

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 NINE MONTHS ENDED
SEPTEMBER 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 September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022, changes in equity and cash flows for the nine-month periods ended September 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 of September 30, 2023 and 2022, their consolidated financial performance for the three-month and nine-month periods ended September 30, 2023 and 2022, and cash flows for the nine-month periods ended September 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
October 27, 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.

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	September 30, 2023	%	December 31, 2022	%	September 30, 2022	%
Current assets							
Cash and cash equivalents	6(1)	\$ 103,955,009	17	\$ 147,502,155	24	\$ 141,568,596	22
Financial assets at fair value through profit or loss-current	6(2)	6,600,444	1	8,541,857	1	9,052,115	2
Financial assets at fair value through other comprehensive income-current	6(3)	5,395,507	1	3,169,019	-	3,098,008	-
Financial assets measured at amortized cost-current	6(4)	3,373,144	-	5,596,485	1	5,473,880	1
Contract assets-current	6(22), 6(23), 7	-	-	-	-	6,000	-
Notes receivables, net	6(23)	34,522	-	2,811	-	34,616	-
Trade receivables, net	6(5), 6(23)	61,105,927	10	40,804,936	7	65,836,130	10
Trade receivables from related parties, net	6(5), 6(23), 7	13,879	-	34,593	-	42,117	-
Financing lease receivables, net	6(23), 6(24)	545,919	-	-	-	-	-
Other receivables	6(6), 7	27,265,752	4	15,823,997	3	7,011,218	1
Current tax assets	4, 6(31)	119,272	-	133,072	-	175,227	-
Inventories, net	6(7)	53,390,869	9	70,703,336	12	83,438,447	13
Prepayments	6(8), 9	4,372,508	1	4,138,284	1	4,881,197	1
Other current assets		1,007,242	-	1,203,062	-	2,194,392	-
Total current assets		267,179,994	43	297,653,607	49	322,811,943	50
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	6(2)	5,540,851	1	6,624,993	1	7,993,408	1
Financial assets at fair value through other comprehensive income-noncurrent	6(3)	76,823,502	12	73,801,249	12	54,953,853	9
Financial assets measured at amortized cost-noncurrent	6(4), 8	55,015,680	9	25,264,394	4	23,118,568	4
Investments accounted for using the equity method	6(9)	17,545,070	3	17,798,462	3	40,855,335	6
Property, plant and equipment	6(10)	52,003,646	9	53,861,629	9	53,998,417	8
Right-of-use assets	6(24)	8,740,284	1	8,927,750	2	9,095,925	2
Investment property, net	6(11)	2,281,675	-	2,086,194	-	2,120,537	-
Intangible assets	6(12), 6(13)	83,227,990	14	73,454,530	12	73,833,738	12
Deferred tax assets	4, 6(31)	13,609,180	2	11,511,991	2	11,142,395	2
Refundable deposits	9	7,261,264	1	7,316,702	1	10,066,766	2
Long-term financing lease receivables, net	6(23), 6(24)	909,865	-	1,455,784	-	1,455,784	-
Net defined benefit assets-noncurrent		14,481	-	15,852	-	-	-
Other non-current assets-others	9	28,188,081	5	28,626,337	5	28,447,306	4
Total non-current assets		351,161,569	57	310,745,867	51	317,082,032	50
Total assets		<u>\$ 618,341,563</u>	<u>100</u>	<u>\$ 608,399,474</u>	<u>100</u>	<u>\$ 639,893,975</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 September 30, 2023, December 31, 2022, and September 30, 2022

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	September 30, 2023	%	December 31, 2022	%	September 30, 2022	%
Current liabilities							
Short-term borrowings	6(14)	\$ 32,794,232	5	\$ 3,700,000	1	\$ 48,611,370	8
Financial liabilities at fair value through profit or loss-current	6(2)	14,216	-	6,097	-	28,410	-
Contract liabilities-current	6(22),7	2,783,064	-	4,900,894	1	3,248,176	1
Trade payables		28,972,557	5	19,754,156	3	28,475,231	4
Trade payables to related parties	7	1,824,668	-	1,763,794	-	2,039,674	-
Other payables	6(15)	45,087,700	8	52,384,543	9	49,046,224	8
Other payables to related parties	7	173,662	-	125,059	-	134,802	-
Current tax liabilities	4, 6(31)	12,574,093	2	12,022,458	2	9,004,894	2
Lease liabilities-current	6(24)	813,647	-	795,500	-	761,996	-
Other current liabilities	6(16)	63,874,573	11	43,249,196	7	46,141,895	7
Current portion of long-term liabilities	6(17)	5,646,430	1	2,868,692	-	2,758,000	-
Total current liabilities		194,558,842	32	141,570,389	23	190,250,672	30
Non-current liabilities							
Long-term payables		5,116,537	1	771,209	-	517,813	-
Long-term payables to related parties	7	-	-	92,139	-	127,064	-
Net defined benefit liabilities-noncurrent	4, 6(18)	752,879	-	762,337	-	843,764	-
Deposits received	7	214,039	-	189,707	-	209,204	-
Deferred tax liabilities	4, 6(31)	7,942,392	1	11,584,725	3	9,100,889	2
Lease liabilities-noncurrent	6(24)	8,158,425	1	8,308,237	1	8,444,254	1
Other non-current liabilities-others	6(19)	6,627,365	1	2,062,492	-	2,077,167	-
Total non-current liabilities		28,811,637	4	23,770,846	4	21,320,155	3
Total liabilities		223,370,479	36	165,341,235	27	211,570,827	33
Equity attributable to owners of the parent							
Share capital	6(20)						
Common stock		15,995,071	3	15,994,353	3	15,993,096	2
Capital collected in advance		1,610	-	113	-	1,529	-
Capital surplus	6(20), 6(21), 6(34)	25,553,837	4	47,185,281	8	47,307,992	7
Retained earnings	6(20)						
Legal reserve		75,782,948	12	62,058,498	10	62,058,498	10
Undistributed earnings		226,441,323	37	286,688,675	47	250,655,294	39
Other equity	6(21)	48,543,826	8	28,238,340	5	49,467,630	8
Treasury shares	6(20)	(55,970)	-	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		392,262,645	64	440,109,290	73	425,428,069	66
Non-controlling interests	6(20), 6(34)	2,708,439	-	2,948,949	-	2,895,079	1
Total equity		394,971,084	64	443,058,239	73	428,323,148	67
Total liabilities and equity		\$ 618,341,563	100	\$ 608,399,474	100	\$ 639,893,975	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 nine months ended September 30, 2023 and 2022
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	Three Months Ended September 30				Nine Months Ended September 30			
		2023	%	2022	%	2023	%	2022	%
Net sales	6(22), 7	\$ 110,097,528	100	\$ 142,161,276	100	\$ 303,884,325	100	\$ 440,601,946	100
Operating costs	6(7), 6(25), 7	(57,905,182)	(53)	(72,065,867)	(51)	(159,133,675)	(52)	(221,958,877)	(50)
Gross profit		52,192,346	47	70,095,409	49	144,750,650	48	218,643,069	50
Operating expenses	6(23), 6(24), 6(25), 7								
Selling expenses		(3,777,662)	(3)	(3,526,557)	(3)	(9,764,529)	(3)	(10,571,866)	(3)
Administrative expenses		(2,260,562)	(2)	(3,405,911)	(2)	(6,954,089)	(2)	(10,539,212)	(2)
Research and development expenses		(28,242,000)	(26)	(30,105,923)	(21)	(80,912,650)	(27)	(88,827,171)	(20)
Expected credit gains (losses)		32,348	-	(2,988)	-	(55,600)	-	(2,623)	-
Total operating expenses		(34,247,876)	(31)	(37,041,379)	(26)	(97,686,868)	(32)	(109,940,872)	(25)
Operating income		17,944,470	16	33,054,030	23	47,063,782	16	108,702,197	25
Non-operating income and expenses									
Interest income	6(26)	1,663,575	2	908,318	1	4,939,247	1	1,882,409	-
Other income	6(27), 7	1,140,900	1	962,996	1	5,566,507	2	2,166,617	1
Other gains and losses	6(28)	317,531	-	715,656	-	1,022,298	-	976,384	-
Finance costs	6(29)	(253,119)	-	(118,494)	-	(327,604)	-	(263,288)	-
Share of profit of associates and joint ventures accounted for using the equity method	6(9)	179,607	-	73,982	-	202,674	-	1,039,588	-
Total non-operating income and expenses		3,048,494	3	2,542,458	2	11,403,122	3	5,801,710	1
Net income before income tax		20,992,964	19	35,596,488	25	58,466,904	19	114,503,907	26
Income tax expense	4, 6(31)	(2,424,450)	(2)	(4,511,127)	(3)	(6,989,075)	(2)	(14,393,288)	(3)
Net income		18,568,514	17	31,085,361	22	51,477,829	17	100,110,619	23
Other comprehensive income	4, 6(9), 6(30), 6(31)								
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		(591,979)	(1)	(5,105,235)	(4)	9,906,581	3	(9,523,538)	(2)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(497,689)	(1)	(6,989,418)	(5)	(396,760)	-	(26,628,085)	(6)
Income tax relating to those items not to be reclassified to profit or loss		908,894	1	295,107	-	(6,965)	-	1,079,299	-
Items that may be reclassified subsequently to profit or loss									
Exchange differences resulting from translating the financial statements of foreign operations		9,702,098	9	16,498,346	12	11,031,427	4	33,547,631	8
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		(3,588)	-	(17,101)	-	(1,258)	-	(42,690)	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(25,010)	-	(1,757,966)	(1)	(383,132)	-	(3,402,564)	(1)
Other comprehensive income, net of tax		9,492,726	8	2,923,733	2	20,149,893	7	(4,969,947)	(1)
Total comprehensive income		\$ 28,061,240	25	\$ 34,009,094	24	\$ 71,627,722	24	\$ 95,140,672	22
Net income for the periods attributable to :									
Owners of the parent	6(32)	18,477,639		30,954,628		\$ 51,315,980		\$ 99,653,029	
Non-controlling interests	6(20)	90,875		130,733		161,849		457,590	
		\$ 18,568,514		\$ 31,085,361		\$ 51,477,829		\$ 100,110,619	
Total comprehensive income for the periods attributable to :									
Owners of the parent		\$ 27,954,441		\$ 33,840,492		\$ 71,469,210		\$ 94,645,930	
Non-controlling interests		106,799		168,602		158,512		494,742	
		\$ 28,061,240		\$ 34,009,094		\$ 71,627,722		\$ 95,140,672	
Basic Earnings Per Share (in New Taiwan Dollars)	6(32)	\$ 11.64		\$ 19.54		\$ 32.35		\$ 62.95	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(32)	\$ 11.61		\$ 19.47		\$ 32.23		\$ 62.63	

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 nine months ended September 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 nine months ended September 30, 2022	-	-	-	-	99,653,029	-	-	-	-	99,653,029	457,590	100,110,619
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	30,107,915	(35,115,014)	-	-	(5,007,099)	37,152	(4,969,947)
Total comprehensive income	-	-	-	-	99,653,029	30,107,915	(35,115,014)	-	-	94,645,930	494,742	95,140,672
Share-based payment transactions	1,067	1,046	32,051	-	-	-	-	-	-	34,164	300,357	334,521
Adjustments due to dividends that subsidiaries received from parent company	-	-	568,977	-	-	-	-	-	-	568,977	-	568,977
Changes in associates and joint ventures accounted for using the equity method	-	-	2,932,108	-	-	-	-	-	-	2,932,108	-	2,932,108
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	3,609	-	950,645	-	16,347	-	-	2,359,873	-	3,330,474	-	3,330,474
Changes in other capital surplus	-	-	29,615	-	-	-	-	-	-	29,615	-	29,615
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	1,541,741	-	(1,541,741)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(848,790)	(848,790)
Balance as of September 30, 2022	\$ 15,993,096	\$ 1,529	\$ 47,307,992	\$ 62,058,498	\$ 250,655,294	\$ 16,633,078	\$ 35,565,621	\$ (2,731,069)	\$ (55,970)	\$ 425,428,069	\$ 2,895,079	\$ 428,323,148
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 nine months ended September 30, 2023	-	-	-	-	51,315,980	-	-	-	-	51,315,980	161,849	51,477,829
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	10,664,154	9,489,076	-	-	20,153,230	(3,337)	20,149,893
Total comprehensive income	-	-	-	-	51,315,980	10,664,154	9,489,076	-	-	71,469,210	158,512	71,627,722
Share-based payment transactions	663	1,497	23,742	-	-	-	-	-	-	25,902	110,524	136,426
Adjustments due to dividends that subsidiaries received from parent company	-	-	592,402	-	-	-	-	-	-	592,402	-	592,402
Changes in associates and joint ventures accounted for using the equity method	-	-	17,228	-	-	-	-	-	-	17,228	4,453	21,681
Issuance of restricted stock for employees	55	-	31,328	-	9,241	-	-	1,482,574	-	1,523,198	-	1,523,198
Changes in other capital surplus	-	-	98,988	-	-	-	-	-	-	98,988	-	98,988
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	1,330,318	-	(1,330,318)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(513,999)	(513,999)
Balance as of September 30, 2023	\$ 15,995,071	\$ 1,610	\$ 25,553,837	\$ 75,782,948	\$ 226,441,323	\$ 18,023,830	\$ 31,238,313	\$ (718,317)	\$ (55,970)	\$ 392,262,645	\$ 2,708,439	\$ 394,971,084

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 nine months ended September 30, 2023 and 2022

(Amounts in thousands of New Taiwan Dollars)

Description	Nine Months Ended September 30	
	2023	2022
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 58,466,904	\$ 114,503,907
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	8,110,715	6,573,152
Amortization	5,237,413	4,158,597
Expected credit losses	55,600	2,623
Gains on financial assets and liabilities at fair value through profit or loss	(320,598)	(558,166)
Interest expenses	327,604	263,288
Losses (gains) on derecognition of financial assets measured at amortized cost	14,616	(18,556)
Interest income	(4,939,247)	(1,882,409)
Dividend income	(5,202,450)	(1,672,319)
Share-based payment expenses	1,622,243	3,606,723
Share of profit of associates and joint ventures accounted for using the equity method	(202,674)	(1,039,588)
Losses on disposal of property, plant and equipment	11,465	15,599
Property, plant and equipment transferred to expenses	-	50
Losses on disposal of intangible assets	-	529
Losses on disposal of investments	-	4,051
Losses (gains) on disposal of investments accounted for using the equity method	2,466	(7,903)
Others	(4)	425
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	3,865,486	(739,522)
Contract assets	-	(6,000)
Notes receivables	(31,711)	(31,805)
Trade receivables	(19,737,291)	(4,401,598)
Trade receivables from related parties	20,714	37,119
Other receivables	(20,844,893)	205,590
Inventories	17,110,532	(10,642,488)
Prepayments	955,287	(2,497,947)
Other current assets	195,820	(905,382)
Other non-current assets-others	8	12,759,539
Contract liabilities	(2,117,830)	(3,120,307)
Trade payables	9,218,401	(12,921,282)
Trade payables to related parties	60,874	(141,561)
Other payables	(7,255,583)	(4,381,806)
Other payables to related parties	10,050	887
Other current liabilities	19,072,978	2,450,501
Net defined benefit liabilities	(8,087)	(12,648)
Other non-current liabilities-others	4,076,128	34,810
Cash generated from operating activities:	67,774,936	99,636,103
Interest received	4,939,634	1,559,747
Dividends received	4,342,627	2,373,559
Interest paid	(331,551)	(234,062)
Income tax paid	(12,170,127)	(17,786,211)
Net cash provided by operating activities	64,555,519	85,549,136
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(3,478,319)	(6,328,454)
Proceeds from disposal of financial assets at fair value through other comprehensive income	21,459,939	2,115,690
Proceeds from capital return of financial assets at fair value through other comprehensive income	11,023	47,186
Acquisition of financial assets measured at amortized cost	(32,612,267)	(16,061,105)
Proceeds from redemption of financial assets measured at amortized cost	5,731,654	3,197,105
Acquisition of investments accounted for using the equity method	-	(70,464)
Proceeds from disposal of investments accounted for using the equity method	-	89,260
Net cash outflows from acquisition of subsidiary	-	(976,731)
Proceeds from capital return of investments accounted for using the equity method	121,492	28,589
Acquisition of property, plant and equipment	(5,598,506)	(11,020,303)
Proceeds from disposal of property, plant and equipment	6,343	5,930
Decrease (increase) in refundable deposits	55,438	(731,274)
Acquisition of intangible assets	(6,969,070)	(4,909,131)
Acquisition of investment property	-	(3,162)
Net cash used in investing activities	(21,272,273)	(34,616,864)
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings	29,094,232	(3,173,076)
Repayment of long-term borrowings	(827,660)	-
Increase (decrease) in deposits received	24,332	(18,366)
Cash payment for the principal portion of the lease liabilities	(581,802)	(420,544)
Proceeds from exercise of employee stock options	79,450	63,779
Cash dividends	(120,981,171)	(116,142,269)
Acquisition of ownership interests in subsidiaries	-	(48,413)
Disposal of ownership interests in subsidiaries (without losing control)	-	9,467,468
Changes in non-controlling interests	(513,999)	(347,986)
Other financing activities	21,080	-
Net cash used in financing activities	(93,685,538)	(110,619,407)
Effect of changes in exchange rate on cash and cash equivalents	6,855,146	17,551,137
Net decrease in cash and cash equivalents	(43,547,146)	(42,135,998)
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	\$ 103,955,009	\$ 141,568,596

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 October 27, 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 Standards Board (“IASB”) which were endorsed by FSC but 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
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 7 and IFRS 7	“ Supplier Finance Arrangements” (Amendment)	January 1, 2024

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. All standards and interpretations have no material impact on the Company.

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

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 10 and IAS 28	“ Consolidated Financial Statements” and “ Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)	To be determined by IASB
IFRS 17	“ Insurance Contracts”	January 1, 2023
IAS 21	“ Lack of Exchangeability” (Amendment)	January 1, 2025

- 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)

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. 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 nine-month periods ended September 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:

- (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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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.

The consolidated entities are listed as follows:

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

(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
			September 30, 2023	December 31, 2022	September 30, 2022	
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%	-
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%	-

(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
			September 30, 2023	December 31, 2022	September 30, 2022	
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%	100%	7
Richtek Europe Holding B.V.	Richtek Europe B.V.	Marketing services	100%	100%	100%	-
Airoha (Cayman) Inc.	Airotek (Shenzhen) Inc.	Research and technical services	100%	100%	100%	-
Airoha (Cayman) Inc.	Airotek (Chengdu) Inc.	Research	100%	100%	100%	-
Airoha (Cayman) Inc.	Airoha Technology India Private Limited	Research	0%	0%	-	8
Airoha Technology Corp.	Airoha (Cayman) Inc.	General investing	100%	100%	100%	-
Airoha Technology Corp.	Shadow Investment Limited	General investing	100%	100%	100%	1
Airoha Technology Corp.	MediaTek Research UK Limited	Research	-	-	-	1,3

(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
			September 30, 2023	December 31, 2022	September 30, 2022	
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%	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
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%	14
Gaintech Co. Limited	Sigmastar Technology Inc.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Mountain Capital Fund, L.P.	General investing	-	90%	90%	15

(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
			September 30, 2023	December 31, 2022	September 30, 2022	
Gaintech Co. Limited	Hsu Zhan (HK) Investment Limited	General investing	-	-	100%	16
Gaintech Co. Limited	MTKC Global Holdings Co. Limited	General investing	-	-	100%	16
Gaintech Co. Limited	Digimoc Holdings Limited	General investing	-	-	100%	16
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	-	-	-	1,17
MediaTek China Limited	MediaTek (Hefei) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Beijing) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shenzhen) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Chengdu) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Wuhan) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	Xuxin Investment (Shanghai) Inc.	General investing	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	Research	100%	100%	100%	-
MTK Wireless Limited	MediaTek Sweden AB	Research	100%	100%	100%	-
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%	18

(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
			September 30, 2023	December 31, 2022	September 30, 2022	
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%	19
MTK Wireless Limited	MediaTek Poland sp. z o.o.	Technical services	100%	-	-	20
MTK Wireless Limited	MediaTek Technology USA Inc.	Research	100%	-	-	21
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	100%	-
Airoha Technology (Cayman) Inc.	Airoha Technology Corp.	Research, manufacturing and sales	-	-	-	1
Airoha Technology (Cayman) Inc.	Shadow Investment Limited	General investing	-	-	-	1
Airoha Technology (Cayman) Inc.	Airoha Technology (HK) Limited	General investing, research, manufacturing and sales	-	-	-	1
Airoha Technology (Cayman) Inc.	MediaTek Research UK Limited	Research	-	-	-	1
Airoha Technology (HK) Limited	Airoha Technology (Suzhou) Limited	Research, manufacturing and sales	100%	100%	100%	-
Airoha Technology (Suzhou) Limited	EcoNet Limited	General investing and sales	100%	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	-	-	100%	4
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%	-

(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
			September 30, 2023	December 31, 2022	September 30, 2022	
IStar Technology Ltd.	Beijing Ilitek Technology Co., Ltd.	Research and technical services	-	-	100%	22
Nephos Cayman Co. Limited	Nephos (Hefei) Co., Ltd.	Research, manufacturing and sales	100%	100%	100%	-
Xuxin Investment (Shanghai) Inc.	Xuxi (Shanghai) Management Consulting Co., Ltd.	General investing	100%	100%	100%	-
Xuxi (Shanghai) Management Consulting Co., Ltd.	Hefei Xuhui Management Consulting Co., Ltd.	General investing	100%	100%	100%	-
Digimoc Holdings Limited	Cloud Ranger Limited	General investing	100%	100%	100%	-
Digimoc Holdings Limited	Gold Rich International (Samoa) Limited	General investing	100%	100%	100%	-
MTKC Global Holdings Co. Limited	LePower (HK) Limited	General investing	100%	100%	100%	-
MediaTek Investment HK Limited	Hsu Chia (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
MediaTek Investment HK Limited	Hsu Fa (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
MediaTek Investment HK Limited	Hsu Kang (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
MediaTek Wireless Finland Oy	MediaTek Germany GmbH	Technical services	100%	100%	100%	-
MediaTek Global Holdings Limited	Hsu Zhan (HK) Investment Limited	General investing	100%	100%	-	16
MediaTek Global Holdings Limited	MTKC Global Holdings Co. Limited	General investing	100%	100%	-	16
MediaTek Global Holdings Limited	Digimoc Holdings Limited	General investing	100%	100%	-	16
MediaTek Capital Co.	IStar Technology Ltd.	General investing	100%	-	-	14

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- 19. MTK Wireless Limited established MediaTek North America Inc. in June 2022.
- 20. MTK Wireless Limited established MediaTek Poland sp. z o.o. in January 2023.
- 21. MTK Wireless Limited established MediaTek Technology USA Inc. in June 2023.
- 22. 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 nine-month periods ended September 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) According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), deferred tax assets and liabilities related to Pillar Two income tax will not be recognized nor disclosed.

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 expense only. Deferred income tax is recognized and measured according to IAS 12 "Income Tax" and follows the same accounting policies of the Company's annual consolidated financial statements. When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income or equity at once.

5. Significant Accounting Judgments, Estimates and Assumptions

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand and petty cash	\$ 1,043	\$ 1,122	\$ 1,090
Checking and savings accounts	14,312,251	15,941,203	17,084,045
Time deposits	85,824,963	131,559,830	124,483,461
Repurchase agreements	670,000	-	-
United States Treasury bills	3,146,752	-	-
Total	<u>\$ 103,955,009</u>	<u>\$ 147,502,155</u>	<u>\$ 141,568,596</u>

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Funds	\$ 5,676,517	\$ 7,284,992	\$ 6,989,165
Linked deposits	681,475	987,899	1,430,499
Bonds	93,189	146,981	22,236
Stocks	-	46,631	7,812
Forward exchange contracts	149,263	75,354	602,403
Total	<u>\$ 6,600,444</u>	<u>\$ 8,541,857</u>	<u>\$ 9,052,115</u>
<u>Held for trading financial liabilities</u>			
Forward exchange contracts	<u>\$ 14,216</u>	<u>\$ 6,097</u>	<u>\$ 28,410</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Noncurrent</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Linked deposits	\$ 2,657,360	\$ 4,005,545	\$ 5,255,082
Bonds	1,443,177	1,482,712	1,534,591
Trust funds	1,313,054	985,956	1,028,295
Stocks	127,260	150,780	175,440
Total	<u>\$ 5,540,851</u>	<u>\$ 6,624,993</u>	<u>\$ 7,993,408</u>

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

	September 30, 2023	December 31, 2022	September 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	\$ 5,395,507	\$ 3,155,612	\$ 3,078,848
Unlisted company stocks	-	13,407	19,160
Total	<u>\$ 5,395,507</u>	<u>\$ 3,169,019</u>	<u>\$ 3,098,008</u>

<u>Noncurrent</u>			
<u>Debt instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Bonds	<u>\$ 1,214,056</u>	<u>\$ 1,181,885</u>	<u>\$ 1,200,650</u>
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	39,530,286	9,730,075	11,027,510
Capital	23,720,243	49,386,393	28,645,896
Unlisted company stocks	9,368,377	10,418,092	10,910,203
Funds	2,990,540	3,084,804	3,169,594
Subtotal	<u>75,609,446</u>	<u>72,619,364</u>	<u>53,753,203</u>
Total	<u>\$ 76,823,502</u>	<u>\$ 73,801,249</u>	<u>\$ 54,953,853</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Related to investments held at the end of the reporting period	\$ (2,090,724)	\$ 751,074	\$ 2,142,694	\$ 1,672,214
Related to investments derecognized during the period	3,035,088	-	3,059,756	-
Dividends recognized during the period	\$ 944,364	\$ 751,074	\$ 5,202,450	\$ 1,672,214

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 nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
The fair value of the investments at the date of derecognition	\$ 2,686,798	\$ 574,688	\$ 11,913,452	\$ 2,115,690
The cumulative (loss) gain on disposal reclassified from other equity to retained earnings	\$ (213,756)	\$ 377,353	\$ 2,574,413	\$ 1,423,983

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**

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Bonds	\$ 2,739,862	\$ 3,775,220	\$ 3,647,454
Time deposits	633,282	1,821,265	1,826,426
Total	<u>\$ 3,373,144</u>	<u>\$ 5,596,485</u>	<u>\$ 5,473,880</u>
<u>Noncurrent</u>			
Bonds	\$ 54,685,981	\$ 24,303,097	\$ 22,177,626
Time deposits (including the portion with maturity later than one year)	329,699	961,297	940,942
Total	<u>\$ 55,015,680</u>	<u>\$ 25,264,394</u>	<u>\$ 23,118,568</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

	September 30, 2023	December 31, 2022	September 30, 2022
Trade receivables	\$ 61,163,791	\$ 40,806,576	\$ 65,839,929
Less: allowance for doubtful debts	(57,864)	(1,640)	(3,799)
Subtotal	61,105,927	40,804,936	65,836,130
Trade receivables from related parties	13,879	34,593	42,117
Less: allowance for doubtful debts	-	-	-
Subtotal	13,879	34,593	42,117
Total	<u>\$ 61,119,806</u>	<u>\$ 40,839,529</u>	<u>\$ 65,878,247</u>

Trade receivables are generally on 30 to 150 day terms. The total carrying amounts were NT\$ 61,177,670 thousand, NT\$40,841,169 thousand and NT\$65,882,046 thousand as of September 30, 2023, December 31, 2022, and September 30, 2022, respectively. Please refer to Note 6. (23) for more details on impairment of trade receivables for the three months and nine months ended September 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\$3,432,847 thousand, NT\$2,151,487 thousand and NT\$2,785,182 thousand as of September 30, 2023, December 31, 2022, and September 30, 2022, respectively.

(6) Other receivables

	September 30, 2023	December 31, 2022	September 30, 2022
Factoring receivables	\$ 3,278,313	\$ 3,557,643	\$ 4,124,304
Others	23,987,439	12,266,354	2,886,914
Total	<u>\$ 27,265,752</u>	<u>\$ 15,823,997</u>	<u>\$ 7,011,218</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.

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

A. As of September 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	-	\$ 10,713	\$ -	\$ 10,713	\$ 105,000
Taishin					
International Bank	-	88,366	-	88,366	223,000
SMBC	-	-	-	-	18,000
CTBC	-	-	-	-	400
SinoPac	-	2,151	-	2,151	10,000
CHB	-	325	-	325	1,200
Total		<u>\$ 101,555</u>	<u>\$ -</u>	<u>\$ 101,555</u>	<u>\$ 357,600</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 September 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	-	\$ 14,962	\$ -	\$ 14,962	\$ 155,000
Taishin					
International Bank	-	113,119	-	113,119	227,000
SMBC	-	-	-	-	18,000
CTBC	-	17	-	17	400
SinoPac	-	1,556	-	1,556	10,000
CHB	-	180	-	180	1,500
Total		<u>\$ 129,834</u>	<u>\$ -</u>	<u>\$ 129,834</u>	<u>\$ 411,900</u>

(7) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 1,495,963	\$ 1,656,255	\$ 3,294,646
Work in progress	32,484,750	47,138,249	58,089,338
Finished goods	19,410,156	21,908,832	22,054,463
Net amount	<u>\$ 53,390,869</u>	<u>\$ 70,703,336</u>	<u>\$ 83,438,447</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\$9,264,181 thousand for the three months ended September 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\$4,397,106 thousand for the three months ended September 30, 2022.

The operating cost related to inventories included the reversal of write-down of inventories of NT\$10,698,653 thousand for the nine months ended September 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\$15,750,213 thousand for the nine months ended September 30, 2022.

(8) Prepayments

	September 30, 2023	December 31, 2022	September 30, 2022
Prepaid expenses	\$ 740,229	\$ 1,005,158	\$ 1,108,687
Input tax	412,585	140,137	360,326
Others	3,219,694	2,992,989	3,412,184
Total	<u>\$ 4,372,508</u>	<u>\$ 4,138,284</u>	<u>\$ 4,881,197</u>

(9) Investments accounted for using the equity method

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Carrying	Percentage	Carrying	Percentage	Carrying	Percentage
Investees	amount	of ownership (%)	amount	of ownership (%)	amount	of ownership (%)
Investments in associates:						
Vanchip (Tianjin) Technology Co., Ltd.	\$ 4,480,281	24	\$ 4,595,566	25	\$ 4,614,052	25

(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	September 30, 2023		December 31, 2022		September 30, 2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
FONTAINE CAPITAL FUND, L.P.	\$ -	57	\$ 642,825	57	\$ 605,199	57
Sigmastar Technology Ltd.	9,127,140	32	8,566,099	32	8,543,090	32
Zilltek Technology Corp.	1,721,893	18	1,773,079	18	-	-
Others	2,215,756	-	2,220,893	-	1,960,930	-
Subtotal	17,545,070		17,798,462		15,723,271	
Investments in jointly controlled entities:						
Yuan Ke (Pingtan) Investment Fund Limited Partnership	-	-	-	-	25,132,064	94
Total	\$ 17,545,070		\$ 17,798,462		\$ 40,855,335	

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 24%. 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. since 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 dissolved and Gaintech Co. Limited lost its significant influence effective from November 2022.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

FONTAINE CAPITAL FUND, L.P. was resolved to be dissolved and liquidated in August 2023. The liquidation procedures is still in progress as of the reporting date.

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

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

A. Investments in associates

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Profit from continuing operations	\$ 269,965	\$ 29,765	\$ 343,412	\$ 641,553
Other comprehensive income (post-tax)	31,605	(6,429)	36,983	(9,393)
Total comprehensive income	<u>\$ 301,570</u>	<u>\$ 23,336</u>	<u>\$ 380,395</u>	<u>\$ 632,160</u>

B. Investments in jointly controlled entities

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Profit from continuing operations	\$ -	\$ 31,963	\$ -	\$ 525,849
Other comprehensive income (post-tax)	-	-	-	-
Total comprehensive income	<u>\$ -</u>	<u>\$ 31,963</u>	<u>\$ -</u>	<u>\$ 525,849</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(10) Property, plant and equipment

	September 30, 2023	December 31, 2022	September 30, 2022
Owner-occupied property, plant and equipment	<u>\$ 52,003,646</u>	<u>\$ 53,861,629</u>	<u>\$ 53,998,417</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	-	170,521	17,973	869,204	1,591,990	2,405,617	559,269	5,614,574
Disposals	-	(5,096)	(3,059)	(232,846)	(405,693)	(26,239)	-	(672,933)
Transfers	-	(250,359)	(214)	214,178	50,590	(223,358)	(55,267)	(264,430)
Exchange differences	-	(77,152)	(633)	69,632	39,447	338,633	897	370,824
As of September 30, 2023	<u>\$ 9,068,386</u>	<u>\$ 32,374,813</u>	<u>\$ 1,346,082</u>	<u>\$ 16,296,390</u>	<u>\$ 19,710,942</u>	<u>\$ 12,552,173</u>	<u>\$ 1,052,424</u>	<u>\$ 92,401,210</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	343,759	80,068	1,294,952	2,439,000	4,723,519	1,567,091	10,950,664
Additions-acquired through business combinations	-	-	-	6,490	26,322	5,259	-	38,071
Disposals	-	(3,676)	(18,290)	(261,363)	(156,434)	(55,624)	-	(495,387)
Transfers	176,224	305,312	-	-	41,444	16,435	(998,058)	(458,643)
Exchange differences	-	340,224	956	155,797	91,307	196,451	(37,574)	747,161
As of September 30, 2022	<u>\$ 9,068,386</u>	<u>\$ 31,271,886</u>	<u>\$ 1,318,641</u>	<u>\$ 15,088,152</u>	<u>\$ 17,618,982</u>	<u>\$ 9,161,567</u>	<u>\$ 1,686,745</u>	<u>\$ 85,214,359</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	-	663,321	89,491	2,026,588	1,643,860	2,994,512	-	7,417,772
Disposals	-	(3,586)	(3,059)	(221,401)	(403,125)	(23,720)	-	(654,891)
Transfers	-	404	76	142,478	2,467	(154,480)	-	(9,055)
Exchange differences	-	(8,387)	(639)	34,236	16,953	110,029	-	152,192
As of September 30, 2023	\$ -	\$ 8,046,363	\$ 1,021,214	\$ 11,183,685	\$ 12,465,220	\$ 7,681,082	\$ -	\$ 40,397,564
As of January 1, 2022	\$ -	\$ 6,467,480	\$ 802,967	\$ 6,921,861	\$ 9,360,753	\$ 1,768,252	\$ -	\$ 25,321,313
Depreciation	-	631,274	115,853	1,843,263	1,410,366	1,942,640	-	5,943,396
Disposals	-	(765)	(18,290)	(256,661)	(148,993)	(49,093)	-	(473,802)
Transfers	-	45,990	-	-	-	-	-	45,990
Exchange differences	-	46,719	956	126,008	67,710	137,652	-	379,045
As of September 30, 2022	\$ -	\$ 7,190,698	\$ 901,486	\$ 8,634,471	\$ 10,689,836	\$ 3,799,451	\$ -	\$ 31,215,942
Net carrying amount as of:								
September 30, 2023	\$ 9,068,386	\$ 24,328,450	\$ 324,868	\$ 5,112,705	\$ 7,245,722	\$ 4,871,091	\$ 1,052,424	\$ 52,003,646
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
September 30, 2022	\$ 9,068,386	\$ 24,081,188	\$ 417,155	\$ 6,453,681	\$ 6,929,146	\$ 5,362,116	\$ 1,686,745	\$ 53,998,417

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 September 30, 2023, respectively, and in the amount of NT\$51,522 thousand and NT\$33,423 thousand for the nine months ended September 30, 2023, respectively. The interest rate of the capitalization was 0.925% for the three months and nine months ended September 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	-	254,971	(3,406)	251,565
Exchange differences	-	(11,477)	(214)	(11,691)
As of September 30, 2023	<u>\$ -</u>	<u>\$ 2,569,821</u>	<u>\$ 112,539</u>	<u>\$ 2,682,360</u>
As of January 1, 2022	\$ 176,224	\$ 1,685,164	\$ 81,128	\$ 1,942,516
Additions from subsequent expenditure	-	3,162	-	3,162
Transfers	(176,224)	619,169	35,035	477,980
Exchange differences	-	35,310	107	35,417
As of September 30, 2022	<u>\$ -</u>	<u>\$ 2,342,805</u>	<u>\$ 116,270</u>	<u>\$ 2,459,075</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
Depreciation and impairment:				
As of January 1, 2023	\$ -	\$ 345,083	\$ 11,209	\$ 356,292
Depreciation	-	43,429	2,697	46,126
Transfers	-	(404)	-	(404)
Exchange differences	-	(1,326)	(3)	(1,329)
As of September 30, 2023	<u>\$ -</u>	<u>\$ 386,782</u>	<u>\$ 13,903</u>	<u>\$ 400,685</u>
As of January 1, 2022	\$ -	\$ 329,216	\$ 7,946	\$ 337,162
Depreciation	-	37,827	2,323	40,150
Transfers	-	(45,991)	-	(45,991)
Exchange differences	-	7,194	23	7,217
As of September 30, 2022	<u>\$ -</u>	<u>\$ 328,246</u>	<u>\$ 10,292</u>	<u>\$ 338,538</u>
Net carrying amount as of:				
September 30, 2023	<u>\$ -</u>	<u>\$ 2,183,039</u>	<u>\$ 98,636</u>	<u>\$ 2,281,675</u>
December 31, 2022	<u>\$ -</u>	<u>\$ 1,981,244</u>	<u>\$ 104,950</u>	<u>\$ 2,086,194</u>
September 30, 2022	<u>\$ -</u>	<u>\$ 2,014,559</u>	<u>\$ 105,978</u>	<u>\$ 2,120,537</u>

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Rental income from investment properties	\$ 43,864	\$ 41,392	\$ 124,277	\$ 98,529
Less:				
Direct operating expenses from investment properties generating rental income	(16,817)	(17,586)	(46,126)	(40,150)
Total	<u>\$ 27,047</u>	<u>\$ 23,806</u>	<u>\$ 78,151</u>	<u>\$ 58,379</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

Based on comparative approach:	September 30, 2023	December 31, 2022	September 30, 2022
Fair value	<u>\$ 3,374,195</u>	<u>\$ 3,067,378</u>	<u>\$ 3,318,030</u>

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 nine months ended September 30, 2023 and 2022.

For those right-of-use assets leased as operating leases and presented in investment properties, please refer to Note 6. (24) 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	-	230,816	-	14,756,256	-	14,987,072
Disposals	-	(147,210)	-	(9,505,823)	-	(9,653,033)
Exchange differences	-	7,733	-	345,851	27,686	381,270
As of September 30, 2023	<u>\$ 352,055</u>	<u>\$ 1,279,863</u>	<u>\$ 2,581,940</u>	<u>\$ 28,961,360</u>	<u>\$ 66,070,573</u>	<u>\$ 99,245,791</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	176,531	-	2,801,416	-	2,978,397
Additions-acquired through business combinations	-	2,851	341,800	234,093	639,139	1,217,883
Disposals	-	(24,539)	-	(36,968)	-	(61,507)
Transfers	-	15,697	-	-	-	15,697
Exchange differences	-	1,166	-	278,347	73,054	352,567
As of September 30, 2022	<u>\$ 772,937</u>	<u>\$ 1,373,824</u>	<u>\$ 5,455,946</u>	<u>\$ 25,864,456</u>	<u>\$ 66,055,215</u>	<u>\$ 99,522,378</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	7,240	275,567	190,357	4,764,249	-	5,237,413
Disposals	-	(147,210)	-	(9,505,823)	-	(9,653,033)
Exchange differences	-	6,301	-	351,168	-	357,469
As of September 30, 2023	<u>\$ 351,805</u>	<u>\$ 786,583</u>	<u>\$ 1,835,119</u>	<u>\$ 13,044,294</u>	<u>\$ -</u>	<u>\$ 16,017,801</u>
As of January 1, 2022	\$ 717,845	\$ 628,332	\$ 4,271,093	\$ 15,876,422	\$ -	\$ 21,493,692
Amortization	35,686	214,217	176,041	3,732,653	-	4,158,597
Disposals	-	(24,016)	-	(36,962)	-	(60,978)
Exchange differences	-	102	-	97,227	-	97,329
As of September 30, 2022	<u>\$ 753,531</u>	<u>\$ 818,635</u>	<u>\$ 4,447,134</u>	<u>\$ 19,669,340</u>	<u>\$ -</u>	<u>\$ 25,688,640</u>
Net carrying amount as of:						
September 30, 2023	<u>\$ 250</u>	<u>\$ 493,280</u>	<u>\$ 746,821</u>	<u>\$ 15,917,066</u>	<u>\$ 66,070,573</u>	<u>\$ 83,227,990</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>
September 30, 2022	<u>\$ 19,406</u>	<u>\$ 555,189</u>	<u>\$ 1,008,812</u>	<u>\$ 6,195,116</u>	<u>\$ 66,055,215</u>	<u>\$ 73,833,738</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

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 32,794,232	\$ 3,700,000	\$ 48,611,370
Interest rates	1.5%-5.75%	1.83%-2.35%	(0.4)%-3.95%

(15) Other payables

	September 30, 2023	December 31, 2022	September 30, 2022
Accrued salaries and bonuses	\$ 28,447,995	\$ 37,802,481	\$ 34,626,048
Accrued royalties	3,193,609	3,359,937	2,034,691
Others	13,446,096	11,222,125	12,385,485
Total	\$ 45,087,700	\$ 52,384,543	\$ 49,046,224

(16) Other current liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Refund liabilities	\$ 63,082,548	\$ 42,396,837	\$ 44,991,898
Others	792,025	852,359	1,149,997
Total	\$ 63,874,573	\$ 43,249,196	\$ 46,141,895

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 September 30, 2023 are as follows:

None.

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 September 30, 2022 are as follows:

Lenders	September 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	<u>(1,385,720)</u>		
Noncurrent portion	<u>\$ -</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 September 30, 2023 and 2022 were NT\$748,984 thousand and NT\$655,925 thousand, respectively. Pension expenses under the defined contribution plan for the nine months ended September 30, 2023 and 2022 were NT\$2,101,113 thousand and NT\$1,847,967 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 September 30, 2023 and 2022 were NT\$4,284 thousand and NT\$3,692 thousand, respectively. Pension expenses under the defined benefits plan for the nine months ended September 30, 2023 and 2022 were NT\$12,853 thousand and NT\$11,058 thousand, respectively.

(19) Other non-current liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Provisions	\$ 4,183,904	\$ -	\$ -
Decommissioning liabilities	47,276	45,007	47,298
Others	2,396,185	2,017,485	2,029,869
Total	<u>\$ 6,627,365</u>	<u>\$ 2,062,492</u>	<u>\$ 2,077,167</u>

Please refer to Note 9 for disclosures of provisions.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(20) Equity

A. Share capital

MTK's authorized capital as of September 30, 2023, December 31, 2022, and September 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\$15,995,071 thousand, NT\$15,994,353 thousand, and NT\$15,993,096 thousand, divided into 1,599,507,129 shares, 1,599,435,327 shares, and 1,599,309,612 shares as of September 30, 2023, December 31, 2022, and September 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 September 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 196,454 shares and 68,413 shares of issued restricted stocks for employees during the nine months ended September 30, 2023 and 2022, respectively. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MTK issued 215,971 new shares for the nine months ended September 30, 2023, at par value of NT\$10 for exercising employee stock options. The aforementioned new issued shares (NT\$1,610 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of September 30, 2023.

MTK issued 211,359 new shares for the nine months ended September 30, 2022, at par value of NT\$10 for exercising employee stock options. The aforementioned new issued shares (NT\$1,529 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of September 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

	September 30, 2023	December 31, 2022	September 30, 2022
Additional paid-in capital	\$ 2,648,567	\$ 22,510,861	\$ 22,528,266
Treasury share transactions	3,209,444	2,617,042	2,617,042
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	4,123,161	4,105,933	4,155,956
Employee stock options	391,175	391,175	391,175
Restricted stocks for employees	2,309,470	4,787,238	4,802,280
Others	390,049	291,061	331,302
Total	<u>\$ 25,553,837</u>	<u>\$ 47,185,281</u>	<u>\$ 47,307,992</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 September 30, 2023, December 31, 2022, and September 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 September 30, 2023, December 31, 2022, and September 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)

The appropriation of earnings for the first half year of 2023 was resolved by the Board of Directors' meeting on October 27, 2023. The details of the distribution are as follows:

	Appropriation of earnings	Dividends per share (NT\$)
	First half year of 2023	First half year of 2023
Legal reserve	\$ 3,540,881	-
Cash dividends- common stock	39,350,914	\$ 24.60
Total	<u>\$ 42,891,795</u>	

E. Non-controlling interests

	Nine months ended September 30	
	2023	2022
Beginning balance	\$ 2,948,949	\$ 1,632,598
Gains attributable to non-controlling interests	161,849	457,590
Other comprehensive income (loss), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(3,337)	37,152
Share-based payment transactions	110,524	300,357
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>\$ 2,708,439</u>	<u>\$ 2,895,079</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(21) 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 2013, MTK was authorized by the FSC, Executive Yuan, to issue employee stock options of 3,500,000 units, each unit eligible to subscribe for one common share. The options may be granted to qualified employees of MTK or any of its domestic or foreign subsidiaries, in which MTK's shareholding with voting rights, directly or indirectly, is more than fifty percent. The options are valid for ten years and exercisable at certain percentage subsequent to the second anniversary of the granted date. Under the terms of the plan, the options are granted at an exercise price equal to the closing price of MTK's common shares listed on the Taiwan Stock Exchange Corporation ("TWSE") on the grant date.

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

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT\$) (Note)
2013.08.22	1,436,343	-	-	\$ 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%
Expected volatility (%)	32.9%-33.7%
Risk free interest rate (%)	1.1851%-1.65%
Expected life (Years)	6.5 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 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:

	Nine months ended September 30			
	2023		2022	
	Weighted-average		Weighted-average	
Employee Stock Option	Options (Unit)	Exercise Price per Share (NT\$)	Options (Unit)	Exercise Price per Share (NT\$)
Outstanding at beginning of period	218,120	\$ 368.0	456,479	\$ 334.5
Exercised (Note)	(215,971)	368.0	(211,359)	301.8
Forfeited (Expired)	(2,149)	368.0	(15,724)	284.9
Outstanding at end of period	-	-	229,396	368.0
Exercisable at end of period	-		229,396	
Weighted-average fair value of options granted during the period (in NT\$)	\$ -		\$ -	

Note: The weighted average share price at the date of exercise of those options was NT\$704.0 and NT\$773.8 for the nine months ended September 30, 2023 and 2022, respectively.

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

		September 30, 2023		September 30, 2022	
		Outstanding stock options		Outstanding stock options	
		Weighted- average Expected	Weighted- average Exercise Price	Weighted- average Expected	Weighted- average Exercise Price
Date of grant	Range of Exercise Price (NT\$)	Remaining Years	per Share (NT\$)	Remaining Years	per Share (NT\$)
2013.08.09	368.0	-	368.0	-	368.0

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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\$7,468,849 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of September 30, 2023, MTK had recognized NT\$6,714,380 thousand as compensation expense and NT\$718,317 thousand as unearned employee compensation, which were recorded under salary expense and other equity, respectively.

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

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

- A. To issue common shares of MTK with gratuitous issue price.
- B. Employee's continuous employment with the Company through the vesting dates, with no violation on any terms of the Company's employment agreement, employee handbook, or policies and achievement of both personal performance criterion and the Company's operation objectives (including Total Shareholder Return) during the vesting period, are eligible to receive the vested shares. The maximum portions of the vesting shares of 2023 are 50%, and the cumulative maximum portions of vesting shares from 2023 to 2024 are 100%. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives.
- C. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.
- D. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting, etc., are the same as those of the common shareholders', and the rights will be exercised by the custodian organizations according to the trust contracts.

Share-based payment plans of subsidiaries

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The issuance date, the exercisable periods and the exercise price of the Taiwanese employee stock options were determined to be on January 3, 2022, from January 3, 2022 to January 7, 2022 and NT\$264 per share, respectively. The options have all been exercised, with January 10, 2022 being the record date of the capital increase. Relevant regulators' approvals have been obtained and related registration processes have been completed.

The issuance date of foreign employee stock options was determined to be on January 10, 2022. The option holders of the employee stock options may exercise the options within two months after the date that the stocks of Airoha Technology Corp. are listed on a centralized exchange market and the designated accounts required by the relevant regulators are opened. The exercise price ranged between NT\$67 to NT\$137 per share. In accordance with the plan, the number of exercisable shares is subject to adjustments in the situation that Airoha Technology Corp. increases its capital through the capitalization of retained earnings or capital surplus. On February 8, 2022, the general shareholders' meeting of Airoha Technology Corp. resolved to issue 41,573 thousand new common shares through capitalization of capital surplus. Accordingly, the number of exercisable shares was adjusted upward by 441,986 common shares. The incremental fair value thus incurred would be recognized as an expense during the remaining vesting period.

Airoha Technology Corp. adopted the fair value method to determine the compensation cost and the Black-Scholes Option Pricing Model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	Employee Stock Option
Expected dividend yield (%)	0.00%
Expected volatility (%)	35.91%-54.66%
Risk free interest rate (%)	0.41%
Expected life (Years)	0.01-1.61 years

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

	Nine months ended September 30			
	2023		2022	
Employee Stock Option	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)
Outstanding at beginning of period	1,491,839	\$ 82	-	\$ -
Granted	-	-	3,709,177	188
Exercised (Note)	-	-	(2,155,464)	264
Forfeited (Expired)	(7,988)	80	(56,305)	93
Outstanding at end of period	1,483,851	82	1,497,408	82
Exercisable at end of period	-	-	-	-
Weighted-average fair value of options granted during the period (in NT\$)	\$ -		\$ 131	

Note: The weighted average share price at the date of exercise of those options was NT\$334.08 for the nine months ended September 30, 2022.

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

		September 30, 2023		September 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\$)
2022.01.10	\$ 67-137	0.39	\$ 67-137	1	\$ 67-137

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Employee stock options	\$ 3,799	\$ 50,334	\$ 110,524	\$ 300,357
Restricted stocks for employees	492,853	1,068,796	1,511,719	3,306,366
Total	\$ 496,652	\$ 1,119,130	\$ 1,622,243	\$ 3,606,723

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

(22) Sales

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

A. Disaggregation of revenue

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Sale of goods	\$ 106,915,292	\$ 140,900,040	\$ 297,231,002	\$ 437,304,593
Services and other operating revenue	3,182,236	1,261,236	6,653,323	3,297,353
Total	<u>\$ 110,097,528</u>	<u>\$ 142,161,276</u>	<u>\$ 303,884,325</u>	<u>\$ 440,601,946</u>
Revenue recognition point:				
At a point in time	\$ 107,103,193	\$ 141,648,390	\$ 298,349,590	\$ 439,205,302
Satisfies the performance obligation over time	2,994,335	512,886	5,534,735	1,396,644
Total	<u>\$ 110,097,528</u>	<u>\$ 142,161,276</u>	<u>\$ 303,884,325</u>	<u>\$ 440,601,946</u>

B. Contract balances

Contract assets – current

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Services and other operating revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</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)**

Contract liabilities – current

	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Sale of goods	\$ 1,548,622	\$ 4,043,364	\$ 2,570,331	\$ 5,930,981
Services and other operating revenue	1,234,442	857,530	677,845	437,502
Total	<u>\$ 2,783,064</u>	<u>\$ 4,900,894</u>	<u>\$ 3,248,176</u>	<u>\$ 6,368,483</u>

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Revenue recognized during the period that was included in the beginning balance	<u>\$ 80,714</u>	<u>\$ 210,201</u>	<u>\$ 4,105,099</u>	<u>\$ 5,682,634</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$ (2,802,986)</u>	<u>\$ (1,098,564)</u>	<u>\$ 1,991,484</u>	<u>\$ 2,439,155</u>

C. Transaction price allocated to unsatisfied performance obligations

As of September 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\$5,434,184 thousand and NT\$990,146 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)

(23) Expected credit gains (losses)

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Operating expense- expected credit gains (losses)				
Trade receivables	\$ 32,348	\$ (2,988)	\$ (55,600)	\$ (2,623)

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

The Company measures the loss allowance of its contract assets and 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 September 30, 2023, December 31, 2022, and September 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:

2023.09.30

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 59,692,784	\$ 1,314,924	\$ 8,570	\$ 2,884	\$ 144,629	\$ 61,163,791
Loss ratio	0%	0%	0%	0%-10%	20%-100%	
Lifetime expected credit losses	-	-	-	(3)	(57,861)	(57,864)
Carrying amount of trade receivables	\$ 59,692,784	\$ 1,314,924	\$ 8,570	\$ 2,881	\$ 86,768	\$ 61,105,927

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 (Note)	Past due				Total
		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	\$ 39,842,984	\$ 815,777	\$ 25,932	\$ 117,529	\$ 2,714	\$ 40,804,936

2022.09.30

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 64,697,508	\$ 1,018,757	\$ 85,615	\$ 37,993	\$ 56	\$ 65,839,929
Loss ratio	0%	0%	0%	0%-10%	20%-100%	
Lifetime expected credit losses	-	-	-	(3,799)	-	(3,799)
Carrying amount of trade receivables	\$ 64,697,508	\$ 1,018,757	\$ 85,615	\$ 34,194	\$ 56	\$ 65,836,130

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

The movements in the provision for impairment of contract assets, receivables and financing lease receivables for the nine months ended September 30, 2023 and 2022 are as follows:

	Contract assets	Note receivables	Trade receivables (including related parties)	Financing lease receivables
As of January 1, 2023	\$ -	\$ -	\$ 1,640	\$ -
Allowance for the current period	-	-	55,600	-
Effect of changes in exchange rate	-	-	624	-
As of September 30, 2023	\$ -	\$ -	\$ 57,864	\$ -

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Contract assets	Note receivables	Trade receivables (including related parties)	Financing lease receivables
As of January 1, 2022	\$ -	\$ -	\$ 42,651	\$ -
Allowance for the current period	-	-	2,623	-
Written off	-	-	(43,809)	-
Effect of changes in exchange rate	-	-	2,334	-
As of September 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,799</u>	<u>\$ -</u>

(24) 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

	September 30, 2023	December 31, 2022	September 30, 2022
Land	\$ 6,618,340	\$ 6,652,269	\$ 6,683,724
Buildings and facilities	1,975,756	2,172,719	2,289,878
Machinery equipment	133,903	83,797	100,783
Transportation equipment	9,056	14,537	16,764
Office equipment	3,229	4,428	4,776
Total	<u>\$ 8,740,284</u>	<u>\$ 8,927,750</u>	<u>\$ 9,095,925</u>

During the nine months ended September 30, 2023 and 2022, the additions to right-of-use assets of the Company amounted to NT\$452,863 thousand and NT\$6,125,162 thousand, respectively.

b. Lease liability

	September 30, 2023	December 31, 2022	September 30, 2022
Lease liability-current	\$ 813,647	\$ 795,500	\$ 761,996
Lease liability-noncurrent	8,158,425	8,308,237	8,444,254
Total	<u>\$ 8,972,072</u>	<u>\$ 9,103,737</u>	<u>\$ 9,206,250</u>

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

c. Depreciation charge for right-of-use assets

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Land	\$ 31,295	\$ 29,876	\$ 93,896	\$ 55,243
Buildings and facilities	180,852	167,088	530,275	464,654
Machinery equipment	29,498	18,562	66,667	57,481
Transportation equipment	2,036	1,638	6,331	6,409
Office equipment	374	394	1,170	5,819
Total	<u>\$ 244,055</u>	<u>\$ 217,558</u>	<u>\$ 698,339</u>	<u>\$ 589,606</u>

d. Income and costs relating to lessee and leasing activities

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
The expense relating to short-term leases	<u>\$ 24,222</u>	<u>\$ 31,772</u>	<u>\$ 67,180</u>	<u>\$ 59,741</u>
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	<u>\$ 1,166</u>	<u>\$ 1,119</u>	<u>\$ 4,005</u>	<u>\$ 4,548</u>
Income from subleasing right-of-use assets	<u>\$ 1,501</u>	<u>\$ 1,630</u>	<u>\$ 4,238</u>	<u>\$ 4,751</u>

e. Cash outflow relating to leasing activities

During the nine months ended September 30, 2023 and 2022, the Company's total cash outflows for leases amounted to NT\$703,500 thousand and NT\$543,739 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		Nine months ended	
	September 30		September 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	\$ 57,519	\$ 63,893	\$ 173,655	\$ 166,000
Lease income for finance leases				
Finance income on the net investment in the lease	5,872	5,871	17,422	17,422
Total	\$ 63,391	\$ 69,764	\$ 191,077	\$ 183,422

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 September 30, 2023, December 31, 2022, and September 30, 2022 are as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Not later than one year	\$ 567,082	\$ 23,293	\$ 23,292
Later than one year and not later than two years	738,078	746,853	567,082
Later than two years and not later than three years	182,707	735,143	738,079
Later than three years and not later than four years	-	-	182,707
Total non-discounted lease payments	1,487,867	1,505,289	1,511,160
Less: unearned finance income of finance lease	(32,083)	(49,505)	(55,376)
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	\$ 545,919	\$ -	\$ -
Noncurrent	\$ 909,865	\$ 1,455,784	\$ 1,455,784

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

	Three months ended September 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 12,578	\$ 740,690	\$ 753,268	\$ 13,030	\$ 646,587	\$ 659,617
Others	\$ 322,035	\$ 20,787,235	\$ 21,109,270	\$ 397,170	\$ 24,558,482	\$ 24,955,652
Depreciation	\$ 22,573	\$ 2,866,882	\$ 2,889,455	\$ 30,288	\$ 2,459,497	\$ 2,489,785
Amortization	\$ 1,215	\$ 1,922,377	\$ 1,923,592	\$ 1,303	\$ 1,451,271	\$ 1,452,574

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

	Nine months ended September 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 39,050	\$ 2,074,916	\$ 2,113,966	\$ 39,164	\$ 1,819,861	\$ 1,859,025
Others	\$ 1,007,067	\$ 59,796,369	\$ 60,803,436	\$ 1,253,922	\$ 75,362,765	\$ 76,616,687
Depreciation	\$ 70,452	\$ 8,040,263	\$ 8,110,715	\$ 93,106	\$ 6,480,046	\$ 6,573,152
Amortization	\$ 3,577	\$ 5,233,836	\$ 5,237,413	\$ 4,174	\$ 4,154,423	\$ 4,158,597

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 nine months ended September 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\$250,418 thousand and NT\$25,355 thousand for the three months ended September 30, 2023, respectively. The amounts of employees' compensation and remuneration to directors were NT\$692,012 thousand and NT\$70,066 thousand for the nine months ended September 30, 2023, respectively. The amounts of employees' compensation and remuneration to directors were NT\$422,216 thousand and NT\$16,500 thousand for the three months ended September 30, 2022, respectively. The amounts of employees' compensation and remuneration to directors were NT\$1,376,361 thousand and NT\$83,082 thousand for the nine months ended September 30, 2022, respectively. The employees' compensation and remuneration to directors were recognized as expense.

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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.

(26) Interest income

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Financial assets measured at amortized cost	\$ 1,652,806	\$ 848,589	\$ 4,850,272	\$ 1,755,594
Financial assets at fair value through other comprehensive income	10,769	59,729	88,975	126,815
Total	<u>\$ 1,663,575</u>	<u>\$ 908,318</u>	<u>\$ 4,939,247</u>	<u>\$ 1,882,409</u>

(27) Other income

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Rental income	\$ 57,519	\$ 63,893	\$ 173,655	\$ 166,000
Dividend income	944,364	751,074	5,202,450	1,672,319
Others	139,017	148,029	190,402	328,298
Total	<u>\$ 1,140,900</u>	<u>\$ 962,996</u>	<u>\$ 5,566,507</u>	<u>\$ 2,166,617</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(28) Other gains and losses

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Losses on disposal of property, plant and equipment	\$ (10,888)	\$ (1,580)	\$ (11,465)	\$ (15,599)
Gains (losses) on disposal of intangible assets	-	1	-	(529)
(Losses) gains on disposal of investments				
Investments accounted for using the equity method	(2,377)	7,903	(2,466)	7,903
Financial assets measured at amortized cost	(14,616)	-	(14,616)	(1,231)
Subsidiary	-	-	-	(4,051)
Foreign exchange losses	(225,855)	(772,899)	(933,267)	(1,158,243)
Gains on financial assets at fair value through profit or loss	558,943	1,490,974	1,991,953	2,192,325
Losses on financial liabilities at fair value through profit or loss	(10,687)	(16,881)	(14,216)	(28,410)
Others	23,011	8,138	6,375	(15,781)
Total	<u>\$ 317,531</u>	<u>\$ 715,656</u>	<u>\$ 1,022,298</u>	<u>\$ 976,384</u>

(29) Finance costs

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Interest expense on borrowings	\$ 235,718	\$ 91,457	\$ 277,091	\$ 204,382
Interest expense on lease liabilities	17,401	27,037	50,513	58,906
Total	<u>\$ 253,119</u>	<u>\$ 118,494</u>	<u>\$ 327,604</u>	<u>\$ 263,288</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(30) Components of other comprehensive income

For the three months ended September 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	\$ (591,979)	\$ -	\$ (591,979)	\$ 908,894	\$ 316,915
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(497,689)	-	(497,689)	-	(497,689)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	9,702,098	-	9,702,098	-	9,702,098
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(3,588)	-	(3,588)	-	(3,588)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(27,387)	2,377	(25,010)	-	(25,010)
Total	\$ 8,581,455	\$ 2,377	\$ 8,583,832	\$ 908,894	\$ 9,492,726

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

For the three months ended September 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	\$ (5,105,235)	\$ -	\$ (5,105,235)	\$ 295,107	\$ (4,810,128)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(6,989,418)	-	(6,989,418)	-	(6,989,418)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	16,498,346	-	16,498,346	-	16,498,346
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(17,101)	-	(17,101)	-	(17,101)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,757,966)	-	(1,757,966)	-	(1,757,966)
Total	\$ 2,628,626	\$ -	\$ 2,628,626	\$ 295,107	\$ 2,923,733

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

For the nine months ended September 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	\$ 9,906,581	\$ -	\$ 9,906,581	\$ (6,965)	\$ 9,899,616
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(396,760)	-	(396,760)	-	(396,760)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	11,031,427	-	11,031,427	-	11,031,427
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(1,258)	-	(1,258)	-	(1,258)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(385,598)	2,466	(383,132)	-	(383,132)
Total	\$ 20,154,392	\$ 2,466	\$ 20,156,858	\$ (6,965)	\$ 20,149,893

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

For the nine months ended September 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	\$ (9,523,538)	\$ -	\$ (9,523,538)	\$ 1,079,299	\$ (8,444,239)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(26,628,085)	-	(26,628,085)	-	(26,628,085)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	33,547,631	-	33,547,631	-	33,547,631
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(42,690)	-	(42,690)	-	(42,690)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(3,402,564)	-	(3,402,564)	-	(3,402,564)
Total	\$ (6,049,246)	\$ -	\$ (6,049,246)	\$ 1,079,299	\$ (4,969,947)

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 nine months ended September 30, 2023 and 2022, which were recognized in other comprehensive income, were reclassified to profit or loss.

(31) Income tax

The major components of income tax expense are as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Current income tax expense:				
Current income tax charge	\$ 3,767,292	\$ 5,262,645	\$ 9,608,858	\$ 15,009,971
Deferred tax (income) expense:				
Deferred tax income relating to origination and reversal of temporary differences	(2,046,866)	(1,112,656)	(4,894,042)	(1,346,344)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	109,879	(388,638)	812,095	(427,906)
Deferred tax expense arising from write-down or reversal of write-down of deferred tax asset	574,638	581,418	1,097,367	828,764
Others	19,507	168,358	364,797	328,803
Income tax expense	<u>\$ 2,424,450</u>	<u>\$ 4,511,127</u>	<u>\$ 6,989,075</u>	<u>\$ 14,393,288</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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Deferred tax expense (income):				
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$ (908,894)	\$ (295,107)	\$ 6,965	\$ (1,079,299)

Income tax charged directly to equity

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Current income tax expense:				
Realized gains from equity instrument investments measured at fair value through other comprehensive income	\$ 512,612	\$ 42,632	\$ 751,182	\$ 168,296

The assessment of income tax returns

As of September 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.

(32) 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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
A. Basic earnings per share				
Profit attributable to ordinary equity owners of the parent	\$ 18,477,639	\$ 30,954,628	\$ 51,315,980	\$ 99,653,029
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,586,881,204	1,583,816,918	1,586,194,952	1,583,114,879
Basic earnings per share (NT\$)	\$ 11.64	\$ 19.54	\$ 32.35	\$ 62.95
B. Diluted earnings per share				
Profit attributable to ordinary equity owners of the parent	\$ 18,477,639	\$ 30,954,628	\$ 51,315,980	\$ 99,653,029
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,586,881,204	1,583,816,918	1,586,194,952	1,583,114,879
Effect of dilution:				
Employees' compensation-stock (share)	941,513	2,497,933	1,378,190	2,785,538
Employee stock options (share)	55,023	151,660	137,700	263,809
Restricted stocks for employees (share)	3,850,048	3,502,055	4,487,216	5,022,868
Weighted average number of ordinary shares outstanding after dilution (share)	1,591,727,788	1,589,968,566	1,592,198,058	1,591,187,094
Diluted earnings per share (NT\$)	\$ 11.61	\$ 19.47	\$ 32.23	\$ 62.63

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.

(33) Business Combination

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

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

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

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	\$ 645,539

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.

(34) 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 nine months ended September 30, 2022, which had been recorded in equity.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

7. Related Party Transactions

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

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Intelligo Technology Inc. and its subsidiaries	Associate (Note)
Cyberon Corp.	Associate (Note)
ASIX Electronics Corporation	Associate
IC PLUS CORP.	Associate
Amobile Intelligent Corp. Limited	Associate
Sigmastar Technology Ltd. and its subsidiaries	Associate
MoMAGIC Technologies Private Limited	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</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates				
Intelligo Technology Inc. and its subsidiaries	\$ 2,453	\$ 3,655	\$ 18,752	\$ 8,962
IC PLUS CORP.	-	9,242	-	45,801
ASIX Electronics Corporation	1,494	44,799	62,660	247,589
Amobile Intelligent Corp. Limited	-	140	-	140
Subtotal	<u>3,947</u>	<u>57,836</u>	<u>81,412</u>	<u>302,492</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Services and other operating revenues

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Associates				
Sigmastar Technology Ltd. and its subsidiaries	\$ 9,573	\$ 20,986	\$ 51,466	\$ 69,232
ASIX Electronics Corporation	-	12,000	-	12,000
Intelligo Technology Inc. and its subsidiaries	-	-	-	8,420
Amobile Intelligent Corp. Limited	-	-	7,612	-
Subtotal	9,573	32,986	59,078	89,652
Total	\$ 13,520	\$ 90,822	\$ 140,490	\$ 392,144

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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Associate				
ASIX Electronics Corporation	\$ -	\$ -	\$ -	\$ 1,814
IC PLUS CORP.	-	-	-	843
Subtotal	-	-	-	2,657
Other related parties				
King Yuan Electronics Co., Ltd. and its subsidiaries	1,829,095	2,013,948	5,192,984	6,876,355
Total	\$ 1,829,095	\$ 2,013,948	\$ 5,192,984	\$ 6,879,012

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Associate				
Intelligo Technology Inc. and its subsidiaries	\$ 14,448	\$ 1,692	\$ 37,461	\$ 1,692
Cyberon Corp.	-	2,539	-	10,645
MoMAGIC Technologies Private Limited	2,159	-	2,159	-
Other related parties				
King Yuan Electronics Co., Ltd. and its subsidiaries	899	-	3,463	-
Total	<u>\$ 17,506</u>	<u>\$ 4,231</u>	<u>\$ 43,083</u>	<u>\$ 12,337</u>

(4) Other income

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Associate				
ASIX Electronics Corporation	<u>\$ 10</u>	<u>\$ 3,930</u>	<u>\$ 4,220</u>	<u>\$ 3,930</u>

(5) Rental income

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Associate				
Sigmastar Technology Ltd. and its subsidiaries	<u>\$ 143</u>	<u>\$ 5,682</u>	<u>\$ 646</u>	<u>\$ 17,033</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(6) Contract assets-current

	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
ASIX Electronics Corporation	\$ -	\$ -	\$ 6,000

(7) Trade receivables from related parties

	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ -	\$ 1,836	\$ 1,221
ASIX Electronics Corporation	68	19,694	6,151
Sigmastar Technology Ltd. and its subsidiaries	13,811	13,063	20,986
IC PLUS CORP.	-	-	13,759
Total	\$ 13,879	\$ 34,593	\$ 42,117

(8) Contract liabilities-current

	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
Amobile Intelligent Corp. Limited	\$ 5,412	\$ -	\$ -

(9) Trade payables to related parties

	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 219	\$ -	\$ -
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	1,824,449	1,763,794	2,039,674
Total	\$ 1,824,668	\$ 1,763,794	\$ 2,039,674

MEDIATEK INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)****(10) Other payables to related parties**

	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ 173,647	\$ 124,675	\$ 134,802
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	15	384	-
Total	<u>\$ 173,662</u>	<u>\$ 125,059</u>	<u>\$ 134,802</u>

(11) Long-term payables

	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
Intelligo Technology Inc. and its subsidiaries	\$ -	\$ 92,139	\$ 127,064

(12) Deposits received

	September 30, 2023	December 31, 2022	September 30, 2022
Associate			
Sigmastar Technology Ltd. and its subsidiaries	\$ 151	\$ 3,989	\$ 4,000

(13) Key management personnel compensation

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Short-term employee benefits (Note)	\$ 502,080	\$ 426,695	\$ 1,583,024	\$ 1,677,035
Share-based payment	125,245	248,900	381,111	864,399
Post-employment benefits	210	659	2,256	3,457
Total	<u>\$ 627,535</u>	<u>\$ 676,254</u>	<u>\$ 1,966,391</u>	<u>\$ 2,544,891</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.

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

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

Assets pledged as collateral	Carrying amount			Purpose of pledge
	September 30, 2023	December 31, 2022	September 30, 2022	
Financial assets measured at amortized cost-noncurrent	\$ 12,209	\$ 12,095	\$ 14,100	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	79,150	79,292	79,318	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	68,340	63,135	38,945	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	170,000	170,000	170,000	Performance bond
Total	<u>\$ 329,699</u>	<u>\$ 324,522</u>	<u>\$ 302,363</u>	

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

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

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

(2) Significant Commitments

The Company entered into capacity reservation contracts with several suppliers. According to the contracts, the supplier shall provide agreed production capacity with the Company after prepayments by the Company. As of September 30, 2023, the Company had written off certain unrecoverable prepayments and accrued provisions for certain unfulfillable contract obligations.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(3) Legal claim contingency

A. Koninklijke Philips N.V., and Philips North America LLC (“Philips”) filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiary MediaTek USA Inc. on September 17, 2020, alleging infringement of United States Patent Nos. 9,590,977 and 10,298,564. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.

B. Tyche Licensing LLC (“Tyche”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK on May 16, 2022, alleging infringement of U.S. Patent Nos. 6,900,087 and 7,084,481. Pursuant to the plaintiff’s motion for voluntary dismissal, the court dismissed the claims against MTK on February 6, 2023.

C. American Patents LLC (“AP”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK and subsidiary MediaTek USA Inc. on June 6, 2022, alleging infringement of U.S. Patent Nos. 7,088,782, 7,310,304 and 7,706,458. Pursuant to the parties’ joint motion to dismiss the case, the court dismissed the claims against MTK and subsidiary MediaTek USA on April 17, 2023.

D. Cedar Lane Technologies Inc. (“Cedar”) filed a complaint in the United States District Court for the Western District of Texas against MTK on October 4, 2022, alleging infringement of U.S. Patent Nos. 6,972,790 and 8,537,242, the court dismissed the claims against MTK on September 29, 2023.

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 court dismissed the claims against MTK on September 12, 2023.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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.

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.

K. Deepwell IP LLC (“Deepwell”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK on September 19, 2023, alleging infringement of U.S. Patent Nos. 7,149,851, 7,645,664, 8,415,730 and RE 44,025. The operations of MTK will not be materially affected by this case.

The Company will handle these cases carefully.

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss:			
Held for trading financial assets	\$ 149,263	\$ 75,354	\$ 602,403
Mandatorily measured at fair value through profit or loss (Note 1)	15,424,879	17,242,983	19,228,302
Subtotal	15,574,142	17,318,337	19,830,705
Financial assets at fair value through other comprehensive income	82,219,009	76,970,268	58,051,861
Financial assets measured at amortized cost (Note 2)	248,785,807	234,332,546	241,754,637
Total	<u>\$ 346,578,958</u>	<u>\$ 328,621,151</u>	<u>\$ 319,637,203</u>

Financial liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities at fair value through profit or loss:			
Held for trading financial liabilities	\$ 14,216	\$ 6,097	\$ 28,410
Financial liabilities at amortized cost:			
Short-term borrowings	32,794,232	3,700,000	48,611,370
Trade payables (including related parties)	30,797,225	21,517,950	30,514,905
Other payables (including related parties)	45,261,362	52,509,602	49,181,026
Long-term payables (including current portion and related parties)	10,762,967	2,904,380	2,017,157
Long-term borrowings (including current portion)	-	827,660	1,385,720
Lease liabilities	8,972,072	9,103,737	9,206,250
Subtotal	128,587,858	90,563,329	140,916,428
Total	<u>\$ 128,602,074</u>	<u>\$ 90,569,426</u>	<u>\$ 140,944,838</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Notes:

1. Includes trade receivables classified as financial assets measured at fair value through profit or loss in the amount of NT\$3,432,847 thousand, NT\$2,151,487 thousand and NT\$2,785,182 thousand as of September 30, 2023, December 31, 2022 and September 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\$3,432,847 thousand, NT\$2,151,487 thousand and NT\$2,785,182 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively. Please refer to Note 6.(5) for further explanation.), other receivables and financing lease receivables, net.

B. Fair values of financial instruments

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

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

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

- (a) The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables (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).

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

b. Fair value of financial instruments measured at amortized cost

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

c. Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3: Unobservable inputs for the assets or liabilities.

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

As of September 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	\$ -	\$ -	\$ 1,536,366	\$ 1,536,366
Linked deposits	-	-	3,338,835	3,338,835
Stocks	127,260	-	-	127,260
Funds	1,855,143	-	3,821,374	5,676,517
Trust funds	1,313,054	-	-	1,313,054
Forward exchange contracts	-	149,263	-	149,263
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income				
	47,916,333	-	33,088,620	81,004,953
Debt instruments measured at fair value through other comprehensive income				
	571,858	-	642,198	1,214,056
Total	<u>\$ 51,783,648</u>	<u>\$ 149,263</u>	<u>\$ 42,427,393</u>	<u>\$ 94,360,304</u>

Liabilities measured at fair value:

Financial liabilities at fair value through profit or loss				
Forward exchange contracts				
	<u>\$ -</u>	<u>\$ 14,216</u>	<u>\$ -</u>	<u>\$ 14,216</u>

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	<u>\$ 19,402,712</u>	<u>\$ 246,320</u>	<u>\$ 72,488,086</u>	<u>\$ 92,137,118</u>
<u>Liabilities measured at fair value:</u>				
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 September 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	\$ 151,400	\$ -	\$ 1,405,427	\$ 1,556,827
Linked deposits	-	-	6,685,581	6,685,581
Stocks	170,562	-	12,690	183,252
Funds	1,739,720	-	5,249,445	6,989,165
Trust funds	1,028,295	-	-	1,028,295
Forward exchange contracts	-	602,403	-	602,403
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income				
	16,684,707	591,245	39,575,259	56,851,211
Debt instruments measured at fair value through other comprehensive income	552,633	-	648,017	1,200,650
Total	<u>\$ 20,327,317</u>	<u>\$ 1,193,648</u>	<u>\$ 53,576,419</u>	<u>\$ 75,097,384</u>

Liabilities measured at fair value:

Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 28,410	\$ -	\$ 28,410

For the nine months ended September 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				
	Bonds	Funds	Link deposits	Bonds	Capital	Stocks	Total	
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	52,174	123,435	9,867	-	-	-	185,476	
Amount recognized in OCI	-	-	-	3,407	(20,392,238)	(1,591,293)	(21,980,124)	
Amount recognized in OCI- exchange differences	19,940	(7,203)	122,111	(2,392)	1,348,556	404,426	1,885,438	
Acquisitions	54,878	7,769,770	100,000	-	1,082,565	264,725	9,271,938	
Settlements	(71,019)	(9,619,802)	(1,886,587)	-	(7,714,086)	(76,750)	(19,368,244)	
Others	-	-	-	-	9,053	-	9,053	
Transfer out of level 3	-	-	-	-	-	(64,230)	(64,230)	
As of September 30, 2023	\$ 1,536,366	\$ 3,821,374	\$ 3,338,835	\$ 642,198	\$ 23,720,243	\$ 9,368,377	\$ 42,427,393	

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)	(5,038)	200,001	(76,692)	-	-	-	118,115
Amount recognized in OCI	-	-	-	-	(3,749)	(1,122,817)	2,192,780	1,066,214
Amount recognized in OCI-exchange differences	312	45,167	190,302	364,232	10,989	2,604,410	1,212,938	4,428,350
Acquisitions	-	785	9,177,473	4,660,684	200,000	1,826,525	543	15,866,010
Settlements	-	-	(11,024,491)	(1,887,316)	-	(35,484)	(18,506)	(12,965,797)
Transfer out of level 3	-	-	-	-	-	-	(198,536)	(198,536)
As of September 30, 2022	<u>\$ 12,690</u>	<u>\$ 1,405,427</u>	<u>\$ 5,249,445</u>	<u>\$ 6,685,581</u>	<u>\$ 648,017</u>	<u>\$ 28,645,896</u>	<u>\$ 10,929,363</u>	<u>\$ 53,576,419</u>

Total losses related to assets recognized for the nine months ended September 30, 2023 and 2022 amounted to NT\$114,166 thousand and NT\$36,193 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 September 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 nine-month period ended September 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 nine-month period ended September 30, 2023 by NT\$309,536 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 nine-month period ended September 30, 2023 by NT\$145,875 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 technique	Significant unobservable inputs	Quantitative information	Interrelationship between inputs and fair values	Sensitivity analysis of interrelationship between inputs and fair values
Financial Assets:					
At fair value through profit or loss					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could decrease/increase the Company's profit (loss) for the year ended December 31, 2022 by NT\$0 dollar.
At fair value through other comprehensive income					
Stocks	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could decrease/increase the Company's equity for the year ended December 31, 2022 by NT\$488,423 thousand.
Capital	Market Approach	Discount for lack of marketability	0-30%	The greater degree of lack of marketability the lower the estimated fair value is determined.	A change of 10% in the discount for lack of marketability of the aforementioned fair values of unlisted stocks could decrease/increase the Company's equity for the year ended December 31, 2022 by NT\$138,578 thousand.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

As of September 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 nine- month period ended September 30, 2022 by NT\$1,269 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 nine-month period ended September 30, 2022 by NT\$764,677 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 nine-month period ended September 30, 2022 by NT\$3,516 thousand.

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 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.

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 September 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	\$ -	\$ -	\$ 3,374,195	\$ 3,374,195

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 September 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	\$ -	\$ -	\$ 3,318,030	\$ 3,318,030

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 September 30, 2023	TWD to USD	Sell USD 46,000	October 2023
As of September 30, 2023	TWD to USD	Buy USD 185,000	October 2023
As of September 30, 2023	CNY to USD	Buy USD 288,429	October 2023
As of September 30, 2023	TWD to USD	Buy USD 90,000	November 2023
As of September 30, 2023	TWD to USD	Buy USD 80,000	December 2023
As of September 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 September 30, 2022	TWD to USD	Buy USD 600,000	October 2022
As of September 30, 2022	TWD to USD	Sell USD 93,000	October 2022
As of September 30, 2022	CNY to USD	Sell USD 7,000	October 2022
As of September 30, 2022	CNY to USD	Sell USD 5,000	November 2022
As of September 30, 2022	JPY to USD	Buy USD 1,502	December 2022

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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(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 nine months ended September 30, 2023 and 2022 decreases/increases by NT\$34,198 thousand and NT\$41,107 thousand, while equity decreases/increases by NT\$211,658 thousand and NT\$203,017 thousand, respectively.

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the nine months ended September 30, 2023 and 2022 decreases/increases by NT\$966 thousand and increases/decreases by NT\$124 thousand, while equity decreases/increases by NT\$21,383 thousand and NT\$24,818 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 nine months ended September 30, 2023 and 2022 to increase/decrease by NT\$1,168 thousand and decreases/increases by NT\$3,798 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 nine months ended September 30, 2023 and 2022 to increase/decrease by NT\$1,273 thousand and NT\$1,706 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 nine months ended September 30, 2023 and 2022 to increase/decrease by NT\$479,163 thousand and NT\$172,759 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 September 30, 2023, December 31, 2022, and September 30, 2022, receivables from top ten customers represented 59.76%, 57.27%, and 55.83% 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		
			September 30, 2023	December 31, 2022	September 30, 2022
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 57,102,724	\$ 28,325,072	\$ 23,850,952
	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	\$ 1,537,175	\$ 935,130	\$ 3,174,778
	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	\$ 62,667,976	\$ 42,299,764	\$ 67,378,446

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.

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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 September 30, 2023</u>				
Short-term borrowings	\$ 32,891,748	\$ -	\$ -	\$ 32,891,748
Trade payables (including related parties)	30,797,225	-	-	30,797,225
Other payables (including related parties)	45,225,016	-	-	45,225,016
Lease liabilities	869,974	1,811,423	8,950,379	11,631,776
Long-term payables (including related parties)	5,646,430	5,116,537	-	10,762,967
Total	<u>\$ 115,430,393</u>	<u>\$ 6,927,960</u>	<u>\$ 8,950,379</u>	<u>\$ 131,308,732</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 September 30, 2022</u>				
Short-term borrowings	\$ 48,695,799	\$ -	\$ -	\$ 48,695,799
Trade payables (including related parties)	30,514,905	-	-	30,514,905
Other payables (including related parties)	49,147,797	-	-	49,147,797
Lease liabilities	852,612	2,069,504	8,992,928	11,915,044
Long-term borrowings	1,385,720	-	-	1,385,720
Long-term payables (including related parties)	1,372,280	644,877	-	2,017,157
Total	<u>\$ 131,969,113</u>	<u>\$ 2,714,381</u>	<u>\$ 8,992,928</u>	<u>\$ 143,676,422</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 September 30, 2023</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 191,310	\$ -	\$ 191,310
Outflow	(193,686)	-	(193,686)
Net	(2,376)	-	(2,376)
Net settlement			
Forward exchange contracts	(12,011)	-	(12,011)
Total	<u>\$ (14,387)</u>	<u>\$ -</u>	<u>\$ (14,387)</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	(15,426)	-	(15,426)
Net settlement			
Forward exchange contracts	(3,353)	-	(3,353)
Total	<u>\$ (18,779)</u>	<u>\$ -</u>	<u>\$ (18,779)</u>

As of September 30, 2022

Gross settlement			
Forward exchange contracts			
Inflow	\$ 454,890	\$ -	\$ 454,890
Outflow	(476,490)	-	(476,490)
Net	(21,600)	-	(21,600)
Net settlement			
Forward exchange contracts	(5,267)	-	(5,267)
Total	<u>\$ (26,867)</u>	<u>\$ -</u>	<u>\$ (26,867)</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 nine months ended September 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	29,094,232	(827,660)	(581,802)	24,332	27,709,102
Non-cash movement	-	-	450,137	-	450,137
As of September 30, 2023	<u>\$ 32,794,232</u>	<u>\$ -</u>	<u>\$ 8,972,072</u>	<u>\$ 214,039</u>	<u>\$ 41,980,343</u>

Reconciliation of liabilities for the nine months ended September 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	(3,173,076)	-	(420,544)	(18,366)	(3,611,986)
Non-cash movement	-	-	6,135,718	-	6,135,718
Acquisition	253,000	-	-	-	253,000
Foreign exchange movement	264,139	-	-	-	264,139
As of September 30, 2022	<u>\$ 48,611,370</u>	<u>\$ 1,385,720</u>	<u>\$ 9,206,250</u>	<u>\$ 209,204</u>	<u>\$ 59,412,544</u>

(3) Significant assets and liabilities denominated in foreign currencies

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

	September 30, 2023		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial assets			
Monetary item:			
USD	\$ 5,226,250	32.281	\$ 168,708,545
CNY	\$ 271,811	4.429	\$ 1,203,730
Non-monetary item:			
USD	\$ 3,451,500	32.281	\$ 111,417,860
CNY	\$ 4,822,949	4.429	\$ 21,358,670

(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)

September 30, 2023			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 1,450,197	32.281	\$ 46,813,793
CNY	\$ 48,314	4.429	\$ 213,961
December 31, 2022			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 1,060,940	30.713	\$ 32,584,650
CNY	\$ 69,928	4.453	\$ 311,385
September 30, 2022			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 6,940,794	31.766	\$ 220,481,235
CNY	\$ 35,575	4.466	\$ 158,863
Non-monetary item:			
USD	\$ 1,727,333	31.766	\$ 54,870,472
CNY	\$ 5,562,390	4.466	\$ 24,839,352
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 1,479,564	31.766	\$ 46,999,807
CNY	\$ 67,986	4.466	\$ 303,595

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\$225,855 thousand and NT\$772,899 thousand for the three months ended September 30, 2023 and 2022, respectively. The foreign exchange losses were NT\$933,267 thousand and NT\$1,158,243 thousand for the nine months ended September 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 nine months ended September 30, 2023: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others for the nine months ended September 30, 2023: Please refer to Attachment 2.
- C. Securities held as of September 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 nine months ended September 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 nine months ended September 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 nine months ended September 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 nine months ended September 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 September 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.