31, 2022, and June 30, 2022, MTK did not hold any other treasury shares.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 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.

On May 31, 2022, MTK's shareholders resolved to amend the Articles that the distribution of profits or the covering of losses may be made on a half-yearly basis after the close of each half fiscal year. The Board of Directors shall prepare relevant proposals per applicable laws and regulations and the procedures and principles specified in the Articles of Incorporation and report such proposals to the shareholders' meeting or submit the same to the shareholders' meeting for review and approval by a resolution.

When allocating the profits, MTK shall first estimate and reserve the taxes to be paid, offset its losses per laws and regulations, and set aside a legal reserve at 10% of leftover profits provided that the legal reserve requirement shall not apply in the event that the amount of accumulated legal reserve has reached the amount of the paid-in capital of MTK, then set aside or reverse a special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. For the distribution of profits for the first half of each fiscal year, MTK shall also estimate and reserve the employees' compensation and remuneration to directors per applicable laws and regulations and the provisions specified in the Articles of Incorporation.

Based on the authorization from 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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:

	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 was 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

E. Non-controlling interests

	Six months ended	
	June 30	
	2023	2022
Beginning balance	\$ 2,948,949	\$ 1,632,598
Gains attributable to non-controlling interests	70,974	326,857
Other comprehensive income (loss), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(19,261)	(717)
Share-based payment transactions	106,725	250,023
Changes in associates and joint ventures accounted for using the equity method	4,453	-
Changes in ownership interests in subsidiaries	-	534,551
Acquisition of additional interest in a subsidiary	-	781,621
Others	(513,999)	(848,790)
Ending balance	<u>\$ 2,597,841</u>	<u>\$ 2,676,143</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.

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.

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

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.

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

Employee Stock Option	Six months ended June 30			
	2023		2022	
	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)
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\$)	\$ -		\$ -	

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 six months ended June 30, 2023 and 2022, respectively.

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

		June 30, 2023		June 30, 2022	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NT\$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT\$)	Weighted-average Expected Remaining Years	Weighted-average Exercise Price per Share (NT\$)
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.

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\$7,436,908 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of June 30, 2023, MTK had recognized NT\$6,221,526 thousand as compensation expense and NT\$1,193,763 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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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 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.

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.

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

Employee Stock Option	Six months ended June 30			
	2023		2022	
	Weighted-average		Weighted-average	
	Options	Exercise Price per	Options	Exercise Price per
	(Unit)	Share (NT\$)	(Unit)	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	(49,525)	95.0
Outstanding at end of period	<u>1,483,851</u>	82.0	<u>1,504,188</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 six months ended June 30, 2022.

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

		June 30, 2023		June 30, 2022	
		Outstanding stock options		Outstanding stock options	
Date of grant	Range of Exercise Price (NT\$)	Weighted-average	Weighted-average	Weighted-average	Weighted-average
		Expected	Exercise Price	Expected	Exercise Price
		Remaining	per Share	Remaining	per Share
		Years	(NT\$)	Years	(NT\$)
2022.01.10	\$ 67.0-137.0	0.25	\$ 67.0-137.0	1.25	\$ 67.0-137.0

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Share-based compensation expenses recognized for the three months and six months ended June 30, 2023 and 2022 are shown in the following table:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Employee stock options	\$ 58,540	\$ 59,589	\$ 106,725	\$ 250,023
Restricted stocks for employees	500,754	1,187,995	1,018,866	2,237,570
Total	<u>\$ 559,294</u>	<u>\$ 1,247,584</u>	<u>\$ 1,125,591</u>	<u>\$ 2,487,593</u>

The Company did not modify or cancel any share-based payment plans for the six months ended June 30, 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 six months ended June 30, 2022.

(21) Sales

Analysis of revenue from contracts with customers for the three months and six months ended June 30, 2023 and 2022 is as follows:

A. Disaggregation of revenue

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Sale of goods	\$ 96,244,147	\$ 154,475,816	\$ 190,315,710	\$ 296,404,553
Services and other operating revenue	1,891,137	1,254,005	3,471,087	2,036,117
Total	<u>\$ 98,135,284</u>	<u>\$ 155,729,821</u>	<u>\$ 193,786,797</u>	<u>\$ 298,440,670</u>
Revenue recognition point:				
At a point in time	\$ 96,813,400	\$ 155,313,005	\$ 191,246,397	\$ 297,556,912
Satisfies the performance obligation over time	1,321,884	416,816	2,540,400	883,758
Total	<u>\$ 98,135,284</u>	<u>\$ 155,729,821</u>	<u>\$ 193,786,797</u>	<u>\$ 298,440,670</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

B. Contract balances

Contract liabilities – current

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Sale of goods	\$ 4,726,026	\$ 4,043,364	\$ 4,053,515	\$ 5,930,981
Services and other operating revenue	942,299	857,530	509,834	437,502
Total	<u>\$ 5,668,325</u>	<u>\$ 4,900,894</u>	<u>\$ 4,563,349</u>	<u>\$ 6,368,483</u>

The significant changes in the Company's balances of contract liabilities for the three months and six months ended June 30, 2023 and 2022 are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Revenue recognized during the period that was included in the beginning balance	<u>\$ 279,428</u>	<u>\$ 1,424,219</u>	<u>\$ 4,024,385</u>	<u>\$ 5,472,163</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$ 3,457,164</u>	<u>\$ (3,060,074)</u>	<u>\$ 4,794,470</u>	<u>\$ 3,537,719</u>

C. Transaction price allocated to unsatisfied performance obligations

As of June 30, 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\$4,753,862 thousand and NT\$502,302 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.

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

(22) Expected credit (losses) gains

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Operating expense- expected credit (losses) gains				
Trade receivables	\$ (82,817)	\$ (731)	\$ (87,948)	\$ 365

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 June 30, 2023, December 31, 2022, and June 30, 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:

2023.06.30

	Neither past due		Past due				
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days		Total
Gross carrying							
amount	\$ 45,219,103	\$ 255,802	\$ 15,538	\$ 35,085	\$ 173,360	\$	45,698,888
Loss ratio	0%	0%	0%	0%-10%	20%-100%		
Lifetime expected							
credit losses	-	-	-	(3,471)	(86,668)		(90,139)
Carrying amount							
of trade							
receivables	\$ 45,219,103	\$ 255,802	\$ 15,538	\$ 31,614	\$ 86,692	\$	45,608,749

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**2022.12.31

	Neither past due		Past due				Total
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days		
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	<u>\$ 39,842,984</u>	<u>\$ 815,777</u>	<u>\$ 25,932</u>	<u>\$ 117,529</u>	<u>\$ 2,714</u>	<u>\$</u>	<u>40,804,936</u>

2022.06.30

	Neither past due		Past due				Total
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days		
Gross carrying amount	\$ 60,940,019	\$ 716,760	\$ 141,118	\$ 13,724	\$ -	\$	61,811,621
Loss ratio	0%	0%	0%	0%-10%	20%-100%		
Lifetime expected credit losses	-	-	-	(762)	-		(762)
Carrying amount of trade receivables	<u>\$ 60,940,019</u>	<u>\$ 716,760</u>	<u>\$ 141,118</u>	<u>\$ 12,962</u>	<u>\$ -</u>	<u>\$</u>	<u>61,810,859</u>

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

The movements in the provision for impairment of receivables and financing lease receivables for the six months ended June 30, 2023 and 2022 are as follows:

	Note receivables	Trade receivables (including related parties)	Financing lease receivables
As of January 1, 2023	\$ -	\$ 1,640	\$ -
Allowance for the current period	-	87,948	-
Effect of changes in exchange rate	-	551	-
As of June 30, 2023	<u>\$ -</u>	<u>\$ 90,139</u>	<u>\$ -</u>

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

	Note receivables	Trade receivables (including related parties)	Financing lease receivables
As of January 1, 2022	\$ -	\$ 42,651	\$ -
Reversal for the current period	-	(365)	-
Written off	-	(43,809)	-
Effect of changes in exchange rate	-	2,285	-
As of June 30, 2022	\$ -	\$ 762	\$ -

(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

	June 30, 2023	December 31, 2022	June 30, 2022
Land	\$ 6,659,898	\$ 6,652,269	\$ 1,647,138
Buildings and facilities	2,104,480	2,172,719	2,352,576
Machinery equipment	163,400	83,797	119,345
Transportation equipment	11,289	14,537	14,637
Office equipment	3,596	4,428	4,744
Total	\$ 8,942,663	\$ 8,927,750	\$ 4,138,440

During the six months ended June 30, 2023 and 2022, the additions to right-of-use assets of the Company amounted to NT\$447,840 thousand and NT\$979,551 thousand, respectively.

b. Lease liability

	June 30, 2023	December 31, 2022	June 30, 2022
Lease liability-current	\$ 816,629	\$ 795,500	\$ 772,420
Lease liability-noncurrent	8,296,362	8,308,237	3,401,245
Total	\$ 9,112,991	\$ 9,103,737	\$ 4,173,665

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

Please refer to Note 6. (28) for the interest on lease liability recognized during the three months and six months ended June 30, 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 and six months ended June 30, 2023. Please refer to Note 6. (10) for related information.

c. Depreciation charge for right-of-use assets

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Land	\$ 31,459	\$ 12,700	\$ 62,601	\$ 25,367
Buildings and facilities	176,310	161,102	349,423	297,566
Machinery equipment	20,183	19,073	37,169	38,919
Transportation equipment	2,089	2,636	4,295	4,771
Office equipment	376	2,166	796	5,425
Total	<u>\$ 230,417</u>	<u>\$ 197,677</u>	<u>\$ 454,284</u>	<u>\$ 372,048</u>

d. Income and costs relating to lessee and leasing activities

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
The expense relating to short-term leases	<u>\$ 13,468</u>	<u>\$ 12,439</u>	<u>\$ 42,958</u>	<u>\$ 27,969</u>
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	<u>\$ 1,359</u>	<u>\$ 2,413</u>	<u>\$ 2,839</u>	<u>\$ 3,429</u>
Income from subleasing right-of-use assets	<u>\$ 2,238</u>	<u>\$ 1,209</u>	<u>\$ 2,737</u>	<u>\$ 3,121</u>

e. Cash outflow relating to leasing activities

During the six months ended June 30, 2023 and 2022, the Company's total cash outflows for leases amounted to NT\$516,201 thousand and NT\$359,681 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 June 30		Six months ended June 30	
	2023	2022	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	\$ 59,727	\$ 56,336	\$ 116,136	\$ 102,107
Lease income for finance leases				
Finance income on the net investment in the lease	5,807	6,078	11,550	11,551
Total	\$ 65,534	\$ 62,414	\$ 127,686	\$ 113,658

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO 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 June 30, 2023, December 31, 2022, and June 30, 2022 are as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Not later than one year	\$ 386,576	\$ 23,293	\$ 23,292
Later than one year and not later than two years	741,014	746,853	386,577
Later than two years and not later than three years	366,148	735,143	741,014
Later than three years and not later than four years	-	-	366,148
Total non-discounted lease payments	1,493,738	1,505,289	1,517,031
Less: unearned finance income of finance lease	(37,954)	(49,505)	(61,247)
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	\$ 363,946	\$ -	\$ -
Noncurrent	\$ 1,091,838	\$ 1,455,784	\$ 1,455,784

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

	Three months ended June 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 13,132	\$ 653,734	\$ 666,866	\$ 13,173	\$ 616,537	\$ 629,710
Others	\$ 320,395	\$ 19,532,947	\$ 19,853,342	\$ 427,832	\$ 25,938,619	\$ 26,366,451
Depreciation	\$ 23,144	\$ 2,404,371	\$ 2,427,515	\$ 30,098	\$ 2,140,737	\$ 2,170,835
Amortization	\$ 1,216	\$ 1,790,219	\$ 1,791,435	\$ 2,320	\$ 1,406,773	\$ 1,409,093

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

	Six months ended June 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 26,472	\$ 1,334,226	\$ 1,360,698	\$ 26,134	\$ 1,173,274	\$ 1,199,408
Others	\$ 685,032	\$ 39,009,134	\$ 39,694,166	\$ 856,752	\$ 50,804,283	\$ 51,661,035
Depreciation	\$ 47,879	\$ 5,173,441	\$ 5,221,320	\$ 62,818	\$ 4,020,549	\$ 4,083,367
Amortization	\$ 2,362	\$ 3,311,459	\$ 3,313,821	\$ 2,871	\$ 2,703,152	\$ 2,706,023

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 six months ended June 30, 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\$217,474 thousand and NT\$22,019 thousand for the three months ended June 30, 2023, respectively. The amounts of employees' compensation and remuneration to directors were NT\$441,594 thousand and NT\$44,711 thousand for the six months ended June 30, 2023, respectively. The amounts of employees' compensation and remuneration to directors were NT\$494,074 thousand and NT\$20,000 thousand for the three months ended June 30, 2022, respectively. The amounts of employees' compensation and remuneration to directors were NT\$954,145 thousand and NT\$66,582 thousand for the six months ended June 30, 2022, respectively. The employees' compensation and remuneration to directors were recognized as expense.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 June 30		Six months ended June 30	
	2023	2022	2023	2022
Financial assets measured				
at amortized cost	\$ 1,817,229	\$ 467,660	\$ 3,197,466	\$ 907,005
Financial assets at fair value				
through other				
comprehensive income	67,828	62,789	78,206	67,086
Total	<u>\$ 1,885,057</u>	<u>\$ 530,449</u>	<u>\$ 3,275,672</u>	<u>\$ 974,091</u>

(26) Other income

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Rental income	\$ 59,727	\$ 56,336	\$ 116,136	\$ 102,107
Dividend income	1,142,065	203,351	4,258,086	921,245
Others	20,547	131,819	51,385	180,269
Total	<u>\$ 1,222,339</u>	<u>\$ 391,506</u>	<u>\$ 4,425,607</u>	<u>\$ 1,203,621</u>

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(27) Other gains and losses**

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Losses on disposal of property, plant and equipment	\$ (2,522)	\$ (7,512)	\$ (577)	\$ (14,019)
Losses on disposal of intangible assets	-	-	-	(530)
(Losses) gains on disposal of investments				
Investments accounted for using the equity method	(89)	-	(89)	-
Financial assets measured at amortized cost	-	-	-	(1,231)
Subsidiary	-	39	-	(4,051)
Foreign exchange losses	(873,400)	(346,816)	(707,412)	(385,344)
Gains on financial assets at fair value through profit or loss	1,245,094	452,045	1,433,010	701,351
Gains (losses) on financial liabilities at fair value through profit or loss	37,360	17,376	(3,529)	(11,529)
Others	12,861	(7,183)	(16,636)	(23,919)
Total	\$ 419,304	\$ 107,949	\$ 704,767	\$ 260,728

(28) Finance costs

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Interest expense on borrowings	\$ 21,397	\$ 81,034	\$ 41,373	\$ 112,925
Interest expense on lease liabilities	17,002	14,449	33,112	31,869
Total	\$ 38,399	\$ 95,483	\$ 74,485	\$ 144,794

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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 June 30, 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	\$ 7,611,835	\$ -	\$ 7,611,835	\$ (762,639)	\$ 6,849,196
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	12,265	-	12,265	-	12,265
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	3,736,220	89	3,736,309	-	3,736,309
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(8,987)	-	(8,987)	-	(8,987)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(382,201)	-	(382,201)	-	(382,201)
Total	\$ 10,969,132	\$ 89	\$ 10,969,221	\$ (762,639)	\$ 10,206,582

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

For the three months ended June 30, 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	\$ 1,028,828	\$ -	\$ 1,028,828	\$ 363,130	\$ 1,391,958
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(3,410,330)	-	(3,410,330)	-	(3,410,330)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	7,931,914	(39)	7,931,875	-	7,931,875
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(17,614)	-	(17,614)	-	(17,614)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,618,080)	-	(1,618,080)	-	(1,618,080)
Total	\$ 3,914,718	\$ (39)	\$ 3,914,679	\$ 363,130	\$ 4,277,809

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

For the six months ended June 30, 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	\$ 10,498,560	\$ -	\$ 10,498,560	\$ (915,859)	\$ 9,582,701
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	100,929	-	100,929	-	100,929
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	1,329,240	89	1,329,329	-	1,329,329
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	2,330	-	2,330	-	2,330
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(358,122)	-	(358,122)	-	(358,122)
Total	\$ 11,572,937	\$ 89	\$ 11,573,026	\$ (915,859)	\$ 10,657,167

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

For the six months ended June 30, 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	\$ (4,418,303)	\$ -	\$ (4,418,303)	\$ 784,192	\$ (3,634,111)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(19,638,667)	-	(19,638,667)	-	(19,638,667)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	17,045,236	4,049	17,049,285	-	17,049,285
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(25,589)	-	(25,589)	-	(25,589)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,644,598)	-	(1,644,598)	-	(1,644,598)
Total	\$ (8,681,921)	\$ 4,049	\$ (8,677,872)	\$ 784,192	\$ (7,893,680)

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

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of nil for the three months and six months ended June 30, 2023 and 2022, which were recognized in other comprehensive income, were reclassified to profit or loss.

(30) Income tax

The major components of income tax expense are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Current income tax expense:				
Current income tax charge	\$ 2,895,090	\$ 6,096,912	\$ 5,841,566	\$ 9,747,326
Deferred tax (income) expense:				
Deferred tax income relating to origination and reversal of temporary differences	(1,419,655)	(710,218)	(2,847,176)	(233,688)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	106,574	(37,915)	702,216	(39,268)
Deferred tax expense arising from write-down or reversal of write-down of deferred tax asset	444,301	97,353	522,729	247,346
Others	325,035	(120,818)	345,290	160,445
Income tax expense	<u>\$ 2,351,345</u>	<u>\$ 5,325,314</u>	<u>\$ 4,564,625</u>	<u>\$ 9,882,161</u>

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Deferred tax (expense)				
income:				
Unrealized gains				
(losses) from equity				
instrument				
investments				
measured at fair				
value through other				
comprehensive				
income	\$ (762,639)	\$ 363,130	\$ (915,859)	\$ 784,192

Income tax charged directly to equity

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Current income tax				
expense:				
Realized gains from				
equity instrument				
investments				
measured at fair				
value through other				
comprehensive				
income	\$ 228,818	\$ 97,361	\$ 238,570	\$ 125,664

The assessment of income tax returns

As of June 30, 2023, the assessments of the income tax returns of MTK and its material subsidiaries are as follows:

	The assessment of income tax returns	Note
MTK	Assessed and approved up to 2020	
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	

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

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.

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
A. Basic earnings per share				
Profit attributable to ordinary equity owners of the parent	\$ 15,964,792	\$ 35,437,018	\$ 32,838,341	\$ 68,698,401
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,585,863,874	1,582,773,451	1,585,846,134	1,582,758,044
Basic earnings per share (NT\$)	\$ 10.07	\$ 22.39	\$ 20.71	\$ 43.40
B. Diluted earnings per share				
Profit attributable to ordinary equity owners of the parent	\$ 15,964,792	\$ 35,437,018	\$ 32,838,341	\$ 68,698,401
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,585,863,874	1,582,773,451	1,585,846,134	1,582,758,044
Effect of dilution:				
Employees' compensation-stock (share)	641,852	1,465,661	1,300,486	1,899,452
Employee stock options (share)	78,889	236,915	98,030	270,168
Restricted stocks for employees (share)	4,159,320	4,540,518	4,218,312	4,968,060
Weighted average number of ordinary shares outstanding after dilution (share)	1,590,743,935	1,589,016,545	1,591,462,962	1,589,895,724
Diluted earnings per share (NT\$)	\$ 10.04	\$ 22.30	\$ 20.63	\$ 43.21

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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
	<u>799,276</u>
Short-term borrowings	(253,000)
Other current liabilities	(85,179)
Deferred tax liabilities	(116,636)
	<u>(454,815)</u>
The fair value of net identifiable assets	<u>\$ 344,461</u>

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>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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	\$ (976,731)

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.

The differences between the fair value of purchased equity investments and the increase in the non-controlling interest was NT\$8,603,687 thousand for the six months ended June 30, 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:

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**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 June 30</u>		<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates				
Intelligo Technology Inc. and its subsidiaries	\$ 14,172	\$ 2,044	\$ 16,299	\$ 5,307
IC PLUS CORP.	-	22,200	-	36,559
ASIX Electronics Corporation	18,538	78,302	61,166	202,790
Subtotal	32,710	102,546	77,465	244,656

Services and other operating revenues

Associates				
Sigmastar Technology Ltd. and its subsidiaries	\$ 26,282	\$ 15,215	\$ 41,893	\$ 48,246
Intelligo Technology Inc. and its subsidiaries	-	-	-	8,420
Amobile Intelligent Holding Corporation	7,612	-	7,612	-
Subtotal	33,894	15,215	49,505	56,666
Total	\$ 66,604	\$ 117,761	\$ 126,970	\$ 301,322

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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 June 30		Six months ended June 30	
	2023	2022	2023	2022
Associate				
ASIX Electronics Corporation	\$ -	\$ -	\$ -	\$ 1,800
IC PLUS CORP.	-	843	-	843
Subtotal	-	843	-	2,643
Other related parties				
King Yuan Electronics Co., Ltd. and its subsidiaries	1,607,870	2,510,787	3,363,889	4,862,407
Total	\$ 1,607,870	\$ 2,511,630	\$ 3,363,889	\$ 4,865,050

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 June 30		Six months ended June 30	
	2023	2022	2023	2022
Associate				
Intelligo Technology Inc. and its subsidiaries	\$ 12,346	\$ -	\$ 23,013	\$ -
Cyberon Corp.	-	2,478	-	8,106
ASIX Electronics Corporation	-	-	-	14
Other related parties				
King Yuan Electronics Co., Ltd. and its subsidiaries	1,323	-	2,564	-
Total	\$ 13,669	\$ 2,478	\$ 25,577	\$ 8,120

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(4) Other income

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Associate				
ASIX Electronics Corporation	\$ 4,200	\$ -	\$ 4,210	\$ -

(5) Rental income

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Associate				
Sigmastar Technology Ltd. and its subsidiaries	\$ 288	\$ 5,919	\$ 503	\$ 11,351

(6) Trade receivables from related parties

	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 6,423	\$ 1,836	\$ 592
ASIX Electronics Corporation	12,234	19,694	21,845
Sigmastar Technology Ltd. and its subsidiaries	11,371	13,063	48,246
IC PLUS CORP.	-	-	17,274
Total	\$ 30,028	\$ 34,593	\$ 87,957

(7) Other receivables to related parties

	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
ASIX Electronics Corporation	\$ -	\$ -	\$ 61,982

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(8) Trade payables to related parties

	June 30, 2023	December 31, 2022	June 30, 2022
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	\$ 1,685,102	\$ 1,763,794	\$ 2,565,429

(9) Other payables to related parties

	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 136,503	\$ 124,675	\$ 89,166
Cyberon Corp.	-	-	5,169
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	-	384	-
Total	\$ 136,503	\$ 125,059	\$ 94,335

(10) Long-term payables

	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 62,260	\$ 92,139	\$ 178,332

(11) Deposits received

	June 30, 2023	December 31, 2022	June 30, 2022
Associate			
Sigmastar Technology Ltd. and its subsidiaries	\$ 151	\$ 3,989	\$ 3,976

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Short-term employee				
benefits (Note)	\$ 641,925	\$ 739,684	\$ 1,080,944	\$ 1,250,340
Share-based payment	113,746	318,534	255,866	615,499
Post-employment				
benefits	1,023	987	2,046	2,798
Total	<u>\$ 756,694</u>	<u>\$ 1,059,205</u>	<u>\$ 1,338,856</u>	<u>\$ 1,868,637</u>

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

8. Assets Pledged as Collateral

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

Assets pledged as collateral	Carrying amount			Purpose of pledge
	June 30, 2023	December 31, 2022	June 30, 2022	
Financial assets measured at				
amortized cost-noncurrent	\$ 12,206	\$ 12,095	\$ 12,096	Lease execution deposits
Financial assets measured at				Customs clearance
amortized cost-noncurrent	79,132	79,292	79,295	deposits
Financial assets measured at				
amortized cost-noncurrent	68,394	63,135	38,890	Land lease guarantee
Financial assets measured at				
amortized cost-noncurrent	170,000	170,000	236,900	Performance bond
Total	<u>\$ 329,732</u>	<u>\$ 324,522</u>	<u>\$ 367,181</u>	

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

9. Contingencies and Off Balance Sheet Commitments

(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 June 30, 2023, the Company determined that certain prepayments (recorded as refundable deposits) were not recoverable and the Company wrote them off.

(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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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 and subsidiary MediaTek USA Inc. 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 and subsidiary MediaTek USA Inc. will not be materially affected by this case.

ParkerVision, Inc. (“ParkerVision”) filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on May 17, 2023, alleging infringement of U.S. Patent Nos. 7,483,686, 7,865,177 and 9,118,528. The operations of MTK and subsidiary MediaTek USA Inc. 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.

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 subsidiary MediaTek USA Inc. will not be materially affected by this case.

H. Innomemory LLC (“Innomemory”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK on May 26, 2023, alleging infringement of U.S. Patent No. 6,240,046. The operations of MTK will not be materially affected by this case.

I. Realtek Semiconductor Corporation (“Realtek”) filed a complaint in the United States District Court for the Northern District of California against MTK on June 6, 2023, asserting claims based on alleged unfair competition. The operations of MTK will not be materially affected by this case.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

J. Bell Northern Research, LLC (“BNR”) filed a complaint in the United States District Court for the Central District of California against MTK subsidiary MediaTek USA Inc. and Mediatek Northern America Inc. on June 15, 2023, alleging infringement of U.S. Patent Nos. 8,416,862, 7,564,914 and RE 48,629. The operations of MTK subsidiary MediaTek USA Inc. and Mediatek Northern America Inc. will not be materially affected by this case.

K. Bell Northern Research, LLC (“BNR”) filed a complaint with the U.S. International Trade Commission against MTK and subsidiary MediaTek USA Inc. on June 21, 2023, alleging infringement of U.S. Patent Nos. 8,416,862, 7,564,914 and RE 48,629. The operations of MTK and subsidiary MediaTek USA Inc. 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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at fair value through profit or loss:			
Held for trading financial assets	\$ 62,273	\$ 75,354	\$ 489,532
Mandatorily measured at fair value through profit or loss (Note 1)	16,053,178	17,242,983	20,569,532
Subtotal	16,115,451	17,318,337	21,059,064
Financial assets at fair value through other comprehensive income	79,891,460	76,970,268	58,574,520
Financial assets measured at amortized cost (Note 2)	290,342,422	234,332,546	324,216,489
Total	\$ 386,349,333	\$ 328,621,151	\$ 403,850,073

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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial liabilities at fair value through profit or loss:			
Held for trading financial liabilities	\$ 3,529	\$ 6,097	\$ 11,529
Financial liabilities at amortized cost:			
Short-term borrowings	4,450,000	3,700,000	41,290,515
Trade payables (including related parties)	29,555,393	21,517,950	45,327,661
Other payables (including related parties)	166,033,675	52,509,602	170,295,391
Long-term payables (including current portion and related parties)	8,267,288	2,904,380	1,902,072
Long-term borrowings (including current portion)	827,660	827,660	1,385,720
Lease liabilities	9,112,991	9,103,737	4,173,665
Subtotal	218,247,007	90,563,329	264,375,024
Total	\$ 218,250,536	\$ 90,569,426	\$ 264,386,553

Notes:

1. Includes trade receivables classified as financial assets measured at fair value through profit or loss in the amount of NT\$3,193,079 thousand, NT\$2,151,487 thousand and NT\$3,300,230 thousand as of June 30, 2023, December 31, 2022 and June 30, 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\$3,193,079 thousand, NT\$2,151,487 thousand and NT\$3,300,230 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. Please refer to Note 6.(5) for further explanation.), other receivables and financing lease receivables, net.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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 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 CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

As of June 30, 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	\$ 160,750	\$ -	\$ 1,557,885	\$ 1,718,635
Linked deposits	-	-	4,017,620	4,017,620
Stocks	134,820	-	-	134,820
Funds	1,841,178	-	3,843,408	5,684,586
Trust funds	1,304,438	-	-	1,304,438
Forward exchange				
contracts	-	62,273	-	62,273
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	14,833,508	-	63,878,121	78,711,629
Debt instruments measured				
at fair value through				
other comprehensive				
income	550,627	-	629,204	1,179,831
Total	<u>\$ 18,825,321</u>	<u>\$ 62,273</u>	<u>\$ 73,926,238</u>	<u>\$ 92,813,832</u>

Liabilities measured at fair value:

Financial liabilities at fair value through profit or loss

Forward exchange

contracts	\$ -	\$ 3,529	\$ -	\$ 3,529
-----------	------	----------	------	----------

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

As of December 31, 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
-----------	----	---	----	-------	----	---	----	-------

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**As of June 30, 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	\$ 153,750	\$ -	\$ 1,386,767	\$ 1,540,517
Linked deposits	-	-	5,635,672	5,635,672
Stocks	178,793	-	12,610	191,403
Funds	1,744,844	-	7,212,940	8,957,784
Trust funds	943,926	-	-	943,926
Forward exchange				
contracts	-	489,532	-	489,532
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	16,998,964	682,466	39,717,148	57,398,578
Debt instruments measured				
at fair value through other				
comprehensive income	536,096	-	639,846	1,175,942
Total	<u>\$ 20,556,373</u>	<u>\$ 1,171,998</u>	<u>\$ 54,604,983</u>	<u>\$ 76,333,354</u>

Liabilities measured at fair value:

Financial liabilities at fair

value through profit or loss

Forward exchange

contracts	\$ -	\$ 11,529	\$ -	\$ 11,529
-----------	------	-----------	------	-----------

For the six months ended June 30, 2023 and 2022, amounts transferred from level 2 of the fair value hierarchy to level 1 due to the release of the stock transfer restrictions were NT\$368,457 thousand and nil, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

	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	43,658	80,150	26,610	-	-	-	150,418
Amount recognized in OCI	-	-	-	5,068	12,368,524	(1,732,896)	10,640,696
Amount recognized in OCI-exchange differences	2,704	(191,405)	32,906	(17,047)	482,159	80,560	389,877
Acquisitions	31,130	4,942,947	100,000	-	707,105	99,655	5,880,837
Settlements	-	(6,543,458)	(1,135,340)	-	(8,652,035)	(75,349)	(16,406,182)
Others	-	-	-	-	846,736	-	846,736
Transfer out of level 3	-	-	-	-	-	(64,230)	(64,230)
As of June 30, 2023	<u>\$ 1,557,885</u>	<u>\$ 3,843,408</u>	<u>\$ 4,017,620</u>	<u>\$ 629,204</u>	<u>\$ 55,138,882</u>	<u>\$ 8,739,239</u>	<u>\$ 73,926,238</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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)	(1,464)	86,089	(53,323)	-	-	-	31,146
Amount recognized in OCI	-	-	-	-	(9,090)	(680,871)	4,348,412	3,658,451
Amount recognized in OCI- exchange differences	232	22,938	133,771	186,154	8,159	1,327,922	660,165	2,339,341
Acquisitions	-	780	6,765,097	3,057,490	200,000	1,179,599	508	11,203,474
Settlements	-	-	(6,478,177)	(1,179,322)	-	(14,951)	(18,506)	(7,690,956)
Transfer out of level 3	-	-	-	-	-	-	(198,536)	(198,536)
As of June 30, 2022	\$ 12,610	\$ 1,386,767	\$ 7,212,940	\$ 5,635,672	\$ 639,846	\$ 27,184,961	\$ 12,532,187	\$ 54,604,983

Total losses related to assets recognized for the six months ended June 30, 2023 and 2022 amounted to NT\$84,412 thousand and NT\$9,578 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**Information on significant unobservable inputs to valuation of fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's 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 June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 2023 by NT\$316,250 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 six-month period ended June 30, 2023 by NT\$134,540 thousand.

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**As of December 31, 2022:

	Valuation	Significant	Quantitative	Interrelationship	Sensitivity analysis
	technique	unobservable	information	between inputs	of interrelationship
		inputs		and fair values	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 CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**As of June 30, 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 six- month period ended June 30, 2022 by NT\$1,261 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 six-month period ended June 30, 2022 by NT\$848,321 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 six-month period ended June 30, 2022 by NT\$3,494 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 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 June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 2,921,080	\$ 2,921,080

As of December 31, 2022

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

As of June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property	\$ -	\$ -	\$ 2,564,459	\$ 2,564,459

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

The Company's derivative financial instruments held for trading 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 June 30, 2023	TWD to USD	Sell USD 9,000	July 2023
As of June 30, 2023	CNY to USD	Buy USD 331,120	July 2023
As of June 30, 2023	TWD to USD	Buy USD 65,000	September 2023
As of June 30, 2023	JPY to USD	Buy USD 1,435	December 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 June 30, 2022	TWD to USD	Buy USD 280,000	July 2022
As of June 30, 2022	INR to USD	Buy USD 12,476	July 2022
As of June 30, 2022	TWD to USD	Sell USD 41,600	July 2022
As of June 30, 2022	CNY to USD	Sell USD 5,000	July 2022
As of June 30, 2022	INR to USD	Sell USD 1,344	July 2022
As of June 30, 2022	TWD to USD	Buy USD 50,000	August 2022
As of June 30, 2022	TWD to USD	Sell USD 8,000	August 2022
As of June 30, 2022	CNY to USD	Sell USD 5,000	August 2022
As of June 30, 2022	TWD to USD	Buy USD 60,000	September 2022
As of June 30, 2022	CNY to USD	Sell USD 3,000	September 2022
As of June 30, 2022	CNY to USD	Sell USD 4,000	October 2022
As of June 30, 2022	JPY to USD	Buy USD 1,502	December 2022

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Company entered into 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 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 six months ended June 30, 2023 and 2022 decreases/increases by NT\$30,838 thousand and NT\$26,810 thousand, while equity decreases/increases by NT\$205,767 thousand and NT\$189,305 thousand, respectively.

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the six months ended June 30, 2023 and 2022 increases/decreases by NT\$835 thousand and NT\$8 thousand, while equity decreases/increases by NT\$22,149 thousand and NT\$26,386 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 six months ended June 30, 2023 and 2022 to increase/decrease by NT\$2,046 thousand and NT\$3,160 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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 six months ended June 30, 2023 and 2022 to increase/decrease by NT\$ 1,348 thousand and NT\$ 1,788 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 six months ended June 30, 2023 and 2022 to increase/decrease by NT\$148,355 thousand and NT\$ 171,485 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 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 June 30, 2023, December 31, 2022, and June 30, 2022, receivables from top ten customers represented 59.81%, 57.27%, and 52.64% 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 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		
			June 30, 2023	December 31, 2022	June 30, 2022
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 53,407,687	\$ 28,325,072	\$ 15,900,042
	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	\$ 573,946	\$ 935,130	\$ 1,173,985
	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	\$ 47,185,102	\$ 42,299,764	\$ 63,355,764

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 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 June 30, 2023</u>				
Short-term borrowings	\$ 4,465,499	\$ -	\$ -	\$ 4,465,499
Trade payables (including related parties)	29,555,393	-	-	29,555,393
Other payables (including related parties)	166,026,977	-	-	166,026,977
Lease liabilities	879,331	1,944,194	8,990,835	11,814,360
Long-term borrowings	827,660	-	-	827,660
Long-term payables (including related parties)	4,418,762	3,848,526	-	8,267,288
Total	<u>\$ 206,173,622</u>	<u>\$ 5,792,720</u>	<u>\$ 8,990,835</u>	<u>\$ 220,957,177</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 June 30, 2022</u>				
Short-term borrowings	\$ 41,302,145	\$ -	\$ -	\$ 41,302,145
Trade payables (including related parties)	45,327,661	-	-	45,327,661
Other payables (including related parties)	170,292,583	-	-	170,292,583
Lease liabilities	812,025	2,015,262	1,934,036	4,761,323
Long-term borrowings	558,060	827,660	-	1,385,720
Long-term payables (including related parties)	1,228,352	673,720	-	1,902,072
Total	<u>\$ 259,520,826</u>	<u>\$ 3,516,642</u>	<u>\$ 1,934,036</u>	<u>\$ 264,971,504</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO 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 June 30, 2023</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 276,522	\$ -	\$ 276,522
Outflow	(280,170)	-	(280,170)
Net	<u>\$ (3,648)</u>	<u>\$ -</u>	<u>\$ (3,648)</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	<u>(3,353)</u>	<u>-</u>	<u>(3,353)</u>
Total	<u>\$ (18,779)</u>	<u>\$ -</u>	<u>\$ (18,779)</u>

As of June 30, 2022

Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,353,939	\$ -	\$ 1,353,939
Outflow	(1,365,529)	-	(1,365,529)
Net	<u>\$ (11,590)</u>	<u>\$ -</u>	<u>\$ (11,590)</u>

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

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****D. Reconciliation of liabilities arising from financing activities****Reconciliation of liabilities for the six months ended June 30, 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	750,000	-	(437,292)	1,900	314,608
Non-cash movement	-	-	446,546	-	446,546
As of June 30, 2023	<u>\$ 4,450,000</u>	<u>\$ 827,660</u>	<u>\$ 9,112,991</u>	<u>\$ 191,607</u>	<u>\$ 14,582,258</u>

Reconciliation of liabilities for the six months ended June 30, 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	(10,108,990)	-	(296,414)	(48,804)	(10,454,208)
Non-cash movement	-	-	979,003	-	979,003
Foreign exchange movement	132,198	-	-	-	132,198
As of June 30, 2022	<u>\$ 41,290,515</u>	<u>\$ 1,385,720</u>	<u>\$ 4,173,665</u>	<u>\$ 178,766</u>	<u>\$ 47,028,666</u>

(3) Significant assets and liabilities denominated in foreign currencies

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

	June 30, 2023		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial assets			
Monetary item:			
USD	\$ 5,236,355	31.130	\$ 163,007,747
CNY	\$ 235,895	4.282	\$ 1,010,098
Non-monetary item:			
USD	\$ 3,330,480	31.130	\$ 103,677,852
CNY	\$ 5,170,264	4.282	\$ 22,138,968

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

June 30, 2023			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial liabilities			
Monetary item:			
USD	\$ 1,354,830	31.130	\$ 42,175,867
CNY	\$ 38,623	4.282	\$ 165,382

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

June 30, 2022			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial assets			
Monetary item:			
USD	\$ 7,761,338	29.722	\$ 230,682,329
CNY	\$ 4,912	4.437	\$ 21,795
Non-monetary item:			
USD	\$ 1,561,617	29.722	\$ 46,414,388
CNY	\$ 5,941,585	4.437	\$ 26,365,069

Financial liabilities			
Monetary item:			
USD	\$ 2,387,802	29.722	\$ 70,970,250
CNY	\$ 1,865	4.437	\$ 8,273

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 CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Functional currencies of entities of the Company are varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange losses were NT\$873,400 thousand and NT\$346,816 thousand for the three months ended June 30, 2023 and 2022, respectively. The foreign exchange losses were NT\$707,412 thousand and NT\$385,344 thousand for the six months ended June 30, 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 six months ended June 30, 2023: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the six months ended June 30, 2023: Please refer to Attachment 2.
- C. Securities held as of June 30, 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 six months ended June 30, 2023: Please refer to Attachment 4.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the six months ended June 30, 2023: Please refer to Attachment 5.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the six months ended June 30, 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 six months ended June 30, 2023: Please refer to Attachment 6.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of June 30, 2023: Please refer to Attachment 7.

I. Financial instruments and derivative transactions: Please refer to Note 12.

J. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 8.

(2) Information on investees

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

(3) Investment in Mainland China

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

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

(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.