

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

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2021 AND 2020

Notice to Readers

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

English Translation of a Report Originally Issued in Chinese

Review Report of Independent Accountants

To the Board of Directors and Shareholders
of MediaTek Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of MediaTek Inc. and its subsidiaries as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three -month periods ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of MediaTek Inc. and its subsidiaries as at March 31, 2021 and 2020, their consolidated financial performance and cash flows for the three-month periods ended March 31, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
April 28, 2021

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

MEDIATEK INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2021, December 31, 2020, and March 31, 2020

(March 31, 2021 and 2020 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	March 31, 2021	%	December 31, 2020	%	March 31, 2020	%
Current assets							
Cash and cash equivalents	6(1)	\$ 194,096,565	33	\$ 196,579,745	37	\$ 174,838,989	37
Financial assets at fair value through profit or loss-current	6(2)	7,521,122	1	8,504,707	2	6,595,629	2
Financial assets at fair value through other comprehensive income-current	6(3)	10,973,044	2	4,373,488	1	16,879,466	4
Financial assets measured at amortized cost-current	6(4)	891,876	-	655,356	-	256,354	-
Notes receivables, net	6(22)	1,607	-	43,437	-	1,606	-
Trade receivables, net	6(5), 6(22)	46,323,669	8	33,088,653	6	25,370,384	6
Trade receivables from related parties, net	6(5), 6(22), 7	45,974	-	630	-	3,957	-
Other receivables	6(6)	10,714,385	2	7,645,652	2	5,575,268	1
Current tax assets	4, 5, 6(30)	193,584	-	807,990	-	607,005	-
Inventories, net	6(7)	56,668,450	10	37,677,370	7	32,668,992	7
Prepayments	6(8)	1,402,875	-	1,449,401	-	1,718,875	-
Other current assets		1,322,372	-	1,035,864	-	760,073	-
Total current assets		330,155,523	56	291,862,293	55	265,276,598	57
Non-current assets							
Financial assets at fair value through profit or loss-noncurrent	6(2)	3,833,363	1	4,611,586	1	5,876,173	1
Financial assets at fair value through other comprehensive income-noncurrent	6(3)	38,340,463	6	49,872,898	9	56,746,863	12
Financial assets measured at amortized cost-noncurrent	6(4), 8	13,347,607	2	11,614,536	2	3,988,788	1
Investments accounted for using the equity method	6(9)	74,892,462	13	50,667,839	10	14,484,024	3
Property, plant and equipment	6(10), 8	38,585,650	7	38,971,343	7	38,484,546	8
Right-of-use assets	6(23)	3,240,186	1	2,934,762	1	2,853,402	1
Investment property, net	6(11), 8	1,704,504	-	1,011,956	-	986,114	-
Intangible assets	6(12), 6(13)	75,571,642	13	76,271,667	14	74,185,621	16
Deferred tax assets	4, 6(30)	6,516,287	1	5,676,629	1	4,579,137	1
Refundable deposits		238,024	-	280,089	-	352,921	-
Long-term financing lease receivable, net	4, 6(22), 6(23)	621,516	-	130,729	-	-	-
Total non-current assets		256,891,704	44	242,044,034	45	202,537,589	43
Total assets		<u>\$ 587,047,227</u>	<u>100</u>	<u>\$ 533,906,327</u>	<u>100</u>	<u>\$ 467,814,187</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 March 31, 2021, December 31, 2020, and March 31, 2020

(March 31, 2021 and 2020 are unaudited)

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	March 31, 2021	%	December 31, 2020	%	March 31, 2020	%
Current liabilities							
Short-term borrowings	6(14)	\$ 27,220,091	5	\$ 21,470,853	4	\$ 52,138,693	11
Financial liabilities at fair value through profit or loss-current	6(2)	15,510	-	10,329	-	18,862	-
Contract liabilities-current	6(21)	6,929,123	1	11,692,917	2	2,084,182	-
Trade payables		41,111,684	7	32,808,713	6	22,143,147	5
Trade payables to related parties	7	2,189,525	-	1,661,473	-	1,059,079	-
Other payables	6(15)	35,399,462	6	38,992,839	7	23,954,024	5
Other payables to related parties	7	135,990	-	47,940	-	9,991	-
Current tax liabilities	4, 6(30)	7,234,464	1	4,773,718	1	2,257,881	1
Lease liabilities-current	6(23)	534,877	-	483,089	-	491,866	-
Other current liabilities	6(16)	35,139,738	6	28,363,069	6	16,717,968	4
Current portion of long-term liabilities	6(17), 8	3,479,045	1	3,493,485	1	3,538,937	1
Total current liabilities		159,389,509	27	143,798,425	27	124,414,630	27
Non-current liabilities							
Long-term borrowings	6(17), 8	-	-	-	-	165,825	-
Long-term payables		2,287,688	1	3,619,618	1	2,250,030	-
Net defined benefit liabilities-noncurrent	4, 6(18)	907,319	-	910,118	-	862,764	-
Deposits received	7	402,212	-	430,736	-	516,992	-
Deferred tax liabilities	4, 6(30)	6,562,322	1	5,974,416	1	7,352,318	2
Lease liabilities-noncurrent	6(23)	2,657,047	1	2,362,280	1	2,333,131	1
Non-current liabilities-others		1,886,342	-	1,726,283	-	1,370,065	-
Total non-current liabilities		14,702,930	3	15,023,451	3	14,851,125	3
Total liabilities		174,092,439	30	158,821,876	30	139,265,755	30
Equity attributable to owners of the parent							
Share capital	6(19)						
Common stock		15,902,506	3	15,900,622	3	15,899,816	3
Capital collected in advance		1,471	-	2,133	-	634	-
Capital surplus	6(19), 6(20), 6(33)	77,421,915	13	76,745,750	14	82,759,816	18
Retained earnings	6(19)						
Legal reserve		44,583,025	7	44,583,025	8	41,507,689	9
Undistributed earnings		199,381,203	34	173,052,205	32	138,662,454	30
Other equity	6(20)	74,513,719	13	61,606,056	12	47,702,857	10
Treasury shares	6(19)	(55,970)	-	(55,970)	-	(55,970)	-
Equity attributable to owners of the parent		411,747,869	70	371,833,821	69	326,477,296	70
Non-controlling interests	6(19), 6(33)	1,206,919	-	3,250,630	1	2,071,136	-
Total equity		412,954,788	70	375,084,451	70	328,548,432	70
Total liabilities and equity		\$ 587,047,227	100	\$ 533,906,327	100	\$ 467,814,187	100

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2021 and 2020

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

Description	Notes	Three Months Ended March 31			
		2021	%	2020	%
Net sales	6(21), 7	\$ 108,032,982	100	\$ 60,862,975	100
Operating costs	6(7), 6(24), 7	(59,512,598)	(55)	(34,625,872)	(57)
Gross profit		48,520,384	45	26,237,103	43
Operating expenses	6(22), 6(23), 6(24), 7				
Selling expenses		(3,405,095)	(3)	(3,567,359)	(6)
Administrative expenses		(2,507,862)	(2)	(1,542,399)	(3)
Research and development expenses		(22,427,118)	(21)	(15,336,091)	(25)
Expected credit gains		17,589	-	11,035	-
Total operating expenses		(28,322,486)	(26)	(20,434,814)	(34)
Operating income		20,197,898	19	5,802,289	9
Non-operating income and expenses					
Interest income	6(25)	426,406	-	935,503	2
Other income	6(26), 7	1,184,310	1	329,968	-
Other gains and losses	6(27)	8,186,495	8	15,653	-
Finance costs	6(28)	(39,599)	-	(297,984)	-
Share of profit of associates and joint ventures accounted for using the equity method	6(9)	(879,856)	(1)	(55,179)	-
Total non-operating income and expenses		8,877,756	8	927,961	2
Net income before income tax		29,075,654	27	6,730,250	11
Income tax expense	4, 6(30)	(3,298,410)	(3)	(925,775)	(1)
Net income		25,777,244	24	5,804,475	10
Other comprehensive income	6(9), 6(29), 6(30)				
Items that may not be reclassified subsequently to profit or loss					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		(4,402,695)	(4)	8,581,234	14
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		17,755,162	16	78,151	-
Income tax relating to those items not to be reclassified to profit or loss		508,860	-	(1,013,835)	(1)
Items that may be reclassified subsequently to profit or loss					
Exchange differences resulting from translating the financial statements of foreign operations		40,291	-	165,216	-
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income		1,868	-	(32,219)	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(362,726)	-	(428,857)	(1)
Other comprehensive income, net of tax		13,540,760	12	7,349,690	12
Total comprehensive income		\$ 39,318,004	36	\$ 13,154,165	22
Net income for the periods attributable to :					
Owners of the parent	6(31)	\$ 25,572,233		\$ 5,715,297	
Non-controlling interests	6(33)	205,011		89,178	
		\$ 25,777,244		\$ 5,804,475	
Total comprehensive income for the periods attributable to :					
Owners of the parent		\$ 39,110,468		\$ 13,091,141	
Non-controlling interests		207,536		63,024	
		\$ 39,318,004		\$ 13,154,165	
Basic Earnings Per Share (in New Taiwan Dollars)	6(31)	\$ 16.21		\$ 3.64	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(31)	\$ 16.03		\$ 3.61	

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

MEDIATEK INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2021 and 2020

(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, 2020	\$ 15,896,473	\$ 3,780	\$ 82,392,203	\$ 41,507,689	\$ 127,729,843	\$ (3,949,641)	\$ 50,322,680	\$ (1,096,713)	\$ (55,970)	\$ 312,750,344	\$ 1,649,194	\$ 314,399,538
Profit for the three months ended March 31, 2020	-	-	-	-	5,715,297	-	-	-	-	5,715,297	89,178	5,804,475
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	(237,487)	7,613,331	-	-	7,375,844	(26,154)	7,349,690
Total comprehensive income	-	-	-	-	5,715,297	(237,487)	7,613,331	-	-	13,091,141	63,024	13,154,165
Share-based payment transactions	3,780	(3,146)	116,465	-	-	-	-	-	-	117,099	18,328	135,427
Changes in ownership interests in subsidiaries	-	-	364,657	-	-	-	-	-	-	364,657	340,590	705,247
Issuance of restricted stock for employees	(437)	-	(16,331)	-	-	-	-	268,001	-	251,233	-	251,233
Changes in other capital surplus	-	-	(97,178)	-	-	-	-	-	-	(97,178)	-	(97,178)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	5,217,314	-	(5,217,314)	-	-	-	-	-
Balance as of March 31, 2020	\$ 15,899,816	\$ 634	\$ 82,759,816	\$ 41,507,689	\$ 138,662,454	\$ (4,187,128)	\$ 52,718,697	\$ (828,712)	\$ (55,970)	\$ 326,477,296	\$ 2,071,136	\$ 328,548,432
Balance as of January 1, 2021	\$ 15,900,622	\$ 2,133	\$ 76,745,750	\$ 44,583,025	\$ 173,052,205	\$ (8,710,844)	\$ 70,646,473	\$ (329,573)	\$ (55,970)	\$ 371,833,821	\$ 3,250,630	\$ 375,084,451
Profit for the three months ended March 31, 2021	-	-	-	-	25,572,233	-	-	-	-	25,572,233	205,011	25,777,244
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	(324,960)	13,863,195	-	-	13,538,235	2,525	13,540,760
Total comprehensive income	-	-	-	-	25,572,233	(324,960)	13,863,195	-	-	39,110,468	207,536	39,318,004
Share-based payment transactions	2,132	(662)	68,607	-	-	-	-	-	-	70,077	1,471	71,548
Changes in associates and joint ventures accounted for using the equity method	-	-	10,836	-	-	-	-	-	-	10,836	-	10,836
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	-	-	530	-	-	-	-	-	-	530	(530)	-
Changes in ownership interests in subsidiaries	-	-	634,592	-	-	-	-	-	-	634,592	(634,592)	-
Issuance of restricted stock for employees	(248)	-	(16,326)	-	-	-	-	126,193	-	109,619	-	109,619
Changes in other capital surplus	-	-	(22,074)	-	-	-	-	-	-	(22,074)	-	(22,074)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	756,765	-	(756,765)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,617,596)	(1,617,596)
Balance as of March 31, 2021	\$ 15,902,506	\$ 1,471	\$ 77,421,915	\$ 44,583,025	\$ 199,381,203	\$ (9,035,804)	\$ 83,752,903	\$ (203,380)	\$ (55,970)	\$ 411,747,869	\$ 1,206,919	\$ 412,954,788

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

Description	Three Months Ended March 31	
	2021	2020
Cash flows from operating activities :		
Profit before tax from continuing operations	\$ 29,075,654	\$ 6,730,250
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	1,172,810	1,126,329
Amortization	1,258,551	976,885
Expected credit gains	(17,589)	(11,035)
Losses on financial assets and liabilities at fair value through profit or loss	353,191	210,808
Interest expenses	39,599	297,984
Interest income	(426,406)	(935,503)
Dividend income	(854,213)	(259,352)
Share-based payment expenses	114,774	269,561
Share of profit of associates and joint ventures accounted for using the equity method	879,856	55,179
Losses on disposal of property, plant and equipment	1,562	200
Property, plant and equipment transferred to expenses	-	370
(Gains) losses on disposal of intangible assets	(4)	27
Gains on disposal of investments	(8,429,982)	-
Gains on disposal of investments accounted for using the equity method	(37,368)	-
Others	(1,020)	(1,060)
Changes in operating assets and liabilities:		
Financial assets mandatorily measured at fair value through profit or loss	1,244,268	560,382
Notes receivables	41,830	1,205
Trade receivables	(13,786,783)	1,502,411
Trade receivables from related parties	(45,344)	1,043
Other receivables	(414,644)	1,176,923
Inventories	(20,379,399)	(5,056,822)
Prepayments	(63,712)	(168,790)
Other current assets	(286,508)	(72,810)
Contract liabilities	(4,696,528)	(609,348)
Trade payables	8,705,258	709,409
Trade payables to related parties	545,106	152,855
Other payables	(3,331,990)	(3,477,277)
Other payables to related parties	91,027	(10,373)
Other current liabilities	7,048,199	(1,318,656)
Net defined benefit liabilities	(2,799)	(6,237)
Non-current liabilities-others	82,026	30,017
Cash (used in) generated from operating activities:	(2,120,578)	1,874,575
Interest received	361,612	268,494
Dividend received	274,512	248,108
Interest paid	(38,807)	(322,095)
Income tax refund (paid)	73,422	(138,198)
Net cash (used in) provided by operating activities	(1,449,839)	1,930,884
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	(460,292)	(1,400,535)
Proceeds from disposal of financial assets at fair value through other comprehensive income	939,052	6,116,942
Proceeds from capital return of financial assets at fair value through other comprehensive income	37,092	41,110
Acquisition of financial assets measured at amortized cost	(1,995,702)	(1,441,955)
Proceeds from redemption of financial assets measured at amortized cost	5,547	-
Acquisition of investments accounted for using the equity method	(872,937)	(1,210,160)
Proceeds from disposal of investments accounted for using the equity method	217,072	-
Proceeds from capital return of investments accounted for using the equity method	74,259	-
Disposal of subsidiary	(841,288)	-
Acquisition of property, plant and equipment	(1,696,245)	(900,336)
Proceeds from disposal of property, plant and equipment	471	-
Increase in refundable deposits	(27,105)	(82,360)
Acquisition of intangible assets	(2,037,966)	(560,295)
Net cash (used in) provided by investing activities	(6,658,042)	562,411
Cash flows from financing activities :		
Increase (decrease) in short-term borrowings	5,745,031	(5,140,903)
Decrease in deposits received	(28,524)	(48,781)
Cash payment for the principal portion of the lease liabilities	(182,530)	(148,521)
Proceeds from exercise of employee stock options	44,319	18,014
Change in non-controlling interests	-	705,247
Net cash provided by (used in) financing activities	5,578,296	(4,614,944)
Effect of changes in exchange rate on cash and cash equivalents	46,405	(584,276)
Net decrease in cash and cash equivalents	(2,483,180)	(2,705,925)
Cash and cash equivalents at the beginning of the period	196,579,745	177,544,914
Cash and cash equivalents at the end of the period	\$ 194,096,565	\$ 174,838,989

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

Chairman : Ming-Kai Tsai

President : Lih-Shyng Tsai

Chief Financial Officer : David Ku

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

1. Organization and Operation

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

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

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on April 28, 2021.

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, 2021. The application of these new standards and amendments had no material effect on the Company.

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

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

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

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

(Continued)

IFRS 17	“Insurance Contracts”	January 1, 2023
IAS 1	“Classification of Liabilities as Current or Non-current” (Amendment)	January 1, 2023
IFRS 3, IAS 16 and IAS 37	“Business Combination”, “Property, Plant and Equipment” and “Provisions, Contingent Liabilities and Contingent Assets” (Amendment) and the Annual Improvements	January 1, 2022
IAS 1	“Disclosure Initiative - Accounting Policies” (Amendment)	January 1, 2023
IAS 8	“Definition of Accounting Estimates” (Amendment)	January 1, 2023
IFRS 16	“Covid-19-Related Rent Concessions” (Amendment)	April 1, 2021

- 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.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

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

4. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company for the three-month periods ended March 31, 2021 and 2020 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.

MEDIATEK INC. AND SUBSIDIARIES

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

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

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

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

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

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

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

If loses control of a subsidiary, it:

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

MEDIATEK INC. AND SUBSIDIARIES

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
MTK	Hsu-Ta Investment Corp.	General investing	100%	100%	100%	-
MTK	MediaTek Singapore Pte. Ltd.	Research, manufacturing and sales	100%	100%	100%	-
MTK	MediaTek Investment Singapore Pte. Ltd.	General investing	100%	100%	100%	-
MTK	MStar International Technology Inc.	Research	100%	100%	100%	-
MTK	HFI Innovation Inc.	Intellectual property right management	100%	100%	100%	-
MTK	MStar France SAS	Research	-	-	100%	1
MTK	MStar Co., Ltd.	General investing	100%	100%	100%	-
MTK	Digimoc Holdings Limited	General investing	100%	100%	100%	-
MTK	MShining International Corporation	Sales	-	-	100%	2
MTK	Spidcom Technologies	Intellectual property right management	100%	100%	100%	-
MTK	Hsu-Si Investment Corp.	General investing	100%	100%	-	3
MTK	Richtek Technology Corp.	Research, manufacturing and sales	100%	100%	-	4
Hsu-Ta Investment Corp.	Core Tech Resources Inc.	General investing	100%	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Capital Co.	General investing	100%	100%	100%	-
Hsu-Ta Investment Corp.	MediaTek Bangalore Private Limited	Research	0%	0%	0%	-

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
Hsu-Ta Investment Corp.	Hsu-Si Investment Corp.	General investing	-	-	100%	3
MediaTek Capital Co.	RollTech Technology Co., Ltd.	Research	-	-	-	5
MediaTek Capital Co.	Chingis Technology Corporation	Research	100%	100%	100%	-
MediaTek Capital Co.	MediaTek Research Corp.	Research	100%	100%	100%	-
MediaTek Capital Co.	InnoFusion Technology Corp.	Technical services	100%	100%	-	6
Core Tech Resources Inc.	MediaTek India Technology Pvt. Ltd.	Research	0%	0%	0%	-
Hsu-Si Investment Corp.	Richtek Technology Corp.	Research, manufacturing and sales	-	-	100%	4
Hsu-Si Investment Corp.	Airoha Technology Corp.	Research, manufacturing and sales	-	100%	100%	7,8
Hsu-Si Investment Corp.	Airoha Technology (Cayman) Inc.	General investing	67%	-	-	7,9
Hsu-Si Investment Corp.	Airoha (Cayman) Inc.	General investing	46%	46%	100%	-
Richtek Technology Corp.	Richstar Group Co., Ltd.	General investing	-	-	100%	10
Richtek Technology Corp.	Ironman Overseas Co., Ltd.	General investing	-	-	100%	11
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.	Richpower Microelectronics Corp.	General investing	-	-	100%	12
Richtek Technology Corp.	Li-Yu Investment Corp.	General investing	100%	100%	100%	-

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
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 and technical services	100%	100%	-	10
Richtek Technology Corp.	Richpower Microelectronics Co., Ltd.	Technical services	100%	100%	-	13
Richtek Technology Corp.	Li-We Technology Corp.	Technical services	100%	100%	-	11
Richtek Technology Corp.	Richtek IC Design Ireland Limited	Research	100%	100%	-	14
Richstar Group Co., Ltd.	Richtek USA Inc.	Sales and technical services	-	-	100%	10
Ironman Overseas Co., Ltd.	Cosmic-Ray Technology Limited	General investing	-	-	100%	11
Richtek Europe Holding B.V.	Richtek Europe B.V.	Marketing services	100%	100%	100%	-
Cosmic-Ray Technology Limited	Li-We Technology Corp.	Technical services	-	-	100%	11
Richpower Microelectronics Corp.	Richpower Microelectronics Corporation	Administrative services	-	-	100%	12
Richpower Microelectronics Corp.	Richpower Microelectronics Co., Ltd.	Technical services	-	-	100%	13
Li-Yu Investment Corp.	Corporate Event Limited	Technical services	-	-	-	15
Airoha (Cayman) Inc.	Airotek (Shenzhen) Inc.	Research and technical services	100%	100%	100%	-
Airoha (Cayman) Inc.	Airotek (Chengdu) Inc.	Research	100%	100%	100%	-

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
Airoha Technology Corp.	Airoha Technology (Samoa) Corp.	General investing	-	-	-	8,16
MediaTek India Technology Pvt. Ltd.	MStar Semiconductor India Private Limited	Research and technical services	-	-	100%	17
Gaintech Co. Limited	MediaTek China Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	MTK Wireless Limited (UK)	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek Japan Inc.	Technical services	100%	100%	100%	-
Gaintech Co. Limited	MediaTek India Technology Pvt. Ltd.	Research	100%	100%	100%	-
Gaintech Co. Limited	MediaTek Korea Inc.	Research	100%	100%	100%	-
Gaintech Co. Limited	Gold Rich International (Samoa) Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Smarthead Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Ralink Technology (Samoa) Corp.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Airoha Technology (Cayman) Inc	General investing	25%	76%	75%	9
Gaintech Co. Limited	MediaTek Wireless FZ-LLC	Technical services	100%	100%	100%	-
Gaintech Co. Limited	Hsu Chia (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Hsu Fa (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Hsu Kang (Samoa) Investment Ltd.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Nephos Pte. Ltd.	Research	100%	100%	100%	-
Gaintech Co. Limited	Nephos Cayman Co. Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Zelus Technology (HangZhou) Ltd.	Research and sales	91%	91%	90%	-
Gaintech Co. Limited	IStar Technology Ltd.	General investing	100%	100%	100%	-
Gaintech Co. Limited	MediaTek Research UK Limited	Research	-	-	100%	18

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
Gaintech Co. Limited	ILI Technology Holding Corporation	General investing	-	-	100%	19
Gaintech Co. Limited	Lepower (HK) Limited	General investing	100%	100%	100%	-
Gaintech Co. Limited	Sigmastar Technology Inc.	General investing	100%	100%	100%	-
Gaintech Co. Limited	Mountain Capital Fund, L.P.	General investing	90%	90%	90%	-
MediaTek China Limited	MediaTek (Hefei) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Beijing) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shenzhen) Inc.	Research and technical services	100%	100%	100%	-
MediaTek China Limited	MediaTek (Chengdu) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	MediaTek (Wuhan) Inc.	Research	100%	100%	100%	-
MediaTek China Limited	Xuxin Investment (Shanghai) Inc.	General investing	100%	100%	100%	-
MediaTek China Limited	MediaTek (Shanghai) Inc.	Research	100%	100%	100%	-
MTK Wireless Limited (UK)	MediaTek Sweden AB	Research	100%	100%	100%	-
MTK Wireless Limited (UK)	MediaTek USA Inc.	Research	100%	100%	100%	-
MTK Wireless Limited (UK)	MediaTek Wireless Finland Oy	Research	100%	100%	100%	-
MTK Wireless Limited (UK)	MStar Semiconductor UK Ltd.	Research and technical services	100%	100%	100%	-
MTK Wireless Limited (UK)	MStar France SAS	Research	100%	100%	-	1
Gold Rich International (Samoa) Limited	Gold Rich International (HK) Limited	General investing	100%	100%	100%	-

(To be continued)

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
Airoha Technology (Cayman) Inc.	Airoha Technology Corp.	Research, manufacturing and sales	100%	-	-	7-9
Airoha Technology (Cayman) Inc.	Shadow Investment Limited	General investing	100%	100%	100%	9
Airoha Technology (Cayman) Inc.	Airoha Technology (HK) Limited	General investing, research, manufacturing and sales	100%	100%	100%	9,20
Airoha Technology (Cayman) Inc.	MediaTek Research UK Limited	Research	100%	100%	-	9,18
Airoha Technology (HK) Limited	Airoha Technology (Suzhou) Limited	Research, manufacturing and sales	100%	100%	100%	21
Airoha Technology (Suzhou) Limited	EcoNet Limited	General investing and sales	100%	100%	100%	21
MediaTek Investment Singapore Pte. Ltd.	MediaTek Bangalore Private Limited	Research	100%	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	Gaintech Co. Limited	General investing	100%	100%	100%	-
MediaTek Investment Singapore Pte. Ltd.	Cloud Ranger Limited	General investing	100%	100%	100%	-
Sigmastar Technology Inc.	Xiamen Sigmastar Technology Inc.	Research, manufacturing and sales	-	50%	68%	22
Sigmastar Technology Inc.	InnoFusion Technology Corp.	Technical services	-	-	100%	6
Xiamen Sigmastar Technology Inc.	Shenzhen Sing Chen Technology Inc.	Research	-	100%	100%	22
Xiamen Sigmastar Technology Inc.	SigmaStar Technology Inc. (Shanghai)	Research	-	100%	100%	22
MStar Co., Ltd.	MStar Software R&D (Shenzhen), Ltd.	Technical services	100%	100%	100%	-
MStar Software R&D (Shenzhen), Ltd.	MStar Chen Xi Software Shanghai Ltd.	Technical services	-	-	100%	23

(To be continued)

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(Continued)

Investor	Subsidiary	Business nature	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
IStar Technology Ltd.	Beijing Ilitek Technology Co., Ltd.	Research and technical services	100%	100%	100%	-
IStar Technology Ltd.	ShenZhen ZhongChen Semiconductor Ltd.	Technical services	100%	100%	100%	-
ILI Technology Holding Corporation	ILI Technology Corporation	Research, manufacturing and sales	-	-	100%	19
ILI Technology Corporation	ILITEK Holding Inc.	General investing	-	-	100%	19
ILITEK Holding Inc.	ILI Technology (SZ) Ltd.	Technical services	-	-	100%	19
Nephos Cayman Co. Limited	Nephos (Hefei) Co., Ltd.	Research, manufacturing and sales	100%	100%	100%	-
Nephos (Hefei) Co., Ltd.	Nephos (Beijing) Co., Ltd.	Research	-	-	100%	24
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%	-
Lepower (HK) Limited	Shanghai Celeste Technology Co., Ltd.	Research, manufacturing and sales	-	-	100%	25

1. For the purpose of reorganization, the 100% ownership of MStar France SAS, which was previously owned by MediaTek Inc., was transferred to MTK Wireless Limited (UK) in November 2020.
2. For the purpose of reorganization, MShining International Corporation was dissolved due to merger with Hsu-Ta Investment Corp. in December 2020.
3. For the purpose of reorganization, the 100% ownership of Hsu-Si Investment Corp., which was previously owned by Hsu-Ta Investment Corp., was transferred to MediaTek Inc. in April 2020.
4. For the purpose of reorganization, the 100% ownership of Richtek Technology Corp., which was previously owned by Hsu-Si Investment Corp., was transferred to MediaTek Inc. in April 2020.
5. For the purpose of reorganization, RollTech Technology Co., Ltd. was dissolved due to merger with MediaTek Capital Co. in February 2020.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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6. For the purpose of reorganization, the 100% ownership of InnoFusion Technology Corp., which was previously owned by Sigmastar Technology Inc., was transferred to MediaTek Capital Co. in October 2020.
7. For the purpose of reorganization, the 100% ownership of Airoha Technology Corp., which was previously owned by Hsu-Si Investment Corp., was transferred to EcoNet (Cayman) Inc. on January 1, 2021. By this transfer, Hsu-Si Investment Corp. acquired the 67% ownership of EcoNet (Cayman) Inc.
8. Airoha Technology Corp. was renamed Airoha Technology Corp. in February 2021. (Only Chinese name was renamed.)
9. EcoNet (Cayman) Inc. was renamed Airoha Technology (Cayman) Inc. in January 2021.
10. For the purpose of reorganization, Richstar Group Co., Ltd. has been liquidated in July 2020. The 100% ownership of Richtek USA Inc., which was previously owned by Richstar Group Co., Ltd., was transferred to Richtek Technology Corp.
11. For the purpose of reorganization, Ironman Overseas Co., Ltd. and its subsidiary, which were previously owned by Ironman Overseas Co., Ltd., have been liquidated in November 2020. The 100% ownership of Li-We Technology Corporation, which was previously owned by Cosmic-Ray Technology Limited, was transferred to Richtek Technology Corp.
12. For the purpose of reorganization, Richpower Microelectronics Corp. and its subsidiary, which were previously owned by Richpower Microelectronics Corp., have been liquidated in November 2020.
13. For the purpose of reorganization, the 100% ownership of Richpower Microelectronics Co., Ltd., which was previously owned by Richpower Microelectronics Corp., was transferred to Richtek Technology Corp. in July 2020.
14. Richtek Technology Corp. established Richtek IC Design Ireland Limited in November 2020.
15. For the purpose of reorganization, Corporate Event Limited has been liquidated in March 2020.
16. For the purpose of reorganization, Airoha Technology (Samoa) Corp. has been liquidated in January 2020.
17. For the purpose of reorganization, MStar Semiconductor India Private Limited was dissolved due to merger with MediaTek India Technology Pvt. Ltd. in June 2020.
18. For the purpose of reorganization, the 100% ownership of MediaTek Research UK Limited, which was previously owned by Gaintech Co. Limited, was transferred to Airoha Technology (Cayman) Inc. in August 2020.
19. Gaintech Co. Limited has completed the transfer of shareholding rights of ILI Technology Holding Corporation by November 2020.
20. EcoNet (HK) Limited was renamed Airoha Technology (HK) Limited in February 2021.
21. EcoNet (Suzhou) Limited was renamed Airoha Technology (Suzhou) Limited in February 2021.
22. Xiamen Sigmastar Technology Inc. and its subsidiaries have been unconsolidated as the Company lost control over them in February 2021.

MEDIATEK INC. AND SUBSIDIARIES

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

23. For the purpose of reorganization, MStar Chen Xi Software Shanghai Ltd. has been liquidated in December 2020.
24. For the purpose of reorganization, Nephos (Beijing) Co., Ltd. has been liquidated in September 2020.
25. Lepower (HK) Limited established Shanghai Celeste Technology Co., Ltd. in February 2020. Moreover, Lepower (HK) Limited has been liquidated in September 2020.

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

Except for the accounting policies listed below, the same accounting policies have been followed in the consolidated financial statements for the three-month periods ended March 31, 2021 and 2020 as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2020. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2020.

- (1) Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.
- (2) Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The average annual effective income tax rate is estimated by current income tax expenses only. Deferred income tax is recognized and measured according to IAS 12 "Income Tax" and follows the same accounting policies of the Company's annual consolidated financial statements. When income tax rate changes occur in interim period, the effect on deferred income tax is recognized in profit or loss, other comprehensive income or equity at once.

5. Significant Accounting Judgments, Estimates and Assumptions

The same significant accounting judgments, estimates and assumptions have been followed in the consolidated financial statements for the three-month periods ended March 31, 2021 and 2020 as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2020. Please refer to the consolidated financial statements for the year ended December 31, 2020.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand and petty cash	\$ 1,585	\$ 1,921	\$ 1,900
Checking and savings accounts	25,631,751	29,618,766	21,171,321
Time deposits	168,463,229	166,732,673	153,563,611
Cash equivalents - repurchase agreements	-	131,422	101,730
Cash in transit	-	94,963	427
Total	\$ 194,096,565	\$ 196,579,745	\$ 174,838,989

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

Cash and cash equivalents were not pledged.

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
<u>Financial assets mandatorily measured at fair value through profit or loss</u>			
Funds	\$ 5,851,610	\$ 6,700,296	\$ 5,739,471
Linked deposits	1,559,337	1,682,717	657,771
Bonds	68,475	68,419	133,118
Capital	-	43,690	-
Stocks	-	-	20,925
Forward exchange contracts	41,700	9,585	44,344
Total	\$ 7,521,122	\$ 8,504,707	\$ 6,595,629
<u>Held for trading financial liabilities</u>			
Forward exchange contracts	\$ 15,510	\$ 10,329	\$ 18,862

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Noncurrent</u>			
<u>Financial assets mandatorily</u>			
<u>measured at fair value through</u>			
<u>profit or loss</u>			
Linked deposits	\$ 2,620,734	\$ 3,201,009	\$ 4,705,606
Bonds	19,972	295,165	343,101
Trust funds	997,639	919,093	558,795
Stocks	195,018	196,319	268,671
Total	<u>\$ 3,833,363</u>	<u>\$ 4,611,586</u>	<u>\$ 5,876,173</u>

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
<u>Debt instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Bonds	\$ 256,650	\$ 256,085	\$ 236,399
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	10,716,394	4,117,403	16,576,024
Unlisted company stocks	-	-	67,043
Subtotal	<u>10,716,394</u>	<u>4,117,403</u>	<u>16,643,067</u>
Total	<u>\$ 10,973,044</u>	<u>\$ 4,373,488</u>	<u>\$ 16,879,466</u>

MEDIATEK INC. AND SUBSIDIARIES

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Noncurrent</u>			
<u>Debt instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Bonds	\$ 443,851	\$ 1,348,726	\$ 1,586,720
<u>Equity instrument investments</u>			
<u>measured at fair value through</u>			
<u>other comprehensive income</u>			
Listed company stocks	11,605,221	22,373,009	33,508,265
Capital	16,977,606	17,263,503	12,518,424
Unlisted company stocks	5,886,630	5,547,578	6,228,338
Funds	3,427,155	3,340,082	2,905,116
Subtotal	37,896,612	48,524,172	55,160,143
Total	\$ 38,340,463	\$ 49,872,898	\$ 56,746,863

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

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

The Company has equity instrument investments measured at fair value through other comprehensive income. Details on dividends recognized for the three months ended March 31, 2021 and 2020 are as follows:

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Related to investments held at the end of the reporting period	\$ 854,213	\$ 259,352
Dividends recognized during the period	\$ 854,213	\$ 259,352

In consideration of disposition according to the Company's investment strategy, the Company derecognized certain equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of the investments for the three months ended March 31, 2021 and 2020 are as follows:

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	Three months ended March 31	
	2021	2020
The fair value of the investments at the date of derecognition	\$ 1,895	\$ 5,974,372
The cumulative (loss) gain on disposal	\$ (2,200)	\$ 5,799,233

(4) Financial assets measured at amortized cost

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Bonds	\$ 717,689	\$ 655,356	\$ 256,354
Time deposits (including the portion with maturity later than one year)	174,187	-	-
Subtotal	891,876	655,356	256,354
<u>Noncurrent</u>			
Bonds	10,993,133	9,616,892	3,298,006
Time deposits (including the portion with maturity later than one year)	2,354,474	1,997,644	690,782
Subtotal	13,347,607	11,614,536	3,988,788
Total	\$ 14,239,483	\$ 12,269,892	\$ 4,245,142

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

(5) Trade receivables and trade receivables from related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Trade receivables	\$ 46,348,822	\$ 33,131,968	\$ 25,450,689
Less: allowance for doubtful debts	(25,153)	(43,315)	(80,305)
Subtotal	46,323,669	33,088,653	25,370,384
Trade receivables from related parties	45,974	630	3,957
Less: allowance for doubtful debts	-	-	-
Subtotal	45,974	630	3,957
Total	\$ 46,369,643	\$ 33,089,283	\$ 25,374,341

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

Trade receivables are generally on 30 to 150 day terms. The total carrying amounts were NT\$46,394,796 thousand, NT\$33,132,598 thousand and NT\$25,454,646 thousand as of March 31, 2021, December 31, 2020, and March 31, 2020, respectively. Please refer to Note 6. (22) for more details on impairment of trade receivables for the three months ended March 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

Trade receivables classified as financial assets measured at fair value through profit or loss due to regular factoring without recourse were NT\$6,548,589 thousand, NT\$5,620,541 thousand and NT\$1,714,429 thousand as of March 31, 2021, December 31, 2020, and March 31, 2020, respectively.

(6) Other receivables

	March 31, 2021	December 31, 2020	March 31, 2020
Factoring receivables	\$ 2,859,075	\$ 3,662,267	\$ 2,391,151
Others	7,855,310	3,983,385	3,184,117
Total	<u>\$ 10,714,385</u>	<u>\$ 7,645,652</u>	<u>\$ 5,575,268</u>

The Company entered into several factoring agreements without recourse with financial institutions. According to those agreements, the Company does not take the risk of uncollectible trade receivables, but only the risk of loss due to commercial disputes. The Company did not provide any collateral, and the factoring agreements met the criteria of financial asset derecognition. The Company derecognized related trade receivables after deducting the estimated value of commercial disputes. Receivables from banks due to factoring agreement were NT\$2,859,075 thousand, NT\$3,662,267 thousand and NT\$2,391,151 thousand as of March 31, 2021, December 31, 2020, and March 31, 2020, respectively.

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As of March 31, 2021, December 31, 2020, and March 31, 2020, trade receivables derecognized were summarized (by transferee) as follows:

A. As of March 31, 2021:

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

B. As of December 31, 2020:

The Factor (Transferee)	Interest Rate (%)	Trade	Cash	Unutilized (US\$'000)	Credit line (US\$'000)
		receivables derecognized (US\$'000)	withdrawn (US\$'000)		
BNP Paribas	-	\$ 20,795	\$ -	\$ 20,795	\$ 155,000
Taishin					
International Bank	-	105,810	-	105,810	127,000
SMBC	-	-	-	-	14,000
CTBC	-	904	-	904	1,800
SinoPac	-	601	-	601	5,000
CHB	-	263	-	263	1,200
SKCB	-	92	-	92	2,500
ESB	-	-	-	-	15,000
Total		<u>\$ 128,465</u>	<u>\$ -</u>	<u>\$ 128,465</u>	<u>\$ 321,500</u>

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C. As of March 31, 2020:

The Factor (Transferee)	Interest Rate (%)	Trade		Unutilized (US\$'000)	Credit line (US\$'000)
		receivables derecognized (US\$'000)	Cash withdrawn (US\$'000)		
BNP Paribas	-	\$ 39,361	\$ -	\$ 39,361	\$ 155,000
Taishin					
International Bank	-	39,184	-	39,184	116,000
CTBC	-	391	-	391	1,675
CHB	-	100	-	100	1,200
ESB	-	-	-	-	15,000
SMBC	-	-	-	-	12,000
SKCB	-	-	-	-	2,500
SinoPac	-	-	-	-	3,000
Total		\$ 79,036	\$ -	\$ 79,036	\$ 306,375

(7) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 5,519,936	\$ 2,975,616	\$ 2,532,373
Work in progress	41,537,174	24,766,494	18,557,898
Finished goods	9,611,340	9,935,260	11,578,721
Net amount	\$ 56,668,450	\$ 37,677,370	\$ 32,668,992

The cost of inventories recognized in expenses amounted to NT\$59,512,598 thousand and NT\$34,625,872 thousand, including the reversal of write-down of inventories of NT\$255,765 thousand and NT\$317,855 thousand for the three months ended March 31, 2021 and 2020 because of circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed, respectively.

Inventories were not pledged.

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

(8) Prepayments

	March 31, 2021	December 31, 2020	March 31, 2020
Prepaid expenses	\$ 594,989	\$ 541,919	\$ 1,007,999
Input tax	356,033	229,322	314,319
Others	451,853	678,160	396,557
Total	<u>\$ 1,402,875</u>	<u>\$ 1,449,401</u>	<u>\$ 1,718,875</u>

(9) Investments accounted for using the equity method

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

Investees	March 31, 2021		December 31, 2020		March 31, 2020	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:						
Vanchip (Tianjin) Technology Co., Ltd.	\$ 234,559	30	\$ 1,086,946	30	\$ 1,210,160	40
FONTAINE CAPITAL FUND, L.P.	2,939,074	57	2,831,721	57	1,190,844	57
Xiamen Sigmastar Technology Inc.	6,793,341	34	-	-	-	-
Others	1,673,309	-	892,634	-	1,020,440	-
Subtotal	<u>11,640,283</u>		<u>4,811,301</u>		<u>3,421,444</u>	
Investments in jointly controlled entities:						
Yuan Ke (Pingtan) Investment Fund Limited Partnership	63,252,179	81	45,856,538	81	11,062,580	81
Total	<u>\$ 74,892,462</u>		<u>\$ 50,667,839</u>		<u>\$ 14,484,024</u>	

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Subsidiary Gaintech Co. Limited acquired the 40% ownership of Vanchip (Tianjin) Technology Co., Ltd (“Vanchip”) by cash in the amount of US\$40,000,000 in March 2020.

In October 2020, the Company disposed of a portion of Vanchip shares and its ownership was reduced to 30%. Since the Company does not have the ability to direct the relevant activities of Vanchip and therefore does not have control, the Company accounts for the Vanchip investment using the equity method.

Subsidiary Sigmastar Technology Inc. disposed of a portion of Xiamen Sigmastar Technology Inc. shares in February 2021, and its ownership was reduced to 34%. Since the Company does not have the ability to direct the relevant activities of Xiamen Sigmastar Technology Inc. and therefore does not have control, the Company accounts for the Xiamen Sigmastar Technology Inc. investment using the equity method.

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

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

A. Investments in associates

	Three months ended March 31	
	2021	2020
Profit (loss) from continuing operations	\$ (945,596)	\$ (9,016)
Other comprehensive income (post-tax)	(1,051)	(2,209)
Total comprehensive income	<u>\$ (946,647)</u>	<u>\$ (11,225)</u>

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

B. Investments in jointly controlled entities

	Three months ended March 31	
	2021	2020
Profit (loss) from continuing operations	\$ 25,308	\$ (18)
Other comprehensive income (post-tax)	-	-
Total comprehensive income	<u>\$ 25,308</u>	<u>\$ (18)</u>

The associates and jointly controlled entities had no contingent liabilities or capital commitments and investments in associates and jointly controlled entities were not pledged as of March 31, 2021, December 31, 2020, and March 31, 2020.

(10)Property, plant and equipment

	March 31, 2021	December 31, 2020	March 31, 2020
Owner-occupied property, plant and equipment	<u>\$ 38,585,650</u>	<u>\$ 38,971,343</u>	<u>\$ 38,484,546</u>

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(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, 2021	\$ 5,479,386	\$ 29,536,371	\$ 1,189,789	\$ 8,680,284	\$ 12,631,796	\$ 1,627,882	\$ 1,185,926	\$ 60,331,434
Additions-acquired separately	-	27,300	68,525	151,294	367,774	620,113	879,342	2,114,348
Disposals	-	(520)	(1,071)	(226,136)	(20,393)	(490,916)	318	(738,718)
Transfers	-	(791,179)	21,394	1,344	2,503	(1,344)	(24,486)	(791,768)
Exchange differences	-	(44,463)	(285)	(8,185)	(21,218)	(8,809)	(3,637)	(86,597)
Others	-	-	(120,193)	(1,645)	-	(64,941)	(89,909)	(276,688)
As of March 31, 2021	<u>\$ 5,479,386</u>	<u>\$ 28,727,509</u>	<u>\$ 1,158,159</u>	<u>\$ 8,596,956</u>	<u>\$ 12,960,462</u>	<u>\$ 1,681,985</u>	<u>\$ 1,947,554</u>	<u>\$ 60,552,011</u>
As of January 1, 2020	\$ 5,600,152	\$ 29,837,633	\$ 1,270,287	\$ 7,623,697	\$ 10,593,637	\$ 1,693,986	\$ 623,585	\$ 57,242,977
Additions-acquired separately	-	11,934	38,679	132,009	235,887	73,824	298,087	790,420
Disposals	-	-	(1,316)	(10,266)	(14,306)	(48,159)	-	(74,047)
Transfers	-	87,053	125	-	99,572	871	(225,941)	(38,320)
Exchange differences	-	(162,084)	(764)	(36,826)	(39,819)	(21,330)	(4,596)	(265,419)
As of March 31, 2020	<u>\$ 5,600,152</u>	<u>\$ 29,774,536</u>	<u>\$ 1,307,011</u>	<u>\$ 7,708,614</u>	<u>\$ 10,874,971</u>	<u>\$ 1,699,192</u>	<u>\$ 691,135</u>	<u>\$ 57,655,611</u>

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(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, 2021	\$ -	\$ 5,704,895	\$ 678,283	\$ 6,064,960	\$ 7,863,842	\$ 1,048,111	\$ -	\$ 21,360,091
Depreciation	-	221,891	42,752	270,390	385,276	102,030	-	1,022,339
Disposals	-	(10)	-	(224,823)	(19,674)	(1,391)	-	(245,898)
Transfers	-	(92,877)	-	173	42	(173)	-	(92,835)
Exchange differences	-	(5,878)	(362)	(6,586)	(13,202)	(3,697)	-	(29,725)
Others	-	-	(23,444)	(251)	-	(23,916)	-	(47,611)
As of March 31, 2021	\$ -	\$ 5,828,021	\$ 697,229	\$ 6,103,863	\$ 8,216,284	\$ 1,120,964	\$ -	\$ 21,966,361
As of January 1, 2020	\$ -	\$ 4,986,476	\$ 639,192	\$ 5,252,552	\$ 6,551,451	\$ 923,366	\$ -	\$ 18,353,037
Depreciation	-	228,720	45,388	260,986	345,571	108,170	-	988,835
Disposals	-	-	(1,316)	(9,903)	(14,196)	(48,062)	-	(73,477)
Transfers	-	(4,844)	112	-	(127)	720	-	(4,139)
Exchange differences	-	(17,647)	(632)	(29,093)	(30,347)	(15,472)	-	(93,191)
As of March 31, 2020	\$ -	\$ 5,192,705	\$ 682,744	\$ 5,474,542	\$ 6,852,352	\$ 968,722	\$ -	\$ 19,171,065
Net carrying amount as of:								
March 31, 2021	\$ 5,479,386	\$ 22,899,488	\$ 460,930	\$ 2,493,093	\$ 4,744,178	\$ 561,021	\$ 1,947,554	\$ 38,585,650
December 31, 2020	\$ 5,479,386	\$ 23,831,476	\$ 511,506	\$ 2,615,324	\$ 4,767,954	\$ 579,771	\$ 1,185,926	\$ 38,971,343
March 31, 2020	\$ 5,600,152	\$ 24,581,831	\$ 624,267	\$ 2,234,072	\$ 4,022,619	\$ 730,470	\$ 691,135	\$ 38,484,546

Please refer to Note 8 for more details on property, plant and equipment under pledge.

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(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, 2021	\$ 176,884	\$ 965,049	\$ 83,303	\$ 1,225,236
Transfers	-	794,127	716	794,843
Exchange differences	-	(2,288)	(24)	(2,312)
As of March 31, 2021	<u>\$ 176,884</u>	<u>\$ 1,756,888</u>	<u>\$ 83,995</u>	<u>\$ 2,017,767</u>
As of January 1, 2020	\$ 201,536	\$ 802,035	\$ 67,992	\$ 1,071,563
Transfers	-	35,014	11,717	46,731
Exchange differences	-	(6,664)	(85)	(6,749)
As of March 31, 2020	<u>\$ 201,536</u>	<u>\$ 830,385</u>	<u>\$ 79,624</u>	<u>\$ 1,111,545</u>
Depreciation and impairment:				
As of January 1, 2021	\$ -	\$ 207,653	\$ 5,627	\$ 213,280
Depreciation	-	6,924	713	7,637
Transfers	-	92,877	50	92,927
Exchange differences	-	(576)	(5)	(581)
As of March 31, 2021	<u>\$ -</u>	<u>\$ 306,878</u>	<u>\$ 6,385</u>	<u>\$ 313,263</u>
As of January 1, 2020	\$ -	\$ 112,853	\$ 2,260	\$ 115,113
Depreciation	-	5,420	607	6,027
Transfers	-	4,845	475	5,320
Exchange differences	-	(1,015)	(14)	(1,029)
As of March 31, 2020	<u>\$ -</u>	<u>\$ 122,103</u>	<u>\$ 3,328</u>	<u>\$ 125,431</u>
Net carrying amount as of:				
March 31, 2021	<u>\$ 176,884</u>	<u>\$ 1,450,010</u>	<u>\$ 77,610</u>	<u>\$ 1,704,504</u>
December 31, 2020	<u>\$ 176,884</u>	<u>\$ 757,396</u>	<u>\$ 77,676</u>	<u>\$ 1,011,956</u>
March 31, 2020	<u>\$ 201,536</u>	<u>\$ 708,282</u>	<u>\$ 76,296</u>	<u>\$ 986,114</u>

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	Three months ended March 31	
	2021	2020
Rental income from investment properties	\$ 34,314	\$ 26,868
Less:		
Direct operating expenses from investment properties generating rental income	(7,637)	(6,027)
Total	<u>\$ 26,677</u>	<u>\$ 20,841</u>

Investment properties were not pledged.

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

Based on comparative approach:	March 31, 2021	December 31, 2020	March 31, 2020
Fair value	<u>\$ 1,750,545</u>	<u>\$ 1,630,919</u>	<u>\$ 1,419,823</u>
Based on comparative approach and income approach:	March 31, 2021	December 31, 2020	March 31, 2020
Fair value	<u>\$ 201,599</u>	<u>\$ 201,599</u>	<u>\$ 263,382</u>
Income capitalization rate	<u>1.19%-3.04%</u>	<u>1.19%-3.04%</u>	<u>1.10%-3.44%</u>

The fair values of investment properties were NT\$1,832,518 thousand and NT\$1,649,821 thousand as of December 31, 2019 and 2018, respectively. The Company's management assessed that the fair value of its investment properties did not change significantly in the three months ended March 31, 2021 and 2020.

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

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(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, 2021	\$ 772,487	\$ 777,061	\$ 5,114,146	\$ 20,909,970	\$ 65,357,866	\$ 92,931,530
Additions-acquired separately	-	45,699	-	642,078	-	687,777
Disposals	-	(6,953)	-	(13,282)	-	(20,235)
Transfers	-	(2,317)	-	-	-	(2,317)
Exchange differences	-	(244)	-	3,315	341	3,412
Others	-	(25,622)	-	(191,780)	-	(217,402)
As of March 31, 2021	<u>\$ 772,487</u>	<u>\$ 787,624</u>	<u>\$ 5,114,146</u>	<u>\$ 21,350,301</u>	<u>\$ 65,358,207</u>	<u>\$ 93,382,765</u>
As of January 1, 2020	\$ 772,487	\$ 730,453	\$ 5,114,146	\$ 14,554,714	\$ 65,450,277	\$ 86,622,077
Additions-acquired separately	-	43,837	-	4,195,676	-	4,239,513
Disposals	-	(14,969)	-	(3,318,245)	-	(3,333,214)
Transfers	-	(51,561)	-	55,092	-	3,531
Exchange differences	-	(1,241)	-	9,867	2,388	11,014
As of March 31, 2020	<u>\$ 772,487</u>	<u>\$ 706,519</u>	<u>\$ 5,114,146</u>	<u>\$ 15,497,104</u>	<u>\$ 65,452,665</u>	<u>\$ 87,542,921</u>

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(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, 2021	\$ 670,331	\$ 425,628	\$ 4,015,066	\$ 11,548,838	\$ -	\$ 16,659,863
Amortization	11,879	54,792	87,417	1,104,463	-	1,258,551
Disposals	-	(6,957)	-	(13,282)	-	(20,239)
Exchange differences	-	(28)	-	2,453	-	2,425
Others	-	(10,714)	-	(78,763)	-	(89,477)
As of March 31, 2021	<u>\$ 682,210</u>	<u>\$ 462,721</u>	<u>\$ 4,102,483</u>	<u>\$ 12,563,709</u>	<u>\$ -</u>	<u>\$ 17,811,123</u>
As of January 1, 2020	\$ 617,393	\$ 357,740	\$ 3,361,452	\$ 11,368,390	\$ -	\$ 15,704,975
Amortization	17,302	55,296	160,014	744,273	-	976,885
Disposals	-	(14,969)	-	(3,318,218)	-	(3,333,187)
Transfers	-	(12,865)	-	12,384	-	(481)
Exchange differences	-	8	-	9,100	-	9,108
As of March 31, 2020	<u>\$ 634,695</u>	<u>\$ 385,210</u>	<u>\$ 3,521,466</u>	<u>\$ 8,815,929</u>	<u>\$ -</u>	<u>\$ 13,357,300</u>
Net carrying amount as of:						
March 31, 2021	<u>\$ 90,277</u>	<u>\$ 324,903</u>	<u>\$ 1,011,663</u>	<u>\$ 8,786,592</u>	<u>\$ 65,358,207</u>	<u>\$ 75,571,642</u>
December 31, 2020	<u>\$ 102,156</u>	<u>\$ 351,433</u>	<u>\$ 1,099,080</u>	<u>\$ 9,361,132</u>	<u>\$ 65,357,866</u>	<u>\$ 76,271,667</u>
March 31, 2020	<u>\$ 137,792</u>	<u>\$ 321,309</u>	<u>\$ 1,592,680</u>	<u>\$ 6,681,175</u>	<u>\$ 65,452,665</u>	<u>\$ 74,185,621</u>

MEDIATEK INC. AND SUBSIDIARIES

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

(13) Impairment testing of goodwill

The Company has no intangible assets with indefinite lives. Goodwill acquired through business combination has been allocated to a cash-generating unit which is expected to benefit from synergies of the business combination and has been assessed for impairment of the recoverable amount of goodwill at the end of each year. The recoverable amount has been determined based on the value-in-use calculated using cash flow projections discounted by the pre-tax discount rate from a five-year period financial budget. The projected cash flows reflect the change in demand for products and services. The Company had assessed for impairment of the recoverable amount of goodwill on December 31, 2020. The Company did not identify any impairment of goodwill for the year ended December 31, 2020.

(14) Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	\$ 27,220,091	\$ 21,470,853	\$ 52,138,693
Interest rates	0%-1.69%	0%-1.69%	1.17%-2.75%

(15) Other payables

	March 31, 2021	December 31, 2020	March 31, 2020
Accrued salaries and bonuses	\$ 21,573,770	\$ 25,575,298	\$ 14,120,187
Accrued royalties	2,432,427	1,857,314	2,967,219
Others	11,393,265	11,560,227	6,866,618
Total	\$ 35,399,462	\$ 38,992,839	\$ 23,954,024

(16) Other current liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Refund liabilities	\$ 34,383,064	\$ 27,645,013	\$ 16,259,175
Others	756,674	718,056	458,793
Total	\$ 35,139,738	\$ 28,363,069	\$ 16,717,968

(17) Long-term borrowings

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

None

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Details of long-term loans as of December 31, 2020 are as follows:

None

Details of long-term loans as of March 31, 2020 are as follows:

Lenders	March 31, 2020	Interest Rate (%)	Maturity date and terms of repayment
Secured long-term loan from Shin Kong Bank	\$ 202,675	1.40%	Effective from October 30, 2017, principal is repaid in 16 semi-annual payments with monthly interest payments.
Less: current portion	<u>(36,850)</u>		
Noncurrent portion	<u>\$ 165,825</u>		

Please refer to Note 8 for more details on assets pledged for long-term loans.

(18) Post-employment benefits plans

Defined contribution plan

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

Pension expenses under the defined contribution plan for the three months ended March 31, 2021 and 2020 were NT\$515,043 thousand and NT\$427,004 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.

MEDIATEK INC. AND SUBSIDIARIES

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

Pension expenses under the defined benefits plan for the three months ended March 31, 2021 and 2020 were NT\$3,442 thousand and NT\$3,702 thousand, respectively.

(19) Equity

A. Share capital

MTK's authorized capital as of March 31, 2021, December 31, 2020, and March 31, 2020 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\$15,902,506 thousand, NT\$15,900,622 thousand, and NT\$15,899,816 thousand, divided into 1,590,250,608 shares, 1,590,062,183 shares, and 1,589,981,632 shares as of March 31, 2021, December 31, 2020, and March 31, 2020, respectively. Each share has one voting right and a right to receive dividends.

On June 15, 2018, the general shareholders' meeting approved to issue restricted stocks for employees. As of March 31, 2021, 16,666,214 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 24,840 shares and 43,690 shares of issued restricted stocks for employees during the three months ended March 31, 2021 and 2020, respectively. Relevant regulators' approvals have been obtained and related registration processes have been completed.

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

MTK issued 63,410 new shares for the three months ended March 31, 2020, at par value of NT\$10 for exercising employee stock options. The aforementioned newly issued shares (NT\$634 thousand in the amount) were not yet registered and therefore were classified as capital collected in advance as of March 31, 2020.

MEDIATEK INC. AND SUBSIDIARIES

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

B. Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
Additional paid-in capital	\$ 69,660,260	\$ 69,595,338	\$ 76,761,309
Treasury share transactions	1,759,683	1,759,683	1,677,838
The difference between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	1,002,874	1,002,344	992
Changes in ownership interests in subsidiaries	2,994,174	2,359,582	1,538,262
Donated assets	1,261	1,261	1,261
From share of changes in net assets of associates	10,836	-	9,810
Employee stock options	358,371	354,686	355,182
Restricted stocks for employees	1,304,584	1,320,910	2,110,758
Others	329,872	351,946	304,404
Total	<u>\$ 77,421,915</u>	<u>\$ 76,745,750</u>	<u>\$ 82,759,816</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

On March 20, 2020, Board of Directors of MTK resolved to purchase and retire the treasury shares. During the period from May 14, 2020 to May 15, 2020, MTK purchased 130,000 common shares in the amount of NT\$53,600 thousand on the centralized securities exchange market. Those shares have all been cancelled. Relevant regulators' approvals have been obtained and related registration processes have been completed.

MEDIATEK INC. AND SUBSIDIARIES

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

As of March 31, 2021, December 31, 2020, and March 31, 2020, 7,794,085 shares of MTK's common shares amounting to NT\$55,970 thousand were held by the subsidiary, MediaTek Capital Co. These shares held by MediaTek Capital Co. were acquired for the purpose of financing before the amendment of the Company Act on November 12, 2001.

As of March 31, 2021, December 31, 2020, and March 31, 2020, MTK did not hold any other treasury shares.

D. Retained earnings and dividend policy

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

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

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The appropriations of earnings for 2020 were resolved by the Board of Directors' meeting on April 28, 2021, subject to the resolution of general shareholders' meeting which will be held on June 10, 2021. The appropriations of earnings for 2019 were resolved by the general shareholders' meeting on June 11, 2020. The details of the distribution are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 5,634,195	\$ 3,075,336	-	-
Cash dividends-common stock	33,398,284	7,944,252	\$ 21.00	\$ 5.00
Total	<u>\$ 39,032,479</u>	<u>\$ 11,019,588</u>		

In addition, the Board of Directors' meeting on April 28, 2021 and the general shareholders' meeting on June 11, 2020 resolved to distribute the additional paid-in capital by cash in the amount of NT\$ 25,446,312 thousand and NT\$ 8,738,677 thousand, or NT\$16 per share and NT\$5.5 per share, respectively.

E. Non-controlling interests

	Three months ended March 31	
	2021	2020
Beginning balance	\$ 3,250,630	\$ 1,649,194
Gains attributable to non-controlling interests	205,011	89,178
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	2,525	(26,154)
Share-based payment transactions	1,471	18,328
Changes in ownership interests in subsidiaries	(634,592)	340,590
Acquisition of additional interest in a subsidiary	(530)	-
Loss of control of subsidiaries	(1,617,596)	-
Ending balance	<u>\$ 1,206,919</u>	<u>\$ 2,071,136</u>

(20) Share-based payment plans

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Share-based payment plans in MTK

In May 2010, August 2011, August 2012 and August 2013, MTK was authorized by the FSC, Executive Yuan, to issue employee stock options of 3,500,000 units, each unit eligible to subscribe for one common share. The options may be granted to qualified employees of MTK or any of its domestic or foreign subsidiaries, in which MTK's shareholding with voting rights, directly or indirectly, is more than fifty percent. The options are valid for ten years and exercisable at certain percentage subsequent to the second anniversary of the 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 plan as of March 31, 2021 is as follows:

Date of grant	Total number of options granted	Total number of options outstanding	Shares available for option holders	Exercise price (NT\$) (Note)
2010.08.27	1,605,757	-	-	397.8
2010.11.04	65,839	-	-	370.5
2011.08.24	2,109,871	161,930	161,930	272.6
2012.08.14	1,346,795	229,135	229,135	281.9
2013.08.22	1,436,343	340,339	340,339	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:

	<u>Employee Stock Option</u>
Expected dividend yield (%)	2.43%-6.57%
Expected volatility (%)	32.9%-42.99%
Risk free interest rate (%)	0.93%-1.65%
Expected life (Years)	6.5 years

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

MEDIATEK INC. AND SUBSIDIARIES

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

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

Employee Stock Option	Three months ended March 31			
	2021		2020	
	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)	Options (Unit)	Weighted-average Exercise Price per Share (NT\$)
Outstanding at beginning of period	879,147	\$ 316.8	2,721,463	\$ 329.0
Granted	-	-	-	-
Exercised (Note)	(147,053)	301.4	(63,410)	279.2
Forfeited (Expired)	(690)	368.0	(4,377)	368.0
Outstanding at end of period	<u>731,404</u>	319.9	<u>2,653,676</u>	330.0
Exercisable at end of period	<u>731,404</u>		<u>2,653,676</u>	
Weighted-average fair value of options granted during the period (in NT\$)	<u>\$ -</u>		<u>\$ -</u>	

Note: The weighted average share price at the date of exercise of those options was NT\$878.8 and NT\$401.3 for the three months ended March 31, 2021 and 2020, respectively.

The information on the outstanding share-based payment plan as of March 31, 2021 and 2020 is as follows:

Date of grant	Range of Exercise Price (NT\$)	March 31, 2021		March 31, 2020	
		Outstanding stock options	Outstanding stock options	Outstanding stock options	Outstanding stock options
		Weighted- average Expected Remaining	Weighted- average Exercise Price per Share (NT\$)	Weighted- average Expected Remaining	Weighted- average Exercise Price per Share (NT\$)
2010.05.10	\$ -	-	\$ -	-	\$ 397.4
2011.08.09	272.6	-	272.6	-	272.6
2012.08.09	281.9	-	281.9	-	281.9
2013.08.09	368.0	-	368.0	-	368.0

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Restricted stocks plan for employees of MTK

On June 15, 2018, the shareholders' meeting approved to issue gratuitous restricted stocks for employees, at a total of 19,200,000 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. The issuance process was granted effective registration by the securities authority.

MTK issued 12,259,550, 2,205,888, 17,818 and 2,182,958 gratuitous restricted stocks on September 6, 2018, February 27, 2019, April 12, 2019, and July 15, 2019, respectively. The issuance process was granted effective registration by the securities authority.

The fair value of the restricted stocks issued was NT\$255, NT\$280, NT\$293.5 and NT\$314.5 per share, respectively. The estimated compensation expenses amounted to NT\$3,670,939 thousand in total based on the vesting conditions and will be recognized during the vesting period. As of March 31, 2021, MTK had recognized NT\$3,467,559 thousand as compensation expense and NT\$203,380 thousand as unearned employee compensation, which were recorded under salary expense and other equity, respectively.

Restrictions on the rights and vesting conditions of restricted stocks for employees of 2018 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 during the vesting period, are eligible to receive the vested shares. The maximum portions of the vesting shares of each year are 34%, 33%, 33%, for the years ended 2019, 2020, 2021, respectively. The actual portions of the vesting shares shall be determined by achievement of both personal performance and the Company's operation objectives.
- C. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.
- D. During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting right, etc., and other rights of restricted stock plan for employees, including but not limited to, dividends, bonuses, the distribution rights of legal reserve and capital surplus, the right to subscription of new shares, etc., are the same as the common shares issued by MTK.

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

Share-based payment plans of Subsidiaries

On May 21, 2018, Board of Directors of Airoha (Cayman) Inc. resolved to issue 4,868,732 common shares for the exercise of employee stock options of Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc. and restricted stocks plan for employees of Airoha Technology Corp. On December 16, 2020, Board of Directors resolved to issued 1,122,793 common shares for the exercise of employee stock allotment of Airoha Technology Corporation, Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc.

Each unit of employee stock options is eligible to subscribe for one common share of Airoha (Cayman) Inc. The options may be granted to qualified employees of Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc. with exercise price of US\$3.48 per share. Total outstanding stock options of Airoha (Cayman) Inc. were 325,100 units and 319,200 units as of December 31, 2020 and 2019, respectively. During the three months period ended March 31, 2021, totally 0 unit was granted and 0 unit expired. During the three months period ended March 31, 2020, totally 33,000 units were granted and 10,500 units expired. Total outstanding stock options of Airoha (Cayman) Inc. were 325,100 units and 341,700 units as of March 31, 2021 and 2020, respectively.

On June 19, 2019, Board of Directors of ILI Technology Holding Corporation resolved to issue 47,463,000 common shares for the exercise of employee stock options of ILI Technology (SZ) Ltd. and restricted stocks plan for employees of ILI Technology Corporation.

Each unit of employee stock options is eligible to subscribe for one common share of ILI Technology Holding Corporation. The options may be granted to qualified employees of ILI Technology (SZ) Ltd. with subscription price of NT\$10 per share.

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

	<u>Compensatory Stock Option Plan</u>
Expected dividend yield (%)	0.00%
Expected volatility (%)	38.13%
Risk free interest rate (%)	0.68%
Expected life (Years)	4.08-4.13 years

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

On May 8, 2019 and March 5, 2018, the Board of Directors of Xiamen Sigmastar Technology Inc. resolved to issue share capital for employees with consideration in a total number of 3,269,004 units and 13,974,405 units, respectively.

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

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

Total units of restricted stocks issued by subsidiaries were 13,546,795 units (including 4,619,500 units without restrictions) and the total fair value amounted to NT\$136,239 thousand and CNY\$40,096 thousand for the year ended December 31, 2018. The grant dates were from March 2018 to December 2018 and the lock-up periods were 3 to 4 years after the grant dates or continuous services for four years after the date of employment. Total outstanding units were 0 unit and 12,188,886 units (including 4,619,500 units without restrictions) as of March 31, 2021 and 2020, respectively.

Total units of restricted stocks issued by subsidiaries were 52,101,809 units (including 1,528,102 units without restrictions) and the total fair value amounted to NT\$534,455 thousand and CNY\$44,791 thousand for the year ended December 31, 2019. The grant dates were from January 2019 to December 2019 and the lock-up periods were 3 to 4 years after the grant dates or continuous services for four years after the date of employment. Total outstanding units were 0 unit and 7,174,409 units (including 1,528,102 units without restrictions) as of March 31, 2021 and 2020, respectively.

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Total units of restricted stocks issued by subsidiaries were 1,675,142 units and the total fair value amounted to NT\$125,837 thousand and CNY\$5,391 thousand for the year ended December 31, 2020. The grant dates were from January 2020 to December 2020 and the lock-up periods were 3 to 4 years after the grant dates or continuous services for four years after the date of employment. Total outstanding units were 0 unit and 1,274,036 units as of March 31, 2021 and 2020, respectively.

Total units of restricted stocks issued by subsidiaries were 814,217 units and the total fair value amounted to US\$6,880 thousand for the three months ended March 31, 2021. The grant dates were from March 2021 and the lock-up periods were 4 years after the grant dates. The procedures for payment and issuance of new shares have not been completed as of March 31, 2021.

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

	<u>Restricted stocks plan for employee</u>
Expected dividend yield (%)	0.00%
Expected volatility (%)	32.87%-47.65%
Risk free interest rate (%)	0.04%-0.51%
Expected life (Years)	0.02-0.81 years

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

New common shares of Airoha (Cayman) Inc. would be issued for respective stocks allotment plans with gratuitous issue price. The rights of the new stocks and the common shares is the same. The options may be granted to qualified employees of Airotek (Shenzhen) Inc. and Airotek (Chengdu) Inc.

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For the year ended December 31, 2020, total units of the stocks issued by subsidiaries were 1,082,454 units and the total fair value was NT\$107,212 thousand which was estimated using the asset method.

Share-based compensation expenses recognized for employee services received for the three months ended March 31, 2021 and 2020 are shown in the following table:

	Three months ended	
	March 31	
	2021	2020
Employee stock options	\$ 714	\$ 1,159
Restricted stocks for employees	114,060	268,402
Total	\$ 114,774	\$ 269,561

The Company did not modify or cancel any share-based payment plans for the three months ended March 31, 2021 and 2020.

(21) Sales

Analysis of revenue from contracts with customers for the three months ended March 31, 2021 and 2020 is as follows:

A. Disaggregation of revenue

	Three months ended March 31	
	2021	2020
Sale of goods	\$ 107,001,135	\$ 59,597,380
Services and other operating revenues	1,031,847	1,265,595
Total	\$ 108,032,982	\$ 60,862,975
Revenue recognition point:		
At a point in time	\$ 107,349,706	\$ 60,067,423
Satisfies the performance obligation over time	683,276	795,552
Total	\$ 108,032,982	\$ 60,862,975

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B. Contract balances

Contract liabilities – current

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Sale of goods	\$ 6,552,853	\$ 11,560,361	\$ 1,816,994	\$ 2,368,770
Services and other operating revenues	376,270	132,556	267,188	324,760
Total	<u>\$ 6,929,123</u>	<u>\$ 11,692,917</u>	<u>\$ 2,084,182</u>	<u>\$ 2,693,530</u>

The significant changes in the Company's balances of contract liabilities for the three months ended March 31, 2021 and 2020 are as follows:

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue recognized during the period that was included in the beginning balance	<u>\$ 10,383,411</u>	<u>\$ 1,658,754</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$ 5,736,968</u>	<u>\$ 1,038,067</u>

C. Transaction price allocated to unsatisfied performance obligations

As of March 31, 2021, and 2020, 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\$ 1,417,420 thousand and NT\$ 2,913,763 thousand. The Company recognizes revenues in accordance with the stage of completion of the contracts. Those contracts are expected to be completed within the next 1 to 2 years.

(22) Expected credit gains

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Operating expenses – Expected credit gains		
Trade receivables	<u>\$ 17,589</u>	<u>\$ 11,035</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

The Company measures the loss allowance of its receivables (including note receivables, trade receivables and trade receivables from related parties) and financing lease receivable, net at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at March 31, 2021, December 31, 2020, and March 31, 2020 is as follow:

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

2021.03.31

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

2020.12.31

	Neither past due (Note)	Past due				Total
		Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 31,994,934	\$ 600,113	\$ 389,804	\$ 42,960	\$ 104,157	\$ 33,131,968
Loss ratio	0%	0%	0%	0%-10%	20%-100%	
Lifetime expected credit losses	-	-	-	(4,001)	(39,314)	(43,315)
Carrying amount of trade receivables	\$ 31,994,934	\$ 600,113	\$ 389,804	\$ 38,959	\$ 64,843	\$ 33,088,653

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

2020.03.31

	Neither past due	Past due				Total
	(Note)	Within 30 days	31-60 days	61-90 days	After 90 days	
Gross carrying amount	\$ 24,426,195	\$ 554,824	\$ 359,354	\$ 1,554	\$ 108,762	\$ 25,450,689
Loss ratio	0%	0%	0%	0%-10%	20%-100%	
Lifetime expected credit losses	-	-	-	(88)	(80,217)	(80,305)
Carrying amount of trade receivables	\$ 24,426,195	\$ 554,824	\$ 359,354	\$ 1,466	\$ 28,545	\$ 25,370,384

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

The movements in the provision for impairment of receivables and financing lease receivable for the three months ended March 31, 2021 and 2020 are as follows:

	Note receivables	Trade receivables	Financing lease receivable
As of January 1, 2021	\$ -	\$ 43,315	\$ -
Reversal for the current period	-	(17,589)	-
Effect of changes in exchange rate	-	(573)	-
As of March 31, 2021	\$ -	\$ 25,153	\$ -
As of January 1, 2020	\$ -	\$ 91,274	\$ -
Reversal for the current period	-	(11,035)	-
Effect of changes in exchange rate	-	66	-
As of March 31, 2020	\$ -	\$ 80,305	\$ -

(23) Leases

A. The Company as lessee

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

MEDIATEK INC. AND SUBSIDIARIES

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

a. Right-of-use asset

	March 31, 2021	December 31, 2020	March 31, 2020
Land	\$ 1,677,249	\$ 1,773,010	\$ 1,736,358
Buildings and facilities	1,357,327	1,111,563	1,040,434
Machinery equipment	176,911	15,130	21,939
Transportation equipment	13,478	15,283	23,602
Office equipment	15,221	19,776	31,069
Total	<u>\$ 3,240,186</u>	<u>\$ 2,934,762</u>	<u>\$ 2,853,402</u>

During the three months ended March 31, 2021 and 2020, the additions to right-of-use assets of the Company amounted to NT\$ 541,122 thousand and NT\$ 118,625 thousand, respectively.

b. Lease liability

	March 31, 2021	December 31, 2020	March 31, 2020
Lease liability-current	\$ 534,877	\$ 483,089	\$ 491,866
Lease liability-noncurrent	2,657,047	2,362,280	2,333,131
Total	<u>\$ 3,191,924</u>	<u>\$ 2,845,369</u>	<u>\$ 2,824,997</u>

Please refer to Note 6. (28) for the interest on lease liability recognized during the three months ended March 31, 2021 and 2020 and refer to Note 12. (2) C. for the maturity analysis of lease liabilities as of March 31, 2021.

c. Depreciation charge for right-of-use assets

	Three months ended March 31	
	2021	2020
Land	\$ 11,727	\$ 12,064
Buildings and facilities	118,902	109,929
Machinery equipment	6,957	2,269
Transportation equipment	1,805	3,518
Office equipment	3,443	3,687
Total	<u>\$ 142,834</u>	<u>\$ 131,467</u>

MEDIATEK INC. AND SUBSIDIARIES

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

d. Income and costs relating to leasing activities

	Three months ended March 31	
	2021	2020
The expense relating to short-term leases	\$ 16,955	\$ 18,343
The expense relating to leases of low-value assets (not including the expense relating to short-term leases of low-value assets)	\$ 891	\$ 1,048
Income from subleasing right-of-use assets	\$ 3,764	\$ 2,721

e. Cash outflow relating to leasing activities

During the three months ended March 31, 2021 and 2020, the Company's total cash outflows for leases amounted to NT\$ 215,531 thousand and NT\$ 181,708 thousand, respectively.

B. The Company as a lessor

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

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

	Three months ended March 31	
	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$ 53,435	\$ 37,270
Lease income for finance leases		
Finance income on the net investment in the lease	706	-
Total	\$ 54,141	\$ 37,270

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The undiscounted lease payments to be received for the remaining years as at March 31, 2021, December 31, 2020, and March 31, 2020 are as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Not later than one year	\$ 9,944	\$ 2,092	\$ -
Later than one year and not later than two years	9,944	2,092	-
Later than two years and not later than three years	87,661	2,092	-
Later than three years and not later than four years	317,600	67,067	-
Later than four years and not later than five years	234,938	66,015	-
Total non-discounted lease payments	660,087	139,358	-
Less: unearned finance income of finance lease	(38,571)	(8,629)	-
Less: allowance for doubtful debts	-	-	-
Net investment in the finance lease (receivable of a finance lease)	<u>\$ 621,516</u>	<u>\$ 130,729</u>	<u>\$ -</u>
Current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-Current	<u>\$ 621,516</u>	<u>\$ 130,729</u>	<u>\$ -</u>

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

	Three months ended March 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Pension	\$ 11,810	\$ 506,675	\$ 518,485	\$ 11,458	\$ 419,248	\$ 430,706
Others	\$ 324,534	\$ 18,729,151	\$ 19,053,685	\$ 294,359	\$ 11,649,825	\$ 11,944,184
Depreciation	\$ 32,250	\$ 1,140,560	\$ 1,172,810	\$ 44,069	\$ 1,082,260	\$ 1,126,329
Amortization	\$ 127	\$ 1,258,424	\$ 1,258,551	\$ 2,625	\$ 974,260	\$ 976,885

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.

MEDIATEK INC. AND SUBSIDIARIES

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

MTK accrued employees' compensation and remuneration to directors based on a specific rate of profit of the three months ended March 31, 2021, and 2020. 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\$340,403 thousand and NT\$34,466 thousand for the three months ended March 31, 2021, respectively. The amounts of employees' compensation and remuneration to directors were NT\$77,931 thousand and NT\$7,891 thousand for the three months ended March 31, 2020, respectively. The employees' compensation and remuneration to directors were recognized as salary expense.

A resolution was approved in a meeting of the Board of Directors held on March 19, 2021 to distribute NT\$546,125 thousand and NT\$55,295 thousand in cash as employees' compensation and remuneration to directors, respectively. There were no differences between the aforementioned approved amounts and the amounts charged against earnings in 2020.

There was no material difference between the actual distribution amounts of employees' compensation and remuneration to directors in 2020 and the amounts charged against earnings in 2019.

(25) Interest income

	Three months ended	
	March 31	
	2021	2020
Financial assets measured at amortized cost	\$ 415,735	\$ 882,569
Financial assets at fair value through other comprehensive income	10,671	52,934
Total	\$ 426,406	\$ 935,503

MEDIATEK INC. AND SUBSIDIARIES

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

(26) Other income

	Three months ended	
	March 31	
	2021	2020
Dividend income	\$ 854,213	\$ 259,352
Rental income	53,435	37,270
Others	276,662	33,346
Total	<u>\$ 1,184,310</u>	<u>\$ 329,968</u>

(27) Other gains and losses

	Three months ended	
	March 31	
	2021	2020
Losses on disposal of property, plant and equipment	\$ (1,562)	\$ (200)
Gains (losses) on disposal of intangible assets	4	(27)
Gains on disposal of investments		
Debt instruments measured at fair value through other comprehensive income	9,777	-
Investments accounted for using the equity method	37,368	-
Subsidiary	8,420,205	-
Foreign exchange (losses) gains	(11,311)	2,976
(Losses) gains on financial assets at fair value through profit or loss	(242,624)	23,610
Losses on financial liabilities at fair value through profit or loss	(15,510)	(18,862)
Others	(9,852)	8,156
Total	<u>\$ 8,186,495</u>	<u>\$ 15,653</u>

(28) Finance costs

	Three months ended	
	March 31	
	2021	2020
Interest expenses on borrowings	\$ 24,444	\$ 284,188
Interest expenses on lease liabilities	15,155	13,796
Total	<u>\$ 39,599</u>	<u>\$ 297,984</u>

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(29) Components of other comprehensive income

For the three months ended March 31, 2021 :

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

MEDIATEK INC. AND SUBSIDIARIES

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

For the three months ended March 31, 2020 :

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of the defined benefit plan	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	8,581,234	-	8,581,234	(1,013,835)	7,567,399
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	78,151	-	78,151	-	78,151
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	165,216	-	165,216	-	165,216
Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income	(32,219)	-	(32,219)	-	(32,219)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(428,857)	-	(428,857)	-	(428,857)
Total	\$ 8,363,525	\$ -	\$ 8,363,525	\$ (1,013,835)	\$ 7,349,690

MEDIATEK INC. AND SUBSIDIARIES

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

Upon derecognition of the Company's debt instrument investments measured at fair value through other comprehensive income, the cumulative gain or loss of NT\$9,777 thousand and NT\$0 for the three months ended March 31, 2021 and 2020, respectively, which were recognized in other comprehensive income, were reclassified to profit.

(30) Income Tax

The major components of income tax expense are as follows:

	Three months ended March 31	
	2021	2020
Current income tax expense:		
Current income tax charge	\$ 3,004,317	\$ 605,874
Deferred tax expense (income):		
Deferred tax (income) expense relating to origination and reversal of temporary differences	(174,465)	340,024
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	28,717	8,654
Deferred tax income arising from write-down or reversal of write-down of deferred tax asset	393,186	(66,991)
Tax income expense (income) recognized in the periods for previously unrecognized tax credit or temporary difference of prior periods	-	369
Others	46,655	37,845
Income tax expense	<u>\$ 3,298,410</u>	<u>\$ 925,775</u>

Income tax recognized in other comprehensive income

	Three months ended March 31	
	2021	2020
Deferred tax expense:		
Unrealized gains from equity instrument investments measured at fair value through other comprehensive income	\$ (508,860)	\$ 1,013,835
Income tax relating to components of other comprehensive income	<u>\$ (508,860)</u>	<u>\$ 1,013,835</u>

MEDIATEK INC. AND SUBSIDIARIES

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

Income tax charged directly to equity

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Current income tax expense:		
Realized gains from equity instrument		
investments measured at fair value through		
other comprehensive income	\$ 5,498	\$ 581,919

The assessment of income tax returns

As of March 31, 2021, the assessments of the income tax returns of MTK and its material subsidiaries are as follows:

	<u>The assessment of income tax returns</u>
MTK	Assessed and approved up to 2018
Subsidiary- Hsu-Ta Investment Corp.	Assessed and approved up to 2019
Subsidiary- Hsu-Si Investment Corp.	Assessed and approved up to 2018
Subsidiary- Richtek Technology Corp.	Assessed and approved up to 2018
Subsidiary- Airoha Technology Corp.	Assessed and approved up to 2018

(31) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Three months ended March 31	
	2021	2020
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 25,572,233	\$ 5,715,297
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,577,282,725	1,571,419,258
Basic earnings per share (NT\$)	\$ 16.21	\$ 3.64
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$ 25,572,233	\$ 5,715,297
Weighted average number of ordinary shares outstanding for basic earnings per share (share)	1,577,282,725	1,571,419,258
Effect of dilution:		
Employees' compensation-stock (share)	868,724	1,242,771
Employee stock options (share)	529,464	388,133
Restricted stocks for employees (share)	16,380,252	8,315,425
Weighted average number of ordinary shares outstanding after dilution (share)	1,595,061,165	1,581,365,587
Diluted earnings per share (NT\$)	\$ 16.03	\$ 3.61

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

(32) Loss of control of subsidiary

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

MEDIATEK INC. AND SUBSIDIARIES

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

B.

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

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

C. On July 31, 2020, the Company's Board of Directors approved to sell the shares of ILI Technology Holding Corporation to Midus Investments Limited in the price of US\$138 million. The Company recognized the gain from disposal of subsidiary of NT\$206,451 thousand on November 30, 2020. Assets and liabilities of the disposed subsidiary are shown as follows:

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

		As of November 30, 2020
Assets		
Cash and cash equivalents	\$	1,194,528
Trade receivables, net		2,966,436
Other receivables		68,079
Inventories, net		2,394,347
Prepayments		252,479
Other current assets		29,993
Property, plant and equipment		765,771
Right-of-use assets		47,399
Intangible assets		135,552
Deferred tax assets		84,149
Refundable deposits		211,926
		8,150,659
Liabilities		
Contract liabilities-current		(195,952)
Trade payables		(828,366)
Other payables (including related parties)		(2,706,147)
Current tax liabilities		(87,806)
Other current liabilities		(12,352)
Long-term borrowings (including current portion)		(165,825)
Deferred tax liabilities		(9,248)
Lease liabilities (including current and noncurrent)		(46,670)
Net defined benefit liabilities-noncurrent		(22,558)
Deposits received		(1,691)
Non-current liabilities-others		(9,352)
		(4,085,967)
Net assets carrying amount	\$	4,064,692

On November 30, 2020, the Company has completed the transfer of shareholding rights of ILI Technology Holding Corporation.

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

(33) Changes in ownership interests in subsidiaries

Changes in ownership of subsidiaries

In consideration of the Company's investment strategy, the Company disposed of shares of Xiamen Sigmastar Technology Inc. in September 2020 and its ownership was reduced to 50%. In addition, Xiamen Sigmastar Technology Inc. increased capital by cash in the year 2020. 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. The Company accounted for the change as an equity transaction. In addition, the Company disposed partial of the ownership of Xiamen Sigmastar Technology Inc. and lost control over it in February 2021. Please refer to Note 6.(32) for more details.

In consideration of the Company's investment strategy, the Company acquired the additional 0.05% of voting shares of Airoha Technology (Cayman) Inc. in November 2020 and its ownership interest rose to 76%. Furthermore, the 100% ownership of Airoha Technology Corp., which was previously owned by Hsu-Si Investment Corp., was transferred to Airoha Technology (Cayman) Inc. on January 1, 2021, and by the way the Company obtained the new shares issued by Airoha Technology (Cayman) Inc. that increased the Company's ownership interest of Airoha Technology (Cayman) Inc. to 92% and reduced the Company's ownership interest of Airoha Technology Corp. to 92%. As the control over these two subsidiaries remained, the Company accounted for the change as an equity transaction.

Airoha (Cayman) Inc. increased its capital by cash in December 2020, and the Company did not subscribe to the new shares proportionate to its original ownership interest. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction.

In consideration of the Company's investment strategy, the Company purchased additional 1.15% of voting shares of Zelus Technology (HangZhou) Ltd. in November 2020 and its ownership rose to 91%. As the control over the subsidiary remained, the change of the ownership interest was accounted for as an equity transaction.

The differences between the fair value of purchased equity investments and the increase in the non-controlling interest were NT\$ 635,122 thousand and NT\$ 364,657 thousand for the three months ended March 31, 2021 and 2020, respectively, and have been recorded in equity.

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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>
E-Vehicle Semiconductor Technology Co., Ltd.	Associate
Intelligo Technology Inc.	Associate
Cyberon Corp.	Associate
ASIX Electronics Corporation	Associate
IC PLUS CORP.	Associate
Xiamen Sigmastar Technology Inc. and its subsidiaries	Associate (Note)
King Yuan Electronics Co., Ltd. and its subsidiaries	Substantive related party
Andes Technology Corp.	Substantive related party
Richtek Education Foundation	Substantive related party
MediaTek Foundation	Substantive related party

Note: The Company lost control over Xiamen Sigmastar Technology Inc. in March 2021 and the Company adopted the equity method for the investment. As a result, it has become an associate of the Company since that month.

Significant transactions with the related parties

(1) Sales

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Associates		
Intelligo Technology Inc.	\$ 1,453	\$ 1,448
ASIX Electronics Corporation	12,089	-
Xiamen Sigmastar Technology Inc. and its subsidiaries	11,037	-
IC PLUS CORP.	1,979	-
Total	<u>\$ 26,558</u>	<u>\$ 1,448</u>

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Three months ended March 31	
	2021	2020
Associates		
ASIX Electronics Corporation	\$ 11,750	\$ -
Other related parties		
King Yuan Electronics Co., Ltd. and its subsidiaries	2,155,142	1,028,196
Total	<u>\$ 2,166,892</u>	<u>\$ 1,028,196</u>

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

(3) Consign research and development expenses and license expenses

	Three months ended March 31	
	2021	2020
Associate		
Cyberon Corp.	\$ 4,873	\$ 4,001
Other related parties		
Andes Technology Corp.	7,073	5,425
Total	<u>\$ 11,946</u>	<u>\$ 9,426</u>

(4) Donations Expenses

	Three months ended March 31	
	2021	2020
Other related parties		
MediaTek Foundation	\$ 120,000	\$ -
Richtek Education Foundation	-	6,000
Total	<u>\$ 120,000</u>	<u>\$ 6,000</u>

(5) Rental income

	Three months ended March 31	
	2021	2020
Associate		
Xiamen Sigmastar Technology Inc. and its subsidiaries	\$ 1,488	\$ -

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(6) Trade receivables from related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Associate			
Intelligo Technology Inc.	\$ 1,028	\$ 630	\$ 457
ASIX Electronics Corporation	12,837	-	-
Xiamen Sigmastar Technology Inc. and its subsidiaries	32,109	-	-
E-Vehicle Semiconductor Technology Co., Ltd.	-	-	3,500
Total	<u>\$ 45,974</u>	<u>\$ 630</u>	<u>\$ 3,957</u>

(7) Trade payables to related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Associate			
ASIX Electronics Corporation	\$ 6,037	\$ -	\$ -
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	2,183,488	1,661,473	1,059,079
Total	<u>\$ 2,189,525</u>	<u>\$ 1,661,473</u>	<u>\$ 1,059,079</u>

(8) Other payables to related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Associate			
Cyberon Corp	\$ 10,510	\$ 5,631	\$ 3,991
Other related parties			
King Yuan Electronics Co., Ltd. and its subsidiaries	-	37,991	-
MediaTek Foundation	120,000	-	-
Richtek Education Foundation	-	-	6,000
Andes Technology Corp.	5,480	4,318	-
Total	<u>\$ 135,990</u>	<u>\$ 47,940</u>	<u>\$ 9,991</u>

MEDIATEK INC. AND SUBSIDIARIES

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

(9) Deposits received

	March 31, 2021	December 31, 2020	March 31, 2020
Associate			
Xiamen Sigmastar Technology Inc. and its subsidiaries	\$ 3,066	\$ -	\$ -

(10) Others

The patent payment of NT\$19,915 thousand to Andes Technology Corp. was recorded as intangible assets in the three months ended March 31, 2021.

(11) Key management personnel compensation

	Three months ended March 31	
	2021	2020
Short-term employee benefits (Note)	\$ 447,672	\$ 238,004
Share-based payment	29,345	40,548
Post-employment benefits	1,197	964
Total	\$ 478,214	\$ 279,516

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

8. Assets Pledged as Collateral

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

Assets pledged as collateral	Carrying amount			Purpose of pledge
	March 31, 2021	December 31, 2020	March 31, 2020	
Financial assets measured at amortized cost-noncurrent	\$ 9,990	\$ 9,991	\$ 10,088	Lease execution deposits
Financial assets measured at amortized cost-noncurrent	64,308	72,319	91,700	Customs clearance deposits
Financial assets measured at amortized cost-noncurrent	30,558	30,105	30,142	Land lease guarantee
Financial assets measured at amortized cost-noncurrent	133,244	133,244	217,047	Performance bond
Property, plant and equipment - buildings and land	-	-	320,095	Long-term borrowing
Total	\$ 238,100	\$ 245,659	\$ 669,072	

MEDIATEK INC. AND SUBSIDIARIES

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

9. Contingencies and Off Balance Sheet Commitments

Legal claim contingency

- A. Nippon Telegraph and Telephone Corporation (“NTT”) and Essential WiFi, LLC (“EWF”) filed complaints in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on March 25, 2020, alleging infringement of United States Patent Nos. 7,280,551, 7,545,781, 7,400,616, and 7,242,720. The operations of MTK and subsidiary MediaTek USA Inc. will not be affected by this case.
- B. Divx, LLC (“Divx”) filed a complaint in the United States District Court for the District of Delaware against MTK and subsidiaries MediaTek USA Inc. and MStar Semiconductor Inc. on September 9, 2020, alleging infringement of United States Patent Nos. 8,832,297, 10,212,486, 10,412,141, and 10,484,749. The court dismissed the claims against MTK and its subsidiaries pursuant to the plaintiff’s voluntary dismissal on February 8, 2021.

Divx filed a complaint with the U.S. International Trade Commission against MTK and subsidiaries MediaTek USA Inc. and MStar Semiconductor Inc. on September 10, 2020 alleging infringement of the same patents listed above. Pursuant to the parties’ joint motion to terminate, the Administrative Law Judge issued an Initial Determination terminating MTK and its subsidiaries from the investigation on February 22, 2021.

- C. 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.

Philips filed a complaint with the U.S. International Trade Commission against MTK and subsidiary MediaTek USA Inc. on September 18, 2020 alleging infringement of the same patents listed above. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.

- D. Liberty Patents, LLC, (“Liberty”) filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on October 16, 2020, alleging infringement of U.S. Patent No. 6,535,959. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

E. Ocean Semiconductor LLC, (“Ocean”) filed a complaint in the United States District Court for the Western District of Texas against MTK and subsidiary MediaTek USA Inc. on December 31, 2020, alleging infringement of U.S. Patent Nos. 6,660,651, 6,907,305, 6,725,402, 6,968,248, 7,080,330, 6,836,691, and 8,676,538. The operations of MTK and subsidiary MediaTek USA Inc. will not be materially affected by this case.

F. Elite Gaming Tech LLC, (“EGT”) filed a complaint in the United States District Court for the Eastern District of Texas against MTK on March 18, 2021, alleging infringement of U.S. Patent No. 6,963,947. 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

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets at fair value through profit or loss:			
Held for trading financial assets	\$ 41,700	\$ 9,585	\$ 44,344
Mandatorily measured at fair value through profit or loss (Note 1)	17,861,374	18,727,249	14,141,887
Subtotal	17,903,074	18,736,834	14,186,231
Financial assets at fair value through other comprehensive income	49,313,507	54,246,386	73,626,329
Financial assets measured at amortized cost (Note 2)	259,493,025	244,136,276	208,319,017
Total	<u>\$ 326,709,606</u>	<u>\$ 317,119,496</u>	<u>\$ 296,131,577</u>

MEDIATEK INC. AND SUBSIDIARIES

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss:			
Held for trading financial liabilities	\$ 15,510	\$ 10,329	\$ 18,862
Financial liabilities at amortized cost:			
Short-term borrowings	27,220,091	21,470,853	52,138,693
Trade payables (including related parties)	43,301,209	34,470,186	23,202,226
Other payables (including related parties)	35,535,452	39,040,779	23,964,015
Long-term payables (including current portion)	5,766,733	7,113,103	5,752,117
Long-term borrowings (including current portion)	-	-	202,675
Lease liabilities	3,191,924	2,845,369	2,824,997
Subtotal	115,015,409	104,940,290	108,084,723
Total	<u>\$ 115,030,919</u>	<u>\$ 104,950,619</u>	<u>\$ 108,103,585</u>

Notes:

1. Includes trade receivables classified as financial assets measured at fair value through profit or loss in the amount of NT\$ 6,548,589 thousand, NT\$ 5,620,541 thousand and NT\$ 1,714,429 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, 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\$ 6,548,589 thousand, NT\$ 5,620,541 thousand and NT\$ 1,714,429 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively. Please refer to Note 6.(5) for further explanation.), other receivables and financing lease receivable, net.

MEDIATEK INC. AND SUBSIDIARIES

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

B. Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties) and other payables (including related parties) approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

MEDIATEK INC. AND SUBSIDIARIES

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

(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.

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

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

MEDIATEK INC. AND SUBSIDIARIES

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

As of March 31, 2021

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

Liabilities measured at fair value:

Financial liabilities at fair

value through profit or loss

Forward exchange contracts	\$ -	\$ 15,510	\$ -	\$ 15,510
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MEDIATEK INC. AND SUBSIDIARIES

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

As of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ -	\$ -	\$ 363,584	\$ 363,584
Linked deposits	377,367	-	4,506,359	4,883,726
Stocks	183,750	-	12,569	196,319
Funds	1,126,846	-	5,573,450	6,700,296
Capital	-	-	43,690	43,690
Trust funds	919,093	-	-	919,093
Forward exchange contracts	-	9,585	-	9,585
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	29,830,494	-	22,811,081	52,641,575
Debt instruments measured				
at fair value through other				
comprehensive income	910,728	-	694,083	1,604,811
Total	<u>\$ 33,348,278</u>	<u>\$ 9,585</u>	<u>\$ 34,004,816</u>	<u>\$ 67,362,679</u>

Liabilities measured at fair value:

Financial liabilities at fair

value through profit or loss

Forward exchange contracts	\$ -	\$ 10,329	\$ -	\$ 10,329
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MEDIATEK INC. AND SUBSIDIARIES

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

As of March 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets measured at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Bonds	\$ -	\$ -	\$ 476,219	\$ 476,219
Linked deposits	370,922	-	4,992,455	5,363,377
Stocks	201,105	-	88,491	289,596
Funds	755,614	-	4,983,857	5,739,471
Trust funds	558,795	-	-	558,795
Forward exchange contracts	-	44,344	-	44,344
Financial assets at fair value				
through other				
comprehensive income				
Equity instruments				
measured at fair value				
through other				
comprehensive income	52,989,405	-	18,813,805	71,803,210
Debt instruments measured				
at fair value through other				
comprehensive income	1,104,518	-	718,601	1,823,119
Total	<u>\$ 55,980,359</u>	<u>\$ 44,344</u>	<u>\$ 30,073,428</u>	<u>\$ 86,098,131</u>
 <u>Liabilities measured at fair</u>				
<u>value:</u>				
Financial liabilities at fair				
value through profit or loss				
Forward exchange contracts	\$ -	\$ 18,862	\$ -	\$ 18,862

For the three months ended March 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

	Financial assets mandatorily measured at fair value				Financial assets at fair value through other				Total
	through profit or loss				comprehensive income				
	Stocks	Bonds	Funds	Link deposits	Bonds	Capital	Stocks		
As of January 1, 2020	\$ 107,269	\$ 478,983	\$ 5,108,668	\$ 5,059,583	\$ 729,362	\$ 11,979,752	\$ 7,344,955	\$ 30,808,572	
Amount recognized in profit or loss	(17,629)	(5,111)	52,016	(91,818)	-	-	-	(65,542)	
Amount recognized in OCI	-	-	-	-	(5,935)	(353,252)	(1,086,487)	(1,445,674)	
Amount recognized in OCI- exchange differences	(1,149)	2,347	(60,644)	24,690	(4,826)	25,884	31,913	18,215	
Acquisitions	-	-	2,321,239	-	-	907,150	5,000	3,233,389	
Settlements	-	-	(2,437,422)	-	-	(41,110)	-	(2,478,532)	
As of March 31, 2020	\$ 88,491	\$ 476,219	\$ 4,983,857	\$ 4,992,455	\$ 718,601	\$ 12,518,424	\$ 6,295,381	\$ 30,073,428	

Total losses related to assets recognized for the three months ended March 31, 2021 and 2020 amounted to NT\$ 246,542 thousand and NT\$ 101,938 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

The Company's linked-deposits 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 March 31, 2021

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

As of December 31, 2020

	<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	\$ -	\$ -	\$ 1,832,518	\$ 1,832,518

As of March 31, 2020

	<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	\$ -	\$ -	\$ 1,683,205	\$ 1,683,205

MEDIATEK INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

D. Derivative financial instruments

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

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

Forward exchange contracts	Currency	Contract amount ('000)	Maturity
As of March 31, 2021	CNY to USD	Sell USD 2,000	April 2021
As of March 31, 2021	CNY to USD	Buy USD 97,534	April 2021
As of March 31, 2021	TWD to USD	Sell USD 35,000	April 2021
As of March 31, 2021	CNY to USD	Sell USD 3,000	May 2021
As of March 31, 2021	TWD to USD	Sell USD 10,000	May 2021
As of March 31, 2021	TWD to USD	Buy USD 90,000	May 2021
As of March 31, 2021	CNY to USD	Sell USD 2,000	June 2021
As of March 31, 2021	TWD to USD	Buy USD 210,000	June 2021
As of March 31, 2021	CNY to USD	Sell USD 4,000	July 2021
As of December 31, 2020	CNY to USD	Sell USD 2,000	January 2021
As of December 31, 2020	TWD to USD	Sell USD 25,000	January 2021
As of December 31, 2020	TWD to USD	Buy USD 10,000	January 2021
As of December 31, 2020	JPY to USD	Buy USD 12,009	January 2021
As of December 31, 2020	CNY to USD	Sell USD 4,000	March 2021
As of December 31, 2020	CNY to USD	Sell USD 2,000	April 2021
As of December 31, 2020	CNY to USD	Sell USD 6,000	June 2021
As of December 31, 2020	CNY to USD	Sell USD 2,000	July 2021
As of March 31, 2020	CNY to USD	Buy USD 114,066	April 2020
As of March 31, 2020	TWD to USD	Buy USD 140,000	April 2020
As of March 31, 2020	TWD to USD	Sell USD 32,000	April 2020
As of March 31, 2020	JPY to USD	Buy USD 7,305	April 2020
As of March 31, 2020	CNY to USD	Sell USD 4,000	May 2020
As of March 31, 2020	TWD to USD	Buy USD 10,000	May 2020
As of March 31, 2020	TWD to USD	Sell USD 5,000	May 2020
As of March 31, 2020	CNY to USD	Sell USD 2,000	June 2020
As of March 31, 2020	CNY to USD	Sell USD 2,000	July 2020

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

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

MEDIATEK INC. AND SUBSIDIARIES

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

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

When NTD appreciates or depreciates against USD by 0.1%, the profit for the three months ended March 31, 2021 and 2020 decreases/increases by NT\$6,493 thousand and NT\$ 2,639 thousand, while equity decreases/increases by NT\$ 147,324 thousand and NT\$ 128,223 thousand, respectively.

When NTD appreciates or depreciates against CNY by 0.1%, the profit for the three months ended March 31, 2021 and 2020 increases/decreases by NT\$ 13 thousand and decreases/increases by NT\$ 8 thousand, while equity decreases/increases by NT\$ 16,734 thousand and NT\$ 12,561 thousand, respectively.

b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment of debt instruments at variable interest rates, bank borrowings with fixed and variable interest rates. Moreover, the market value of the Company's investments in credit-linked deposits and interest rate-linked deposits are affected by interest rates. The market value would decrease (even lower than the principal) when the interest rate increases, and vice versa. The market values of exchange rate-linked deposits are affected by interest rates and changes in the value and volatility of the underlying. The following sensitivity analysis focuses on interest rate risk and does not take into account the interdependencies between risk variables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and bank borrowings with variable interest rates. At the reporting date, an increase/decrease of 10 basis points of interest rate in a reporting period could cause the profit for the three months ended March 31, 2021 and 2020 to increase/decrease by NT\$ 4,365 thousand and NT\$ 5,674 thousand, respectively.

MEDIATEK INC. AND SUBSIDIARIES

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

c. Other price risk

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

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through profit or loss could cause the profit or loss for the three months ended March 31, 2021 and 2020 to increase/decrease by NT\$ 1,825 thousand and NT\$ 2,011 thousand, respectively.

A change of 1% in the price of the listed companies stocks classified under equity instrument investments measured at fair value through other comprehensive income could cause the other comprehensive income for the three months ended March 31, 2021 and 2020 to increase/decrease by NT\$ 254,224 thousand and NT\$ 529,894 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.

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

As of March 31, 2021, December 31, 2020, and March 31, 2020, receivables from top ten customers represented 61.27%, 37.13%, and 40.08% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

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

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables and financing lease receivable which is 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:

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Carrying amount		
			March 31, 2021	December 31, 2020	March 31, 2020
Low credit risk	Credit risk measure belongs to IG category	12-month expected credit losses	\$ 10,902,191	\$ 9,928,466	\$ 4,268,967
	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	\$ 1,509,132	\$ 1,948,593	\$ 1,108,512
	Contract payment overdue 30 days				
Credit-impaired	Credit risk measure belongs to DS category or above	Lifetime expected credit losses	\$ -	\$ -	\$ -
	Contract payment overdue 90 days				
	Other impaired evidence				
Simplified method (Note)	(Note)	Lifetime expected credit losses	\$ 47,017,919	\$ 33,306,764	\$ 25,456,252

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

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

When the credit risk on debt instrument 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 available without undue cost and effort), it is mainly based on the macroeconomic information and industrial information and further adjusts the credit loss ratio if there is significant impact from forward-looking information.

C. Liquidity risk management

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

MEDIATEK INC. AND SUBSIDIARIES

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

	Less than 1 year	1 to 5 years	Later than 5 years	Total
<u>As of March 31, 2021</u>				
Short-term borrowings	\$ 27,231,067	\$ -	\$ -	\$ 27,231,067
Trade payables (including related parties)	43,301,209	-	-	43,301,209
Other payables (including related parties)	35,530,861	-	-	35,530,861
Lease liabilities	586,759	1,153,840	2,060,284	3,800,883
Long-term payables	3,479,045	2,287,688	-	5,766,733
Total	<u>\$ 110,128,941</u>	<u>\$ 3,441,528</u>	<u>\$ 2,060,284</u>	<u>\$ 115,630,753</u>
<u>As of December 31, 2020</u>				
Short-term borrowings	\$ 21,479,545	\$ -	\$ -	\$ 21,479,545
Trade payables (including related parties)	34,470,186	-	-	34,470,186
Other payables (including related parties)	39,035,815	-	-	39,035,815
Lease liabilities	505,445	990,788	1,948,714	3,444,947
Long-term payables	3,493,485	3,619,618	-	7,113,103
Total	<u>\$ 98,984,476</u>	<u>\$ 4,610,406</u>	<u>\$ 1,948,714</u>	<u>\$ 105,543,596</u>
<u>As of March 31, 2020</u>				
Short-term borrowings	\$ 52,199,763	\$ -	\$ -	\$ 52,199,763
Trade payables (including related parties)	23,202,226	-	-	23,202,226
Other payables (including related parties)	23,935,766	-	-	23,935,766
Lease liabilities	539,258	963,490	1,924,610	3,427,358
Long-term borrowings	39,344	152,215	18,446	210,005
Long-term payables	3,502,087	2,250,030	-	5,752,117
Total	<u>\$ 103,418,444</u>	<u>\$ 3,365,735</u>	<u>\$ 1,943,056</u>	<u>\$ 108,727,235</u>

MEDIATEK INC. AND SUBSIDIARIES

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Derivative financial liabilities

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
<u>As of March 31, 2021</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,529,375	\$ -	\$ 1,529,375
Outflow	(1,542,659)	-	(1,542,659)
Net	<u>\$ (13,284)</u>	<u>\$ -</u>	<u>\$ (13,284)</u>
Net settlement			
Forward exchange contracts	(2,383)	-	(2,383)
Total	<u>\$ (15,667)</u>	<u>\$ -</u>	<u>\$ (15,667)</u>
 <u>As of December 31, 2020</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,045,260	\$ -	\$ 1,045,260
Outflow	(1,056,400)	-	(1,056,400)
Net	<u>\$ (11,140)</u>	<u>\$ -</u>	<u>\$ (11,140)</u>
 <u>As of March 31, 2020</u>			
Gross settlement			
Forward exchange contracts			
Inflow	\$ 1,001,583	\$ -	\$ 1,001,583
Outflow	(1,014,031)	-	(1,014,031)
Net	<u>\$ (12,448)</u>	<u>\$ -</u>	<u>\$ (12,448)</u>
Net settlement			
Forward exchange contracts	(7,130)	-	(7,130)
Total	<u>\$ (19,578)</u>	<u>\$ -</u>	<u>\$ (19,578)</u>

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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D. Reconciliation of liabilities arising from financing activities

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

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

Reconciliation of liabilities for the three months ended March 31, 2020:

	Short-term	Long-term	Lease	Deposits	Total liabilities
	borrowings	borrowings	Liabilities	received	from financing
					activities
As of January 1, 2020	\$ 57,254,570	\$ 202,675	\$ 2,859,459	\$ 565,773	\$ 60,882,477
Cash flows	(5,140,903)	-	(148,521)	(48,781)	(5,338,205)
Non-cash movement	-	-	114,059	-	114,059
Foreign exchange					
movement	25,026	-	-	-	25,026
As of March 31, 2020	<u>\$ 52,138,693</u>	<u>\$ 202,675</u>	<u>\$ 2,824,997</u>	<u>\$ 516,992</u>	<u>\$ 55,683,357</u>

(3) Significant assets and liabilities denominated in foreign currencies

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

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

	March 31, 2021		
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 6,468,930	28.531	\$ 184,565,065
CNY	\$ 2,199	4.355	\$ 9,576
Non-monetary item:			
USD	\$ 1,479,885	28.531	\$ 42,222,608
CNY	\$ 3,838,990	4.355	\$ 16,717,572
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,899,139	28.531	\$ 82,715,333
CNY	\$ 1,570	4.355	\$ 6,837
December 31, 2020			
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 3,402,414	28.508	\$ 96,996,036
CNY	\$ 3,974	4.369	\$ 17,875
Non-monetary item:			
USD	\$ 1,670,904	28.508	\$ 47,634,122
CNY	\$ 4,195,043	4.369	\$ 18,328,309
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,544,175	28.508	\$ 72,529,356
CNY	\$ 287	4.369	\$ 1,256

(To be continued)

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

(Continued)

	March 31, 2020		
	Foreign Currency		
	(thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$ 4,455,907	30.254	\$ 134,809,006
CNY	\$ 2,087	4.272	\$ 8,915
Non-monetary item:			
USD	\$ 2,349,348	30.254	\$ 71,077,175
CNY	\$ 2,941,273	4.272	\$ 12,566,763
<u>Financial liabilities</u>			
Monetary item:			
USD	\$ 2,706,196	30.254	\$ 81,873,240
CNY	\$ 1,446	4.272	\$ 6,180

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

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) gains were NT\$(11,311) thousand and NT\$2,976 thousand for the three months ended March 31, 2021 and 2020, 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

13. Segment Information

(1) General information

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