

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

**NOVATEK MICROELECTRONICS CORP.
AND SUBSIDIARIES**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2025 and 2024 with
Independent Auditors' Report**

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

Independent Auditors' Report

The Board of Directors and Shareholders
Novatek Microelectronics Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Novatek Microelectronics Corp. and its subsidiaries (the "Group") as of September 30, 2025 and 2024, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2025 and 2024, changes in equity and cash flows for the nine months ended September 30, 2025 and 2024, 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 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

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Standards on Auditing No. 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4.(3), the financial statements of above subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of NT\$2,638,850 thousand and NT\$2,657,329 thousand, constituting 2.81% and 2.74% of the consolidated total assets, and total liabilities of NT\$806,031 thousand and NT\$603,931 thousand, constituting 2.64% and 1.81% of the consolidated total liabilities as of September 30, 2025 and 2024, respectively; and total comprehensive income of NT\$(152,914) thousand, NT\$(213,945) thousand, NT\$(718,030) thousand, and NT\$(535,162) thousand, constituting (3.88)%, (4.03)%, (5.66)%, and (3.41)% of the consolidated total comprehensive income for the three months and nine months ended September 30, 2025 and 2024, respectively. The information related to above subsidiaries disclosed in Note 13 was also not reviewed by independent accountants.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of the subsidiaries been reviewed by independent accountants described in the preceding paragraph, 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 Novatek Microelectronics Corp. and its subsidiaries as at September 30, 2025 and 2024, their consolidated financial performance for the three months and nine months ended September 30, 2025 and 2024, and cash flows for the nine months ended September 30, 2025 and 2024, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/ Huang, Ming-Ju

/s/ Chiu, Wan-Ju

Ernst & Young, Taiwan
November 4, 2025

Notice to Readers

The accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

English Translation of Financial Statements Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

As of September 30, 2025, December 31, 2024 and September 30, 2024

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	September 30, 2025		December 31, 2024		September 30, 2024	
		Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	6(1)	\$ 39,656,605	42.16	\$ 48,770,810	47.63	\$ 41,997,259	43.37
Trade receivables, net	6(2), 6(17)	20,567,985	21.87	20,273,523	19.80	20,678,634	21.35
Other receivables	6(3)	358,420	0.38	441,656	0.43	499,102	0.51
Inventories, net	6(4)	9,201,079	9.78	8,701,076	8.50	9,362,233	9.67
Prepayments		757,518	0.81	576,051	0.56	635,393	0.66
Other financial assets, current	6(11)	277,680	0.29	277,680	0.27	277,680	0.29
Total current assets		<u>70,819,287</u>	<u>75.29</u>	<u>79,040,796</u>	<u>77.19</u>	<u>73,450,301</u>	<u>75.85</u>
Non-current assets							
Financial assets measured at fair value through profit or loss, non-current	6(5)	488,064	0.52	404,502	0.39	391,538	0.40
Financial assets measured at fair value through other comprehensive income, non-current	6(6)	3,731,233	3.97	3,570,702	3.49	3,969,618	4.10
Property, plant and equipment	6(7)	7,107,535	7.55	7,023,275	6.86	6,684,611	6.90
Right-of-use assets	6(18)	543,295	0.58	444,169	0.43	460,719	0.48
Investment property	6(8)	14,715	0.01	24,753	0.02	28,099	0.03
Intangible assets	6(9), 6(10)	2,549,444	2.71	2,608,813	2.55	2,484,368	2.57
Deferred income tax assets	4, 6(22)	575,085	0.61	807,457	0.79	855,302	0.88
Other financial assets, non-current	6(11), 8	8,211,642	8.73	8,419,475	8.22	8,488,992	8.77
Other assets, non-current		25,201	0.03	56,661	0.06	24,320	0.02
Total non-current assets		<u>23,246,214</u>	<u>24.71</u>	<u>23,359,807</u>	<u>22.81</u>	<u>23,387,567</u>	<u>24.15</u>
Total assets		<u><u>\$ 94,065,501</u></u>	<u><u>100.00</u></u>	<u><u>\$102,400,603</u></u>	<u><u>100.00</u></u>	<u><u>\$ 96,837,868</u></u>	<u><u>100.00</u></u>

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

Chairman: T. S. Ho

President: Steve Wang

Chief Accounting Officer: S. C. Chou

English Translation of Financial Statements Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

As of September 30, 2025, December 31, 2024 and September 30, 2024

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and shareholders' equity	Notes	September 30, 2025		December 31, 2024		September 30, 2024	
		Amount	%	Amount	%	Amount	%
Current liabilities							
Contract liabilities, current	6(16)	\$ 578,415	0.62	\$ 746,221	0.73	\$ 1,186,544	1.23
Trade payables		11,188,163	11.89	10,634,642	10.39	10,257,201	10.59
Other payables		6,557,404	6.97	7,029,891	6.86	6,967,584	7.20
Current income tax liabilities	4, 6(22)	117,066	0.12	1,407,164	1.37	595,506	0.61
Lease liabilities, current	6(18)	70,475	0.08	42,002	0.04	49,562	0.05
Other financial liabilities, current	6(14)	2,228,955	2.37	4,327,860	4.23	2,218,264	2.29
Other current liabilities	6(12)	220,450	0.23	176,568	0.17	197,613	0.20
Total current liabilities		<u>20,960,928</u>	<u>22.28</u>	<u>24,364,348</u>	<u>23.79</u>	<u>21,472,274</u>	<u>22.17</u>
Non-current liabilities							
Deferred income tax liabilities	4, 6(22)	335,962	0.36	335,962	0.33	335,962	0.35
Lease liabilities, non-current	6(18)	486,807	0.52	412,932	0.40	421,409	0.44
Net defined benefit liabilities, non-current	4, 6(13), 6(19)	112,607	0.12	116,393	0.12	165,386	0.17
Guaranteed deposits received	6(14)	8,588,301	9.13	9,247,596	9.03	10,985,060	11.34
Total non-current liabilities		<u>9,523,677</u>	<u>10.13</u>	<u>10,112,883</u>	<u>9.88</u>	<u>11,907,817</u>	<u>12.30</u>
Total liabilities		<u>30,484,605</u>	<u>32.41</u>	<u>34,477,231</u>	<u>33.67</u>	<u>33,380,091</u>	<u>34.47</u>
Equity							
Share capital	6(15)						
Common stock		6,085,115	6.47	6,085,115	5.94	6,085,115	6.28
Capital surplus	6(15)	2,375,054	2.52	2,375,054	2.32	2,375,054	2.45
Retained earnings	6(15)						
Legal reserve		21,461,372	22.82	19,422,404	18.97	19,422,404	20.06
Undistributed earnings		32,131,308	34.16	38,567,166	37.66	33,718,142	34.82
Other equity		1,528,047	1.62	1,473,633	1.44	1,857,062	1.92
Total equity		<u>63,580,896</u>	<u>67.59</u>	<u>67,923,372</u>	<u>66.33</u>	<u>63,457,777</u>	<u>65.53</u>
Total liabilities and equity		<u>\$ 94,065,501</u>	<u>100.00</u>	<u>\$102,400,603</u>	<u>100.00</u>	<u>\$ 96,837,868</u>	<u>100.00</u>

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

Chairman: T. S. Ho

President: Steve Wang

Chief Accounting Officer: S. C. Chou

English Translation of Financial Statements Originally Issued in Chinese
NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Three Months and Nine Months Ended September 30, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Description	Notes	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
		2025		2024		2025		2024	
		Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues	6(16)	\$ 24,573,670	100.00	\$ 27,866,328	100.00	\$ 77,845,935	100.00	\$ 77,525,232	100.00
Operating costs	6(4), 6(9), 6(13), 6(18), 6(19), 7	(15,654,849)	(63.71)	(16,792,362)	(60.26)	(48,650,750)	(62.50)	(46,033,440)	(59.38)
Gross profit		8,918,821	36.29	11,073,966	39.74	29,195,185	37.50	31,491,792	40.62
Operating expenses	6(9), 6(13), 6(17), 6(18), 6(19), 7								
Selling expenses		(91,765)	(0.37)	(104,479)	(0.37)	(320,163)	(0.41)	(336,843)	(0.43)
Administrative expenses		(624,159)	(2.54)	(594,050)	(2.13)	(1,935,134)	(2.48)	(1,792,219)	(2.31)
Research and development expenses		(4,345,988)	(17.68)	(4,134,033)	(14.84)	(12,564,200)	(16.14)	(12,472,602)	(16.09)
Total operating expenses		(5,061,912)	(20.59)	(4,832,562)	(17.34)	(14,819,497)	(19.03)	(14,601,664)	(18.83)
Operating income		3,856,909	15.70	6,241,404	22.40	14,375,688	18.47	16,890,128	21.79
Non-operating income and expenses	6(20)								
Interest income		221,825	0.90	303,390	1.09	809,101	1.04	1,007,322	1.30
Other income		31,662	0.13	20,707	0.07	220,071	0.28	144,335	0.19
Other gains and losses		267,189	1.08	(152,800)	(0.55)	(279,730)	(0.36)	399,265	0.51
Financial costs		(2,451)	(0.01)	(2,242)	(0.01)	(7,074)	(0.01)	(5,999)	(0.01)
Total non-operating income and expenses		518,225	2.10	169,055	0.60	742,368	0.95	1,544,923	1.99
Income before income tax		4,375,134	17.80	6,410,459	23.00	15,118,056	19.42	18,435,051	23.78
Income tax expense	4, 6(22)	(720,310)	(2.93)	(1,152,002)	(4.13)	(2,460,173)	(3.16)	(2,894,396)	(3.73)
Net income		3,654,824	14.87	5,258,457	18.87	12,657,883	16.26	15,540,655	20.05
Other comprehensive income	6(21)								
Not to be reclassified to profit or loss in subsequent periods									
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		231,154	0.94	35,661	0.13	102,480	0.13	125,106	0.16
To be reclassified to profit or loss in subsequent periods									
Exchange differences resulting from translating the financial statements of foreign operations		51,928	0.21	9,984	0.03	(65,856)	(0.08)	48,757	0.06
Unrealized gains (losses) from debt instruments investments measured at fair value through other comprehensive income		1,346	0.01	152	-	1,338	-	(1,136)	-
Other comprehensive income (net of income tax)		284,428	1.16	45,797	0.16	37,962	0.05	172,727	0.22
Total comprehensive income		\$ 3,939,252	16.03	\$ 5,304,254	19.03	\$ 12,695,845	16.31	\$ 15,713,382	20.27
Net income attributable to :									
Shareholders of the parent		\$ 3,654,824		\$ 5,258,457		\$ 12,657,883		\$ 15,540,655	
Non-controlling interests		-		-		-		-	
		\$ 3,654,824		\$ 5,258,457		\$ 12,657,883		\$ 15,540,655	
Total comprehensive income attributable to :									
Shareholders of the parent		\$ 3,939,252		\$ 5,304,254		\$ 12,695,845		\$ 15,713,382	
Non-controlling interests		-		-		-		-	
		\$ 3,939,252		\$ 5,304,254		\$ 12,695,845		\$ 15,713,382	
Earnings per share (in New Taiwan Dollars)	6(23)								
Basic earnings per share		\$ 6.01		\$ 8.64		\$ 20.80		\$ 25.54	
Diluted earnings per share		\$ 6.00		\$ 8.64		\$ 20.79		\$ 25.52	

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

English Translation of Financial Statements Originally Issued in Chinese
NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Nine Months Ended September 30, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

Description	Equity attributable to shareholders of the parent							Total equity
	Common stock	Capital surplus	Retained earnings		Other adjustments		Total	
			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		
Balance as of January 1, 2024	\$ 6,085,115	\$ 2,375,054	\$ 17,090,451	\$ 39,981,807	\$ (122,640)	\$ 1,806,975	\$ 67,216,762	\$ 67,216,762
Appropriation and distribution of 2023 earnings:								
Legal reserve	-	-	2,331,953	(2,331,953)	-	-	-	-
Cash dividends	-	-	-	(19,472,367)	-	-	(19,472,367)	(19,472,367)
Net income for the nine months ended September 30, 2024	-	-	-	15,540,655	-	-	15,540,655	15,540,655
Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	48,757	123,970	172,727	172,727
Total comprehensive income for the nine months ended September 30, 2024	-	-	-	15,540,655	48,757	123,970	15,713,382	15,713,382
Balance as of September 30, 2024	\$ 6,085,115	\$ 2,375,054	\$ 19,422,404	\$ 33,718,142	\$ (73,883)	\$ 1,930,945	\$ 63,457,777	\$ 63,457,777
Balance as of January 1, 2025	\$ 6,085,115	\$ 2,375,054	\$ 19,422,404	\$ 38,567,166	\$ (72,647)	\$ 1,546,280	\$ 67,923,372	\$ 67,923,372
Appropriation and distribution of 2024 earnings:								
Legal reserve	-	-	2,038,968	(2,038,968)	-	-	-	-
Cash dividends	-	-	-	(17,038,321)	-	-	(17,038,321)	(17,038,321)
Net income for the nine months ended September 30, 2025	-	-	-	12,657,883	-	-	12,657,883	12,657,883
Other comprehensive income for the nine months ended September 30, 2025	-	-	-	-	(65,856)	103,818	37,962	37,962
Total comprehensive income for the nine months ended September 30, 2025	-	-	-	12,657,883	(65,856)	103,818	12,695,845	12,695,845
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	(16,452)	-	16,452	-	-
Balance as of September 30, 2025	\$ 6,085,115	\$ 2,375,054	\$ 21,461,372	\$ 32,131,308	\$ (138,503)	\$ 1,666,550	\$ 63,580,896	\$ 63,580,896

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

Chairman: T. S. Ho

President: Steve Wang

Chief Accounting Officer: S. C. Chou

English Translation of Financial Statements Originally Issued in Chinese
NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

Description	For the Nine Months Ended September 30,		Description	For the Nine Months Ended September 30,	
	2025	2024		2025	2024
Cash flows from operating activities:			Cash flows from investing activities:		
Income before income tax	\$ 15,118,056	\$ 18,435,051	Acquisition of financial assets measured at fair value through other comprehensive income	\$ (100,000)	\$ (165,310)
Adjustments for:			Proceeds from disposal of financial assets measured at fair value through other comprehensive income	2,687	-
The profit or loss items:			Proceeds from capital return of financial assets measured at fair value through other comprehensive income	40,600	70,000
Depreciation	840,279	841,707	Acquisition of financial assets measured at fair value through profit or loss	(99,102)	(142,297)
Amortization	137,972	141,521	Acquisition of property, plant and equipment	(754,915)	(535,905)
Net losses (gains) on financial assets and liabilities measured at fair value through profit or loss	15,540	(7,651)	Decrease in refundable deposits	207,833	723,038
Interest expense	7,074	5,999	Acquisition of intangible assets	(78,614)	(115,475)
Interest income	(809,101)	(1,007,322)	Increase in prepayment for equipment	(96,914)	(47,296)
Dividend income	(90,455)	(92,434)	Dividend received	90,455	92,434
Unrealized (gains) losses from foreign currency exchange	(1,131,857)	304,571	Net cash used in investing activities	(787,970)	(120,811)
Others	-	(38)			
Changes in operating assets and liabilities:					
Trade receivables	(294,462)	(3,744,112)			
Other receivables	67,114	(54,343)			
Inventories	(500,003)	(811,135)	Cash flows from financing activities:		
Prepayments	(181,467)	(312,485)	Decrease in guarantee deposits received	(1,626,343)	(1,330,536)
Other financial assets	-	(6,000)	Cash payment for the principal portion of the lease liabilities	(48,975)	(44,491)
Contract liabilities	(167,806)	532,333	Cash dividends	(17,038,321)	(19,472,367)
Trade payables	553,521	688,881	Interest paid	(7,074)	(5,999)
Trade payables to related parties	-	(3,010,841)	Net cash used in financing activities	(18,720,713)	(20,853,393)
Other payables	(472,487)	(323,187)			
Other current liabilities	43,882	(63,518)			
Net defined benefit liabilities	(3,786)	(4,099)			
Cash generated from operating activities	13,132,014	11,512,898	Effect of exchange rate changes on cash and cash equivalents	(44,860)	28,672
Interest received	825,063	1,065,118	Net decrease in cash and cash equivalents	(9,114,205)	(11,892,209)
Income tax paid	(3,517,739)	(3,524,693)	Cash and cash equivalents at the beginning of the year	48,770,810	53,889,468
Net cash generated from operating activities	10,439,338	9,053,323	Cash and cash equivalents at the end of the year	\$ 39,656,605	\$ 41,997,259

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

Chairman: T. S. Ho

President: Steve Wang

Chief Accounting Officer: S. C. Chou

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For The Nine Months Ended September 30, 2025 and 2024

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

1. HISTORIES AND ORGANIZATION

Novatek Microelectronics Corporation ("the Company") was incorporated in Hsinchu Science Park on May 28, 1997. The Company is mainly engaged in researching, developing, manufacturing and sales of integrated circuit chips speech, communication, computer peripheral, LCD driver IC system, embedded MCU, DSP and system. The Company's shares are traded in the Taiwan Stock Exchange. The Company's registered office and the main business location is at 2F, No.13, Innovation Road 1, Hsinchu Science Park, Hsinchu 300, Taiwan R.O.C.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the nine months ended September 30, 2025 and 2024 were authorized for issue by the Board of Directors on November 4, 2025.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for certain 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, 2025. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 17	"Insurance Contracts"	January 1, 2023
IFRS 7 and IFRS 9	"Classification and Measurement of Financial Instruments" (Amendment)	January 1, 2026
IFRS	"Annual Improvements to IFRS Accounting Standards" — Volume 11	January 1, 2026
IFRS 7 and IFRS 9	"Contracts Referencing Nature-dependent Electricity" (Amendment)	January 1, 2026

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2026. All standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which have not been endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Standards or Interpretations Numbers	The Projects of Standards or Interpretations	Effective Dates
IFRS 10 and IAS 28	“Consolidated Financial Statements” and “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)	To be determined by IASB
IFRS 18	“Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note)
IFRS 19	“Disclosure Initiative — Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

Note: On September 25, 2025, FSC announced in a press release that Taiwan will adopt IFRS 18 in 2028.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date of issuance of the Group’s financial statements. The effective dates are to be determined by FSC. In addition, the Group is currently evaluating the potential impact of the newly announced or revised standards or interpretations of IFRS 18 “Presentation and Disclosure of Financial Statements”, it is currently unable to reasonably estimate the impact of the aforementioned standards or interpretations on the Group. The other standards and interpretations have no material impact on the Group.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

- (1) Statement of compliance

The Group’s consolidated financial statements for the nine months ended September 30, 2025 and 2024 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.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) 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.

(3) Basis of consolidation

Principle of consolidation

Control is achieved when the Company 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, the Company controls an investee if and only if the Company has:

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

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

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Company’s voting rights and potential voting rights

The Company reassesses 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 date of acquisition, 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 consistent 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 shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

If the Company loses control over a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- F. recognizes the resulting difference in profit or loss.

Consolidated entities

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			2025.9.30	2024.12.31	2024.9.30
NVT	Novatek International (BVI) Ltd.	Investment	100%	100%	100%
NVT	Novatek Investment Corporation Limited	Investment	100%	100%	100%
NVT	Novatek Japan Kabushiki-Kaisha	Marketing of integrated circuits and semiconductor services	100%	100%	100%
NVT	NTK International Limited	Sales of integrated circuits and semiconductor services	100%	100%	100%
NVT	Cheertek International Inc.	Investment	100%	100%	100%
NVT	Novatek USA Inc.	Marketing of integrated circuits and semiconductor services	100%	100%	100%
Novatek International (BVI) Ltd.	Novatek (Shenzhen) Co., Ltd.	Design, development, test and consulting of semiconductor application software	100%	100%	100%
Novatek International (BVI) Ltd.	Novatek International (SAMOA) Ltd.	Investment	100%	100%	100%
Novatek International (BVI) Ltd.	Novatek (Beijing) Co., Ltd.	Sales, development, test and consulting of semiconductor application software	100%	100%	100%
Novatek International (SAMOA) Ltd.	Novatek (Suzhou) Co., Ltd.	Marketing of integrated circuits and semiconductor services	100%	100%	100%

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			2025.9.30	2024.12.31	2024.9.30
Novatek International (SAMOA) Ltd.	Novatek (Xian) Co., Ltd.	Design, development, test and consulting of semiconductor application software	100%	100%	100%
Cheertek International Inc.	Novatek (Shanghai) Co., Ltd.	Design, development, test and consulting of semiconductor application software	100%	100%	100%

The financial statements of all of consolidated subsidiaries listed above had not been reviewed by auditors. The total assets of these subsidiaries as of September 30, 2025 and 2024 are NT\$2,638,850 thousand, and NT\$2,657,329 thousand. The total liabilities of these subsidiaries as of September 30, 2025 and 2024 are NT\$806,031 thousand, and NT\$603,931 thousand. The total comprehensive income of these subsidiaries for the three months and nine months ended September 30, 2025 and 2024 are NT\$(152,914) thousand, NT\$(213,945) thousand, NT\$(718,030) thousand and NT\$(535,162) thousand.

- (4) Except for the accounting policies listed under Note 4(5) to 4(6), the same accounting policies have been followed in the consolidated financial statements for the nine months ended September 30, 2025 and 2024 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2024. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2024.

(5) Post-employment benefits

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.

(6) Income taxes

Interim period income tax expense is accrued using the tax rate that would be applicable to expect 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 Group'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.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The same significant accounting judgements, estimates and assumptions have been followed in the consolidated financial statements for the nine months ended September 30, 2025 and 2024 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2024, please refer to the consolidated financial statements for the year ended December 31, 2024.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2025	December 31, 2024	September 30, 2024
Cash on hand	\$1,447	\$1,515	\$1,479
Checking and saving accounts	1,519,811	2,263,127	1,456,347
Time deposits	37,732,978	46,133,428	40,214,416
Cash equivalents			
Puttable notes — commercial paper	402,369	372,740	325,017
	<u>\$39,656,605</u>	<u>\$48,770,810</u>	<u>\$41,997,259</u>

(2) Trade receivables

	September 30, 2025	December 31, 2024	September 30, 2024
Trade receivables	\$21,295,692	\$21,001,230	\$21,406,341
Less: loss allowance	(727,707)	(727,707)	(727,707)
	<u>\$20,567,985</u>	<u>\$20,273,523</u>	<u>\$20,678,634</u>

Trade receivables were not pledged.

Trade receivables are generally with collection term of 60 to 90 days. Please refer to Note 6(17) for more details on loss allowance of trade receivables for the nine months ended September 30, 2025 and 2024. Please refer to Note 12 for more details on credit risk management.

(3) Other receivables

	September 30, 2025	December 31, 2024	September 30, 2024
Tax refund receivable	\$335,617	\$402,891	\$468,595
Interest receivable	22,803	38,765	30,507
	<u>\$358,420</u>	<u>\$441,656</u>	<u>\$499,102</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(4) Inventories

	September 30, 2025	December 31, 2024	September 30, 2024
Raw materials	\$1,371,609	\$668,138	\$1,048,873
Supplies	184,651	215,291	210,041
Work in progress	4,719,780	4,652,636	4,520,647
Finished goods	2,925,039	3,165,011	3,582,672
	<u>\$9,201,079</u>	<u>\$8,701,076</u>	<u>\$9,362,233</u>

Expenses and losses incurred from inventories for the nine months ended September 30, 2025 and 2024 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Cost of inventories sold	\$15,655,205	\$16,732,654	\$48,653,089	\$45,974,838
Allowance for inventory valuation and obsolescence loss	-	60,000	-	60,000
Revenue from sale of scraps	(356)	(292)	(2,339)	(1,398)
	<u>\$15,654,849</u>	<u>\$16,792,362</u>	<u>\$48,650,750</u>	<u>\$46,033,440</u>

Inventories were not pledged.

(5) Financial assets measured at fair value through profit or loss, non-current

	September 30, 2025	December 31, 2024	September 30, 2024
Financial assets measured at fair value through profit or loss:			
Capital	<u>\$488,064</u>	<u>\$404,502</u>	<u>\$391,538</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Financial assets measured at fair value through other comprehensive income, non-current

	September 30, 2025	December 31, 2024	September 30, 2024
Debt instruments investments measured at fair value through other comprehensive income:			
Bonds	\$299,658	\$198,320	\$198,213
Equity instruments investments measured at fair value through other comprehensive income:			
Unlisted companies' stocks	3,431,575	3,372,382	3,771,405
	<u>\$3,731,233</u>	<u>\$3,570,702</u>	<u>\$3,969,618</u>

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the three months and nine months ended September 30, 2025 and 2024 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Related to investments held at the end of the reporting period	\$-	\$1,967	\$90,455	\$92,434
Related to investments derecognized during the period	-	-	-	-
Dividends recognized during the period	<u>\$-</u>	<u>\$1,967</u>	<u>\$90,455</u>	<u>\$92,434</u>

(7) Property, plant and equipment

	September 30, 2025	December 31, 2024	September 30, 2024
Property, plant and equipment used by the Group	<u>\$7,107,535</u>	<u>\$7,023,275</u>	<u>\$6,684,611</u>

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

A. Property, plant and equipment used by the Group

	Land	Buildings and facilities	Machinery and equipment	Moulding equipment	Other equipment	Construction in progress	Total
Cost:							
As of January 1, 2025	\$990,790	\$5,341,696	\$5,753,562	\$178,641	\$142,826	\$128,398	\$12,535,913
Additions	-	26,094	455,193	59,311	21,543	192,774	754,915
Disposals	-	(69,154)	(206,140)	(52,782)	(3,282)	-	(331,358)
Exchange differences	-	(26,952)	(9,648)	-	(2,593)	-	(39,193)
Other changes	-	52,600	24,570	-	51,204	-	128,374
As of September 30, 2025	<u>\$990,790</u>	<u>\$5,324,284</u>	<u>\$6,017,537</u>	<u>\$185,170</u>	<u>\$209,698</u>	<u>\$321,172</u>	<u>\$13,048,651</u>
As of January 1, 2024	\$990,790	\$5,307,084	\$4,961,978	\$195,021	\$136,651	\$1,092	\$11,592,616
Additions	-	2,717	468,445	43,543	5,037	16,163	535,905
Disposals	-	(2,475)	(131,792)	(93,212)	(4,140)	-	(231,619)
Exchange differences	-	25,520	8,362	-	2,004	-	35,886
Other changes	-	5,250	33,417	-	-	-	38,667
As of September 30, 2024	<u>\$990,790</u>	<u>\$5,338,096</u>	<u>\$5,340,410</u>	<u>\$145,352</u>	<u>\$139,552</u>	<u>\$17,255</u>	<u>\$11,971,455</u>
Depreciation and impairment:							
As of January 1, 2025	\$-	\$1,400,284	\$3,905,281	\$98,058	\$109,015	\$-	\$5,512,638
Depreciation	-	135,791	575,735	51,469	15,023	-	778,018
Disposals	-	(69,154)	(206,140)	(52,782)	(3,282)	-	(331,358)
Exchange differences	-	(9,905)	(6,430)	-	(1,847)	-	(18,182)
As of September 30, 2025	<u>\$-</u>	<u>\$1,457,016</u>	<u>\$4,268,446</u>	<u>\$96,745</u>	<u>\$118,909</u>	<u>\$-</u>	<u>\$5,941,116</u>
As of January 1, 2024	\$-	\$1,222,249	\$3,259,034	\$138,292	\$97,422	\$-	\$4,716,997
Depreciation	-	130,381	604,021	38,930	12,475	-	785,807
Disposals	-	(2,475)	(131,792)	(93,212)	(4,140)	-	(231,619)
Exchange differences	-	8,391	5,623	-	1,645	-	15,659
As of September 30, 2024	<u>\$-</u>	<u>\$1,358,546</u>	<u>\$3,736,886</u>	<u>\$84,010</u>	<u>\$107,402</u>	<u>\$-</u>	<u>\$5,286,844</u>
Net carrying amount as of:							
September 30, 2025	<u>\$990,790</u>	<u>\$3,867,268</u>	<u>\$1,749,091</u>	<u>\$88,425</u>	<u>\$90,789</u>	<u>\$ 321,172</u>	<u>\$7,107,535</u>
December 31, 2024	<u>\$990,790</u>	<u>\$3,941,412</u>	<u>\$1,848,281</u>	<u>\$80,583</u>	<u>\$33,811</u>	<u>\$128,398</u>	<u>\$7,023,275</u>
September 30, 2024	<u>\$990,790</u>	<u>\$3,979,550</u>	<u>\$1,603,524</u>	<u>\$61,342</u>	<u>\$32,150</u>	<u>\$17,255</u>	<u>\$6,684,611</u>

B. Significant components of buildings with different useful lives are main building structure, electromechanical and air conditioning units, which are depreciated over 20 to 51 years and 3 to 21 years, respectively.

C. The Group's property, plant and equipment were not pledged.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(8) Investment property

The investment property held by the Group is for own-use. In April, 2022, the Group has entered into commercial property leases with terms of 5 years and leased to other companies for use. These leases include a clause to enable revision of the rental charge on an annual basis according to prevailing market conditions.

	<u>Buildings</u>
Cost:	
As of January 1, 2025	\$281,080
Transfers	-
As of September 30, 2025	<u>\$281,080</u>
As of January 1, 2024	\$281,080
Transfers	-
As of September 30, 2024	<u>\$281,080</u>
Depreciation and impairment:	
As of January 1, 2025	\$256,327
Depreciation	10,038
As of September 30, 2025	<u>\$266,365</u>
As of January 1, 2024	\$242,942
Depreciation	10,039
As of September 30, 2024	<u>\$252,981</u>
Net carrying amount as of:	
September 30, 2025	<u>\$14,715</u>
December 31, 2024	<u>\$24,753</u>
September 30, 2024	<u>\$28,099</u>

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Rental income from investment properties	<u>\$16,195</u>	<u>\$14,889</u>	<u>\$47,279</u>	<u>\$44,667</u>

Investment properties were not pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized with Level 3. The fair value of the investment properties held by the Group was NT\$523,700 thousand, NT\$523,700 thousand and NT\$513,100 thousand as of September 30, 2025, December 31, 2024 and September 30, 2024, respectively. The fair value has been determined

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

based on valuations performed by an independent appraiser. The valuation method used is discount cash-flow analysis method, and the key inputs used and quantitative information are as follows:

	September 30, 2025	December 31, 2024	September 30, 2024
Discount rates	4.720%	4.720%	4.595%
Growth rates	0.4%	0.4%	0.4%

(9) Intangible assets

	Computer software	Goodwill	Expertise capitalized	Total
Cost:				
As of January 1, 2025	\$281,491	\$2,080,084	\$3,041,744	\$5,403,319
Additions	76,547	-	2,067	78,614
Decreases	(28,029)	-	(8,542)	(36,571)
Exchange differences	(242)	-	(414)	(656)
As of September 30, 2025	<u>\$329,767</u>	<u>\$2,080,084</u>	<u>\$3,034,855</u>	<u>\$5,444,706</u>
As of January 1, 2024	\$346,621	\$2,080,084	\$2,845,987	\$5,272,692
Additions	79,745	-	35,730	115,475
Decreases	(156,647)	-	-	(156,647)
Reclassification	1,200	-	-	1,200
Exchange differences	229	-	392	621
As of September 30, 2024	<u>\$271,148</u>	<u>\$2,080,084</u>	<u>\$2,882,109</u>	<u>\$5,233,341</u>
Amortization and impairment:				
As of January 1, 2025	\$192,027	\$-	\$2,602,479	\$2,794,506
Amortization	47,721	-	90,251	137,972
Decreases	(28,029)	-	(8,542)	(36,571)
Exchange differences	(231)	-	(414)	(645)
As of September 30, 2025	<u>\$211,488</u>	<u>\$-</u>	<u>\$2,683,774</u>	<u>\$2,895,262</u>
As of January 1, 2024	\$300,421	\$-	\$2,463,076	\$2,763,497
Amortization	36,111	-	105,410	141,521
Decreases	(156,647)	-	-	(156,647)
Exchange differences	210	-	392	602
As of September 30, 2024	<u>\$180,095</u>	<u>\$-</u>	<u>\$2,568,878</u>	<u>\$2,748,973</u>
Net carrying amount as of:				
September 30, 2025	<u>\$118,279</u>	<u>\$2,080,084</u>	<u>\$351,081</u>	<u>\$2,549,444</u>
December 31, 2024	<u>\$89,464</u>	<u>\$2,080,084</u>	<u>\$439,265</u>	<u>\$2,608,813</u>
September 30, 2024	<u>\$91,053</u>	<u>\$2,080,084</u>	<u>\$313,231</u>	<u>\$2,484,368</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Amortization expense of intangible assets under the statement of comprehensive income:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Operating costs	\$618	\$701	\$1,854	\$1,281
Research and development expenses	\$42,486	\$38,064	\$116,985	\$117,785
Administrative expenses	\$9,394	\$4,962	\$19,133	\$22,455

(10) Impairment testing of goodwill

The Group is a single operating segment, also a CGU, based on which, the Group assesses whether the goodwill is impaired annually. The major revenue of the Group comes from flat panel display and integrated circuit design products, assessments are as follows:

The recoverable amounts of the CGU have been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 15.66% in 2024 and 12.12% in 2023. Cash flows beyond the five-year period are extrapolated using the growth rate of 1.10% in 2024 and 1.21% in 2023. As of December 31, 2024 and 2023, the group did not identify any impairment for goodwill of NT\$2,080,084 thousand.

The calculation of value-in-use for CGU is most sensitive to the following assumptions:

- A. Gross margin
- B. Discount rates
- C. Growth rate of sales used to extrapolate cash flows beyond the budget period.

Gross margins — gross margins are based on the actual results in the most recent years, and are adjusted with considering the expected future market trend.

Discount rates — the discount rates were estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, while the cost of liabilities is measured by the interest-bearing loans that the Group has obligation to settle.

Growth rates of sales estimates — the growth rates of sales are based on historical experiences. For the reasons explained above, the long-term average growth rate used to extrapolate the budget has been adjusted based on the pace of product innovation and the overall economic environment.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit to materially exceed its recoverable amount.

(11) Other financial assets

	September 30, 2025	December 31, 2024	September 30, 2024
Refundable deposits for capacity reservation	\$8,451,656	\$8,659,916	\$8,729,336
Others	37,666	37,239	37,336
	<u>\$8,489,322</u>	<u>\$8,697,155</u>	<u>\$8,766,672</u>
Current	\$277,680	\$277,680	\$277,680
Non-current	8,211,642	8,419,475	8,488,992
	<u>\$8,489,322</u>	<u>\$8,697,155</u>	<u>\$8,766,672</u>

The Group entered into the capacity reservation agreements with suppliers to ensure stable foundry capacity. The deposits were paid to suppliers in compliance with the agreements and refunded to the Group when terms and conditions set forth in the agreements have been satisfied.

(12) Other current liabilities

	September 30, 2025	December 31, 2024	September 30, 2024
Sales returns and allowance	\$81,156	\$74,580	\$74,647
Advance sales receipts	77,267	44,094	65,812
Others	62,027	57,894	57,154
	<u>\$220,450</u>	<u>\$176,568</u>	<u>\$197,613</u>

(13) Post-employment benefits

Defined contribution plan

For the three months and nine months ended September 30, 2025 and 2024, the pension expenses recognized under the defined contribution plan were NT\$71,307 thousand, NT\$65,192 thousand, NT\$210,919 thousand and NT\$194,941 thousand, respectively.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Defined benefit plan

Expenses under the defined benefit plan were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Operating costs	\$73	\$66	\$219	\$198
Selling expenses	39	40	117	120
Administrative expenses	281	254	844	761
Research and development expenses	985	957	2,953	2,870
	<u>\$1,378</u>	<u>\$1,317</u>	<u>\$4,133</u>	<u>\$3,949</u>

(14) Other financial liabilities

	September 30, 2025	December 31, 2024	September 30, 2024
Guarantee deposits for capacity reservation	\$10,806,834	\$13,565,034	\$13,192,902
Others	10,422	10,422	10,422
	<u>\$10,817,256</u>	<u>\$13,575,456</u>	<u>\$13,203,324</u>
Current	\$2,228,955	\$4,327,860	\$2,218,264
Non-current	8,588,301	9,247,596	10,985,060
	<u>\$10,817,256</u>	<u>\$13,575,456</u>	<u>\$13,203,324</u>

The customers entered into the capacity reservation agreements with the Group to reserve specific production capacity. The deposits were collected from the customers in compliance with the agreements and refunded to them when terms and conditions set forth in the agreements have been satisfied.

(15) Equities

A. Common stock

As of September 30, 2025, December 31, 2024 and September 30, 2024, the Company's authorized capital was NT\$7,500,000 thousand and the issued capital was NT\$6,085,115 thousand, each at a par value of NT\$10. The Company has issued 608,512 thousand common shares as of September 30, 2025, December 31, 2024 and September 30, 2024. Each share has one voting right and a right to receive dividends.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Capital surplus

	September 30, 2025	December 31, 2024	September 30, 2024
Additional paid-in capital —			
conversion of convertible bonds	\$7,959	\$7,959	\$7,959
Premium from merger	2,244,432	2,244,432	2,244,432
Employee stock option	122,663	122,663	122,663
	<u>\$2,375,054</u>	<u>\$2,375,054</u>	<u>\$2,375,054</u>

According to the Company Act, the capital surplus shall not be used except for offsetting the deficit of the company. When a company incurs no loss, it may distribute the capital surplus derived from the issuance of new shares at a premium or income from endowments received by the company. 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. Legal reserve

According to the Company Act, the company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the company. When the company 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.

D. Special reserve

When the Company distributing distributes earnings, in accordance with relevant laws or regulations, it shall set aside to special reserve, an amount equal to other net deductions from shareholders' equity for the current fiscal year. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

E. Retained earnings and dividend policies

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

- (a) Income tax obligation;
- (b) Offsetting accumulated deficits, if any;
- (c) Legal reserve at 10% of net income after tax; where such legal reserve amounts to the total authorized capital, this provision shall not apply.
- (d) Special reserve in compliance with the Company Law or Securities and Exchange Law;

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- (e) The remaining balance after the mentioned above payment to be made, combining with the undistributed earnings of the proceeding years may be retained or distributed as shareholders' dividends after the approval of the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. Dividends distributed to shareholders, if any, could be paid in the form of cash or share dividends. At least 50% of the dividends must be paid in the form of cash.

Details of the 2024 and 2023 appropriation of earnings and dividends per share as approved by the shareholders' meeting on May 28, 2025 and May 31, 2024, respectively, are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	Years Ended December 31,			
	2024	2023	2024	2023
Legal reserve	\$2,038,968	\$2,331,953		
Common stock — cash dividends	17,038,321	19,472,367	28.00	32.00

Please refer to Note 6(19) for further details on employees' compensation and remuneration to directors.

(16) Operating revenue

A. Disaggregation of revenue

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Revenue from contracts with customers				
Sale of goods	\$24,407,893	\$27,854,251	\$77,219,796	\$76,781,135
Others	165,777	12,077	626,139	744,097
	<u>\$24,573,670</u>	<u>\$27,866,328</u>	<u>\$77,845,935</u>	<u>\$77,525,232</u>
Timing of revenue recognition				
At a point in time	\$24,408,876	\$27,855,589	\$77,235,848	\$76,786,196
Over time	164,794	10,739	610,087	739,036
	<u>\$24,573,670</u>	<u>\$27,866,328</u>	<u>\$77,845,935</u>	<u>\$77,525,232</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Contract balances

Contract liabilities, current

	September 30, 2025	December 31, 2024	September 30, 2024	January 1, 2024
Sale of goods	\$44,986	\$77,981	\$138,536	\$101,750
Others	533,429	668,240	1,048,008	552,461
	<u>\$578,415</u>	<u>\$746,221</u>	<u>\$1,186,544</u>	<u>\$654,211</u>

The significant changes in the Group's balances of contract liabilities for the nine months ended September 30, 2025 and 2024 are as follows:

	Nine months ended September 30,	
	2025	2024
Revenue recognized during the period that was included in the beginning balance	\$(518,106)	\$(337,154)
Increase in receipts in advance during the period	350,300	869,487

C. Transaction price allocated to unsatisfied performance obligations

There is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year.

D. Assets recognized from costs to fulfil a contract: None.

(17) Expected credit losses

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Operating expenses — expected credit losses				
Trade receivables	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

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

The Group measures the credit loss allowance of its trade receivables at an amount equal to lifetime expected credit losses. The assessment of the Group's credit loss allowance as of September 30, 2025, December 31, 2024 and September 30, 2024 are as follows:

The Group consider the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, where details are as follows:

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As of September 30, 2025

	Days of trade receivables			Total
	<=60 days	61-180 days	181- >=361 days	
Gross carrying amount	\$15,733,219	\$5,543,072	\$19,401	\$21,295,692
Loss ratio	1%-5%	5%-30%	20%-100%	
Lifetime expected credit losses	321,004	387,302	19,401	727,707
	<u>\$15,412,215</u>	<u>\$5,155,770</u>	<u>\$-</u>	<u>\$20,567,985</u>

As of December 31, 2024

	Days of trade receivables			Total
	<=60 days	61-180 days	181- >=361 days	
Gross carrying amount	\$14,970,657	\$6,009,681	\$20,892	\$21,001,230
Loss ratio	1%-5%	5%-30%	20%-100%	
Lifetime expected credit losses	307,517	399,298	20,892	727,707
	<u>\$14,663,140</u>	<u>\$5,610,383</u>	<u>\$-</u>	<u>\$20,273,523</u>

As of September 30, 2024

	Days of trade receivables			Total
	<=60 days	61-180 days	181- >=361 days	
Gross carrying amount	\$16,207,800	\$5,178,373	\$20,168	\$21,406,341
Loss ratio	1%-5%	5%-30%	20%-100%	
Lifetime expected credit losses	349,097	358,442	20,168	727,707
	<u>\$15,858,703</u>	<u>\$4,819,931</u>	<u>\$-</u>	<u>\$20,678,634</u>

The movement in the provision for impairment of trade receivables as for the nine months ended September 30, 2025 and 2024 are as follows:

	Nine months ended September 30,	
	2025	2024
As of January 1	\$727,707	\$727,707
Allowance (reversal) for the current period	-	-
As of September 30	<u>\$727,707</u>	<u>\$727,707</u>

(18) Leases

Group as a lessee

The Group leases various properties, including real estate such as land, buildings and facilities, and other equipment. The lease terms range from 1 to 50 years.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	September 30, 2025	December 31, 2024	September 30, 2024
Land	\$377,041	\$380,769	\$384,483
Buildings and facilities	166,254	63,400	76,236
	<u>\$543,295</u>	<u>\$444,169</u>	<u>\$460,719</u>

For the nine months ended September 30, 2025 and 2024, the Group's additions to right-of-use assets amounted to NT\$159,591 thousand and NT\$134,721 thousand, respectively.

(b) Lease liabilities

	September 30, 2025	December 31, 2024	September 30, 2024
Current	\$70,475	\$42,002	\$49,562
Non-current	486,807	412,932	421,409
	<u>\$557,282</u>	<u>\$454,934</u>	<u>\$470,971</u>

Please refer to Note 6(20) for the interest on lease liabilities recognized for the nine months ended September 30, 2025 and 2024, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of September 30, 2025 and 2024.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Land	\$3,370	\$3,713	\$10,587	\$9,973
Buildings and facilities	14,770	12,138	41,636	35,888
	<u>\$18,140</u>	<u>\$15,851</u>	<u>\$52,223</u>	<u>\$45,861</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. Cash outflow relating to leasing activities

For the nine months ended September 30, 2025 and 2024, the Group's total cash outflows for leases amounted to NT\$55,869 thousand and NT\$50,323 thousand, respectively.

D. Other information relating to leasing activities

Extension option

A portion of the Group's property rental agreements contain an extension option. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, include the period covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The option is used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exclusively exercisable by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

(19) Summary statement of employee benefits, depreciation and amortization expenses by function:

	Three months ended September 30,					
	2025			2024		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$124,211	\$2,694,863	\$2,819,074	\$116,203	\$2,841,493	\$2,957,696
Labor and health insurance	6,965	167,979	174,944	6,449	156,475	162,924
Pension	4,849	67,836	72,685	4,532	61,977	66,509
Others	1,448	44,847	46,295	1,376	40,162	41,538
Total	<u>\$137,473</u>	<u>\$2,975,525</u>	<u>\$3,112,998</u>	<u>\$128,560</u>	<u>\$3,100,107</u>	<u>\$3,228,667</u>
Depreciation	<u>\$21,121</u>	<u>\$261,803</u>	<u>\$282,924</u>	<u>\$59,092</u>	<u>\$217,309</u>	<u>\$276,401</u>
Amortization	<u>\$618</u>	<u>\$51,880</u>	<u>\$52,498</u>	<u>\$702</u>	<u>\$43,025</u>	<u>\$43,727</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Nine months ended September 30,					
	2025			2024		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$372,657	\$8,412,916	\$8,785,573	\$344,249	\$8,282,284	\$8,626,533
Labor and health insurance	20,803	509,195	529,998	19,224	474,226	493,450
Pension	14,474	200,578	215,052	13,530	185,360	198,890
Others	3,822	117,758	121,580	3,608	110,157	113,765
Total	<u>\$411,756</u>	<u>\$9,240,447</u>	<u>\$9,652,203</u>	<u>\$380,611</u>	<u>\$9,052,027</u>	<u>\$9,432,638</u>
Depreciation	<u>\$70,324</u>	<u>\$769,955</u>	<u>\$840,279</u>	<u>\$174,325</u>	<u>\$667,382</u>	<u>\$841,707</u>
Amortization	<u>\$1,854</u>	<u>\$136,118</u>	<u>\$137,972</u>	<u>\$1,282</u>	<u>\$140,239</u>	<u>\$141,521</u>

According to the Articles of Incorporation, no lower than 1% of profit of the current year is distributable as employees' compensation and no higher than 4% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall first have been covered (if any). No less than 50% of the employees' compensation amount mentioned in the preceding paragraph should be allocated to non-executive employees. The Company 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.

Based on profit of the period, the Company estimated the amounts of the employees' compensation and remuneration to directors for the three months ended September 30, 2025 to be NT\$44,160 thousand and NT\$4,500 thousand, respectively; for the nine months ended September 30, 2025 to be NT\$152,625 thousand and NT\$13,500 thousand, respectively; for the three months ended September 30, 2024 to be NT\$64,732 thousand and NT\$4,500 thousand, respectively; for the nine months ended September 30, 2024 to be NT\$186,161 thousand and NT\$13,500 thousand, respectively, and recognized as salary expense. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to income of next year. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

A resolution was passed at a Board of Directors meeting held on February 25, 2025 to distribute NT\$241,930 thousand and NT\$13,500 thousand in cash as employees' compensation and remuneration to directors, respectively. There was no material difference between the aforementioned approved amounts and the amounts recognized in the financial statements for the year ended December 31, 2024.

There was no difference between the actual distribution amounts of employees' compensation and remuneration to directors in 2024 and the amounts charged against earnings in 2023.

(20) Non-operating income and expenses

A. Interest income

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Financial assets measured at amortized cost	\$221,825	\$303,390	\$806,251	\$1,005,922
Financial assets measured at fair value through other comprehensive income	-	-	2,850	1,400
	<u>\$221,825</u>	<u>\$303,390</u>	<u>\$809,101</u>	<u>\$1,007,322</u>

B. Other income

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Rental income	\$16,907	\$15,607	\$49,612	\$46,959
Dividend income	-	1,967	90,455	92,434
Others	14,755	3,133	80,004	4,942
	<u>\$31,662</u>	<u>\$20,707</u>	<u>\$220,071</u>	<u>\$144,335</u>

C. Other gains and losses

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Foreign exchange gains (losses), net	\$248,929	\$(165,243)	\$(258,292)	\$395,942
Gains (losses) on financial asset measured at fair value through profit or loss	21,128	14,097	(15,540)	7,651
Others	(2,868)	(1,654)	(5,898)	(4,328)
	<u>\$267,189</u>	<u>\$(152,800)</u>	<u>\$(279,730)</u>	<u>\$399,265</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

D. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Interest on lease liabilities	\$2,451	\$2,242	\$6,894	\$5,832
Others	-	-	180	167
	<u>\$2,451</u>	<u>\$2,242</u>	<u>\$7,074</u>	<u>\$5,999</u>

(21) Components of other comprehensive income

For the three months ended September 30, 2025

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$231,154	\$-	\$231,154	\$-	\$231,154
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	51,928	-	51,928	-	51,928
Unrealized gains (losses) from debt instruments investments measured at fair value through other comprehensive income	1,346	-	1,346	-	1,346
	<u>\$284,428</u>	<u>\$-</u>	<u>\$284,428</u>	<u>\$-</u>	<u>\$284,428</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the three months ended September 30, 2024

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$35,661	\$-	\$35,661	\$-	\$35,661
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	9,984	-	9,984	-	9,984
Unrealized gains (losses) from debt instruments investments measured at fair value through other comprehensive income	152	-	152	-	152
	<u>\$45,797</u>	<u>\$-</u>	<u>\$45,797</u>	<u>\$-</u>	<u>\$45,797</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the nine months ended September 30, 2025

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$102,480	\$-	\$102,480	\$-	\$102,480
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(65,856)	-	(65,856)	-	(65,856)
Unrealized gains (losses) from debt instruments investments measured at fair value through other comprehensive income	1,338	-	1,338	-	1,338
	<u>\$37,962</u>	<u>\$-</u>	<u>\$37,962</u>	<u>\$-</u>	<u>\$37,962</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the nine months ended September 30, 2024

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$125,106	\$-	\$125,106	\$-	\$125,106
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	48,757	-	48,757	-	48,757
Unrealized gains (losses) from debt instruments investments measured at fair value through other comprehensive income	(1,136)	-	(1,136)	-	(1,136)
	<u>\$172,727</u>	<u>\$-</u>	<u>\$172,727</u>	<u>\$-</u>	<u>\$172,727</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(22) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Current income tax expense:				
Current income tax payable	\$562,987	\$1,050,087	\$2,301,209	\$3,083,278
Adjustments in respect of current income tax of prior periods	1,398	21	(81,433)	(380,611)
Deferred tax expense:				
Deferred tax expense relating to origination and reversal of temporary differences	146,812	(21,807)	232,372	53,028
Others	9,113	123,701	8,025	138,701
Total income tax expense	<u>\$720,310</u>	<u>\$1,152,002</u>	<u>\$2,460,173</u>	<u>\$2,894,396</u>

The assessment of income tax returns

As of September 30, 2025, the assessment and approval of the income tax returns of the Company and its subsidiaries are as follows:

The Group	The assessment of income tax returns
NVT	Assessed and approved up to 2023
Subsidiary — Novatek Investment Corporation Limited	Assessed and approved up to 2023
Subsidiary — NTK International Limited	Assessed and approved up to 2024

(23) Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders 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.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The capital structure of the Company is considered complex. Computations are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
A. Basic earnings per share				
Profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	<u>\$3,654,824</u>	<u>\$5,258,457</u>	<u>\$12,657,883</u>	<u>\$15,540,655</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand share)	<u>608,512</u>	<u>608,512</u>	<u>608,512</u>	<u>608,512</u>
Basic earnings per share (NT\$)	<u>\$6.01</u>	<u>\$8.64</u>	<u>\$20.80</u>	<u>\$25.54</u>
B. Diluted earnings per share				
Profit attributable to ordinary equity holders of the parent company after dilution (in thousand NT\$)	<u>\$3,654,824</u>	<u>\$5,258,457</u>	<u>\$12,657,883</u>	<u>\$15,540,655</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand share)	608,512	608,512	608,512	608,512
Effect of dilution				
Employee bonus-stock (in thousand share)	<u>357</u>	<u>359</u>	<u>446</u>	<u>459</u>
Weighted average number of ordinary shares outstanding after dilution (in thousand share)	<u>608,869</u>	<u>608,871</u>	<u>608,958</u>	<u>608,971</u>
Diluted earnings per share (NT\$)	<u>\$6.00</u>	<u>\$8.64</u>	<u>\$20.79</u>	<u>\$25.52</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the issuance date of the financial statements.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Nature of relationship of the related parties</u>
United Microelectronics Corporation	Director of the Company (Note)
HeJian Technology (Suzhou) Co., Ltd.	Other related party (Note)
United Semiconductor (Xiamen) Co., Ltd.	Other related party (Note)
United Semiconductor Japan Co., Ltd.	Other related party (Note)

Note: After re-electing directors at the shareholders' meeting held on May 31, 2024, United Microelectronics Corporation has ceased to be a related party of the Company.

Significant transactions with related parties

(1) Purchases

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
United Microelectronics Corporation	\$-	\$-	\$-	\$5,040,851
Others	-	-	-	1,414,993
	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,455,844</u>

The payment terms from the related party suppliers were comparable with third party suppliers, and they are 45 days from the end of the month when the invoices are issued.

(2) Technology Service

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
United Microelectronics Corporation	\$-	\$-	\$-	\$110,791
Others	-	-	-	66,048
	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$176,839</u>

Key management personnel compensation

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$46,840	\$48,280	\$143,795	\$141,596
Post-employment benefits	486	473	1,432	1,391
	<u>\$47,326</u>	<u>\$48,753</u>	<u>\$145,227</u>	<u>\$142,987</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

8. ASSETS PLEDGE AS SECURITY

The following table lists assets of the Group pledged as security:

Assets pledged for security	September 30, 2025	December 31, 2024	September 30, 2024	Secured liabilities
Other financial assets, non-current	\$20,600	\$20,600	\$20,600	Guarantee for land

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

The Group paid a certain royalty fee based on the product sales volume of certain units or amounts per contract to use the technology know-how of other companies.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss	\$488,064	\$404,502	\$391,538
Financial assets measured at fair value through other comprehensive income	3,731,233	3,570,702	3,969,618
Financial assets measured at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	39,655,158	48,769,295	41,995,780
Trade receivables	20,926,405	20,715,179	21,177,736
Other financial assets (including current and non-current)	8,489,322	8,697,155	8,766,672
	<u>\$73,290,182</u>	<u>\$82,156,833</u>	<u>\$76,301,344</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost:			
Trade and other payables	\$17,745,567	\$17,664,533	\$17,224,785
Guarantee deposits received (including current and non-current)	10,817,256	13,575,456	13,203,324
Lease liabilities	557,282	454,934	470,971
	<u>\$29,120,105</u>	<u>\$31,694,923</u>	<u>\$30,899,080</u>

(2) Financial risk management objectives

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

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

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

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore,

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

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

When NTD strengthens/weakens against USD by 5%, the profit for the nine months ended September 30, 2025 and 2024 would decrease/increase by NT\$300,491 thousand and NT\$458,062 thousand, respectively.

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.

All of the Group's financial assets and financial liabilities that are exposed to cash flow risk due to interest rate fluctuation are under short-term contracts, thus the cash flow risk of interest rate fluctuation is considerably low.

Equity price risk

The fair value of the Group's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification of equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

A change of 5% in the price of the unlisted companies' equity instruments classified under equity instrument investments measured at fair value through profit or loss could cause the profit or loss for the nine months ended September 30, 2025 and 2024 to increase/decrease by NT\$24,403 thousand and NT\$19,577 thousand, respectively.

A change of 5% in the price of the unlisted companies' equity instruments classified under equity instrument investments measured at fair value through other comprehensive income could cause the profit or loss for the nine months ended September 30, 2025 and 2024 to increase/decrease by NT\$171,579 thousand and NT\$188,570 thousand, respectively.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(4) Credit risk management

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

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

As of September 30, 2025, December 31, 2024 and September 30, 2024, trade receivables from top ten customers represented 67%, 64% and 64% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from bank deposits and other financial instruments is managed by the Group's Finance Department in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks, financial institutions and companies with good credit rating. Consequently, there is no significant credit risk for these counterparties.

The Group adopted IFRS 9 to assess the expected credit losses and the detail of the assessment is described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Total carrying amount of trade receivables		
			September 30, 2025	December 31, 2024	September 30, 2024
Simplified approach (Note)	(Note)	Lifetime expected credit losses	\$21,295,692	\$21,001,230	\$21,406,341

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including accounts receivables.

(5) Liquidity risk management

The Group'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 loans. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of September 30, 2025					
Trade and other payables	\$17,745,567	\$-	\$-	\$-	\$17,745,567
Lease liabilities	79,638	114,899	66,657	438,410	699,604
Guarantee deposits received	2,228,955	7,979,401	608,900	-	10,817,256
As of December 31, 2024					
Trade and other payables	\$17,664,533	\$-	\$-	\$-	\$17,664,533
Lease liabilities	49,982	68,139	34,946	443,404	596,471
Guarantee deposits received	4,327,860	8,591,896	655,700	-	13,575,456
As of September 30, 2024					
Trade and other payables	\$17,224,785	\$-	\$-	\$-	\$17,224,785
Lease liabilities	57,805	72,434	36,778	447,678	614,695
Guarantee deposits received	2,218,264	2,067,672	8,284,388	633,000	13,203,324

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine months ended September 30, 2025:

	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2025	\$13,575,456	\$454,934	\$14,030,390
Cash flows	(1,626,343)	(48,975)	(1,675,318)
Non-cash changes			
Addition for the current period	-	159,591	159,591
Lease modification	-	(7,923)	(7,923)
Foreign exchange movement	(1,131,857)	(345)	(1,132,202)
As of September 30, 2025	\$10,817,256	\$557,282	\$11,374,538

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Reconciliation of liabilities for the nine months ended September 30, 2024:

	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
As of January 1, 2024	\$14,283,252	\$373,144	\$14,656,396
Cash flows	(1,330,536)	(44,491)	(1,375,027)
Non-cash changes			
Addition for the current period	-	134,721	134,721
Lease modification	-	4,899	4,899
Foreign exchange movement	250,608	2,698	253,306
As of September 30, 2024	\$13,203,324	\$470,971	\$13,674,295

(7) 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 Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, other financial assets, trade and other payables, other financial liabilities and guarantee deposits 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 funds etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market approach or asset approach valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information.
- (d) Fair value of debt instruments without market quotations is determined based on the discounted cash flow analysis. The assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument and interest rate yield curve for the contract period.

B. Fair value of financial instruments measured at amortized cost

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

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) 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 asset or liability, either directly or indirectly

Level 3 — Unobservable inputs for the asset or liability

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

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of September 30, 2025:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Capital	\$-	\$-	\$488,064	\$488,064
Financial assets measured at fair value through other comprehensive income				
Debt instrument	-	299,658	-	299,658
Equity instrument	-	-	3,431,575	3,431,575
	<u>\$-</u>	<u>\$299,658</u>	<u>\$3,919,639</u>	<u>\$4,219,297</u>

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Capital	\$-	\$-	\$404,502	\$404,502
Financial assets measured at fair value through other comprehensive income				
Debt instrument	-	198,320	-	198,320
Equity instrument	-	-	3,372,382	3,372,382
	<u>\$-</u>	<u>\$198,320</u>	<u>\$3,776,884</u>	<u>\$3,975,204</u>

As of September 30, 2024:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets measured at fair value through profit or loss				
Capital	\$-	\$-	\$391,538	\$391,538
Financial assets measured at fair value through other comprehensive income				
Debt instrument	-	198,213	-	198,213
Equity instrument	-	-	3,771,405	3,771,405
	<u>\$-</u>	<u>\$198,213</u>	<u>\$4,162,943</u>	<u>\$4,361,156</u>

Transfers between Level 1 and Level 2 during the period

For the nine months ended September 30, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

The detail movement of recurring fair value measurements in Level 3

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

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the nine months ended September 30, 2025

	Assets	
	At fair value through profit or loss	At fair value through other comprehensive income
	Capital	Stocks
As of January 1, 2025	\$404,502	\$3,372,382
Additions	99,102	-
Disposals	-	(2,687)
Capital reduction	-	(40,600)
Total gains and losses recognized:		
Amount recognized in profit or loss	(15,540)	-
Amount recognized in OCI	-	102,480
As of September 30, 2025	<u>\$488,064</u>	<u>\$3,431,575</u>

For the nine months ended September 30, 2024

	Assets	
	At fair value through profit or loss	At fair value through other comprehensive income
	Capital	Stocks
As of January 1, 2024	\$241,590	\$3,650,995
Additions	142,297	65,304
Capital reduction	-	(70,000)
Total gains and losses recognized:		
Amount recognized in profit or loss	7,651	-
Amount recognized in OCI	-	125,106
As of September 30, 2024	<u>\$391,538</u>	<u>\$3,771,405</u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As of September 30, 2025:

	Valuation technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of interrelationship between inputs and fair value
Financial assets:					
Financial assets measured at fair value through profit or loss					
Capital	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's profit or loss by NT\$54,229 thousand
Financial assets measured at fair value through other comprehensive income					
Stocks	Asset approach	Discount for lack of marketability and minority interest	10~30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's equity by NT\$388,954 thousand
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's equity by NT\$1,422 thousand

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As of December 31, 2024:

	Valuation technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of interrelationship between inputs and fair value
Financial assets:					
Financial assets measured at fair value through profit or loss					
Capital	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's profit or loss by NT\$44,945 thousand
Financial assets measured at fair value through other comprehensive income					
Stocks	Asset approach	Discount for lack of marketability and minority interest	10~30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's equity by NT\$381,749 thousand
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's equity by NT\$2,064 thousand

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As of September 30, 2024:

	Valuation technique	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity analysis of interrelationship between inputs and fair value
Financial assets:					
Financial assets measured at fair value through profit or loss					
Capital	Asset approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's profit or loss by NT\$43,504 thousand
Financial assets measured at fair value through other comprehensive income					
Stocks	Asset approach	Discount for lack of marketability and minority interest	10~30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's equity by NT\$425,344 thousand
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase(decrease) in the discount for lack of marketability would result in decrease(increase) in the Group's equity by NT\$1,342 thousand

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

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on 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 remeasured or reassessed as per the Group's accounting policies at each reporting date to ensure the measurement or assessment are reasonable.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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.

Please refer to Note 6(8) for information of investment property.

(9) Significant assets and liabilities denominated in foreign currencies

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

	As of September 30, 2025		
	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$842,289	30.445	\$25,646,748
RMB	123,766	4.271	528,605
<u>Financial liabilities</u>			
Monetary items:			
USD	\$644,890	30.445	\$19,633,665
RMB	21,130	4.271	90,245
	As of December 31, 2024		
	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$929,325	32.785	\$30,469,376
RMB	127,100	4.478	569,152
<u>Financial liabilities</u>			
Monetary items:			
USD	\$706,030	32.785	\$23,147,193
RMB	31,591	4.478	141,464

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	As of September 30, 2024		
	Foreign currencies (In thousands)	Foreign exchange rate	NTD (In thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$961,368	31.65	\$30,430,541
RMB	106,905	4.523	483,533
<u>Financial liabilities</u>			
Monetary items:			
USD	\$671,914	31.65	\$21,266,065
RMB	17,479	4.523	79,058

The Group does not disclose all the information regarding exchange gains and losses of monetary financial assets and liabilities denominated in foreign currencies due to the varieties of functional currencies. During the three months ended September 30, 2025 and 2024, foreign exchange gains (losses) aggregated to NT\$248,929 thousand and NT\$(165,243) thousand, and for nine months ended September 30, 2025 and 2024, foreign exchange (losses) gains aggregated to NT\$(258,292) thousand and NT\$395,942 thousand.

(10) Capital management

The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

- (1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

- A. Financing provided to others for the nine months ended September 30, 2025: None.
 B. Endorsement/Guarantee provided to others for the nine months ended September 30, 2025: None.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. Significant securities held as of September 30, 2025 (excluding subsidiaries):

Name of the Company Held	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	September 30, 2025				
					Shares/Units (In thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	Note
Novatek Microelectronics Corp.	Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income, non-current	306,977	\$2,855,740	15.15%	\$2,855,740	-
	Common Stock	Unitech Capital Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	6,000	145,786	12.00%	145,786	-
	Common Stock	TriKnight Capital Corporation	-	Financial assets measured at fair value through other comprehensive income, non-current	15,346	90,546	4.67%	90,546	-
	-	Taiwan Cooperative Bank issue of Unsecured Senior Financial Debentures	-	Financial assets measured at fair value through other comprehensive income, non-current	-	199,826	-	199,826	-
	-	Senior Unsecured Financial Debenture of Mega International Commercial Bank Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income, non-current	-	99,832	-	99,832	-
	-	TGVest Asia Partners II (Taiwan) L.P.	-	Financial assets measured at fair value through profit or loss, non-current	-	165,953	-	165,953	-

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Name of the Company Held	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	September 30, 2025				
					Shares/Units (In thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	Note
Novatek Investment Corporation Limited	Common Stock	Yobon Technologies, Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	26	\$-	3.79%	\$-	-
	Common Stock	TriKnight Capital Corporation	-	Financial assets measured at fair value through other comprehensive income, non-current	7,673	45,273	2.33%	45,273	-
	Common Stock	Perinnova Limited	-	Financial assets measured at fair value through other comprehensive income, non-current	1.9	5,861	19.00%	5,861	-
	Preferred Stock	Gear Radio Limited	-	Financial assets measured at fair value through other comprehensive income, non-current	2,400	9,954	5.11%	9,954	-
	Preferred Stock	xMEMS Labs, Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	2,006	62,887	1.38%	62,887	-
	Preferred Stock	XConn Technologies Holdings, Ltd.	-	Financial assets measured at fair value through other comprehensive income, non-current	1,755	139,403	2.63%	139,403	-
	Common Stock	Gallopwave Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	7,875	42,000	10.24%	42,000	-

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Name of the Company Held	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	September 30, 2025				
					Shares/Units (In thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	Note
Novatek Investment Corporation Limited	Preferred Stock	H3 Platform Inc.	-	Financial assets measured at fair value through other comprehensive income, non-current	18,750	\$34,125	8.77%	\$34,125	-
	-	CDIB-Innolux Limited Partnership	-	Financial assets measured at fair value through profit or loss, non-current	-	52,212	-	52,212	-
	-	TGVest Asia Partners II (Taiwan) L.P.	-	Financial assets measured at fair value through profit or loss, non-current	-	154,100	-	154,100	-
	-	Translink Capital Partners V, L.P.	-	Financial assets measured at fair value through profit or loss, non-current	-	64,534	-	64,534	-
	-	CDIB-Innolux II Limited Partnership	-	Financial assets measured at fair value through profit or loss, non-current	-	51,265	-	51,265	-

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

D. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the paid-in capital for the nine months ended September 30, 2025:

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable	
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
Novatek Microelectronics Corp.	NTK International Limited (NTK)	Subsidiary	Sales	\$(2,974,890)	3.82%	Month-end 60 days	-	-	\$431,200	2.03%
NTK International Limited (NTK)	Novatek Microelectronics Corp.	Subsidiary	Purchase	2,974,890	100.00%	Month-end 60 days	-	-	(431,200)	(100.00)%

E. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of paid-in capital as of September 30, 2025:

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Novatek Microelectronics Corp.	NTK International Limited (NTK)	Subsidiary	\$431,200	11.05	-	-	\$365,340	-

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

F. Intercompany relationship and significant intercompany transactions for the nine months ended September 30, 2025:

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Novatek Microelectronics Corp.	Novatek Japan Kabushiki-Kaisha (NJKK)	1	Selling expenses	\$15,940	According to the contract	(0.02)%
0	Novatek Microelectronics Corp.	NTK International Limited (NTK)	1	Sales	2,974,890	Month-end 60 days	3.82%
0	Novatek Microelectronics Corp.	NTK International Limited (NTK)	1	Trade receivables	431,200	Month-end 60 days	0.46%
0	Novatek Microelectronics Corp.	Novatek (Suzhou) Co., Ltd.	1	Administrative expenses	171,108	According to the contract	(0.22)%
0	Novatek Microelectronics Corp.	Novatek USA Inc.	1	Selling expenses	46,123	According to the contract	(0.06)%
0	Novatek Microelectronics Corp.	Novatek USA Inc.	1	Other payables	8,416	According to the contract	0.01%
0	Novatek Microelectronics Corp.	Novatek (Beijing) Co., Ltd.	1	Administrative expenses	35,087	According to the contract	(0.05)%
1	Novatek International (BVI) Ltd.	Novatek (Xian) Co., Ltd.	3	Administrative expenses	274,117	According to the contract	(0.35)%
1	Novatek International (BVI) Ltd.	Novatek (Shenzhen) Co., Ltd.	3	Administrative expenses	258,820	According to the contract	(0.33)%
2	Cheertek International Inc.	Novatek (Shanghai) Co., Ltd.	3	Administrative expenses	177,290	According to the contract	(0.23)%

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Note 1: Number should be input in the remark column for intercompany transactions. See below for how to assign numbers to transactions.

1. 0 for parent company.
2. Subsidiaries are given a number in sequence starting with No. 1.

Note 2: There are three types of transactions. Please mark the type of transaction by giving a number to it.

1. Parent to Subsidiary.
2. Subsidiary to Parent.
3. Subsidiaries to Subsidiaries.

Note 3: Asset/liability items are calculated by using the ending balances of the item divided by ending balance of total consolidated assets;
Profit/loss items are calculated by using the amount of the transaction divided by total consolidated revenue.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) Information on investees

Names, locations and related information of investees as of September 30, 2025 (excluding investment in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balances as of September 30, 2025			Net Income (losses) of the Investee	Profits/losses of Investee	Note
				September 30, 2025	December 31, 2024	Shares (In thousands)	Percentage of Ownership	Carrying Value			
Novatek Microelectronics Corp.	Novatek Investment Corporation Limited	Taiwan	Investment	\$860,000	\$860,000	86,000	100.00%	\$747,902	\$(4,640)	\$(4,640)	-
	Cheertek International Inc.	Samoa	Investment	459,882	304,197	14,500	100.00%	58,500	(173,258)	(173,258)	-
	Novatek International (BVI) Ltd.	British Virgin Islands	Investment	1,742,325	1,149,355	55,000	100.00%	715,986	(506,918)	(506,918)	-
	NTK International Limited (NTK)	Kowloon, Hong Kong	Sales of integrated circuits and semiconductor services	20,949	20,949	5,000	100.00%	272,381	19,652	19,652	-
	Novatek Japan Kabushiki-Kaisha (NJKK)	Tokyo, Japan	Marketing of integrated circuits and semiconductor services	5,430	5,430	0.4	100.00%	2,608	614	614	-
	Novatek USA Inc.	California, USA	Marketing of integrated circuits and semiconductor services	30,800	30,800	0.01	100.00%	35,442	2,821	2,821	-
Novatek International (BVI) Ltd.	Novatek International (SAMOA) Ltd.	Samoa	Investment	121,600 (USD4,000 thousand)	121,600 (USD4,000 thousand)	4,000	100.00%	184,809	18,961	-	-

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(3) Investment in Mainland China:

A. Investment situation:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 7)	Method of Investment	Accumulated outflow of Investment from Taiwan as of January 1, 2025 (Note 7)	Investment Flows		Accumulated outflow of Investment from Taiwan as of September 30, 2025 (Note 7)	Percentage of Ownership	Net Income (Losses) of the Investee Company	Share of Profits /Losses (Note 6)	Carrying Amount as of September 30, 2025	Accumulated Inward Remittance of Earnings as of September 30, 2025
					Outflow	Inflow						
Novatek (Suzhou) Co., Ltd.	Marketing of integrated circuits and semiconductor services	\$34,300 (USD1,000 thousand)	Indirectly investment in Mainland China through companies registered in a third region (Note 1)	\$34,300 (USD1,000 thousand)	\$-	\$-	\$34,300 (USD1,000 thousand)	100.00%	\$8,187	\$8,187	\$85,737	\$-
Novatek (Shanghai) Co., Ltd.	Multimedia VLSI software design, development, testing and related consulting services	32,485 (USD1,000 thousand)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	32,485 (USD1,000 thousand)	-	-	32,485 (USD1,000 thousand)	100.00%	3,761	3,761	77,137	-
Novatek (Xian) Co., Ltd.	Multimedia VLSI software design, development, testing and related consulting services	88,410 (USD3,000 thousand)	Indirectly investment in Mainland China through companies registered in a third region (Note 3)	88,410 (USD3,000 thousand)	-	-	88,410 (USD3,000 thousand)	100.00%	10,775	10,775	99,064	-
Novatek (Shenzhen) Co., Ltd.	Multimedia VLSI software design, development, testing and related consulting services	938,280 (USD30,000 thousand)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	938,280 (USD30,000 thousand)	-	-	938,280 (USD30,000 thousand)	100.00%	7,925	7,925	427,880	-
Novatek (Beijing) Co., Ltd.	Multimedia VLSI software sales, development, testing and related consulting services	28,000 (USD1,000 thousand)	Indirectly investment in Mainland China through companies registered in a third region (Note 5)	28,000 (USD1,000 thousand)	-	-	28,000 (USD1,000 thousand)	100.00%	1,526	1,526	31,088	-

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Accumulated Investment in Mainland China as of September 30, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,121,475 (Note 7) (USD36,000 thousand)	\$1,121,475 (Note 7) (USD36,000 thousand)	\$38,148,538

Note 1: The Company indirectly invested in Novatek (Suzhou) Co., Ltd., via investment in Novatek International (SAMOA) Ltd., an equity investee, via investment in Novatek International (BVI) Ltd., an equity investee. The Department of Investment Review, MOEA has approved the investment.

Note 2: The Company indirectly invested in Novatek (Shanghai) Co., Ltd. via investment in Cheertek International Inc., an equity investee. The Department of Investment Review, MOEA has approved the investment.

Note 3: The Company indirectly invested in Novatek (Xian) Co., Ltd. via investment in Novatek International (SAMOA) Ltd., an equity investee, via investment in Novatek International (BVI) Ltd., an equity investee. The Department of Investment Review, MOEA has approved the investment.

Note 4: The Company indirectly invested in Novatek (Shenzhen) Co., Ltd. via investment in Novatek International (BVI) Ltd., an equity investee. The Department of Investment Review, MOEA has approved the investment.

Note 5: The Company indirectly invested in Novatek (Beijing) Co., Ltd. via investment in Novatek International (BVI) Ltd., an equity investee. The Department of Investment Review, MOEA has approved the investment.

Note 6: The share of profits/losses for the nine months ended September 30, 2025 from equity investments under the equity method were recognized based on its financial statements non-audited by Taiwan parent company's independent auditor.

Note 7: This was calculated by using the exchange rate on remittance day.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Significant direct or indirect transactions with the investees in Mainland China:

- (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- (c) The amount of property transactions and the amount of the resultant gains or losses: None.
- (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- (e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- (f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Note 13(1) F.

NOVATEK MICROELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

14. SEGMENT INFORMATION

The major revenue of the Group comes from flat panel display and 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 Group is aggregated into a single segment.