

# REALTEK SEMICONDUCTOR CORP.

## 2021 Annual Report

The annual report is available at:

- I. Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>
- II. Realtek website for annual report: <https://www.realtek.com>

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**Notice to Readers:**

**This annual report has been prepared originally in Chinese. The English version is a direct translation of the Chinese version.**

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# Letter to Shareholders

## 1. 2021 Operating Results

During 2021, in addition to the continuing impact of COVID-19, the semiconductor industry experienced unprecedented supply shortages. These issues have put many markets and companies to the test. Alongside these black swan events, the world we live in is experiencing wave after wave of digital transformation. The demand for all types of connectivity products is rising rapidly, both for new products and because of the need to upgrade and improve existing products to meet the expectations and needs of customers.

The importance of semiconductor products to people's lives has become particularly obvious in the face of current supply shortages. In spite of the challenges created by the imbalance of supply and demand, Realtek achieved a new milestone in 2021, delivering another year of revenue growth and breaking the NT\$100 billion mark. This has been attained through close collaboration with upstream suppliers and downstream customers, as well as the tremendous efforts provided by all Realtek employees.

Full-year 2021 consolidated revenue reached NT\$105.5 billion, an increase of 35.7% from the previous year. Gross profit was NT\$53.2 billion, an increase of 60.0% from the previous year; and net profit after tax was NT\$16.8 billion, representing an increase of 91.7% compared to the previous year, with earnings per share of NT\$33.00. According to IC Insights, worldwide semiconductor industry revenue in 2021 was US\$613.9 billion, an increase of 25% compared to 2020, of which IC sales grew by 26%. Realtek once again marched forward at a speed outpacing the overall industry.

As well as economic performance, the industry continues to recognize Realtek's excellence in technological innovation and execution. According to the Taiwan Intellectual Property Office, Realtek submitted a new high of 442 patent applications in 2021, ranking fourth place among all domestic enterprises and the highest among all fabless IC design houses in Taiwan. At COMPUTEX 2021, Realtek received a Best Choice Golden Award for our Automotive Ethernet Switch (RTL9075AA/RTL9072AAD), and a Best Choice Category Award for our low-power AI IP camera SoC (RTS3916N). Additionally, the company's new generation gaming network total solution comprising 2.5GbE Gaming NIC (RTL8125BG) with its highly-praised 'Dragon Feature', Wi-Fi 6 (RTL8852AE), and 2.5G Intelligent Switch (RTL9313 + RTL8221B) was a 2021 COMPUTEX d&i awards winner.

Realtek puts corporate sustainability at its core, and is committed to meeting the expectations of various stakeholders. The company pays constant attention to corporate social responsibility-related initiatives, defines important indices, integrates internal resources, and formulates short, medium, and long-term goals. In 2021, material subjects included Corporate Governance and Law Compliance, Information Security, Economic Performance, Innovation and R&D, Talent Appointment and Development, Supplier Sustainability Management, and Climate Change Response. Responding to the continuing growth of the company and our responsibility to the environment, our two new offices (currently under construction) are being built with the goal of achieving the US Green Building Council's Leading Energy and Environmental Design (LEED) certification, providing employees with a high-efficiency, environmentally-friendly workplace. In order to increase our utilization of green energy, Realtek has also started to install solar panels on the roof of each building, and plans to purchase more renewable green energy over the years to come. In order to reduce the carbon footprint of our products, Realtek leverages its core technical capabilities to continuously launch products with higher performance and lower power consumption, while aiming at net zero carbon emissions as a long-term goal.

During the pandemic, Realtek comprehensively upgraded the company's IT infrastructure and information security to support the need for employees to work remotely in order to maintain the normal operation of the company, and to ensure the health and safety of employees. Leveraging our technical prowess and doing our share to fight against the pandemic, Realtek actively cooperated with the National

Taiwan University Hospital to provide intelligent medical aid equipment required for isolation wards. Additionally, the 'Free Hepatitis and Liver Cancer Screening' joint project sponsored by Realtek, Taipei Longshan Temple, the Liver Disease Prevention and Treatment Research Foundation, and Yuan High-Tech was recognized by Enterprise Asia with the 'Asia Responsible Enterprise Award (AREA) for Health Promotion' in 2021.

## 2. 2022 Business Plan

The impact of COVID-19, and the semiconductor industry's supply and demand issues, continue to linger. In spite of this, Realtek continues to vigorously pursue its commitment to using innovation to provide more competitive products to the market, while in turn delivering a better overall user experience to its customers. In 2022, Realtek will launch a series of new products to strengthen its product portfolio in key markets in order to maintain growth momentum and leadership in technology.

In relation to wireless network communication, over the course of 2021, Wi-Fi 6 has gradually replaced Wi-Fi 5 in both PC and router markets, and is expected to become mainstream during 2022. After the successful production of the first-generation Wi-Fi 6 solutions for the mass market in 2021, Realtek's Wi-Fi 6E solution has been designed into several customers' products with the gradual opening of the 6 GHz unlicensed band around the world. In 2022, Realtek will focus on the optimization and promotion of Wi-Fi 6 and 6E, while simultaneously accelerating the development of our next generation Wi-Fi 7. Realtek continues to cooperate with IoT market standard leaders to provide a development platform for first-line customers so that they can launch new products when the official version of the standard is released in 2023. Realtek's multipronged strategy on Bluetooth (BT) has proven to be very successful. The new generation of BT SoC for TWS (True Wireless Stereo) with Active Noise Cancellation (ANC), and BT5.2 BLE Audio technology will further enable a wide range of BT audio applications. Realtek BT NIC and BLE SoCs are the prime choices for major global brands in the BT audio remote controller and wearable markets. Looking to the future, in addition to focusing our attention on personal entertainment and smart homes, we will also be targeting industrial, medical, and automotive markets to provide cross-domain and diverse applications.

Over the past two years, the specifications for Ethernet in both the PC and Network markets have gradually moved up from 1GbE to 2.5GbE. Realtek 2.5GbE Ethernet controller chips have been widely adopted in gaming motherboards, mid-to-high-end PCs, switches, and network expansion accessories. In 2022, we will launch third generation 2.5GbE products and higher-speed 5GbE Ethernet solutions to meet the needs of the highly digitalized post-pandemic market. The demand for network bandwidth has rapidly increased with the popularization of Wi-Fi 6, and the speed of older mainstream 1GbE switches is no longer sufficient. A boom in 2.5GbE switches can be expected, and in 2022, Realtek expects to launch an easy-to-operate 8-port 2.5GbE switch with low-power consumption.

With the trend towards enterprise networks driven by the infrastructure upgrade of telecom operators in various countries, Realtek will launch a high-end, multi-port, multi-GbE managed switch product to provide a complete and competitive solution to the market. In broadband networks, users' demand for bandwidth is increasing, and global operators are accelerating the deployment and upgrade of optical fiber networks. Realtek has a complete portfolio of PON products to meet various needs, and that can compete in telco tender projects in many countries. Realtek is a major supplier of automotive Ethernet, and Automotive Ethernet has become the backbone of in-vehicle networks. With ever more stringent requirements for speed, interfaces, safety, and security, Realtek will strive to meet these needs and continue to provide innovative high-quality products, thereby increasing both revenue, and market share.

For PC peripheral products, as the pandemic eased up in the second half of 2021 the commercial segment replaced the consumer segment and became the main driver for the PC market. In 2022, Realtek will build on existing voice recognition, voice wake-up, and noise reduction technologies, and add deep learning to create a superb user experience in voice applications, rendering Realtek the best voice and audio solution for new generation PC products. In image signal processing, this year Realtek will launch a new

generation of ISP solutions supporting 4K high picture quality with more user convenient features and superior clarity. For high-speed interface products, the Realtek Card Reader, Hub, USB Type-C, and high-speed Translators lead the industry in both portfolio breadth and compatibility, and are highly recognized and employed by customers.

With regard to multimedia products, the TV SoC supply cycle was disrupted due to both the epidemic and supply shortages, however, we will continue to do our best to meet our customer order demands. Realtek will also develop a new generation of TV SoC that supports 8K (7680x4320), and offers smart TV functions to provide users with the best experience in both audio and video. Responding to the trend towards higher resolution and multimedia network streaming, Realtek has developed a new generation of set-top-box products integrating HDR, 3D sound, and the latest encoding technologies. These software and hardware reference designs, complete with our in-house multimedia and network total solutions, help customers develop high-performance solutions that provide great value to the market. Regarding LCD monitors, Realtek continues to lead the industry in delivering various high-speed interface specifications, supporting the technologies that give rise to high resolution, high dynamic range, and high frame rate, providing customers with multiple product choices that more closely meet their requirements.

### 3. Strategy for Future Development and Impact by Competitive, Regulatory, and Macro Conditions

The world remains challenged by the semiconductor industry's supply/demand imbalance and geopolitical conflicts. Nevertheless, there is still plenty of room for growth in the semiconductor market with the advancement and upgrade of 5G Communications, the Internet, and Artificial Intelligence. Realtek will continue to enhance its core competency in technology, make good use of diverse silicon IPs to create product differentiation, and establish mutual trust and lasting partnerships with customers. While creating greater economic performance, we are committed to strengthening corporate governance, corporate sustainability, and creating long-term increasing value for shareholders. Realtek wishes to thank all shareholders for your continued support!

Chairman      Chiu, Sun-Chien

President      Yen, Kuang-Yu

Controller      Chang, Jr-Neng

# Company Introduction

## I. Date of Establishment

Realtek Semiconductor Corporation ('the Company') was incorporated on October 21, 1987, and debuted on the Taiwan Stock Exchange in October 1998. It is headquartered in Taiwan and it has sales or R&D teams in China, Singapore, the United States, Japan, and South Korea.

## II. Company Milestones

1987/10	The Company is incorporated.
1988/04	The Company's Taipei office is established.
1991/12	The Pocket Ethernet Controller receives an Innovative Technology Award from the Hsinchu Science Park Administration.
1993/12	The High-Performance Window Accelerator Chip receives an Innovative Product Award from the Hsinchu Science Park Administration.
1995/02	The Full Duplex Plug-and-Play Ethernet Controller receives a Product Innovation Award from EDN Asia.
1996/12	For its extensive R&D initiatives and achievements, the Company receives an R&D Participation Award from the Hsinchu Science Park Administration.
1997/06	The Single-Chip Fast Ethernet Controller receives a Best Component Award and a Best Product Award at Computex Taipei 1997.
1997/09	The Company is listed in Gre Tai Securities Market (Taipei Exchange).
1997/11	The Single-Chip Fast Ethernet Controller receives a New Product Development Award from the Industrial Development Bureau, Ministry of Economic Affairs.
1998/10	The Company debuts on the Taiwan Stock Exchange.
1998/12	For the fourth consecutive year, the Company receives an R&D Participation Award from the Hsinchu Science Park Administration.
1999/12	The 4-Port Fast Ethernet Transceiver receives an innovative technology R&D grant from the Hsinchu Science Park Administration.
2000/05	For the first time, the Company issues unsecured convertible bonds; the total value is NT\$1.4 billion.
2000/08	For its outstanding R&D achievements, the Company receives a Most Outstanding Award at the Ministry of Economic Affairs' 8 <sup>th</sup> Industrial Technology Development Awards.
2001/12	The Multi-mode Single-Chip 10/100M Fast Ethernet Controller SoC receives a Component Design Award from <i>EDA Asia Magazine</i> .
2002/01	For the first time, the Company issues Overseas Depositary Receipts; the total value is US\$240,180,375.
2002/06	The ALC650 6-Channel Audio Codec receives a Best Choice Award at Computex Taipei 2002.
2002/11	The Company ranks among the Global Top 10 Electronic Component Providers by Taiwan's <i>Micro-Electronics Magazine</i> .
2003/10	For the second consecutive year, the Company ranks among the Forbes Global 200 Best Small Companies.

2003/10	The RTL8169S/RTL8110 Single-Chip Gigabit Ethernet Controller receives an Innovative Product award from the Hsinchu Science Park Administration.
2004/03	The PCI Express Single-Chip Gigabit Ethernet Controller receives an innovation R&D grant for NT\$3 million from the Hsinchu Science Park Administration.
2004/06	The Dual-Band Triple-Mode WLAN Chipsets RTL8185L and RTL8255 receive a Best Choice Award at Computex Taipei 2004.
2004/09	The reference designs of the IEEE802.11a/b/g WLAN Chipsets RTL8185L and RTL8255 pass the Wi-Fi Alliance's WPA2 (Wi-Fi Protected Access 2) testing and become the golden test bed.
2004/10	The Dual-Band Triple-Mode WLAN Chipset receives an Outstanding IT Application/Product Award from the committee for Taiwan Information Technology Month.
2004/12	The WLAN Chipsets RTL8187L and RTL8255 receive an Innovative Product Award from the Hsinchu Science Park Administration.
2004/12	The Company receives an R&D Accomplishment Award from the Hsinchu Science Park Administration.
2005/03	The Company unveils the ALC882 7.1+2 Channel High Definition Audio Codec.
2005/06	The Company celebrates the grand opening of its new building on Innovation Rd. II in Hsinchu Science Park.
2005/08	The Company releases the RTS5111, the world's first USB 2.0 All-in-One Card Reader Controller with Integrated 5V/3.3V Regulator and Power MOSFET.
2005/11	For its substantive R&D achievements, the Company receives another R&D Accomplishment Award from the Hsinchu Science Park Administration.
2006/03	The Company releases a new generation of High Definition Audio codecs, the ALC885 and ALC888 Telecom.
2006/03	The ALC888 Telecom receives a Technology Innovation Accelerated Award for the 'Digital Office' platform at the 2006 Intel Developer Forum.
2006/08	The Company passes ISO 14001 Environmental Management Systems certification.
2006/10	The Company celebrates its 20 <sup>th</sup> anniversary.
2006/12	The ALC888 Telecom receives an Innovative Product Award from the Hsinchu Science Park Administration.
2006/12	For the third consecutive year, the Company receives an R&D Accomplishment Award from the Hsinchu Science Park Administration.
2007/01	At an extraordinary shareholders' meeting, shareholders approved a capital reduction of NT\$4,180,701,000 (each share qualified for a rebate of approximately NT\$5); the reduction ratio is 50%.
2007/06	The RTL8111C PCI Express Single-Chip Gigabit Ethernet Controller receives a Best Choice Award at Computex Taipei 2007.
2007/07	The Company releases the RTL8366S and RTL8366SR low power, highly integrated 6-Port Gigabit Ethernet Switch Controller Single-Chip solutions featuring patented Green Ethernet technology.
2007/10	The Company releases the RTS5161/68/69, the world's first multi-function card reader controller to integrate a NAND flash card reader, a smart card reader, a fingerprint reader, and an IR receiver.

2007/10	The Company releases the ALC269, which is the first HD Audio Codec to integrate a 2W Class D Amplifier and the latest low power specifications. The device represents a breakthrough in reducing the power consumption of laptop computers.
2007/11	The Company releases the ALC889 HD Audio Codec, which features a Signal-to-Noise Ratio (SNR) of 108dB and is the only HD Audio Codec to have full rate Blu-Ray DVD playback.
2007/12	The RTL8111C-GR PCI Express Gigabit Ethernet Controller receives an Innovative Product Award from the Hsinchu Science Park Administration.
2007/12	For the fourth consecutive year, the Company receives an R&D Accomplishment Award from the Hsinchu Science Park Administration.
2008/05	The Company demonstrates a series of Networked Multimedia SoC solutions at Computex Taipei 2008.
2008/06	The RTD2485D All-in-One LCD Monitor Controller receives a Best Choice Award at Computex Taipei 2008.
2008/09	The Company releases the RTL8191S and RTL8192S, the world's smallest, most energy efficient 802.11n WLAN IC Single-Chip solutions. They are the first controllers to integrate MAC/BB/RF with an embedded power amplifier, EEPROM, and switching regulators.
2008/10	The RTL8366SR 5+1-Port Gigabit Ethernet Switch Controller Single-Chip receives a 2008 EDN China Innovation Award.
2008/12	The RTD2485D All-in-One LCD Monitor Controller receives an Innovative Product Award from the Hsinchu Science Park Administration.
2009/08	The Company receives a 2009 National Invention and Creation Award.
2009/10	The Company releases the RTL8111E, the first Gigabit Ethernet Controller SoC to use the IEEE 802.3az standard.
2009/10	The RTD1073 Full-HD Digital Media Processor receives a 2009 EDN China Innovation Award.
2009/11	The RTD1073/1283 Full-HD Digital Media Processor receives a 2009 Outstanding IT Application/Product Award.
2009/11	The RTL8111DP-GR PCI Express Gigabit Ethernet Management Controller receives a 2009 Innovative Product Award from the Hsinchu Science Park Administration.
2009/11	The Company receives the International Exchange and Cooperation Award from the Hsinchu Science Park Administration.
2009/11	The Company receives the 2009 R&D Accomplishment Award from the Hsinchu Science Park Administration.
2010/01	At the 2010 CES, the Company demonstrates industry-leading Green Ethernet power-savings technology, including the IEEE 802.3az Ethernet Single-Chip and Switch Controller, as well as the world's most energy efficient power-over-USB 2x2 802.11n Wireless Router using the Company's Green WLAN technology.
2010/06	The ALC899-GR High Fidelity PC Audio Codec receives a Best Choice Award at Computex Taipei 2010.
2010/06	The RTL8111E Single-Chip Gigabit Ethernet Controller receives a Best Choice Award at Computex Taipei 2010.

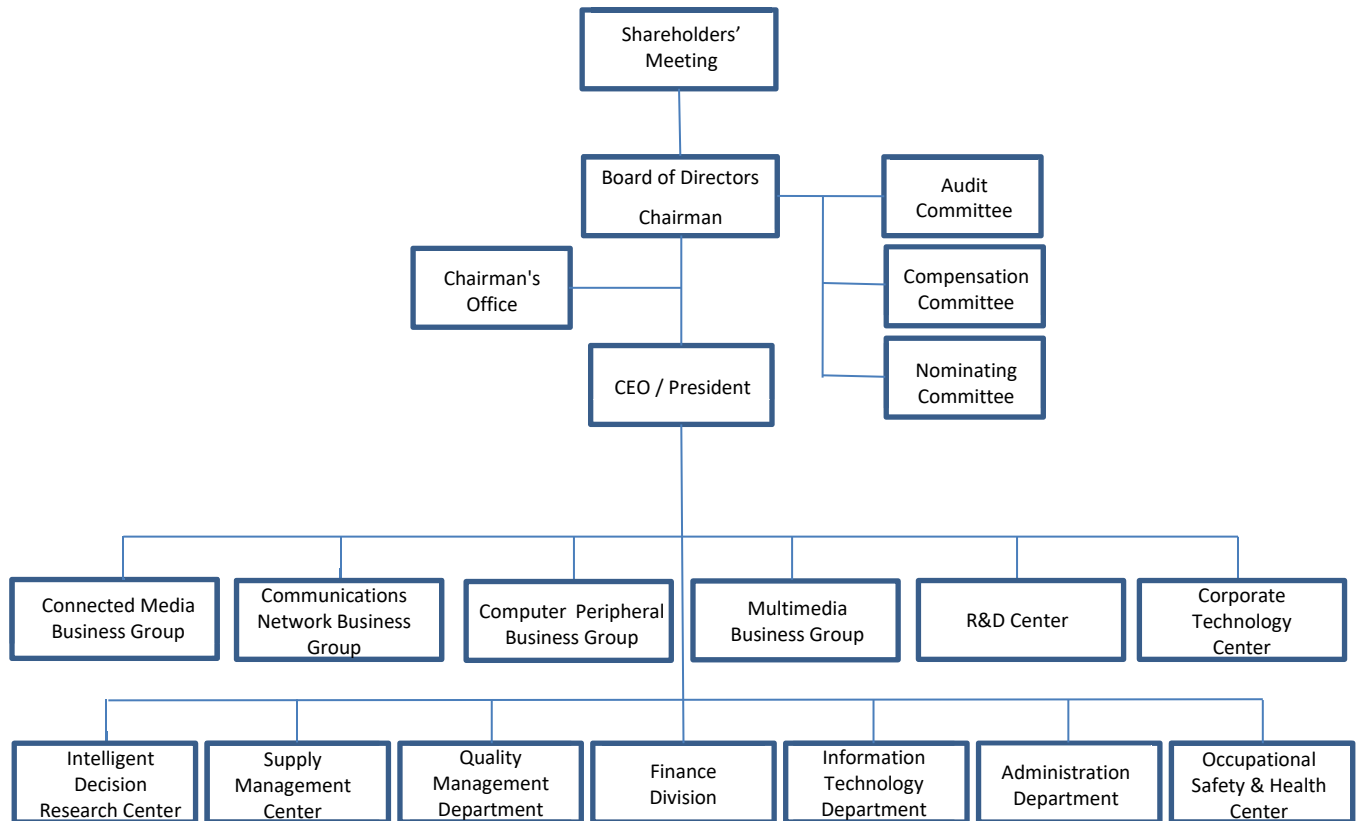
2010/12	The RTL8111E Single-Chip Gigabit Ethernet Controller receives a 2010 Outstanding IT Application and Products Award.
2010/12	The RTL8367M 7-Port Gigabit Ethernet Switch Controller receives a 2010 Innovative Product Award from the Hsinchu Science Park Administration.
2010/12	The Company receives a 2010 Science Park R&D Accomplishment Award.
2011/10	The Company receives the 1 <sup>st</sup> Taiwan Green Classics Award, hosted by the Bureau of Foreign Trade, Ministry of Economic Affairs.
2011/12	The Company receives an Industrial Sustainable Excellence Award from the Industrial Development Bureau, Ministry of Economic Affairs.
2011/12	The Company receives a National Industrial Innovation Award – Outstanding Enterprise Innovation Award from the Department of Industrial Technology, Ministry of Economic Affairs.
2011/12	The Company receives a 2011 Science Park R&D Accomplishment Award.
2012/12	The ALC5642 Hi-Fi Audio Integrated with Voice/Sound DSP and Codec Single-Chip receives a 2012 Innovative Product Award from the Hsinchu Science Park Administration.
2012/12	The Company receives a 2012 Science Park R&D Accomplishment Award.
2013/06	The RTD2995 4K2K UHD Smart TV SoC receives a Best Choice Golden Award at Computex Taipei 2013.
2013/11	The RTL8153 Low Power USB 3.0-to-Gigabit Ethernet Controller receives a 2013 EDN China Innovation Award.
2013/12	The RTD2995 4K2K UHD Smart TV SoC receives a 2013 Innovative Product Award from the Hsinchu Science Park Administration.
2014/06	The RTL8118AS Ultra Low Power Gaming NIC receives a Best Choice Green ICT Award at Computex Taipei 2014.
2014/06	The RTL8881A AP/Router Network Processor SoC (with 11ac Wi-Fi) receives a Best Choice Award (in Communication) at Computex Taipei 2014.
2015/04	The Company's subsidiary Realtek Singapore Pte Ltd. acquires 100% equity interest of Cortina Access, Inc. and its subsidiaries.
2015/06	The RTL8195AM Low Power Wi-Fi IoT SoC receives a Best Choice Golden Award at Computex Taipei 2015.
2015/12	The RTD2999 4K Ultra-High Picture Quality Smart TV SoC receives a 2015 Innovative Product Award from the Hsinchu Science Park Administration.
2016/06	The RTL8762A Bluetooth Low Energy SoC receives a Best Choice Golden Award at Computex Taipei 2016.
2016/06	The RTS5421 USB 3.1 Type-C Hub receives a Best Choice Golden Award at Computex Taipei 2016.
2016/12	The Company receives a 2016 Science Park R&D Accomplishment Award.
2016/12	The RTL9020AA Automotive Camera SoC Integrated with Audio/Video Processor and Ethernet receives a 2016 Innovative Product Award from the Hsinchu Science Park Administration.
2017/06	The RTL9047A Automotive Ethernet Switch Controller receives a Best Choice Award in the Car Electronics category at Computex Taipei 2017.
2017/06	The RTL8771B Low Power Wearable GNSS Receiver receives a Best Choice Award in the Mobile & Wearables category at Computex Taipei 2017.

2017/06	The world's most energy efficient Bluetooth 5 Dual Mode Audio SoC, the RTL8763B, receives a Best Choice Award in the IC & Components category at Computex Taipei 2017.
2017/06	The RTL8117 Personal Cloud IC Solution receives a Best Choice Award: the Jury's Special at Computex Taipei 2017.
2017/11	The Communications Network Group's CN3 Wi-Fi R&D team receives a 2017 Outstanding Technology Management Award.
2018/05	The Company releases the world's first 2.5G Ethernet Controller SoC for multiple applications, including gaming.
2018/06	The RTL8715A Highly Integrated, Ultra-Low-Power Wi-Fi IP Camera SoC receives a Best Choice Award in the IoT Applications category at Computex Taipei 2018.
2018/06	The RTL8762C Bluetooth 5 Low Energy SoC receives a Best Choice Award in the IC & Components category at Computex Taipei 2018.
2018/06	The ALC5520 Multi-Mic Far-Field Speech Recognition Enhanced SoC solution receives a Best Choice Golden Award at Computex Taipei 2018.
2018/06	The Company receives an Asia Responsible Entrepreneurship Award.
2018/12	The ALC5520 Multi-Mic Far-Field Speech Recognition Enhanced SoC solution receives a 2018 Innovative Product Award from the Hsinchu Science Park Administration.
2019/06	The RTD2893 8K Video Decoder and Processing IC receives the Best Choice of the Year/Golden Award at Computex Taipei 2019.
2019/06	The RTL8773B Bluetooth 5 ANC Smart Headset SoC receives a Best Choice Golden Award at Computex Taipei 2019.
2019/06	The RTL8722DM Ameba D: Ultra-Low-Power Versatile IoT Solution wins a Best Choice IoT Category Award at Computex Taipei 2019.
2019/12	The RTD2893 8K Video Decoder and Processing IC receives a 2019 Innovative Product Award from the Hsinchu Science Park Administration.
2019/12	The Company receives a 2019 Science Park R&D Accomplishment Award for overall R&D results.
2020/12	The RTL8156B 2.5G USB Ethernet controller with world's smallest form factor & lowest power receives a 2020 Innovative Product Award from the Hsinchu Science Park Administration.
2020/12	The Company receives a 2020 Hsinchu Science Park R&D Accomplishment Award for overall R&D results.
2021/5	The New Generation Gaming Network Total Solution 2.5GbE Gaming NIC with 'Dragon Feature' + Wi-Fi 6 & Intelligent Switch (RTL8125BG + RTL8852AE & RTL9313 + RTL8221B) wins a d&i award at Computex Taipei 2021.
2021/7	The Automotive Ethernet Switch IC (RTL9075AAD/RTL9072AAD) receives a Best Choice Golden Award at Computex Taipei 2021.
2021/7	The RTS3916N Low Power AI IP Camera SoC receives a Best Choice AI, Big Data & Cloud Computing Category Award at Computex Taipei 2021.
2021/9	The Company wins the 2021 Asia Responsible Enterprise Award.

# Corporate Governance Report

## I. Organization

### 1. Organizational Structure



## 2. Responsibilities of Main Departments

Department	Key Responsibilities
Chairman's Office	Reviews the Company's operations and implementation of resolutions made by shareholders' meetings and the Board of Directors; Company audits.
President's Office	Plans and executes the Company's operational strategies and analysis; carries out Board of Directors' resolutions, investment assessments, PR statements, legal and patent affairs, and international marketing.
Communications Network Business Group	Manages communications network product R&D, planning and marketing.
Computer Peripheral Business Group	Manages computer peripheral product R&D, planning and marketing.
Multimedia Business Group	Manages multimedia product R&D, planning and marketing.
Connected Media Business Group	Manages connected media product R&D, planning and marketing.
R&D Center	Plans new products, develops and designs relevant core technologies, and manages circuit layouts.
Corporate Technology Center	Oversees the planning, research and service of all advanced technologies needed in the Company's product development
Intelligent Decision Research Center	Oversees big data analytics.
Supply Management Center	Oversees raw materials, warehousing, materials control, procurement, IC manufacturing and testing, and testing equipment maintenance.
Quality Management Department	Oversees product quality control and reliability engineering.
Finance Division	Oversees finance, accounting, and stock affairs.
Information Technology Department	Oversees information management and computer systems integration and applications.
Administration Department	Oversees general affairs, factory administration, and human resources.
Occupational Safety & Health Center	Oversees occupational safety and health.

## II. Information of Directors and Officers

### 1. Information of Directors

Title	Nationality / Country of Origin	Name	Gender Age	Date Elected	Term of Office	Date First Elected	Shareholding When Elected		Current Shareholding		Source & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experience	Current Positions at the Company and other companies	Managers or Directors who are spouse or within second-degree relatives to each other		
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relation
Director	Belize	United Glory Co., Ltd.	-	2021.08.09	3 years	2021.08.09	3,265,954	0.64%	3,265,954	0.64%	-	-	-	-	NA	NA	-	-	-
Chairman	ROC	United Glory Co., Ltd. Representative: Chen Shu-Ching	Male 51~60	2021.08.09	3 years	2006.06.09	89,283	0.17%	883,831	0.17%	1,384	0.00%	-	-	M.S. in Electrical Engineering, National Taiwan University	Chief Executive Officer of Realtek Semiconductor Corp. Chairman/Director of Realtek Semiconductor Corp. affiliates	-	-	-
Vice Chairman	ROC	United Glory Co., Ltd. Chair: Kuo-Lung	Male 51~60	2021.08.09	3 years	2006.06.12	40,686	0.01%	40,686	0.01%	-	-	-	-	MBA(Master of Business Administration), The City University of New York, USA.	Vice Chief Executive Officer & Chief Financial Officer of Realtek Semiconductor Corp. Director/Supervisor of Realtek Semiconductor Corp. affiliates	-	-	-
Director	ROC	Cosch Pharmaceutical Industry Co., Ltd.	-	2021.08.09	3 years	2015.06.09	22,146,604	4.32%	22,146,604	4.32%	-	-	-	-	NA	NA	-	-	-
Director	ROC	Cosch Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Hong	Male 61~70	2021.08.09	3 years	1994.04.02 (Note 1)	-	-	-	-	-	-	-	-	MBA(Master of Business Administration), Washington University in St. Louis, USA.	Chairman of Realtek Semiconductor Corp. affiliates Director of Yihong Investment Co., Ltd. Chairman of Zn Yuan Industries Co., Ltd. Director of Cosch Pharmaceutical Industry Co., Ltd. Director of Novassant (Shanghai) Co., Ltd.	Director	Yeh, Nan-Hong	Brother
Director	BVI	Sonnan Limited	-	2021.08.09	3 years	2015.06.09	66,000	0.01%	66,000	0.01%	-	-	-	-	NA	NA	-	-	-
Director	ROC	Sonnan Limited Representative: Yeh, Po-Len	Male 61~70	2021.08.09	3 years	1991.06.26	2,323,899	0.46%	2,323,899	0.45%	208,598	0.04%	-	-	MSc. & Ph.D. in Material Engineering, Loughborough University of Technology, United Kingdom	Chairman/Director of Realtek Semiconductor Corp. affiliates	Chairman	Yeh, Nan-Hong	Brother
Director	ROC	Yen, Kuang-Yu	Male 41~50	2021.08.09	3 years	2021.08.09	23,948	0.00%	23,948	0.00%	4,000	0.00%	-	-	M.S. in Communications Engineering, National Chiao Tung University	President of Realtek Semiconductor Corp. Director of Realtek Semiconductor Corp. affiliates	-	-	-
Director	ROC	Huang, Yang-Fang	Male 51~60	2021.08.09	3 years	2018.06.05	42,205	0.01%	42,205	0.01%	79,625	0.02%	-	-	M.S. in Electrical Engineering, State University of New York, USA	Chief Operating Officer of Realtek Semiconductor Corp. Chairman/Director of Realtek Semiconductor Corp. affiliates	-	-	-
Director	ROC	Ni, Shu-Ching	Female 61~70	2021.08.09	3 years	1991.06.26	6,308,389	1.24%	6,308,389	1.23%	6,569,949	1.28%	-	-	Open Junior College	None	-	-	-
Independent Director	ROC	Chen, Fu-Yen	Male 61~70	2021.08.09	3 years	2015.06.09	-	-	-	-	-	-	-	-	M.A. in Journalism, National Chengchi University	CEO of Creative Education and Management Foundation Chairman of EZ Travel Travel Service Co., Ltd. Chairman of You Hsin Creative Co., Ltd. Chairman of Eland Technologies Co., Ltd. Chairman of Eland Information Co., Ltd.	-	-	-
Independent Director	ROC	Tsai, Tsune-Chang	Male 81~90	2021.08.09	3 years	2006.06.12 (Note 2)	-	-	-	-	-	-	-	-	Bachelor degree in College of Law, National Taiwan University	Director of Ming-Der Senior High School Chairman of Jiang Hui Co., Ltd. Johnson Law office Lawyer	-	-	-
Independent Director	ROC	Lo, Chun-Pa	Male 51~60	2021.08.09	3 years	2021.08.09	-	-	-	-	-	-	-	-	Master Degree in Business Administration, National Taiwan University	Investment Vice President of De-Jie Investment Co., Ltd. Representative of juristic person director of Biofly Pharmaceuticals Inc.	-	-	-

Note 1: Chairman Yeh, Nan-Hong did not serve as a director of the company from 2005.05.20 to 2009.06.04.

Note 2: Director Tsai, Tsune-Chang served as a director/supervisor of the company from 2006.06.12 to 2018.06.04, and did not serve as a director of the company from 2018.06.05 to 2021.08.08.

Table I: The major shareholders of institutional shareholders

April 10, 2022

<b>Institutional Shareholders</b>	<b>Major Shareholders of Institutional Shareholders</b>
Cotek Pharmaceutical Industry Co., Ltd.	Leicester Worldwide Corporation (shareholding: 48.24%) De Tao Venture Capital Corp. (shareholding: 20%) Hi-Xuan Co., Ltd. (shareholding: 10.59%) Yihong Investment Co., Ltd. (shareholding: 10.59%)
Sonnen Limited	Yeh, Yen-Hsi (shareholding: 100%)
United Glory Co., Ltd.	Target Way Co., Ltd. (shareholding: 100%)

Table II: The major shareholders of the major shareholders of institutional shareholders in Table I

April 10, 2022

<b>Shareholder</b>	<b>Major Shareholders Holding</b>
Leicester Worldwide Corporation	Top Best Development Limited (shareholding: 33%) Apex Fortune Global Limited (shareholding: 33%) Perfectech INT'L Ltd. (shareholding: 33%)
Target Way Co., Ltd.	Chun Mei Chen De Chang (shareholding: 100%)

## 1.1 Disclosure of professional qualifications of directors and independent status of independent directors

Criteria Name	Professional qualifications and experience (Note1)	Independent Status (Note2)	Number of other public companies concurrently serving as an independent director
United Glory Co., Ltd. Representative: Chiu, Sun-Chien	Business management, strategic planning, leadership and decision-making, international marketing, technology research and development	-	0
United Glory Co., Ltd. Representative: Chern, Kuo-Jong	Business management, strategic planning, leadership and decision-making, accounting and financial analysis	-	0
Cotek Pharmaceutical Industry Co., Ltd Representative: Yeh, Nan-Horng	Business management, strategic planning, leadership and decision-making	-	0
Sonnen Limited Representative: Yeh, Po-Len	Business management, strategic planning, leadership and decision-making	-	0
Yen, Kuang-Yu	Business management, technology research and development, sales and marketing	-	0
Huang, Yung-Fang	Business management, technology research and development, sales and marketing	-	0
Ni, Shu-Ching	Business management, accounting and financial analysis	-	0
Chen, Fu-Yen	Business management, strategic planning	Please refer to statement of note 2.	0
Tsai, Tyau-Chang	Legal profession, crisis management		0
Lo, Chun-Pa	Business management, accounting and financial analysis (Note 3)		0

Note 1: Directors of the company are not of any conditions defined in Article 30 of the Company Act.

Note 2: (1) Whether the person, the person's spouse, or relatives within the second degree serve as directors, supervisors, or employees of the company or its affiliated companies: none;

(2) The shareholding numbers and proportion by the person, the person's spouse, or relatives within the second degree: 0;

(3) Whether the person serves as a director, a supervisor or an employee of a company with specific relationship to the company: none;

(4) The amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: 0.

Note 3: Audit committee members with accounting or financial expertise shall state their accounting or financial background and work experience: Please refer to page 11, information of independent directors, for the selected education & experience, and current positions at the company and other companies.

## 1.2. Diversity and Independence of the Board

(1) Diversity of the board of directors: The diversity policy for the Company's board members is as follows:

The structure of the Company's board of directors shall be determined by choosing an appropriate number of board members in consideration of business scale, the shareholdings of major shareholders, and practical operational needs. The composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and long-term development needs shall be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: gender, age, nationality, and culture.

2. Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.

2. Ability to perform accounting and financial analysis.

3. Ability to conduct management administration.

4. Ability to conduct crisis management.

5. Knowledge of the industry.

6. International market perspective.

7. Ability to lead.

8. Ability to make policy decisions.

There are ten directors, three of them are independent directors, for the Company. Each director has his or her own professional background, including business management, leadership decision, industry knowledge, financial accounting, international marketing, etc.

The specific management objectives of the Company's board member diversity policy are that each of the eight abilities that the board of directors shall possess is at least possessed by five directors, and at least four of the eight abilities are possessed by individual board member. The management objective of diversity policy is reached by the Company's current board of directors and all individual board members.

Please refer to page 11 and page 35 note 1 for the information of individual board member and abilities possessed by individual board member of the Company.

- (2) Independence of the board of directors: The Company has 3 independent directors, accounting for 3/10 of the board of directors.

The board of directors of the Company meets the following independence criteria:

1. Each director is not a family member of senior management who is employed by the Company or by a subsidiary of the Company
2. Each director is not (and is not affiliated with a Company that is) an adviser or consultant to the Company or a member of the Company's senior management.
3. Each director is not affiliated with a significant supplier of the Company.
4. Each director does not have any personal services contract with the Company or a member of the Company's senior management.
5. Each director is not affiliated with a not-for-profit entity that receives significant contributions from the Company.
6. Each director has not been a partner or employee of the Company's external auditor during the past three years.
7. Each director does not have any other conflict of interest that the board of directors determines to mean he or she cannot be considered independent.
8. The board of directors complies with the provisions of Article 26-3, Items 3 and 4 of the Securities and Exchange Act. Only director Ye, Po-Len and director Ye, Nan-Horng are relatives within the second degree.
9. Each independent director meets the provisions of Article 3, Item 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

## 2. Information of President and Vice Presidents

April 10, 2022

Title	Nationality	Name	Gender	Date Appointed (Note)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experience	Current Positions at other companies	Managers who are spouse or second-degree relative		
					Total	%	Total	%	Total	%			Title	Name	Relation
CEO	ROC	Chiu, Sun-Chien	Male	1999.07.01	883,831	0.17%	1,384	0.00%	-	-	M.S. in Electrical Engineering, National Taiwan University	Chairman/Director of Realtek Semiconductor Corp. affiliates	-	-	-
Vice CEO & CFO	ROC	Chern, Kuo-Jong	Male	2002.03.28	40,686	0.01%	0	0.00%	-	-	MBA(Master of Business Administration), The City University of New York, USA	Director/Supervisor of Realtek Semiconductor Corp. affiliates			
President	ROC	Yen, Kuang-Yu	Male	2017.10.30	23,948	0.00%	4,000	0.00%	-	-	M.S. in Communications Engineering, National Chiao Tung University	Director of Realtek Semiconductor Corp. affiliates	-	-	-
COO	ROC	Huang, Yung-Fang	Male	2015.04.27	42,205	0.01%	79,625	0.02%	-	-	M.S. in Electrical Engineering, State University of New York, USA	Chairman/Director of Realtek Semiconductor Corp. affiliates	-	-	-
Vice President	ROC	Huang, Yee-Wei	Male	2014.03.24	188,560	0.04%	0	0.00%	-	-	Ph.D. in Chemical Engineering, Kansas State University, USA	Chairman of Realtek Semiconductor Corp. affiliates	-	-	-
Vice President	ROC	Lin, Ying-Hsi	Male	2017.03.13	42,000	0.01%	0	0.00%	-	-	M.S. in Electrical Engineering, National Taiwan University	Director of Realtek Semiconductor Corp. affiliates	-	-	-
Vice President	ROC	Chang, King-Hsiung	Male	2017.03.13	120,267	0.02%	0	0.00%	-	-	B.S. in Electronics Engineering, National Chiao Tung University	None	-	-	-
Vice President	ROC	Tsai, Jon-Jinn	Male	2017.10.30	74	0.00%	0	0.00%	-	-	M.S. in Electrical Engineering, National Taiwan University	Chairman of Realtek Semiconductor Corp. affiliates Director of Compal Broadband Networks Inc.	-	-	-
Vice President	ROC	Wang, Po-Chih	Male	2020.07.31	0	0.00%	0	0.00%	-	-	MBA(Master of Business Administration), National Chengchi University	Director of C-Media Electronics Inc.	-	-	-
Vice President	ROC	Chang, Jr-Neng	Male	2007.03.16	35,045	0.01%	0	0.00%	-	-	M.A. in Accounting, National Taiwan University	Director/Supervisor of Realtek Semiconductor Corp. affiliates Director of Greatek Electronics Inc.	-	-	-
Vice President	ROC	Shen, Jia-Ching	Male	2021.07.23	1,234	0.00%	5,000	0.00%	-	-	Ph.D. in Communications Engineering, National Chiao Tung University	None	-	-	-

Title	Nationality	Name	Gender	Date Appointed (Note)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Current Positions at other companies	Managers who are spouse or second-degree relative		
					Total	%	Total	%	Total	%		Title	Name	Relation
Vice President	ROC	Lee, Shang-Ta	Male	2021.07.23	0	0.00%	292	0.00%	-	-	None	-	-	-

Note: The Date Appointed is the date to be appointed as an officer.

### 3.1 Directors' Remuneration

2021 / Unit: NT\$K

[illegible]

Note 1: The relevant compensation of 2,419 thousand dollars for the drivers is not included.

Note 2: In addition to the above remuneration, the remuneration received by the directors of the Company in the recent year for providing services to all companies included in the financial report (such as serving as a non-employee consultant for the parent company / all companies included in the financial report / investee companies, etc.): 0.

Note 3: The Company's independent directors' remuneration includes directors' remuneration and business expenses. Directors' remuneration is determined by remuneration committee with reference (such as serving as a non-employee consultant for the parent company / an companies included in the financial report / investee companies, etc.);

Note 3: The Company's independent directors' remuneration includes directors' remuneration and business expenses. Directors' remuneration is determined by remuneration committee with reference to the industry's usual level of payment, and considerations of the performance evaluation results of the board of directors, individual board members, and functional committees, the time spent, and the responsibilities undertaken, etc. After evaluation of the relevance of individual performance and business performance and future risks, a proposal is submitted to the board of directors for discussion and approval.

## Remuneration Range

Remuneration Range	Name of Directors			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	REALTEK	Consolidated Entities	REALTEK	Consolidated Entities
Less than \$1,000,000	Chiu, Sun-Chien, Chern, Kuo-Jong, Yeh, Nan-Horng, Yeh, Po-Len, Chen, Fu-Yen, Tsai, Tyau-Chang, Lo, Chun-Pa	Chiu, Sun-Chien, Chern, Kuo-Jong, Yeh, Nan-Horng, Yeh, Po-Len, Chen, Fu-Yen, Tsai, Tyau-Chang, Lo, Chun-Pa	Chen, Fu-Yen, Tsai, Tyau-Chang, Lo, Chun-Pa	Chen, Fu-Yen, Tsai, Tyau-Chang, Lo, Chun-Pa
\$1,000,000 (incl.) - \$2,000,000 (excl.)	Yen, Kuang-Yu, Huang, Yung-Fang, Ni, Shu-Ching	Yen, Kuang-Yu, Huang, Yung-Fang, Ni, Shu-Ching	Ni, Shu-Ching	Ni, Shu-Ching
\$2,000,000 (incl.) - \$3,500,000 (excl.)	-	-	-	-
\$3,500,000 (incl.) - \$5,000,000 (excl.)	-	-	-	-
\$5,000,000 (incl.) - \$10,000,000 (excl.)	-	-	-	-
\$10,000,000 (incl.) - \$15,000,000 (excl.)	-	-	-	-
\$15,000,000 (incl.) - \$30,000,000 (excl.)	-	-	-	-
\$30,000,000 (incl.) - \$50,000,000 (excl.)	Cotek Pharmaceutical Industry Co., Ltd. Sonnen Limited,	Cotek Pharmaceutical Industry Co., Ltd. Sonnen Limited,	Chern, Kuo-Jong, Yeh, Nan-Horng, Yeh, Po-Len, Yen, Kuang-Yu, Huang, Yung-Fang, Cotek Pharmaceutical Industry Co., Ltd. Sonnen Limited,	Chern, Kuo-Jong, Yeh, Nan-Horng, Yeh, Po-Len, Yen, Kuang-Yu, Huang, Yung-Fang, Cotek Pharmaceutical Industry Co., Ltd. Sonnen Limited,
\$50,000,000 (incl.) - \$100,000,000 (excl.)	United Glory Co., Ltd.	United Glory Co., Ltd.	Chiu, Sun-Chien, United Glory Co., Ltd.	Chiu, Sun-Chien, United Glory Co., Ltd.
\$100,000,000 and above	-	-	-	-
Total	13	13	13	13

### 3.2 Officer's Compensation

2021 / Unit: NTSK

Title	Name	Salary (A)		Pension (B)		Bonuses and special expenses (C) (Note)		Employee compensation (D)				Total Amount of A+B+C+D and Proportion to Net Income (%)		Compensation from investee business other than subsidiaries or from parent company
		REALTEK	Consolidated Entities	REALTEK	Consolidated Entities	REALTEK	Consolidated Entities	Cash	Stock	Consolidated Entities	Stock	REALTEK	Consolidated Entities	
CEO	Chiu, Sun-Chien													
Vice CEO & CFO	Chern, Kuo-Jong													
President	Yen, Kuang-Yu													
COO	Huang, Yung-Fang													
Vice President	Huang, Yee-Wei													
Vice President	Lin, Ying-Hsi	49,539	49,539	2,591	2,591	156,128	156,128	195,470	0	195,470	0	403,728	403,728	2.40%
Vice President	Chang, King-Hsiung													
Vice President	Tsai, Jon-Jinn													
Vice President	Wang, Po-Chih													
Vice President	Chang, Jr-Neng													
Vice President	Shen, Jia-Ching													
Vice President	Lee, Shang-Ta													

Note: The relevant compensation of 989 thousand dollars for the driver is not included.

## Compensation Range

Compensation Range	Name of Officers	
	REALTEK	Consolidated Entities
Less than \$1,000,000	-	-
\$1,000,000 (incl.) - \$2,000,000 (excl.)	-	-
\$2,000,000 (incl.) - \$3,500,000 (excl.)	-	-
\$3,500,000 (incl.) - \$5,000,000 (excl.)	-	-
\$5,000,000 (incl.) - \$10,000,000 (excl.)	-	-
\$10,000,000 (incl.) - \$15,000,000 (excl.)	Chang, King-Hsiung,	Chang, King-Hsiung,
\$15,000,000 (incl.) - \$30,000,000 (excl.)	Huang, Yee-Wei, Wang, Po-Chih, Chang, Jr-Neng, Shen, Jia-Ching, Lee, Shang-Ta	Huang, Yee-Wei, Wang, Po-Chih, Chang, Jr-Neng, Shen, Jia-Ching, Lee, Shang-Ta
\$30,000,000 (incl.) - \$50,000,000 (excl.)	Chern, Kuo-Jong, Yen, Kuang-Yu, Huang, Yung-Fang, Lin, Ying-His, Tsai, Jon-Jinn	Chern, Kuo-Jong, Yen, Kuang-Yu, Huang, Yung-Fang, Lin, Ying-His, Tsai, Jon-Jinn
\$50,000,000 (incl.) - \$100,000,000 (excl.)	Chiu, Sun-Chien	Chiu, Sun-Chien
\$100,000,000 and above	-	-
Total	12	12

### 3.3 Employee's Compensation for Officers

2021 / Unit: NT\$K

Title	Name	Stock	Cash	Total	Percentage of net income after taxes (%)
CEO	Chiu, Sun-Chien	0	195,470	195,470	1.16%
Vice CEO & CFO	Chern, Kuo-Jong				
President	Yen, Kuang-Yu				
COO	Huang, Yung-Fang				
Vice President	Huang, Yee-Wei				
Vice President	Lin, Ying-Hsi				
Vice President	Chang, King-Hsiung				
Vice President	Tsai, Jon-Jinn				
Vice President	Wang, Po-Chih				
Vice President	Chang, Jr-Neng				
Vice President	Shen, Jia-Ching				
Vice President	Lee, Shang-Ta				

### 4. Percentage of remuneration and compensation paid to Directors and Officers by the Company and all companies of the consolidated statements accounts for net income after taxes for the recent two years.

Percentage of remuneration and compensation paid to Directors and Officers by the Company and all companies of the consolidated statements accounts for net income after taxes for 2020	Percentage of remuneration and compensation paid to Directors and Officers by the Company and all companies of the consolidated statements accounts for net income after taxes for 2021
3.47%	3.63%

The 2021 annual remuneration of directors and compensation of employees was decided in accordance with the Company's articles of incorporation. If gained profits within a fiscal year, the Company shall allocate at a maximum of 3% of the profits as directors' remuneration, and allocate no less than 1% of the profits as employees' compensation. The decision for directors' remuneration was based on the board performance evaluation results of such aspects as the participation in the operation, the quality of the board of directors' decision-making, alignment of the goals and missions of the Company, awareness of the duties of a director, management of internal relationship and communication, the director's professionalism and continuing education,

internal control, etc. The decision for officers' compensation was based on the performance appraisal indicators such as the length of service and position, performance, contribution to the Company's operation, industry benchmark, the Company's profitability, etc.

The directors' remuneration and officers' compensation were proposed to the board of directors after the resolution based on the performance evaluation results, the company's operational performance, and future risk exposure approved by the remuneration committee, and processed after the approval of the board of directors. The directors' remuneration and employees' compensation will also be reported at the shareholders' meeting. The Company's remuneration committee and the board of directors will review the remuneration policies of directors and officers in a timely manner based on the actual operating conditions and relevant laws and regulations, in order to balance the company's sustainable operation and risk control.

## 5. The planning and operation of the succession of board members and senior management:

### 5.1 Succession planning for board members

There are currently 10 directors (including 3 independent directors) for the Company. The nomination and selection of directors take into account the overall capacity and diversity of the board of directors, and adjust the composition of members according to the results of performance evaluation and the need for substantive operations. The succession planning of the board of directors includes the succession of the senior management of the group, and the recruitment of external professionals with background of business management, law, accounting, industry, technology, or marketing.

### 5.2 Succession planning for senior management

The succession planning for senior management of the Company is mainly constructed as follows:

- (1) Based on the future development strategy, define the positions and talent needs of the company, and review the succession planning regularly in response to changes in operations and strategies.
- (2) Develop competent talents with potential and capacities to enter the succession planning talent pool, and establish a comprehensive training mechanism and talent development plan for the talent pool.
- (3) Timely promote the mid-level managers as deputies for the high-level managers, and understand the development of the middle-level management through performance appraisal and as a reference for succession planning.

### III. Corporate Governance

#### 1. Operation of Board of Directors

##### Operation of Board of Directors:

Previous member's term of office: June 5, 2018 to June 4, 2021

Current member's term of office: August 9, 2021 to August 8, 2024

The Board of Directors held meetings 7 times in 2021. Attendance status of Directors is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Chairman	United Glory Co., Ltd. Representative: Chiu, Sun-Chien	6	0	86%	-
Vice Chairman	United Glory Co., Ltd. Representative: Chern, Kuo-Jong	7	0	100%	-
Director	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	7	0	100%	-
Director	Sonnen Limited Representative: Yeh, Po-Len	7	0	100%	-
Director	Yen, Kuang-Yu	3	0	100%	Newly elected on 2021.08.09
Director	Huang, Yung-Fang	7	0	100%	-
Director	Ni, Shu-Ching	7	0	100%	-
Independent Director	Chen, Fu-Yen	7	0	100%	-
Independent Director	Ou Yang, Wen-Han	4	0	100%	Resigned on 2021.08.09
Independent Director	Wang, Chun-Hsiung	4	0	100%	Resigned on 2021.08.09
Independent Director	Tsai, Tyau-Chang	3	0	100%	Newly elected on 2021.08.09
Independent Director	Lo, Chun-Pa	3	0	100%	Newly elected on 2021.08.09

Other disclosures:

1.1

- (1) Securities and Exchange Act §14-3 resolutions: Not applicable.
- (2) Resolutions of the board of directors with objected or reserved opinions by independent directors and with records or written statements: Not applicable.

1.2 Execution of the directors' interests evasion: The directors have avoided the proposal with personal stake.

1.3 The goals for strengthening the powers of the board of directors and performance evaluation:

- (1) Set up functions committees: For the purpose of developing supervisory functions and strengthening management mechanisms, the Company has set up audit committee, remuneration committee, and nominating committee.
- (2) Enhance corporate governance: The Company has established corporate governance best practice principles, risk management policy, and regulations governing the board performance evaluation, and also discloses corporation governance information in accordance with the relevant laws.

## 2. Board of Directors performance evaluation

2.1 Evaluation cycles: Conducting an internal board performance evaluation every year

2.2 Evaluation periods: From Jan. 1, 2021 to Dec. 31, 2021

2.3 Scope and method of evaluation: The performance evaluation of the board as a whole, individual board members and functional committees, including audit committee, remuneration committee, and nominating committee.

2.4 Method of evaluation: The internal evaluation of the board, self-evaluation by individual board members, and the internal evaluation of audit committee, remuneration committee, and nominating committee. The units conducting evaluations is nominating committee.

2.5 Criteria of evaluation:

2.5.1 The board of directors performance evaluation

- (1) Participation in the operation of the company;
- (2) Improvement of the quality of the board of directors' decision making;
- (3) Composition and structure of the board of directors;
- (4) Election and continuing education of the directors;
- (5) Internal control.

2.5.2 The board members performance evaluation

- (1) Alignment of the goals and missions of the company;
- (2) Awareness of the duties of a director;
- (3) Participation in the operation of the company;
- (4) Management of internal relationship and communication;
- (5) The director's professionalism and continuing education;
- (6) Internal control.

2.5.3 Functional committee's performance evaluation

- (1) Participation in the operation of the company;
- (2) Awareness of the duties of the functional committee;
- (3) Improvement of quality of decisions made by the functional committee;
- (4) Makeup of the functional committee and election of its members;
- (5) Internal control.

2.6 Performance evaluation results: The 2021 performance evaluation results of the board, the board members, audit committee, remuneration committee, and nominating committee are all 'outstanding'. The results of the performance evaluation will be used as a reference for the remuneration of individual directors or functional committee members and the nomination of continuation in office.

## 3. Operation of Audit Committee

The Audit Committee assists the Board of Directors in performing its supervision functions. It is also responsible for tasks defined by the Company Act, Securities and Exchange Act and other relevant regulations. The operation of Audit Committee is based on the Audit Committee Charter. The Audit Committee shall convene at least once quarterly; 6 meetings were held in 2021. It also maintains good communication channels with the Company's internal audit manager and the CPA.

The major annual review matters of Audit Committee were as follows:

- (1) Financial statements.
- (2) Internal control system.
- (3) Material transaction of asset acquisition, intercompany loans, and endorsement and guarantee.
- (4) The audit plan and implementation of the internal audit unit.
- (5) Appointment, remuneration and independence assessment of the CPA.
- (6) Establishing or revising principles and regulations related to corporate governance and corporate social responsibility.

### Operation of Audit Committee

Previous member's term of office: June 5, 2018 to June 4, 2021

Current member's term of office: August 9, 2021 to August 8, 2024

The Audit Committee held meetings 6 times in 2021. Attendance status of Independent Directors is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Independent Director	Ou Yang, Wen-Han	4	0	100%	Resigned on 2021.08.09
Independent Director	Chen, Fu-Yen	6	0	100%	
Independent Director	Wang, Chun-Hsiung	4	0	100%	Resigned on 2021.08.09
Independent Director	Tsai, Tyau-Chang	2	0	100%	Newly appointed on 2021.08.09
Independent Director	Lo, Chun-Pa	2	0	100%	Newly appointed on 2021.08.09

Other disclosures:

#### 3.1 (1) Securities and Exchange Act §14-5 resolutions

Date	Resolutions	The Opinions of All Independent Directors and the Company's Actions to the Opinions
Mar. 16, 2021	1. 2020 financial statements and consolidated financial statements. 2. The Company intends to endorse the guarantee for a Mainland China subsidiary. 3. The Company's investee company increases investment in a subsidiary. 4. The Company's Auditor of financial statements and Audit Fee for 2021. 5. 2020 Statement of Internal Control System.	All independent directors approved
Apr. 20, 2021	1. Distribution of 2020 Retained Earnings. 2. 2020 cash dividends distribution from retained earnings. 3. Cash distribution from capital surplus. 4. 2020 business report and 2021 business plan. 5. Fund loans between subsidiaries of the Company. 6. The Company intends to loan funds to subsidiaries.	
May 31, 2021	1. The Company to sign a supply contract with a supplier. 2. Fund loans between subsidiaries of the Company. 3. The Company intends to loan a fund to a subsidiary.	
Jul. 23, 2021	1. 2021 Q2 consolidated financial statements.	
Aug. 9, 2021	1. Election of the convener and chairman of the second term Audit Committee.	
Oct.26, 2021	1. The Company intends to loan funds to subsidiaries. 2. The Company intends to loan a fund to a Mainland China subsidiary. 3. Fund loans between subsidiaries of the Company. 4. The Status that the Company regularly evaluates the independence of auditor. 5. 2022 annual audit plans.	

(2) There was no resolution that was not approved by the Audit Committee but was approved by two thirds or more of all Directors.

3.2 Execution of the independent directors' interests evasion: None.

3.3 The communication between the independent directors and the internal audit manager and the CPA:

The Company's independent directors communicate with the CPA by the way of meetings, discussions, telephone calls or e-mails through the audit committee or separately to discuss the review results of the financial statements and related laws and regulations such as accounting, taxation, and securities management. If major issues occur, a meeting can be convened at any time.

The Company's independent directors communicate with the internal audit manager by the way of meetings, discussions, telephone calls or e-mails through the audit committee or separately to discuss the company's audit-related works, audit reports, and the condition of discovering problems and tracking improvements. If major issues occur, a meeting can be convened at any time.

(1) The major items of communication between the independent directors and the CPA

Date	The Major Items of the Communication	The suggestions of independent directors and the Company's action to the suggestions
Mar. 16, 2021 (individual meeting)	The consolidated financial statement and independent auditor's report result for 2020 and Important audit events.	No suggestion from independent directors
Apr. 20, 2021 (individual meeting)	The consolidated financial statement and independent auditor's report result for the first quarter of 2021 and Important review events.	No suggestion from independent directors
Jul. 23, 2021 (individual meeting)	The consolidated financial statement and independent auditor's report result for the second quarter of 2021 and Important review events.	No suggestion from independent directors
Oct. 26, 2021 (individual meeting)	The consolidated financial statement and independent auditor's report result for the third quarter of 2021 and Important review events.	No suggestion from independent directors

(2) The major items of communication between the independent directors and the internal audit manager

Date	The Major Items of the Communication	The suggestions of independent directors and the Company's action to the suggestions
Mar. 16, 2021 (individual meeting)	Implementation of the audit plan for the fourth quarter of 2020	No suggestion from independent directors
Apr. 20, 2021 (individual meeting)	Implementation of the audit plan for the first quarter of 2021	No suggestion from independent directors
Jul. 23, 2021 (individual meeting)	Implementation of the audit plan for the second quarter of 2021	No suggestion from independent directors
Oct. 26, 2021 (individual meeting)	Implementation of the audit plan for the third quarter of 2021	No suggestion from independent directors

4. The state of the company's implementation of corporate governance, and deviation of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.

Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		-
2. Shareholding Structure and Shareholders' Rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		-
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		-
(3) Does the Company establish and implement the risk management and firewall system between related companies?	V		-

Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	Summary Description
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		<p>The Company has established Regulation of Insider Trading, Educational activities with respect to Regulation of Insider Trading, and related laws and regulations shall be promoted at least once per year to current directors, officers and all employees. For new directors and officers, educational promotion shall be arranged within 3 months after taking office, and for new employees, educational promotion shall be arranged during educational training by personnel division.</p> <p>In 2021, the current directors, officers and all employees have been educated during the period of January 4 to December 30. In 2021, the Company provided 59.91 hours of training of insider trading prevention, with a total attendance of 719 persons. The content of the courses includes the confidentiality of material information, and that they may not take advantage of undisclosed information of which they have learned to engage in insider trading. They are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading. Course briefings and audio-visual files are placed in the Company's internal system to provide relevant education and training for new employees.</p>
3. Composition and Responsibilities of the Board of Directors			
(1) Does the Board formulate diversity policies, specific management objectives and implement it accordingly?	V		<p>The diversity policy for the Company's board members is as follows:</p> <p>The structure of the Company's board of directors shall be determined by choosing an appropriate number of board members in consideration of business scale, the shareholdings of major shareholders, and practical operational needs. The composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and long-term development needs shall be formulated and include, without being limited to, the following two general standards:</p> <p>1. Basic requirements and values: gender, age, nationality,</p>

Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
	Yes	No	
			<p>and culture.</p> <p>2. Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:</p> <ol style="list-style-type: none"> <li>1. Ability to make operational judgments.</li> <li>2. Ability to perform accounting and financial analysis.</li> <li>3. Ability to conduct management administration.</li> <li>4. Ability to conduct crisis management.</li> <li>5. Knowledge of the industry.</li> <li>6. International market perspective.</li> <li>7. Ability to lead.</li> <li>8. Ability to make policy decisions.</li> </ol> <p>There are ten directors, three of them are independent directors, for the Company. Each director has his or her own professional background, including business management, leadership decision, industry knowledge, financial accounting, international marketing, etc.</p> <p>The specific management objectives of the Company's board member diversity policy are that each of the eight abilities that the board of directors shall possess is at least possessed by five directors, and at least four of the eight abilities are possessed by individual board member. The management objective of diversity policy is reached by the Company's current board of directors and all individual board members.</p> <p>The abilities possessed by individual board members of the Company is as note 1.</p>
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		-
(3) Does the Company establish regulations governing the board performance evaluation and its evaluation method, regularly conduct performance evaluation every year, and submit the results of performance evaluation to the board	V		-

Evaluation Item	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
	Yes	No	Summary Description	
evaluation to the board of directors, and base the determination of remuneration, the election or nomination of an individual director on the evaluation results?			of directors. The 2021 performance evaluation results of the board, the board members, audit committee, remuneration committee and nominating committee are all "outstanding". The results of the performance evaluation will be used as a reference for the remuneration of individual directors or functional committee members and the nomination of continuation in office. Please refer to Board of Directors performance evaluation section disclosed in annual report or the Company's website.	
(4) Does the Company regularly evaluate the independence of accountants?	V		<p>The Company regularly evaluates the performance and independence of the accountants every year and reports the results to the board of directors for approval.</p> <p>The Company's self-assessment of the independence of the accountants mainly includes:</p> <ol style="list-style-type: none"> <li>1. The accountants have no significant financial interest in the company;</li> <li>2. The accountants have no kinship relationship with the senior managers of the company;</li> <li>3. The accountants shall not hold shares of the company;</li> <li>4. The accountants shall not concurrently hold the position of the company;</li> <li>5. The accountants provide independence statement</li> </ol> <p>The result of 2021 evaluation is that the independence of the accountants is in line with the Company's standards.</p>	-
4. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs. (including but not limited to providing data demanded by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, and producing minutes of board meetings and shareholders meetings)?	V		<p>The Company, approved by the board of directors, has appointed a chief corporate governance officer to be in charge of corporate governance affairs. The main duties include handling of matters relating to board of directors meetings and shareholders meetings in compliance with law, preparation of minutes of the board of directors meetings and shareholders meetings, assistance in onboarding and continuing education of the directors, provision of information required for performance of duties by the directors, assistance in the directors' compliance of law.</p> <p>The performance of duties for 2021 was as following:</p> <ol style="list-style-type: none"> <li>1. Assisted independent directors and directors in performing their duties, provided required information, and arranged directors' further education.</li> </ol>	-

Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
	Yes	No	
			<p>Summary Description</p> <p>(1) Provided onboard directors revision and development of the latest laws and regulations regarding company management field and corporate governance, and updated them regularly.</p> <p>(2) Reviewed the confidential level of relevant information and provided the company information required by the directors, maintained smooth communication between the directors and officers.</p> <p>(3) Assisted in arranging relevant meetings when, in accordance with the corporate governance best-practice principles, independent directors needed to meet with the internal audit supervisor or accountants individually to understand the company's finance and business.</p> <p>(4) Assisted independent directors and directors to formulate annual training plans and arrange courses based on the company's industrial characteristics and directors' academic and professional experience background.</p> <p>2. Assisted that the procedures and resolutions of board of directors meetings and shareholders meetings were in compliance with laws:</p> <p>(1) Confirmed whether the convening of the company's shareholders meetings and board of directors meetings were in compliance with relevant laws and corporate governance best-practice principles.</p> <p>(2) Assisted and reminded the directors of the laws and regulations to be followed when performing duties or making a formal resolution of the board of directors, and made suggestions when the board of directors will make a resolution in violation of the laws.</p> <p>(3) Checked the release of material information on important resolutions of the board of directors after the meetings, and ensured the legality and correctness of the content of the material information for the transaction information equality of investors.</p> <p>3. Informed directors of the agenda for board of directors seven days before the meeting, convened a meeting and provided meeting materials, reminded directors to recuse if there is a conflict of interest in the agenda items in advance, and completed the minutes of the board of directors</p>

Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	
		meetings within 20 days after the meetings. 4. Registered the date of the shareholders meeting in advance in accordance with the law, prepared meeting notices, handbook, meeting minutes within the statutory deadlines, and handled registration of change matters in the revised articles of incorporation or director election. Training situation: Professional training is arranged in accordance with the requirements of "Operation directions for compliance with the establishment of board of directors by TWSE listed companies and the board's exercise of powers". Please refer to note 2.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employee and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		-
6. Does the Company appoint a professional shareholder transfer agency to deal with shareholder affairs?	V		-
7. Information Disclosure			
(1) Does the Company have a corporate website to disclose the financial, business, and corporate governance information?	V		-
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, implementing a spokesman system, webcasting investor conferences)?	V		-
(3) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		V	The Company follows Securities and Exchange Act to publish and report its annual financial report and its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.
8. Is there any other important information to facilitate a	V		-

Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	
better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?			<p>regulations that directors should pay attention to at any time.</p> <p>2. The directors of the Company attended the board of directors in good condition and all met the requirements of the laws.</p> <p>3. If the proposal has a stake in the directors, the director is required to evade.</p> <p>4. The Company has purchased the liability insurance for directors which was approved by the board of directors.</p> <p>5. The Company protects the legitimate rights and interests of employees in accordance with the provisions of Labor Standards Act, and establishes a good relationship of mutual trust with employees through the welfare system enhancing the stability of employees' lives, and completed educational trainings.</p>
9. Please describe the improvement status according to the result of cooperate governance evaluation announced by cooperate governance center of TWSE, and the first priority improving items and measures on non-improving items. The evaluation ranking of the Company's 2020 and 2021 corporate governance evaluations are both 6% to 20%. The Company plans to keep strengthening the board structure, improving information transparency, and implementing corporate social responsibility.			

Note 1: The abilities possessed by individual board members of the Company

Directors	Gender	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	International market perspective	Ability to lead	Ability to make policy decisions
Chiu, Sun-Chien	Male	v	v	v	v	v	v	v	v
Chem, Kuo-Jong	Male	v	v	v	v	v	v	v	v
Yeh, Nan-Horng	Male	v	v	v	v	v	v	v	v
Yeh, Po-Len	Male	v	v	v	v	v	v	v	v
Yen, Kuang-Yu	Male	v		v	v	v	v	v	v
Huang, Yung-Fang	Male	v		v	v	v	v		v
Ni, Shu-Ching	Female	v	v		v		v	v	v
Chen, Fu-Yen	Male	v	v	v	v		v	v	v
Tsai, Tyau-Chang	Male	v		v	v		v	v	v
Lo, Chun-Pa	Male	v	v	v		v	v	v	v

Note 2: Professional training of corporate governance officer

Organization	Course	Course Date	Training Hours
Securities & Futures Institute	Foundry and advanced packaging technology and supply chain business opportunities	2021/05/11	3
Securities & Futures Institute	Corporate M&A Practice Sharing - Focused on Hostile M&A	2021/11/10	3
Securities & Futures Institute	Management of Intellectual Property from the Perspective of the Board of Directors	2021/11/17	3
Securities & Futures Institute	The impact and response of the latest tax law reforms on business operations	2021/11/18	3

## 5. Members Background and Operation of Remuneration Committee:

### 5.1. Members Background of the Remuneration Committee

Criteria		Professional qualifications and experience	Independent Status	Number of other public companies concurrently serving as an independent director
Title / Name				
Independent Director (convener)	Tsai, Tyau-Chang	Legal profession, crisis management Working experience: 43 years	Please refer to statement of note	0
Independent Director (member)	Chen, Fu-Yen	Business management, strategic planning Working experience: 39 years		
Independent Director (member)	Lo, Chun-Pa	Business management, accounting and financial analysis Working experience: 26 years		

Note : (1) Whether the person, the person's spouse, or relatives within the second degree serve as directors, supervisors, or employees of the company or its affiliated companies: none;

(2) The shareholding numbers and proportion by the person, the person's spouse, or relatives within the second degree: 0;

(3) Whether the person serves as a director, a supervisor or an employee of a company with specific relationship to the company: none;

(4) The amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: 0.

## 5.2. Operation of Remuneration Committee status

1. There are 3 members of the Remuneration Committee.

2. Previous member's term of office: June 5, 2018 to June 4, 2021

Current member's term of office: August 9, 2021 to August 8, 2024

The Remuneration Committee held meetings 3 times in 2021. Attendance status of members is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Convener	Wang, Chun-Hsiung	1	0	100%	Resigned on 2021.08.09
Member	Kao, Chih-Chun	1	0	100%	Resigned on 2021.08.09
Member	Chen, Fu-Yen	3	0	100%	
Convener	Tsai, Tyau-Chang	2	0	100%	Newly appointed on 2021.08.09
Member	Lo, Chun-Pa	2	0	100%	Newly appointed on 2021.08.09

## Other disclosures:

1. If advice of the Remuneration Committee was not adopted or modified by the Board of Directors, the meeting date, period, content of proposals, meeting resolution, and the Company's action to the advices of the Remuneration Committee should be disclosed: None
2. If resolutions of the Remuneration Committee were objected or reserved with records or written statements by any member, the meeting date, period, content of proposals, opinions of all members, and action to the member's opinions should be disclosed: None
3. The discussion item and resolution results of the Remuneration Committee, and the Company's action to the advices of the Remuneration Committee:

Date	Content of proposals	Resolution results	The Company's action to the advices of the Remuneration Committee
Mar. 16, 2021	1. Approve the distribution of 2020 directors' remuneration and officers' compensation. 2. Approve 2021 officers' salary adjustments.	Approved by all members of the committee.	Processed as the resolution results of the remuneration committee.
Aug. 27, 2021	1. Election of the convener and chairman of the 5th term Remuneration Committee.	Approved by all members of the committee.	Processed as the resolution results of the remuneration committee.

Date	Content of proposals	Resolution results	The Company's action to the advices of the Remuneration Committee
Oct. 26, 2021	1. Approve 2021 year-end bonus principle for officers.	Approved by all members of the committee.	Processed as the resolution results of the remuneration committee.

## 6. Operation of Nominating Committee

1. The Company established a Nominating Committee in October 2019. The qualifications for the selection of the nomination committee member are possessing professional capabilities in business management, strategic planning, accounting and financial analysis as a whole, and are capable to contribute to the operation and decision-making of the committee. The committee is composed of three independent directors. The convener and chairman of the meeting, Chen, Fu-Yen, has the abilities of business management and strategic planning. The independent director, Tsai, Tyau-Chang, has the abilities of legal profession and crisis management. The independent director, Lo, Chun-Pa, has the abilities of business management and accounting and financial analysis. All of which meet the professional abilities required by the committee.

The major duties of the nominating committee are as follows:

- (1) Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board, and finding, reviewing, and nominating candidates for directors based on such standards.
- (2) Establishing and developing the organizational structure of the board and each committee, and evaluating the performance of the board, each director, and each committee.
- (3) Establishing and reviewing on a regular basis programs for the succession plans of directors and senior executives.

2. There are 3 members of the Nominating Committee.

3. Previous member's term of office: October 31, 2018 to June 4, 2021

Current member's term of office: August 9, 2021 to August 8, 2024

The Nominating Committee held meetings 5 times in 2021. Professional qualifications and experience, and attendance status of members are as follows:

Title	Name	Professional qualifications and experience	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Convener	Ou Yang, Wen-Han	Business management, strategic planning, technology research and development	2	0	100%	Resigned on 2021.08.09
Member	Wang, Chun-Hsiung	Business management, accounting and financial analysis	2	0	100%	Resigned on 2021.08.09
Convener	Chen, Fu-Yen	Business management, strategic planning	5	0	100%	
Member	Tsai, Tyau-Chang	Legal profession, crisis management	3	0	100%	Newly appointed on 2021.08.09
Member	Lo, Chun-Pa	Business management, accounting and financial analysis	3	0	100%	Newly appointed on 2021.08.09

4. The discussion items and resolution results of the Nominating Committee:

Date	Content of proposals	Resolution results	The Company's action to the resolutions of the nominating committee
Mar. 16, 2021	1. 2020 Board and functional committees performance evaluation results. 2. The number of directors (including independent directors) re-elected at the 2021 annual shareholders meeting and the qualifications of the board members.	Approved by all members of the committee.	Processed as the resolution results of the nominating committee.
Apr. 20, 2021	1. Propose a list of candidates for directors (including independent directors).	Approved by all members of the committee.	Processed as the resolution result of the nominating committee.
Aug. 9, 2021	1. Election of the convener and chairman of the second term Nominating Committee.	Approved by all members of the committee.	Processed as the resolution result of the nominating committee.
Aug. 19, 2021	1. Propose the recommendation of the 5th term Remuneration Committee members	Approved by all members of the committee.	Processed as the resolution result of the nominating committee.
Oct. 26, 2021	1. Conduct 2021 performance evaluation of the board of directors and functional committees.	Approved by all members of the committee.	Processed as the resolution result of the nominating committee.

Note: No Nomination Committee members have any suggestions or objections

**7. Promotion of Sustainable Development, Status, and Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons**

Assessment Item	Implementation Status		Deviation from the 'Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies' and Reasons
	Yes	No	
1. Has the company established a governance structure to promote sustainable development and set up full-time (part-time) units to promote sustainable development, and has the board authorized senior management to execute under the board's supervision?	✓		-

			workplace, (4) partnership, service and quality, (5) innovative R&D to yield a rich and convenient world, (6) warming the hearts of people	
2. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		<p>The company implements corporate governance obligations, maintains sustainable business goals, and controls the internal and external economic, social and environmental risks that the company's operations may face. Among the three risk areas, the environmental risk disclosure covers only Hsinchu operations, while the scope of economic and social risk disclosure also includes our offices in Dazhi, and Southern Taiwan Science Park . All departments should clearly identify the relevant risks that may affect the operation or sustainable development of the enterprise according to their authorities and responsibilities. Further, they are required to monitor potential risks and do preventive measures to strengthen risk management, improve systemic resilience, and achieve the goal of risk control, thereby safeguarding shareholders' rights and interests, enhancing competitiveness, and laying the foundation for the sustainable operation and development of the company.</p> <p>In 2006, the company passed ISO14001 Environmental Management Systems verification, and in addition completed the ISO14001:2015 revision verification in October</p>	-
3. Environmental Issues (1) Does the Company establish proper environmental management systems based on the characteristics of its industries?	✓			-

			2020. We continue to march towards accomplishing both the systemization of environmental management, and the realization of environmental sustainability.	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have a low impact on the environment?	✓		<p>The Company has environmental and energy policies, including compliance with environmental laws and regulations, active resource management to achieve effective utilization, strengthening pollution prevention, promotion of education and training, and continuous improvement plans.</p> <p>The Company also continuously invests in R&amp;D to develop a variety of low-power products to reduce the impact on the environment.</p>	-
(3) Does the Company monitor the impact of climate change on present and future operations and evaluate related opportunities? Does it establish measures to respond to climate change related impacts?	✓		<p>The company refers to the four core elements of governance, strategy, risk management, as well as indicators and targets in the "Task Force on Climate-Related Financial Disclosures" (TCFD) framework to identify the potential risks and opportunities brought about by climate change, and comprehensively examine the possible impact of climate change on Realtek's business operations to formulate and implement countermeasures due to climate change, so that various impacts of climate change can be effectively monitored, controlled and quickly responded to. Relevant assessment results and countermeasures taken will be published in the current year's ESG report.</p>	-

<p>(4) Does the Company take inventories of greenhouse gas emissions, water use, and waste volume during the past two years? Does it adopt guidelines to conserve energy and reduce carbon and greenhouse gases emissions, water use, and waste generation?</p>	<p>✓</p>	<p>The company attaches great importance to the sustainable development of the environment and ecology. Self-check and annual disclosure on greenhouse gas discharge have been done since 2019. In terms of management policies, Realtek actively checks the energy consumption data of the factory area, focusing on electricity, air conditioning, air compressors, and the IT room, in order to carry out an evaluation, and propose relevant optimization management plans. Various measures have been taken, such as replacing old electrical fixtures and fittings with new energy-saving models, the greater utilization of LED lighting, and recycling rainwater for reuse.</p> <p>In 2020 and 2021, 3.139 million kWh and 1.848 million kWh of electricity were saved respectively.</p> <p>22,797.71 metric tons and 23,957.99 metric tons were generated in 2020 and 2021, respectively, per Greenhouse Gas internal check.</p> <p>Water usage was 34.98 and 50.64 liters, respectively, in 2020 and 2021.</p> <p>The total industrial waste produced was 26.57 and 27.3 metric tons in 2020 and 2021, respectively.</p>	<p>-</p>
<p>4. Social Issues</p> <p>(1) Does the Company comply with relevant laws and regulations and the International Bill of Human Rights? Does it adopt relevant management policies</p>	<p>✓</p>	<p>The Company abides by labor-related laws and regulations in each location, protects the legitimate rights and interests of employees, and follows the spirit and basic principles of</p>	<p>-</p>

and processes?			human rights protection announced in the International Bill of Human Rights, the International Labor Organization - Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and other international human rights conventions to formulate Realtek's human rights policies and related practices so as to enhance human rights awareness and create an environment that respects human rights, while promoting it both in staff training courses, and executive staff seminars.	
(2) Does the Company establish and implement appropriate remuneration mechanisms (including wages, vacation, and other benefits) and reflect the corporate business performance or achievements in the employee remuneration policy?	✓		The Company establishes and implements appropriate employee welfare measures, including employee compensation, workplace diversity and equality, vacation system, various allowances, gifts and subsidies, as well as appropriate wage and remuneration, so that employees can share the Company's operational achievements.	-
(3) Does the Company provide safe and healthful work environments for employees, and does it organize training on safety and health for employees on a regular basis?	✓		The Company provides employees with a safe and healthy working environment, inspects the working environment twice a year according to the law, conducts regular employee health inspections and emergency response fire drills every year, and obtained the ISO45001 Occupational Safety and Health System in 2020.	-
(4) Does the Company establish effective training programs to foster employees' career skills?	✓		Through the 'Realtek Enterprise University', comprising five college courses (Newcomer Speed College, R&D Innovation College,	-

			Management Leadership College, Experiential Cognition College, Learning Organization College), the Company integrates organizational competitiveness and sustainable development goals, and effectively links the development of employees' functions, assisting all colleagues in professional learning that takes into account both breadth and depth according to career development. The relevant employee training plans and implementation are also disclosed in the current-year's ESG report.		
(5) Does the Company follow the laws and regulations of the government and international guidelines in relation to customer health, safety, and privacy, as well as sales and labeling of its products and services? Does the Company establish policies to protect consumer rights and interests and provide a clear and effective procedure for accepting consumer complaints?	✓		The Company follows the laws and regulations of the government and international guidelines in relation to customer health, safety, and privacy, as well as sales and labeling of its products and services, in order to protect the rights and interests of consumers.	-	
(6) Does the Company establish policies to assess whether suppliers adhere to environmental, occupational health and safety, and labor rights laws and regulations, then follow up on implementation status?	✓		The Company establishes policies that require suppliers to adhere to environmental, occupational health and safety, and labor rights laws and regulations.	-	
5. Does the Company adopt internationally recognized standards or guidelines when producing corporate social responsibility reports and other related reports to disclose the status of implementing non-finance related policies? Does the Company obtain a third-party assurance or verification for the reports to enhance the reliability of the information in the	✓		Realtek publishes Sustainability /Corporate Social Responsibility reports in accordance with GRI standards to disclose business performance, corporate governance, stakeholder negotiation, social participation, environmental protection, friendly workplaces, and employee care. The 2021 Realtek	-	

reports?			Corporate Social Report has passed the external verification by SGS Taiwan Ltd., confirming that it complies with the core options of GRI Standards and AA1000 AS (2008) Moderate Assurance (Type I).	
<p>6. If the company has established its corporate social responsibility code of practice according to 'Corporate Social Responsibility Best Practice Principles for TWSE-GTSM-Listed Companies,' please describe the operational status and differences:</p> <p>Realtek establishes its corporate social responsibility code of practice in accordance with the 'Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies'. Its operations and corporate social responsibility spirit and principles adhere to this statute.</p> <p>7. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility:</p> <p>The Company actively participates in social welfare activities and actions, through sponsorships, donations to educational funds and training, the hiring of people with disabilities, and other deeds.</p>				

**8. Status of Ethical Corporate Management Implementation and Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.**

Evaluation Item	Implementation Status		Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	
1. Establishment of ethical corporate management policies and programs			
(1) Does the company establish its ethical corporate management policies approved by the board of directors, and clearly specify in their rules and external documents the ethical corporate management policies and practices, and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies?	✓		Per approval by the Board of Directors, the Company has established integrity management policies, integrity management codes, integrity management operating procedures and behavior guidelines and other integrity management related regulations, and announced them in the corporate governance section of the Company website for directors, managers and all employees to follow.
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within it's business scope that are at a higher risk of being involved in unethical conduct, and establish prevention programs which at least include preventive measures against the conducts listed in article 7, paragraph 2 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company's integrity management rules, integrity management operating procedures and behavior guidelines, ethical codes of conduct, employee codes of conduct, regulations for reporting unlawful and unethical behaviors, and other integrity management related regulations, have covered a risk assessment mechanism, and preventive measures against dishonest behavior.
(3) Does the company clearly specify operational procedures, guidelines, and well-defined disciplinary and appeal systems for handling violations in the prevention programs against unethical conducts, implement such programs rigorously, and regularly	✓		The Company clearly specifies operational procedures, guidelines, and a well-defined disciplinary and appeal system for handling violations in the prevention programs against dishonest behavior. The compliance situation is checked by the

Evaluation Item	Implementation Status			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
	Yes	No	Summary Description	
review and correct the programs?			internal audit unit. The company also reviews the measures when necessary.	
2. Implement ethical corporate management				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		The Company regularly conducts quality and credit evaluations for suppliers and customers. For those who have not passed the rating, they will be removed from the cooperation list.	-
(2) Does the company establish an exclusively dedicated unit under the board of directors, which reports to the board of directors on a regular basis (at least once a year), on the establishment and supervision of the implementation of the ethical corporate management policies and prevention programs?	✓		The Company's Administration Department is responsible for promoting the integrity of the business, the relevant units are responsible for the implementation, and the Internal Audit unit is independently responsible for auditing to ensure the implementation of the Company's integrity management philosophy, the results of which are reported to the Board of Directors at least once a year. (The execution results were reported to the Board of Directors on October 29, 2021)	-
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement the policies?	✓		The Company's code of integrity management, operating procedures and behavior guidelines for integrity management, codes of ethical conduct, and codes of employee conduct have covered policies to prevent conflicts of interest and communication channels for directors, managers and all employees to follow.	-
(4) Does the company establish effective systems for both accounting and internal control systems to facilitate ethical corporate management, and does the internal	✓		The Company has established accounting systems, internal control systems, and internal auditing systems in accordance with various regulations. The auditors,	-

Evaluation Item	Implementation Status		Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	
audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examine accordingly the compliance with the prevention programs, or engage a certified public accountant to carry out the audit?			
(5) Does the company regularly hold internal and external educational trainings of ethical corporate management?	✓		-
3. Implementation status of the whistle-blowing system			
(1) Does the company establish a concrete whistle-	✓		-

Evaluation Item	Implementation Status			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	Summary Description	
blowing system and incentive measures, create a convenient way for reporting, and appoint appropriate designated personnel for reported cases?			illegal or unethical behavior, created a way for reporting, and appointed an appropriate designated unit for reported cases.	
(2) Does the company establish standard operating procedures, follow-up measures to be taken after the investigation is completed, and related confidentiality measures for reported cases?	✓		The Company's code of integrity management, operating procedures and behavior guidelines for integrity management, and measures to report illegal or unethical behavior have covered standard operating procedures, follow-up measures to be taken after the investigation is completed, and related confidentiality measures for reported cases.	-
(3) Does the company adopt measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?	✓		The Company will take the necessary protective measures for the whistle-blowers, and promises that the Company's employees will not be subject to inappropriate disciplinary actions due to their whistle-blowing.	-
4. Strengthening information disclosure Does the company disclose its ethical corporate management principles and the results of performance on the company's website and MOPS?	✓		The Company's integrity management code, integrity management operating procedures and behavior guidelines, and other relevant regulations, as well as the implementation and operation of integrity management are disclosed on the Company's website and MOPS, and are operated scrupulously.	-
5. If the Company has established Principles of Ethical Corporate Management based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation between the implementation and the principles.  The Company has established integrity management policy, integrity management operation procedures and behavior guidelines, codes of ethical conduct, codes of employee conduct, and measures to report illegal or unethical behavior. No deviation is between the operation and the regulations..				

Evaluation Item	Implementation Status		Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
	Yes	No	
6. Other important information to facilitate a better understanding of the company's ethical corporate management implementation: (e.g., review and amend the company's principles)			
The Company complies with related laws and regulations including Company Act, Securities and Exchange Act, Business Entity Accounting Act, etc. to implement ethical corporate management			

9. If the company has established corporate governance best-practice principles or related regulations, disclose the method of finding these:  
The Company's Corporate Governance Best-Practice Principles and relevant regulations can be found on the corporate governance section of the Company's website or Market Observations Post System.
10. Other important information to facilitate a better understanding of the state of the company's implementation of corporate governance may also be disclosed:  
The company in time discloses material information in accordance with regulations, and regularly holds institutional investor conference to present financial and business related information.

## 11. Internal Control Status

### 11.1. Statement of internal control

#### **Realtek Semiconductor Corporation Statement of Internal Control System**

Date: March 18, 2022

Based on the findings of a self-assessment, Realtek Semiconductor Corporation (Realtek) states the following with regard to its internal control system during the year 2021:

1. Realtek's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Realtek takes immediate remedial actions in response to any identified deficiencies.
3. Realtek evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the 'Regulations'). The Criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Realtek has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Realtek believes that, as of December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Realtek's annual report for the year 2021 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was passed by the board of directors in their meeting held on March 18, 2022, with none of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Realtek Semiconductor Corporation

Chairman: Chiu, Sun-Chien  
President: Yen, Kuang-Yu

11.2. The Company was not required to commission an independent auditor to audit its internal control system.

12. If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.: None

13. Major resolutions of the shareholders' meeting and the board meetings from last year to the

date of the annual report printed:

13.1. Major resolutions of 2021 shareholders' meeting:

Date	Proposals	Resolution Results And Implementation
August 9, 2021	<p>Ratification Items</p> <p>1. 2020 business report and financial statements</p> <p>2. Distribution of 2020 retained earnings</p> <p>Election of Directors (including Independent Directors)</p>	<p>Approved</p> <p>Approved</p> <p>Dividend record date: 2021/09/14 Payment date: 202110/07 Amount: NT\$6,128,218,500</p> <p>Election results are as follows: Directors: United Glory Co., Ltd. Representative: Chiu, Sun-Chien United Glory Co., Ltd. Representative: Chern, Kuo-Jong Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng Sonnen Limited Representative: Yeh, Po-Len Yen, Kuang-Yu Huang, Yung-Fang Ni, Shu-Ching Independent Directors: Chen, Fu-Yen Tsai, Tyau-Chang Lo, Chun-Pa</p>

### 13.2. Major Resolutions of Board Meetings

Date	Summary of Major Resolutions	Resolution Results
Mar. 19, 2021	<ol style="list-style-type: none"> <li>1. 2020 financial statements and consolidated financial statements.</li> <li>2. Matters of convening 2021 shareholders' meeting.</li> <li>3. Election of Directors (including Independent Directors).</li> <li>4. Adoption of the shareholders' proposals for 2021 shareholders' meeting and adoption of the nomination of candidates for directors, including independent directors.</li> <li>5. Employees' compensation and Directors' remuneration of 2020.</li> <li>6. The Company intends to endorse the guarantee for a Mainland China subsidiary.</li> <li>7. The Company's investee company increases investment in a subsidiary.</li> <li>8. The Company's auditor of financial statements and audit Fee for 2021.</li> <li>9. 2020 Statement of Internal Control System.</li> </ol>	Approved by all attending directors
Apr. 23, 2021	<ol style="list-style-type: none"> <li>1. To amend matters of convening 2021 shareholders' meeting.</li> <li>2. To approve the list of nominated candidates for directors and independent directors.</li> <li>3. Distribution of 2020 Retained Earnings.</li> <li>4. 2020 cash dividends distribution from retained earnings.</li> <li>5. Cash distribution from capital surplus.</li> <li>6. To request the shareholders' meeting to release the Directors and their Representatives from non-competition restrictions.</li> <li>7. 2020 business report and 2021 business plan.</li> <li>8. Fund loans between subsidiaries of the Company.</li> <li>9. The Company intends to loan funds to subsidiaries.</li> </ol>	Approved by all attending directors
May 31, 2021	<ol style="list-style-type: none"> <li>1. The Company to sign a supply contract with a supplier.</li> <li>2. Fund loans between subsidiaries of the Company.</li> <li>3. The Company intends to loan funds to subsidiaries.</li> </ol>	Approved by all attending directors
Jul. 23, 2021	<ol style="list-style-type: none"> <li>1. To change the date of 2021 Annual Shareholders' Meeting.</li> <li>2. The matter of organizational adjustment.</li> <li>3. The personnel related matter.</li> <li>4. To establish a subsidiary in Korea.</li> </ol>	Approved by all attending directors
Aug. 9, 2021	<ol style="list-style-type: none"> <li>1. Election of the Chairman of the 12th term board of directors.</li> <li>2. Election of the Vice Chairman of the 12th term board of directors.</li> <li>3. Elections of the members of the 2nd term nominating committee.</li> </ol>	Approved by all attending directors
Aug. 28, 2021	<ol style="list-style-type: none"> <li>1. Appointment of 5th term Remuneration Committee members.</li> </ol>	Approved by all attending directors
Oct. 29, 2021	<ol style="list-style-type: none"> <li>1. The Company intends to loan funds to subsidiaries.</li> <li>2. The Company intends to loan a fund to a Mainland China subsidiary.</li> <li>3. Fund loans between subsidiaries of the Company.</li> <li>4. The Status that the Company regularly evaluates the independence of auditor.</li> <li>5. 2022 annual audit plans.</li> <li>6. 2021 year-end bonus principle for officers.</li> </ol>	Approved by all attending directors
Mar. 18, 2022	<ol style="list-style-type: none"> <li>1. 2021 financial statements and consolidated financial statements.</li> <li>2. Matters of convening 2022 shareholders' meeting.</li> <li>3. Adoption of the shareholders' proposals for 2022 shareholders' meeting.</li> <li>5. Employees' compensation and Directors' remuneration of 2021.</li> <li>6. The Company intends to endorse the guarantee for a subsidiary.</li> <li>7. To revise the Articles of Incorporation</li> <li>8. The Company's auditor of financial statements and audit Fee for 2022.</li> <li>9. 2021 Statement of Internal Control System.</li> </ol>	Approved by all attending directors
Apr. 22, 2022	<ol style="list-style-type: none"> <li>1. Distribution of 2021 Retained Earnings.</li> <li>2. 2021 cash dividends distribution from retained earnings.</li> <li>3. Cash distribution from capital surplus.</li> <li>4. To revise the Articles of Incorporation</li> <li>5. To revise the Procedures for Acquisition or Disposal of Assets</li> </ol>	Approved by all attending directors

Date	Summary of Major Resolutions	Resolution Results
	6. 2021 business report and 2022 business plan. 7. The Company intends to loan funds to subsidiaries. 8. Fund loans between subsidiaries of the Company.	

14. Directors' objections against the important resolution of board meetings from last year to the date of the annual report printed: None
15. Information of resignation or dismissal of persons related to the financial reports (including chairman, president, accounting officers, finance officers, internal audit manager, corporate governance officer, and R&D officers) from last year to the date of the annual report printed: None

#### IV. Information Regarding Audit Fees

Unit: NT\$K

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee(Note)	Total	Remarks
Pricewaterhouse Coopers Taiwan	Cheng, Ya-Huei	2021/01/01~2021/12/31	4,530	950	5,480	
	Lin, Yu-Kuan	2021/01/01~2021/12/31				

Note : The fees were mainly related to the tax compliance service.

1. Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.
2. Audit fee reduced not less than 10% compared to previous year: Not applicable.

#### V. Replacement of Independent Auditors

1. Regarding the former CPA

Replacement Date	March 18, 2022		
Replacement reasons and explanations	The internal regular rotation of PricewaterhouseCoopers Taiwan		
Describe whether the Company terminated or the CPA rejected the appointment	Parties	CPA	The Company
	Status		
	Appointment terminated automatically	Not applicable	Not applicable
	Appointment rejected (continued)	Not applicable	Not applicable
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)	None		
Is there any disagreement in opinion with the Company	YES		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	No	✓	
	Explanation		
Supplementary Disclosure	None		

2. Regarding the Successor CPA

Name of accounting firm	PricewaterhouseCoopers Taiwan
Name of CPA	Li, Tien-Yi ; Cheng, Ya-Huei
Date of appointment	March 18, 2022
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that the CPA might issue on the Financial Report.	None
Written Opinions from the Successor CPA are different from the Former CPA's opinions.	None

VI. If the Company's Chairman, President, Managers in charge of finance or accounting operations held positions within the auditor's firm or its affiliates during last year, the name, title, and period of holding positions should be disclosed: None

VII. Share transfer or share pledge of Directors, Officers and major shareholders holding more than 10% shares from last year to the date of the annual report printed.

1. Changes in shareholding of Directors, Officers and major shareholders

Title	Name	2021		As of April 10, 2022	
		Shares increased (decreased)	Pledge shares increased (decreased)	Shares increased (decreased)	Pledge shares increased (decreased)
Chairman	United Glory Co., Ltd. Representative: Chiu, Sun-Chien	-	-	-	-
Vice Chairman	United Glory Co., Ltd. Representative: Chern, Kuo-Jong	-	-	-	-
Director	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng		5,010,000		
Director	Sonnen Limited Representative: Yeh, Po-Len	-	-	-	-
Director	Yen, Kuang-Yu (Note1)	-	-	-	-
Director	Huang, Yung-Fang	-	-	-	-
Director	Ni, Shu-Ching	-	-	-	-
Independent Director	Chen, Fu-Yen	-	-	-	-
Independent Director	Wang, Chun-Hsiung (Note 2)	-	-	-	-
Independent Director	Ou Yang, Wen-Han (Note 2)	-	-	-	-
Independent Director	Tsai, Tyau-Chang (Note1)	-	-	-	-
Independent Director	Lo, Chun-Pa (Note1)	-	-	-	-
CEO	Chiu, Sun-Chien	(100,000)	-	-	-
Vice CEO & CFO	Chern, Kuo-Jong	-	-	-	-
President	Yen, Kuang-Yu	-	-	-	-
Chief Operating Officer	Huang, Yung-Fang	-	-	-	-
Vice President	Huang, Yee-Wei	-	-	-	-
Vice President	Lin, Ying-Hsi	(8,000)	-	-	-
Vice President	Chang, King-Hsiung	-	-	-	-
Vice President	Tsai, Jon-Jinn	-	-	-	-
Vice President	Wang, Po-Chih	-	-	-	-
Vice President	Chang, Jr-Neng	-	-	-	-
Vice President	Shen, Jia-Ching (Note1)	-	-	-	-
Vice President	Lee, Shang-Ta (Note1)	-	-	-	-

Note 1: Yen, Kuang-Yu, Tsai, Tyau-Chang and Lo, Chun-Pa were newly elected directors since 2021.8.9. Shen, Jia-Ching and Lee, Shang-Ta were newly appointed officers since 2021.7.23..

Note 2: Wang, Chun-Hsiung and Ou Yang, Wen-Han resigned on 2021.8.9

2. Information on stock transfer to related parties: None.

3. Information on pledge of shares to related parties: None.

# VIII. The relationship between any of the Company's top ten shareholders:

April 10, 2022

Name	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Top Ten Shareholders who are Related Parties, Spouse, or Second-Degree Relatives	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Chia-Wen	22,146,604	4.32%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	17,661,000	3.44%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
New Labor Pension Fund	16,074,348	3.13%	-	-	-	-	-	-
Cathay Life Insurance Company, Ltd. Representative: Huang, Tiao-Kuei	13,940,000	2.72%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Leicester Worldwide Corporation	9,498,184	1.85%	-	-	-	-	-	-
China Life Insurance Co., Ltd. Representative: Saloon Tham	8,445,000	1.65%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Enable Educational Technology Co., Ltd. Representative: Yeh, Wei-Ting	8,181,000	1.60%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Chunghwa Post Co., Ltd. Representative: Wu, Hong-Mo	8,021,856	1.56%	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Supervisory Committee of the Labor Retirement Fund-Labor Retirement Fund	7,226,000	1.41%	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for JPMorgan Funds	6,900,000	1.35%	-	-	-	-	-	-

IX. The consolidated shareholdings and percentage of investments held by the Company, Directors, Officers, and the companies controlled directly or indirectly by the Company.

December 31, 2021 / Unit: shares: %

Investments	Investments of the Company		Investments directly or indirectly held by Directors, Officers, and the companies controlled directly or indirectly by the Company		Consolidated Investments	
	Shares	%	Shares	%	Shares	%
Leading Enterprises Limited	34,630	100%	—	—	34,630	100%
Amber Universal Inc.	41,432	100%	—	—	41,432	100%
Realtek Singapore Private Limited	89,856,425	100%	—	—	89,856,425	100%
Realtek Investment Singapore Private Limited	200,000,000	100%	—	—	200,000,000	100%
Talent Eagle Enterprise Inc.	114,100,000	100%	—	—	114,100,000	100%
Bluocean Inc.	110,050,000	100%	—	—	110,050,000	100%
Realsun Investments Co., Ltd	28,000,000	100%	—	—	28,000,000	100%
Hung-wei Venture Capital Co., Ltd	25,000,000	100%	—	—	25,000,000	100%
Realking Investments Limited	29,392,985	100%	—	—	29,392,985	100%
Realsun Technology Corporation	500,000	100%	—	—	500,000	100%
AICONNX Technology Corporation	2,000,000	100%	—	—	2,000,000	100%
Bobitag Inc.	1,918,910	66.67%	—	—	1,918,910	66.67%
EstiNet Technologies Inc.	2,000,000	6.89%	—	—	2,000,000	6.89%

Note: The aforementioned are long-term investments under the equity method.

# Capital Raising

## I. Source of Capital

Year & Month	Issuing Price	Authorized		Paid-in		Remarks		
		Shares (K)	Amount (\$K)	Shares (K)	Amount (\$K)	Source of Equity	Capital increase by assets other than cash	Other
09/2017	10	890,000	8,900,000	506,506	5,065,062	Employees' compensation	-	Note 1
04/2018	10	890,000	8,900,000	508,095	5,080,955	Employees' compensation	-	Note 2
04/2020	10	890,000	8,900,000	510,685	5,106,849	Employees' compensation	-	Note 3
04/2022	10	890,000	8,900,000	512,864	5,128,636	Employees' compensation	-	Note 4

Note 1: The capitalization was approved by the Hsinchu Science Park Administration on Sep. 25, 2017 with an approval letter of No. 1060026285.

Note 2: The capitalization was approved by the Hsinchu Science Park Administration on Apr 11, 2018 with an approval letter of No. 1070010727.

Note 3: The capitalization was approved by the Hsinchu Science Park Administration on Apr 20, 2020 with an approval letter of No. 1090010606.

Note 4: The capitalization was approved by the Hsinchu Science Park Administration on Apr 13, 2022 with an approval letter of No. 1110011158.

Type of share	Authorized Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total	
Common stock	512,863,641	377,136,359	890,000,000	Note

Note: The authorized capital retains 80,000,000 shares for the issue of employee warrant shares.

Shelf Registration: Not Applicable.

## II. Structure of Shareholders

April 10, 2022

Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Investors	Foreign Institutional & Individual Investors	Individual Investors	Total
Number of Shareholders	0	38	431	1,373	53,707	55,549
Shareholdings	0	68,465,957	91,448,652	275,077,966	77,871,066	512,863,641
Shareholding Percentage	0.00%	13.35%	17.83%	53.64%	15.18%	100.00%

### III. Distribution of Shareholding

April 10, 2022

Category	Number of Shareholders	Shareholdings	Shareholding Percentage
1 to 999	39,656	3,380,369	0.66%
1,000 to 5,000	13,117	22,663,472	4.42%
5,001 to 10,000	1,039	7,548,408	1.47%
10,001 to 15,000	352	4,294,255	0.84%
15,001 to 20,000	167	2,985,795	0.58%
20,001 to 30,000	213	5,357,454	1.04%
30,001 to 40,000	130	4,552,241	0.89%
40,001 to 50,000	91	4,113,356	0.80%
50,001 to 100,000	257	18,204,364	3.55%
100,001 to 200,000	182	26,112,700	5.09%
200,001 to 400,000	144	39,426,648	7.69%
400,001 to 600,000	50	24,496,868	4.78%
600,001 to 800,000	38	26,500,714	5.17%
800,001 to 1,000,000	21	18,685,649	3.64%
1,000,001 and above	92	304,541,348	59.38%
Total	55,549	512,863,641	100.00%

### IV. List of Major Shareholders

April 10, 2022

Shareholder	Shareholdings	Percentage of Shareholding
Cotek Pharmaceutical Industry Co., Ltd.	22,146,604	4.32%
Fubon Life Insurance Co., Ltd.	17,661,000	3.44%
New Labor Pension Fund	16,074,348	3.13%
Cathay Life Insurance Company, Ltd.	13,940,000	2.72%
Leicester Worldwide Corporation	9,498,184	1.85%
China Life Insurance Co., Ltd.	8,445,000	1.65%
Enable Educational Technology Co., Ltd.	8,181,000	1.60%
Chunghwa Post Co., Ltd.	8,021,856	1.56%
Supervisory Committee of the Labor Retirement Fund-Labor Retirement Fund	7,226,000	1.41%
JPMorgan Chase Bank N.A. Taipei Branch in custody for JPMorgan Funds	6,900,000	1.35%

V. Market price, net worth, earning, and dividends per common share and related information over the last two years

Item \ Year		2020	2021	As of March 31, 2022
Market price per share	Highest	432	621	594
	Lowest	162	383	428
	Average	312.62	508.23	491.47
Net worth per share	Before distribution	57.69	76.26	-
	After distribution	43.69	-	-
Earnings per share	Weighted average shares	510,126 (thousand shares)	510,685 (thousand shares)	511,024 (thousand shares)
	Earnings per share	17.24	33.00	-
Dividends per share (Note4)	Cash dividends		12	25
	Stock dividends	Earning Distribution	-	-
		Capital Distribution	-	-
	Accumulated unappropriated dividends		-	-
Return on investment	Price/earnings ratio (Note1)		18.13	15.40
	Price/dividend ratio (Note2)		26.05	20.33
	Cash dividends yield (Note3)		3.84%	4.92%

Note 1: Price/Earnings Ratio = Average Market Price / Earnings Per Share

Note 2: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note 3: Cash Dividend Yield = Cash Dividends / Average Market Price Per Share

Note 4: Cash dividends filled in 2021 and 2020 represent the distribution of 2020 and 2019 retained earnings, respectively and exclude cash dividends from capital surplus.

## VI. Dividend Policy and Status of Execution

### 1. Dividend Policy under the Articles of Incorporation

The Company belongs to the integrated circuit design industry and is in the growth phase of the enterprise life cycle. After considering the long-term business development of the Company, matching future investment fund requirements, and the long-term financial planning of the Company, if there are profits at the end of fiscal year, the Company shall first offset the accumulated losses with profits after tax, and then shall contribute 10% of profit as legal reserve, unless the accumulated legal reserve has reached the amount of the Company's total capital, and contribute or reverse special reserve in accordance with relevant laws or regulation by the competent authority. If there are net profits remained, the remaining net profits and the retained earnings from previous years shall be distributed as shareholders' dividend after the distribution proposal is prepared by the board of directors. In case the distribution is in the form of issuing new shares, the distribution proposal shall be approved at a shareholders meeting. In case the distribution is in the form of cash, the distribution proposal is authorized to be approved by the board of directors. After considering financial, business, and operational factors, the Company may distribute the whole of distributable earnings of the current year, and may also distribute whole or part of the reserves in accordance with the law or the regulation by the competent authority. The dividend distributed to shareholders shall not be less than 50% of the increased distributable retained earnings for the current year. When distributing dividends, the main consideration is the Company's future expansion of operating scale and requirement of cash flow. The cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year.

According to Article 240, Paragraph 5, and Article 241, Paragraph 2 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders meeting.

### 2. 2022 Annual Shareholders' Meeting report on the distribution of dividends for 2021:

The Company's dividend distribution from retained earnings for 2021, approved by the board of directors, was NTD 25 per share in cash.

## VII. Impact to business performance and EPS resulting from stock dividend distribution: None.

## VIII. Employees' Compensation and Remuneration to Directors

### 1. Employees' Compensation and Remuneration to Directors as Stated in the Articles of Incorporation:

If gained profits within a fiscal year, the Company shall allocate at a maximum of 3% of the profits as directors' remuneration, and allocate no less than 1% of the profits as employees' compensation. However, in case of the accumulated losses, certain profits shall first be reserved

to cover the accumulated losses, and then allocate employees' compensation and directors' remuneration according to the proportion in the preceding paragraph.

The distribution of employees' compensation in the preceding paragraph shall be in cash or in stock, and shall be resolved with a consent of a majority of the directors present at a meeting attended by over two-thirds of the total directors. The distribution of director's remuneration and employee' compensation shall be reported to the shareholders meeting.

The employees entitled to receive employees' compensation may include the employees of subsidiaries of the Company meeting certain specific requirements. The requirements are determined by the board of directors or its authorized person.

## 2. Accounting for Employee Compensation and Remuneration to Directors

The Company accrued employees' compensation and remuneration to directors based on a percentage of profit as stated in the Articles of Incorporation Article. If the accrued amounts differ from the actual amounts approved by stockholders' meeting, the Company will recognize the change as an adjustment to income of next year.

## 3. Employee compensation and Remuneration to Directors resolved by the Board of Directors

3.1. The Proposal of 2021 Employees' Compensation and Remuneration to Directors resolved at the Board of Directors held on March 18, 2022:

Unit: New Taiwan Dollars; shares

Employees' Compensation				Remuneration to Directors	Difference	
Cash compensation	Stock compensation	Common Shares	Total	Cash	Difference Amount	Treatment
3,965,355,284	991,338,530	2,178,766	4,956,693,814	130,000,000	none	Not applicable

Note: the 2021 Employees' compensation and directors' remuneration resolved at the Board of Directors are the same as the accrued amounts in 2021.

3.2. The ratio of employees' stock compensation divided by the total of income after tax and employees' compensation:

Item	Amount	The ratio of employees' stock compensation divided by the total of income after tax	The ratio of employees' stock compensation divided by the total of employees' compensation
Employees' stock compensation	991,338,530	5.88%	20.00%

4. The actual distribution of employees' compensation and directors' remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee's compensation and directors' remuneration, additionally the discrepancy, cause, and how it is treated.

Unit: New Taiwan Dollars; shares

Employees' Compensation				Remuneration to Directors	Difference	
Cash compensation	Stock compensation	Common Shares	Total	Cash	Difference Amount	Treatment
2,586,316,785	0	0	2,586,316,785	90,000,000	none	Not applicable

Note: The actual distribution of employees' compensation and directors' remuneration is the same as accrued amounts in 2020.

IX. Status of Treasury Stocks: None

X. Status of Corporate Bonds: None

XI. Status of Preferred Stocks: None

## XII. Status of GDR

March 31, 2022

Item		Issuing Date	Jan 24, 2002
Issuing Date			Jan 24, 2002
Issuance & Listing			Luxembourg Stock Exchange.
Total Amount ( US\$ )			240,180,375
Offering Price per Unit ( US\$ )			17.25
Issued Units			13,923,500 units
Underlying Securities			New shares issued for capital increase of cash and issued common shares held by shareholders of the Company
Common Shares Represented			55,694,400 Common Shares
Rights and Obligations of GDR holders			According to the relevant instructions of the published manual
Trustee			N/A
Depository Bank			Bank of New York Mellon
Custodian Bank			Mega International Commercial Bank
GDRs Outstanding			440,023 units
Apportionment of the expenses for the issuance and maintenance			In accordance with the contract of the underwriting syndicate and depository bank
Terms and Conditions in the Deposit Agreement and Custody Agreement			The company will provide necessary public information in accordance with the contract for the depository bank to notify the depository certificate holder
Closing price per GDRs (US\$)	2021	Highest	88.67
		Lowest	54.69
		Average	72.57
	As of March 31 of 2022	Highest	84.78
		Lowest	61.08
		Average	70.14

XIII. Status of Employee Stock Warrants: None

XIV. Status of Employee Restricted Stocks: None

XV. Status of Mergers or Acquisitions, or as assignee of new shares issued by other companies: None

XVI. Status of Implementation of Fund Utilization Plan: Not Applicable

# Operations Overview

## I. Business Overview

### 1. Business Scope

#### (1) Realtek's Main Business Areas

- i. Research, development, production, manufacturing, and the sale of various types of integrated circuits
- ii. Software and hardware application design, testing, repairs, and technical consultations for various types of integrated circuits
- iii. Research, development, and the sale of various types of silicon intellectual property
- iv. Adjunct trade and sales that relate to Realtek's core businesses

#### (2) Percentage of Operating Revenue

Unit: NT\$ thousands

2021	IC Products	Other	Total
Net Operating Revenue	105,374,969	129,317	105,504,286
Percentage of Operating Revenue	99.88%	0.12%	100%

#### (3) Current Products

##### **Communications Network and Connected Media Products:**

- PCIe 10BASE-T/100BASE-TX Single-Chip Ethernet Controller
- PCIe 1GBASE-T Single-Chip Ethernet Controller
- PCIe 1GBASE-T Single-Chip Ethernet Controller for Gaming
- PCIe 1GBASE-T Programmable Single-Chip Ethernet Controller
- PCIe 2.5GBASE-T Single-Chip Ethernet Controller
- PCIe 2.5GBASE-T Single-Chip Ethernet Controller for Gaming
- PCIe 2.5GBASE-T Programmable Single-Chip Ethernet Controller
- USB 2.0 10BASE-T/100BASE-TX Single-Chip Ethernet Controller
- USB 3.2 Gen 1 1GBASE-T Single-Chip Ethernet Controller
- USB 3.2 Gen 1 1GBASE-T Single-Chip Ethernet Controller for Gaming
- USB 3.2 Gen 1 2.5GBASE-T Single-Chip Ethernet Controller
- USB3.2 Gen 1 2.5GBASE-T Single-Chip Ethernet Controller for Gaming
- USB 3.2 Gen 1 2.5GBASE-T Programmable Single-Chip Ethernet Controller
- USB 3.2 Gen 2 to PCIe 3.0 x 2 Single-Chip Bridge Controller for PCIe NVMe/SATA AHCI Dual Protocol SSD
- USB 3.2 Gen 2 to PCIe 3.0 x 2 Single-Chip Bridge Controller with PD3.0 for PCIe NVMe/SATA AHCI Dual Protocol SSD
- USB 3.2 Gen 2 to PCIe 3.0 x 2 SD Express Card Single-Chip Bridge Controller

- Long Distance 10/100 BASE-T/100BASE-T1 Ethernet PHY
- PCIe 1GBASE-X Single-Chip Fiber Ethernet Controller
- RGMII/SGMII/GMII 1GBASE-T Ethernet PHY
- 1GBASE-T Ethernet PHY for LED Transceiver
- 2.5GBASE-T Ethernet PHY
- 100BASE-T1 Automotive Ethernet PHY
- 100/1000BASE-T1 Automotive Dual Mode Ethernet PHY
- 100BASE-T1 Automotive Multiport Ethernet Switch Controller
- 100/1000BASE-T1 Automotive Multiport Ethernet Switch Controller
- UHD HDR Streaming Multimedia SoC
- Multi-CAS UHD Multimedia STB SoC
- 802.11b/g/n 1T1R WLAN Single-Chip Controller with PCIe/USB 2.0/SDIO 2.0 Interfaces
- 802.11b/g/n 2T2R WLAN Single-Chip Controller with PCIe/USB 2.0/SDIO 3.0 Interfaces
- 802.11b/g/n 1T1R WLAN and Bluetooth Smart Single-Chip Controller with PCIe/USB 2.0/SDIO 2.0 Interfaces
- 802.11a/b/g/n 1T1R WLAN and Bluetooth 5.2 Smart Single-Chip Controller with USB 2.0/ SDIO 2.0 Interfaces
- 802.11a/b/g/n/ac/ax 1T1R WLAN and Bluetooth 5.2 Smart Single-Chip Controller with PCIe/USB 2.0/SDIO 3.0 Interfaces
- 802.11a/b/g/n/ac/ax 2T2R WLAN and Bluetooth 5.2 Smart Single-Chip Controller with PCIe/USB 2.0/SDIO 3.0 and HS-UART Interfaces
- 802.11a/b/g/n/ac 2T2R WLAN Single-Chip Controller with USB 2.0 Interface
- 802.11a/b/g/n/ac 3T4R WLAN Single-Chip Controller with PCIe/USB 3.0 Interfaces
- 802.11a/b/g/n/ac 4T4R WLAN Single-Chip Controller with PCIe/USB 3.0 Interfaces
- Integrated WLAN (Wi-Fi) and Microcontroller SoC
- Integrated WLAN (Wi-Fi), Bluetooth and Microcontroller Multifunction SoC
- Low-Power, Highly-Integrated Dual Band Wi-Fi Camera SoC
- Integrated WLAN 802.11ac Dual Band Access Point/Router SoC
- Bluetooth 5.2 LE Single Mode SoC and Bluetooth 5.2 Audio SoC
- GNSS Satellite Positioning IC
- 8-Port 100BASE-T Ethernet PHY
- 5/8/16/24-Port 100BASE-T Ethernet Switch Controller
- 4/8-Port Gigabit Ethernet PHY
- 8-Port Gigabit Ethernet PHY
- 5/8-Port 1GBASE-T Ethernet Switch Controller
- 16/24-Port 1GBASE-T Ethernet Switch Controller
- 24-Port 1GBASE-T/2.5GBASE-T + 2-Port 10GBASE-T Managed Ethernet Switch Controller
- 48-Port 1GBASE-T + 4-Port 10GBASE-T Managed Ethernet Switch Controller
- 24-Port 1GBASE-T/2.5GBASE-T + 4-Port 10GBASE-T Managed Ethernet Switch Controller

- 48-Port 1GBASE-T + 6-Port 10GBASE-T Managed Ethernet Switch Controller
- 24-Port 2.5GBASE-T + 6-Port 10GBASE-T Managed Ethernet Switch Controller
- 1.25G/2.5G/10G Integrated PON Network Gateway Controller
- Single-Port PON Network Bridge Controller
- 2-Port PON Network Gateway Controller
- 2.5G PON Laser Driver
- Octal Port IEEE 802.3at PSE Controller
- Quad Port IEEE 802.3bt PSE Controller
- Long Distance 10/100BASE-T/100BASE-T1 Ethernet Switch Controller
- VDSL 35B Network Router Controller

#### **Computer Peripheral Products:**

- HD-A 4-Channel Audio Codec
- HD-A 4-Channel Audio Codec with Embedded Class-D Amplifier and I2S In/Out
- HD-A 4-Channel Audio Codec with High Wattage Class-D Amplifier Supporting Speaker Protection
- HD-A Low Power Stereo Audio Codec
- HD-A Multi-Channel Audio Codec (7.1 and 10 Channels)
- I2S High Voltage Class-D Speaker Amplifier Supporting Speaker Protection
- SoundWire 4-Channel Audio Codec with Embedded Class-D Amplifier and I2S In/Out
- USB 2.0 Low Power Audio Codec with Equalizers
- Hi-Fi Audio Codec Single Chip with Power Amplifier for Mobile Devices
- USB 2.0 to I2S Bridge Controller
- Hi-Fi Audio Codec Single Chip with Programmable Voice/Audio DSP for Mobile Devices
- High Quality, High Performance Class D Amplifier with Embedded Adaptive Boost, Speaker Protection and Equalizer for Mobile Devices
- Embedded USB 2.0 Image Signal Processor Chip Supporting Windows Hello Face Recognition
- Low Power Fingerprint Hardware Encryption Bridge Chip with Embedded SPI to USB1.1/2.0 Interface for MoH (Match-on-Host) Architecture
- Low Power Fingerprint Hardware Encryption and Matching Microcontroller Chip with Embedded SPI to USB2.0 Interface for MoC (Match-on-Chip) Architecture
- Highly Integrated Surveillance Camera SoC
- Highly Integrated, Low Power Neural Network Artificial Intelligence Surveillance Camera SoC
- USB 3.0/USB 3.1 Gen 2 4-Port Hub Controller
- Highly Integrated USB Type-C Controller
- USB 10G Redriver IC

#### **Multimedia Products:**

- Integrated LCD Controller with VGA Interface

- Integrated LCD Controller with DVI Interface
- Integrated LCD Controller with HDMI Interface
- Integrated LCD Controller with DisplayPort Interface
- DisplayPort to LVDS Translator
- DisplayPort to VGA Translator
- Low Power DisplayPort to HDMI 2.0 Translator
- DisplayPort to HDMI 2.1 Translator
- USB Type-C to VGA Translator
- Low Power USB Type-C to HDMI 2.0 Translator
- DisplayPort MST Hub Controller
- Integrated High Resolution 5K3K/4K2K/QHD LCD Display Controller with HDR, DP 1.4, HDMI 2.0, and HDCP 2.2
- Integrated High Resolution 4K2K144Hz Gaming LCD Display Controller with Realtek Owl Sight Technology, DSC, HDR, DP 1.4, HDMI 2.1, and HDCP 2.3
- Integrated High Resolution 4K2K144Hz/QHD165Hz Gaming LCD Display Controller with Realtek Owl Sight Technology, DSC, HDR, DP 1.4, HDMI 2.0, and HDCP 2.3
- Integrated High Resolution 4K2K/QHD LCD Controller with USB Type-C Interface
- Integrated High Resolution QHD/FHD LCD Display Controller with USB Type-C Interface
- High-End LCD TV SoC
- High-End Multimedia Digital/Analog LCD TV SoC
- High-End Connected Digital/Analog LCD TV SoC
- High-End UHD Smart Connected Digital/Analog LCD TV SoC
- High-End UHD HDR Smart Connected Digital/Analog LCD TV SoC
- High-End UHD HDR 60Hz/120Hz FRC Full-Spec HDR Smart Connected LCD TV SoC
- High-End UHD Full-Function HDR and 3D Surround Sound Multi-Core Smart Connected LCD TV SoC
- High-End 8K LCD TV Video Decoder and Processing Chip
- High-End Full Spec, Multi-Core UHD Connected LCD TV SoC with AI PQ and AQ Processing Features
- High-End Full Function, Multi-Core 8K LCD TV SoC with AI PQ and AQ Processing Features

#### (4) Products Under Development

##### **Communications Network and Connected Media Products:**

- New Generation PCIe 2.5GBASE-T Single-Chip Ethernet Controller
- New Generation USB 3.2 Gen 1 1GBASE-T Single-Chip Ethernet Controller
- USB3.2 Gen 2 5GBASE-T Single-Chip Ethernet Controller
- PCIe 5GBASE-T Single-Chip Ethernet Controller
- New Generation 1GBASE-T Ethernet PHY

- 5GBASE-T Ethernet PHY
- 10Gbps USB 3.2 Gen 2 to PCIe Gen 3.0 x 2 SATA Single-Chip Bridge Controller for SSD
- 20Gbps USB3.2 Gen2 x2 to USB PCIe 3.0 x 4 Single-Chip Bridge Controller for SSD
- 100/1000BASE-T1 Automotive Dual Mode Ethernet PHY with MACsec
- 2.5GBASE-T1 Automotive Ethernet PHY with MACsec
- Multi-Port 10BASE-T1S+100/1000BASE-T1 Automotive Ethernet Switch Controller with MACsec
- Multi-Port 100/1000M/2.5GBASE-T Ethernet PHY
- 4-Port 2.5GBASE-T Ethernet PHY
- 8-Port 2.5GBASE-T Ethernet Switch Controller
- 24/48-Port 2.5G/5G/10G BASE-T Ethernet Switch Controller
- New Generation Single-Port 2.5G/5G/10GBASE-T Ethernet PHY
- New Generation 4-Port 2.5G/5G/10GBASE-T Ethernet PHY
- New Generation Octal Port IEEE 802.3at PSE Controller
- New Generation Quad Port IEEE 802.3bt PSE Controller
- New Generation High-Port Density 1GBASE-T Managed Ethernet Switch Controller
- New Generation 24-Port 10G + 4-Port 25G + 2-Port 100G Managed Ethernet Switch Controller
- New Generation 10G xPON Home Gateway SoC
- 10G PON Laser Driver
- 802.11a/b/g/n/ac 2T2R WLAN and Bluetooth 5.2 Single-Chip Controller
- 802.11a/b/g/n/ac/ax 1T1R WLAN and Bluetooth 5.3 Single-Chip Controller
- 802.11a/b/g/n/ac/ax 4T4R WLAN Single-Chip Controller with PCIe/USB3.0 Interfaces
- New Generation IoT SoC with WLAN (Wi-Fi), Bluetooth, and AI Audio
- New Generation Low-Power, Highly-Integrated IoT SoC with Dual Band Wi-Fi Camera
- Integrated Wi-Fi 802.11ax (Wi-Fi 6) Dual Band Access Point/Router SoC
- Integrated WLAN 802.11be (Wi-Fi 7) Dual Band Access Point/Router SoC
- Bluetooth 5.3 Dual Mode Active Noise Cancellation (ANC) Audio SoC
- Bluetooth 5.3 LE IoT Multi-Standard SoC
- Next Generation UHD HDR Streaming Multimedia SoC
- Next Generation UHD HDR Set-Top Box SoC with Multi-CAS Support

#### **Computer Peripheral Products:**

- SoundWire Audio Codec
- USB2.0 Audio Codec with DSP
- Audio DSP Supporting Neural Network Computing
- I2S High Voltage Class-D Amplifier with Speaker Protection DSP
- Hi-Fi Audio Codec with Power Amplifier for Mobile Devices
- Customized Stereo Hi-Fi Audio Codec with Power Amplifier for Gaming Devices
- High Performance Programmable Voice/Audio DSP for Mobile Devices

- Hi-Fi Audio Codec with Class-D Amplifier and SoundWire Interface for Mobile Devices
- Hi-Fi, High Efficiency Class-D Smart Amplifier with Built-In Boost for Mobile Devices
- New Generation Embedded ISP Controller Featuring Video HDR with USB2.0 Interface
- New Generation ISP Controller Featuring 4K2K Resolution, Video HDR, Quad-Cell Specification with USB3.0 Interface
- New Generation Low Power Fingerprint Hardware Encryption and Matching Microcontroller Chip with Embedded SPI to USB2.0 Interface for MoC (Match-on-Chip) Architecture
- Notebook PC Card Reader Controller with PCIe Gen I Interface, Supporting SD 7.0
- Notebook PC Card Reader Controller with PCIe Gen II Interface, Supporting SD 8.0 Compatible UHS-II
- USB 3.2 4-Port Hub Controller
- Highly Integrated USB Type-C Controller
- New Generation Surveillance Camera SoC Supporting 5MP Resolution and Video HDR
- New Generation Surveillance Camera SoC Supporting 4K2K Resolution, Video HDR, and Neural Network Artificial Intelligence

#### **Multimedia Products:**

- New Generation Integrated UHD/QHD LCD Display Controller with USB Type-C and HDMI 2.1 Interfaces
- New Generation Low Power DisplayPort to HDMI2.1 Translator
- New Generation DisplayPort MST HUB Controller with HDMI2.1 Output
- New Generation High-End AI, UHD HDR 60Hz/120Hz LCD TV SoC with VVC (H.266) and AVS3 Video Decoders

## **2. Industry Overview**

### **(1) Industry Status & Trends and Product Development & Competition**

During 2021, in addition to the continuing impact of COVID-19, the semiconductor industry experienced unprecedented supply shortages. These issues have put many markets and companies to the test. Alongside these black swan events, the world we live in is experiencing wave after wave of digital transformation. The demand for all types of connectivity products is rising rapidly, both for new products and because of the need to upgrade and improve existing products to meet the expectations and needs of customers. The importance of semiconductor products to people's lives has become particularly obvious in the face of current supply shortages. According to IC insights, worldwide semiconductor industry revenue in 2021 was US\$613.9 billion, an increase of 25% compared to 2020, of which IC sales grew by 26%. Realtek once again marched forward at a speed outpacing the overall industry. According to TrendForce's research, Realtek's ranking among the top 10 IC design companies in the world has further advanced to eighth place.

#### **Communications Network and Connected Media Products:**

In terms of Ethernet, due to the impact of the pandemic, many businesses were forced to dramatically reduce their overall working capacity, some cities put on complete lockdown, and periods of quarantine became the standard, resulting in a substantial delay for the delivery of semiconductor products. In addition, the demand for chips in various markets has greatly increased, resulting in supply chain capacity tightness, and the worst chip shortage faced by the industry in its history. Realtek has been proactively battling against this dilemma while also laying out plans for securing upstream capacity. In 2021, for products with severely limited production capacity, Realtek successively released chips from alternative foundries to reduce the chip shortage for its clients, benefiting end products such as notebook computers, motherboards, network storage devices (NAS), game consoles, docking stations, USB-to-Ethernet adapters, etc. The supply capacity has been increased to digest the continued strong demand for communications network chips in the future. In the past two years, the Ethernet specification in the computer and communications network market has been gradually upgraded from GbE to 2.5GbE. Realtek's second-generation 2.5GbE chips have been popularized in gaming motherboards, mid-to-high-end computers, switches, and the network extension accessory market. In 2022, in response to the highly digitalized post-pandemic market demand, Realtek will launch its third-generation 2.5GbE products and higher-speed 5GbE Ethernet solutions.

Large amounts of data are rapidly accumulated in the hands of every end user, while the built-in capacity of computers and mobile phones has long been insufficient, and people turn to accessories for capacity expansion. Portable/external storage devices are more secure than cloud space and do not need to rely on a network. Traditional mechanical hard drives (HDDs) have been gradually replaced by solid-state drives (SSDs) that have faster transfer speeds and are both silent and shock-resistant. SSDs have many other advantages over HDDs due to their high-speed read and write, small size, light weight, and portability. Moreover, the fact that SSDs have become more competitively priced has further accelerated their overtaking of the hard drive market. The interface of an external SSD is divided into a traditional SATA and a new, higher-speed PCIe. While current SSD market suppliers could only provide a bridge chip with either a single USB-to-SATA or USB-to-PCIe interface, Realtek entered the high-end SSD storage market by launching the world's first solution to support both USB 3.2 Gen 2 conversion to PCIe/NVMe and SATA/AHCI dual protocols at the same time. In addition, the latest SD Express memory card SD 7.1/7.0 was launched at the end of 2021, which was 3 times more efficient than traditional UHS-II SD cards and drove the demand for card readers that support it. Realtek also launched the world's first USB 3.2 Gen 2 to SD Express bridge chip (currently in mass production), and the only solution in the industry that supports Active State Power Management (ASPM) protocol, thereby effectively decreasing the overheating problem caused by accessories during high-speed transmission, and providing a more stable and reliable storage environment for the system, to satisfy content creators and applications, such as high-end audio and video systems, medical equipment, edge computing devices, and high-definition audio and video.

In the Ethernet Switch market, Realtek is the market share leader in embedded applications and

unmanaged switches. In recent years, its market share in Smart Switches has been steadily rising. In 2021, Realtek invested in the research and development of higher-level and higher-speed Multi-G Layer 3 managed switches, such as access managed switches and aggregation managed switches with a new generation of 10GbE PHY. These were created to provide a complete and competitive solution for the enterprise network and campus network market in response to Wi-Fi 6 and the post-pandemic development trend, driven by the new infrastructure upgrade to telecom access networks in various countries. After years of hard work, Realtek has successfully transformed embedded applications and managed switches into its main growth drivers. Furthermore, in the face of the popularity and fierce competition of 1GbE access ports for entry-level managed switches, Realtek will launch 24/48-port 1GbE managed switch products with higher cost performance, increased computing power, and reduced power consumption, in order to seize greater market share. At the same time, after the launch of the second-generation PSE (Power Sourcing Equipment) supporting IEEE802.3bt/at/af in response to market and customer feedback, the product has been gradually recognized by customers and designed in for mass production. It is expected that after the launch of a new generation of Ethernet Switch products, Realtek will continue to expand its market share in this sector.

As a result of Wi-Fi 6 applications gaining popularity, the demand for network bandwidth has increased greatly, and the speed of GbE switches can no longer meet the demand. Currently, all Multi-G switches on the market are 10GbE managed switches, usually with more than 10 ports. Not only are they very expensive, but also their operations are complicated and not user friendly. In response, in 2022, Realtek expects to launch a low power, easy to operate 8-port 2.5GbE switch, ideal for both gamers and non-gamers alike. It is expected to cause a surge in the sales of 2.5GbE switches.

In 2021, under the continuous strain of the pandemic, users' demand for bandwidth increased, and global operators accelerated the deployment and upgrade of optical fiber networks. Realtek has a comprehensive product portfolio for XGS-PON, XG-PON (10G-PON), 2.5G PON and 1G EPON, which can meet the needs of new global tender projects.

China is still the region with the largest demand for optical fiber in the world, and Realtek has achieved considerable market share in the Chinese market in recent years. Due to the pandemic, WFH and remote learning have become new social needs. The xPON's broadband access technology is right there to provide a stable, high-bandwidth, and affordable home Internet environment. As for the new market specifications, XG-PON products with larger bandwidth will become the mainstream for home broadband access equipment. The number of Chinese operators' tenders for XG-PON Home Gateway Unit (HGU) began to increase gradually in 2021. The shipment is expected to exceed that for 2.5G PON products in 2025. At the same time, Realtek continues to expand the overseas telecom market by leveraging the XG-PON products by Cortina Access, achieving good results in North America, Europe, Japan and South Korea.

Carmakers in Europe, the United States, China, Japan, South Korea, and other areas are turning

to Automotive Ethernet for in-vehicle networking. Many use Automotive Ethernet to connect in-vehicle safety sensors, 360-degree camera systems, infotainment head units, and instrument panels. Realtek's Automotive Ethernet products were already named as a 'Golden Sample' by IOT Certification Laboratory for Interoperability Testing; they were the first in the world to pass the OPEN Alliance TC10 Deep Sleep & Wake Up protocol. With power consumption a mere 35 $\mu$ A, they support remote ECU TC10 wake-up, making them a necessary part of energy-efficient automobiles. These Automotive Ethernet products have been certified by many carmakers, adopted by tier one suppliers, and are starting shipment. Realtek is using its superior technical advantages to pioneer second-generation Automotive Ethernet products, including a Dual Mode Multiport 100/1000BASE-T1 Switch and Dual Mode PHY that supports 100/1000BASE-T1. European and American automobile manufacturers and their tier one suppliers are gradually adopting this technology for their 2022/2023 automotive network backbone needs. In addition, Realtek is cooperating with automotive manufacturers in the OPEN Alliance to integrate 10BASE-T1 technology into the next generation of Multiport Switches. There have also been plans put in place to develop PHY controllers supporting the new 2.5GBASE-T1 standard, and for information security, MACsec will be introduced into the product road map to meet 2024/2025 market needs.

OTT services have experienced explosive growth in recent years. In addition to Netflix, YouTube, and Amazon, Disney+, Apple TV+, and HBO Max have subsequently put their hats in the ring. The demand for OTT set-top boxes continues to rise and the pay TV industry is pushing to become network IP-based. While continuing to deliver high-quality audio and video content through broadcast, IP, or hybrid network services, large telecom operators have also fully turned to the IP network ecosystem and started to launch their own OTT services or Set-Top Boxes. For example, Comcast and Sky jointly launched the "global IP video platform" in 2011 to support their services in the United States, and in Europe with a single IP platform. In addition to the trend of turning to IP-based and OTT, open platforms rely on the support of app stores and a better integrated architecture for premium apps, in order to attract operators to abandon the old closed systems and embrace open platforms. Google launched Android TV and RDK Alliance launched the RDK-V platform, which has successfully attracted major operators. At the same time, Netflix also launched Netflix Scaling Program for the operator market, such as the Hailstorm based on Android TV, and RDK's DaVinci. The closed operator market has turned to open IP-based applications, driving operators to launch hybrid OTT and IPTV set-top boxes combined with network video. With consumers' changing viewing habits and demanding higher quality content, the operators are facing greater challenges in system security. In this quickly maturing market, with products that offer more capabilities at lower prices, Realtek is responding with a new generation of UHD Multimedia Controllers that meet each operator's Multi-CAS security requirements. Besides integrating a new generation of HDR and 3D audio technology, Realtek continues to develop a new generation of audio and video codec technology to cope with the increasing resolution. With a complete, cost competitive and low-power hardware and software reference design, we assist customers to develop high-performance set-top box products to grasp business opportunities. Combined with their own complete solutions of multimedia and network, the customers can stay competitive in the

market, with the advantage that they cannot be easily copied by their competitors.

In the area of Wi-Fi controllers, the semiconductor supply was in shortage in 2021. The market was chasing delivery from upstream fabs to assembly and testing plants due to insufficient production capacity. Wafer foundries had several rounds of price increases, which were gradually reflected in the prices of end products. In the PC market, Wi-Fi 6 began to gradually replace the market share previously held by Wi-Fi 5, and is expected to become the mainstream of the PC market in 2022. Realtek's first-generation Wi-Fi 6 products were officially in mass production and shipped in 2021, and were successfully introduced to PC customers for mass production. With the subsequent opening of the 6GHz frequency band, Realtek Wi-Fi 6E was also officially launched in the second half of 2021, successfully securing several major customers.

Another important product in the IT market is printers, whose Wi-Fi specifications are still dominated by Wi-Fi 4. With the popularity of Wi-Fi 5 routers however, customers are accelerating towards the introduction of Wi-Fi 5 models. Also because the overall penetration of Wi-Fi 6 has gradually increased, printer customers have also begun to plan the Wi-Fi specifications for future products. In addition to upgrading to Wi-Fi 6 on the hardware side, they also require additional functions such as wireless roaming 802.11K/V/R, Neighborhood Aware Networking (NAN or Wi-Fi Aware), and Bluetooth printing, to give end customers greater convenience of use.

In the consumer market, the TV market generally moves with the epidemic and market fluctuations. High-end TVs maintain high-spec Wi-Fi, but require cost support. Customers with low-end specifications are faced with low gross profit that cannot cover the cost of sales, and are forced to adjust the specifications to Wi-Fi 4 1x1 single Wi-Fi. In order to simultaneously defend against market competition and enhance customers' hitherto low-end TV specifications, Realtek guides customers to move to a 1x1 combo or 2x2 with better cost-performance specifications, and upgrade Wi-Fi 4 1x1+BT from single-band to dual-band. In 2021, due to the limited supply of Wi-Fi 5 in the Chinese market, the set-top box was downgraded to models without Wi-Fi. However, the Chinese operator market is expected to start introducing Wi-Fi 6 models in the third quarter of 2022. Major telecom operators have added Wi-Fi 6 models to their set-top box tenders, and are expected to gradually upgrade the specifications of existing tenders.

Consumer wireless surveillance equipment (IP CAM) has shown a long-term steady growth trend by incorporating AI technology and IoT related applications. In 2021, due to the supply and demand imbalance, Wi-Fi 4 1x1 2.4GHz single-band received low-cost competition from Chinese manufacturers. In addition to defensive pricing, Realtek seeks to promote Wi-Fi 4 1x1 dual-band solutions, and mid-to-high-end products such as Wi-Fi 5, and Wi-Fi 6. Outside of China, Wi-Fi 5 2x2 was the mainstream specification internationally, and while the experienced wave of shortages also had a considerable impact, Realtek's Wi-Fi 6 solution was timely launched, the effect of which is expected to come to fruition in 2024.

In the speaker market, Realtek Wi-Fi has been a main supplier in the Chinese market. However, Chinese competitors are growing fast and eating away at the low-end speaker market. In response, Realtek launched a Wi-Fi 4 dual-band solution supporting BT 5.2 LE Audio which has since been successfully put into mass production. The solution is suitable for speaker designs with screens. While it has many applications, and a high adhesion rate, it nevertheless requires high transmission bandwidth, thereby giving rise to market, and specification segmentation with varying promotion focus. This Wi-Fi 4 dual-band solution will enter two markets simultaneously, the high-end speaker with screen market, and the European and American high-end speaker market.

For Wi-Fi access point/router integrated products, Realtek's Dual Band Mesh Router products have stimulated new market demands due to their excellent cost performance, and in turn created new growth momentum for the products. The trend of upgrading Wi-Fi 5 to Wi-Fi 6 is clear, especially under the influence of COVID-19 where most jobs have been converted to WFH. In order to improve work efficiency, consumers have higher requirements for routers used in their home office, which has driven the demand for Wi-Fi 6 routers with higher performance. To this end, a large number of AX1500/AX1800 replacements and upgrades began to appear in 2021, with even higher speed AX3000 emerging. Looking into 2022, in addition to continuing to promote the AX1500/AX1800 to more regions, we will also launch (in 2022/Q2) the AX3000 and AX5400 high-end solutions supporting 3-band, providing customers with more complete router product solutions.

The application of IoT in smart homes has become more and more extensive. More real-time voice control is desirable besides paring with smart speakers for control. Most current solutions utilize an external DSP for voice control of a single product. Due to the widespread deployment of IoT products, the interference of the 2.4GHz frequency band is increasing, so larger home appliances have begun to shift to a 5GHz frequency band. With the rise of applications such as AI and smart speakers, the portion of home appliances incorporating networking functions is increasing. Realtek has been working on the IoT product line for many years, with solutions including intelligent control, voice, and real-time video to provide customers with a variety of choices. In 2021, the number of IoT customers and shipments continued to grow rapidly, especially in the fields of voice and dual-band applications. According to the market report, the IoT market overall continues to maintain double-digit growth with the Wi-Fi based IoT devices currently dominated by smart home devices. The smart home is also the first IoT market for Realtek to enter. Realtek has a complete portfolio of IoT products, featuring high integration, ultra-low power, and high security. Every year, Realtek actively invests R&D resources to develop a new generation of Wi-Fi and Bluetooth technologies that support the latest IoT alliances standards to enable more AI applications. In addition to being a favorite for many top global brand customers in the smart home market, Realtek is also actively going after the IoT markets for commercial, industrial and medical usages, thereby introducing intelligence in various business and consumer applications, for better user experiences. Additionally, Realtek continues to cooperate with IoT-related organizations and leaders. Realtek is a main partner of

the latest IoT standard "Matter". As we speak, we are cooperating with leading companies and providing a development platform for first-line customers. It is expected that when the official version of the standard is released next year, customers will be able to release new products simultaneously.

Bluetooth has been widely adopted in mobile phones, TVs, set-top boxes, smart speakers, and other products, assisting individuals or home users to enjoy Bluetooth earphones, sports bracelets, Bluetooth voice-assisted remote controllers, and Bluetooth mesh peripherals, bringing easy entertainment enjoyment, user-friendly human-machine interfaces, as well as simple and fast operational feedback.

True Wireless Stereo (TWS) growth slowed down from 2020 to 2021 due to the impact of the pandemic. Nevertheless, Active Noise Cancelling (ANC) headphones can reduce external noise, and enable emerging applications such as Bluetooth wireless microphones, Bluetooth gaming headsets, and spatial audio headsets, thereby providing more choices for different user groups. Thus, the continuing expansion of the Bluetooth audio application market can be expected. Realtek has achieved a good reputation for its first-generation Bluetooth solutions. It also provides convenient ANC mass production tools in the second-generation ANC solution to help customers improve mass production efficiency, reduce costs, and ensure performance consistency. This second generation solution was well received by the market and has already become a favorite of many international brands. In 2021, Realtek's latest generation of Bluetooth BT5.2 BLE Audio TWS solutions were released to meet the market's expectations for the evolution of new Bluetooth headsets. This new range of devices is expected to enable Realtek to maintain its position as the leader in Bluetooth audio, and to expand its market influence and empower market growth by working closely with supply chain and brand partners.

Realtek's BLE series of products are especially popular among major international brands for voice-assist remote controllers, assisting the transition of remote controllers from infrared to Bluetooth. They also enable large color display upgrades for wrist devices, thereby increasing the appeal and value of wearables. In addition, commercial applications of Bluetooth Mesh networks that support smart voice ecosystems are maturing, which is supporting growth of peripheral Bluetooth products. In the future, with the low power characteristics of Bluetooth and online cloud services taking shape, Realtek's Bluetooth will not only be used in personal entertainment and smart-homes, but will also enter industries such as smart factories, property management, B2B transportation management, medical, and automotive, providing multiple levels of cross-domain applications.

### **Computer Peripheral Products:**

COVID-19 was still prevalent in 2021. Nonetheless, after the release of the vaccine, the world gradually returned to relative normality by the second half of the year, forming a new mixed model for work and study. This provided growth momentum for the PC market in the first and second half of the year separately - consumer and educational notebook computers led the

growth in the first half of the year, while business notebooks and desktop computers recovered in the second half and stimulated the continued growth of PCs. The strong demand for voice communication has also led to substantial growth in sales of VoIP conference speakerphone devices, USB headsets, USB microphone modules and noise reduction software. Realtek's AI algorithm based on neural network computing can effectively eliminate uncontrollable sounds in the home environment, such as animal calls or alarm bells, thereby greatly improving the VoIP App user experience. In the future, we plan to annex the noise reduction software to more devices to create a complete ecological chain.

WFH and remote learning arising from COVID-19 induced the need for both high quality voice calls and also more convenient and clearer video. To this end, many 2021 flagship models of PC brands have upgraded the original HD resolution to FHD or 5MP resolution. In addition to the increased resolution of color video devices, the flagship models of many PC brands have upgraded from the Hybrid HD RGBIR single lens to a Dual Sensor dual lens to support Windows Hello Face Authentication technology. This enhances visible-light video to FHD resolution, and can support the 940nm band, which is less susceptible to interference by natural IR signals, thereby giving a better biometric user experience. As a market leader, Realtek launched a series of HD/FHD/5M in the first quarter of 2021 in response to customer needs. Each resolution has an ISP model that can support dual lenses and TNR (Temporal Noise Reduction). Customers' products went into mass production one by one in late 2021 and will continue in the first half of 2022 to establish the highest video quality standard in the PC industry and provide consumers with the best user experience.

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In the field of IP Camera single chip solutions, Realtek's highly integrated surveillance camera SoC has an exceedingly flexible image processing engine (ISP) and can support the CMOS sensors of major manufacturers on the market, thus satisfying customers' broad range of video preferences. Additionally, the integrated audio and network functions offer a network camera single-chip solution with high cost-effectiveness. Currently Realtek has successfully penetrated several renowned consumer smart-home surveillance IP camera brands as well as China

broadband operator tender projects. In the first quarter of 2011, Realtek launched a new generation of AI high-integration, low-power camera SoC supporting edge computing. They support up to 5 megapixel CMOS sensors, and also support the Video HDR wide dynamic long and short exposure specifications, thereby not only improving the single-chip product portfolio of Realtek surveillance cameras, but also continuing to provide customers with more competitive solutions. Further, Realtek camera solutions achieved mass production as TV Cams for internationally renowned TV brands in late 2021, developing differentiating applications for the surveillance camera product line.

Realtek released integrated card readers with PCI Express and USB 3.0 Interfaces to read both memory cards and smart cards for laptop and desktop computers. Realtek is a pioneer in releasing devices that support the latest SD7.0 memory cards and Intel's newest energy-saving products. Besides maintaining the leadership position in market share, Realtek wants to continue to create new, and more innovative product applications, while providing even greater value for customers.

Products supporting USB 3.0 are gaining popularity, and the demand continues to grow. Realtek's 4-Port USB 3.0 hub products have been adopted by many system manufacturers, and the monthly shipment is increasing. Realtek is leading the industry in the release of USB 3.1 GEN 2 hubs, many of which are already being used by manufacturers on new platforms. Besides faster transmission and lower power consumption, they integrate USB Type-C functions to provide customers with the option of designing higher-spec, more refined products. In the past year, the popularity of USB hubs for computer peripheral products such as monitors and dongles has been increasing. This and the supply shortage at certain suppliers caused for USB hubs to become a focus of order fulfillment in the second half of 2021. Besides securing the original wafer capacity, Realtek has also made progress in developing new production capacity, and began to expand the supply of USB hubs at the beginning of 2022. In the future, Realtek will integrate existing technologies and products, launch newer multi-functional hub products to expand the market, and provide customers with more diverse products.

With the introduction of USB Type-C, Realtek simultaneously released the first highly integrated product that reduces overall design costs and refines product features. Manufacturers have already begun using them in a wide range of applications. Realtek will continue to develop products with improved specifications to provide customers with a wider range of product designs. USB Type-C was mostly dominated by US-based IDM manufacturers in the past. These manufacturers became the target of public criticism in the second half of 2011 due to capacity issues. Realtek's USB Type-C products were in the right place with the right specifications and performance. Coupled with a high degree of confidence in the upstream wafer production capacity through advanced planning, Realtek has become the first choice to replace the US-based suppliers. From the end of 2021 to the first half of 2022, Realtek USB Type-C has successively been designed into a number of PC brands and gone into mass production.

In the consumer electronics audio chip market, Realtek uses exclusive low power design technology and energy-saving hardware and software solutions to extend battery life. It developed an efficient Audio Codec with Class-D Amplifier, Built-in Adaptive Boost, Equalizer, and Speaker Protection. This highly integrated device helps customers reduce external components, thus reducing the motherboard area. In addition to the smartphone and game console sectors, Realtek's Low Power Audio Codec, Smart Amplifier, and Programmable Audio DSP have not only been adopted by major brands, but also, through collaboration with strategic partners, made headway into VR and automotive voice markets and delivered results.

### **Multimedia Products:**

New opportunities for LCD monitors are concentrated on devices offering high resolution, high refresh rates, superb video color, and the latest external display interfaces. Professional displays with ultra-high resolution and image quality, such as WFHD, QHD, WQHD, and UHD, high-quality displays that support HDR or WCG, and specialized displays that use high refresh rates to improve the gaming experience are focal points of this competitive market. Since 2020, how we go about our daily lives has been altered by COVID-19. The necessity for WFH, remote learning, and home entertainment has dramatically increased in order to avoid crowd gathering and control the spread of the pandemic. This has significantly increased the demand for consumer models and gaming models. Realtek continues to offer related solutions, and the response from customers has been highly positive. For notebook and desktop applications, Realtek offers a DisplayPort to VGA Video Translator, and a DisplayPort to HDMI Video Translator. These have both been widely adopted by tier-one and tier-two brands. Many devices such as notebook computers, mobile phones, and the Apple iPad Pro now frequently use USB Type-C for transferring video, data, and power. This raises demand for Type-C peripheral products. The demand for laptops and PC peripheral accessories rose significantly in 2021 due to the need for work-from-home and remote learning. Realtek led the release of Integrated LCD Monitor Controllers with the USB Type-C Interface, and various video interface translators such as USB Type-C to VGA, and USB Type-C to HDMI, as well as highly integrated DisplayPort video hub ICs. Customers have responded positively.

Regarding LCD TVs, the supply cycle of chips has changed due to the impact of the epidemic. Aside from trying to meet the needs of customers for mass production, Realtek continues to develop 8K (7680 x 4320) Smart Internet-Enabled LCD TV SoCs, and TV SoCs supporting UHD 60Hz/120Hz Frame Frequency Conversion (FRC), as well as a new generation of Integrated 4K Smart LCD TV Controllers that support HDR. The economic threshold for 8K panels has dropped more than expected. Realtek's 8K TV decoder chip provides customers a path for seamless upgrades to 8K TVs, as well as a more competitive solution for LCD TV manufacturers.

## **(2) Industrial Upstream, Midstream and Downstream Relationships**

The IC manufacturing industry can be divided into upstream IC design and design services companies, midstream IC chip manufacturers, and downstream IC packaging and testing

suppliers. IC design firms typically engage in design and sale of their own products or commissioned designs for other firms. Within the supply chain, they are knowledge intensive. Before the final product is completed, however, photo mask tooling, wafer fabrication, and product packaging and testing are needed. Generally, design firms contract external manufacturers to support these production and manufacturing processes.

### 3. R&D Development

#### (1) R&D Expenditure for the Past Two Years

Unit: NT\$ thousands

Year	Revenues	R&D Expenditure	Ratio (%)
2020	77,759,470	19,054,888	24.50
2021	105,504,286	27,949,765	26.49

#### (2) Products Successfully Developed in the Past Year

##### **Communications Network and Connected Media Products:**

- PCIe 2.5GBASE-T Single-Chip Programmable Ethernet Controller
- USB3.2 Gen1 2.5GBASE-T Single-Chip Programmable Ethernet Controller
- New Generation PCIe 1GBASE-T Single-Chip Ethernet Controller
- New Generation of USB 3.2 Gen 1 1GBASE-T Single-Chip Ethernet Controller
- USB 3.2 Gen 1 2.5GBASE-T Programmable Single-Chip Ethernet Controller
- USB 3.2 Gen 2 to PCIe 3.0 x 2 SD Express Card Single-Chip Bridge Controller
- 100BASE-T1 Automotive Ethernet PHY
- 100/1000BASE-T1 Automotive Dual-Mode Ethernet PHY
- 100BASE-T1 Automotive Multiport Ethernet Switch Controller
- 100/1000BASE-T1 Automotive Multiport Ethernet Switch Controller
- UHD STB SoC
- 802.11b/g/n 2T2R Ultra-Low-Power WLAN Single-Chip Controller with PCIe/USB 2.0/SDIO 3.0 Interfaces
- 802.11a/b/g/n/ac 2T2R WLAN and Bluetooth 5 Single-Chip Controller with PCIe/USB 2.0/SDIO 3.0 Interfaces
- 802.11a/b/g/n/ac/ax 2T2R WLAN and Bluetooth 5.2 Controller with PCIe 2.0/ USB 3.0/ SDIO Interfaces
- 802.11a/b/g/n/ac 2T2R WLAN Single-Chip Controller with USB 2.0 Interface
- 802.11a/b/g/n/ac 4T4R WLAN Single-Chip Controller with PCIe/ USB 3.0 Interfaces
- Integrated WLAN 802.11ax (Wi-Fi 6) Dual Band Access Point/Router SoC
- Integrated Multifunction Ultra-Low-Power IoT SoC with WLAN (Wi-Fi), Bluetooth, and Microcontroller
- Low-Power, Highly-Integrated IoT SoC with Dualband Wi-Fi Camera
- Bluetooth 5 Dual Mode Transceiver IC
- Bluetooth 5 BLE SoC

- Bluetooth 5 Audio SoC
- GNSS Satellite Positioning IC
- 8-Port 1GBASE-T Ethernet PHY
- 24-Port 1G/2.5G BASE-T + 4-Port 10G Managed Ethernet Switch Controller
- 48-Port 1GBASE-T + 6-Port 10GBASE-T Managed Ethernet Switch Controller
- 1.25G/2.5G/10G Integrated PON Network Gateway Controller
- Single-Port PON Network Bridge Controller
- 2-Port PON Network Gateway Controller
- 2.5G PON Laser Driver
- Octal Port Integrated IEEE 802.3at PSE Controller
- Quad Port Integrated IEEE 802.3bt PSE Controller
- Long Distance 24-Port 100 BASE-T + 2-Port 1000BASE-T1 Ethernet Switch Controller
- VDSL 35B Router Controller

#### **Computer Peripheral Products:**

- HD-A 4-Channel Audio Codec
- HD-A 4-Channel Audio Codec with High Wattage Class-D Amplifier Supporting Speaker Protection
- USB 2.0 Low Power Audio Codec with Equalizer
- Mini DSP (Digital Signal Processor) for Voice Input Processing
- SoundWire Audio Codec
- Mobile Device Single-Chip Audio Codec with Power Amplifier
- Hi-Fi Audio Codec with DSP for Mobile Devices
- Low Power USB 2.0 Audio Codec
- High Definition, High Efficiency Class-D Audio Amplifier with Equalizer and Speaker Protection for Handheld Mobile Devices
- High Definition, High Efficiency Class-D Audio Amplifier with Multiband Equalizer and Dynamic Range Control for TV, Soundbar, and Sound System
- SoundWire Interface High Definition Class-D Audio Amplifier with Built-in Audio Digital Signal Processing and Multi-Coil Speaker Driving Capability
- Card Reader Controller with USB 2.0 Interface, Supporting SD 3.0 for Notebook PC
- Card Reader Controller with USB 3.0 Interface, Supporting Intel NB Power Saving Specification
- Card Reader with PCIe Interface, Supporting SD7.0
- 4-Port USB 3.0 Hub Controller
- 4-Port USB 3.1 Gen 2 Hub Controller
- Type-C Controller
- Embedded USB2.0/ USB3.0 High Definition Image Signal Processor Chip
- Embedded USB2.0 and Windows Hello Face Authentication Enabling Image Signal Processor Chip
- Low Power Embedded SPI to USB1.1/2.0 Interface Fingerprint Hardware Encryption

Bridge Chip for MoH, Match-on-Host, Architecture

- Low Power Embedded SPI to USB2.0 Interface Fingerprint Hardware Encryption and Matching Microcontroller Chip for MoC (Match-on-Chip) Architecture
- Highly Integrated, Low Power Neural Network Artificial Intelligence Surveillance Camera SoC

**Multimedia Products:**

- High Resolution Integrated 5K3K/4K2K LCD Display Controller Supporting HDR, DP 1.4, HDMI 2.0, HDCP 2.2, and Display HDR
- High Resolution Integrated 4K2K 144Hz Gaming LCD Display Controller Supporting Realtek Owl Sight Technology, DSC, HDR, DP 1.4, HDMI 2.1, and HDCP 2.3
- Integrated High Resolution Integrated 4K2K 144Hz/QHD165Hz Gaming LCD Display Controller Supporting Realtek Owl Sight Technology, DSC, HDR, DP 1.4, HDMI 2.0, and HDCP 2.3
- DisplayPort to HDMI 2.0 Translator
- DisplayPort to HDMI 2.1 Translator
- USB Type-C to HDMI 2.0/VGA Translator
- DisplayPort MST Hub Controller
- High-End LCD TV SoC
- High-End Multimedia Digital/Analog LCD TV SoC
- High-End Connected Digital/Analog LCD TV SoC
- High-End UHD Smart Connected Digital/Analog LCD TV SoC
- High-End UHD HDR Smart Connected Digital/Analog LCD TV SoC
- High-End UHD HDR 60Hz/120Hz FRC Smart Connected Digital/Analog LCD TV SoC
- High-End UHD HDR 60Hz/120Hz FRC and New Generation 3D Surround Sound Smart Connected LCD TV SoC
- High-End 8K LCD TV Video Decoder and Processing Chip
- New Generation High-End Full Function, Multi-Core UHD LCD TV SoC with AI PQ and AQ
- High-End 8K LCD TV AI PQ Processing Chip
- High-End Full Function AI 8K smart LCD TV SoC with High Performance Multi-Core Processors

**4. Long-Term and Short-Term Business Development Plan**

**(1) Short-Term Business Development Plan**

- i. Continue to use the Company's innovation framework to lower chip capital costs, in order to ensure competitive prices and raise profit margins.
- ii. Maintain existing market share while expanding the overall market by releasing new products and offering diverse sales combinations and distribution strategies.
- iii. Take the needs of key customers into account when assisting them in the integration of product logistical support systems. Provide the best sales and marketing services to win customers' trust and meet customer's needs.

- iv. Participate in international product evaluation to raise the exposure of new products and demonstrate product quality.

## (2) Long-Term Business Development Plan

- i. Participate in formulating and promoting international standards to acquire related product and technical information in advance, thus accelerating Time-to-Market. Participating in the evaluation and selection of the test platforms for the standard organizations to make Realtek an industry benchmark in interoperability testing.
- ii. For products with a high market share, stabilize the market share and quality of products while building a global service and technology network. For products with relatively low market share, actively develop new customers and expand new markets and sales channels to meet the goal of increasing overall market share.
- iii. Regularly hold product release events and technical conferences in response to regional market needs. Directly speak with brand owners and discuss their future product needs, thus strengthening client relations.

## II. Marketplace and Production Overview

### 1. Market Analysis

#### (1) Major Product Sales Regions

Unit: NT\$ thousands

Sales Region	2020		2021	
	Sales Amount	Percentage	Sales Amount	Percentage
Taiwan	34,965,916	44.97%	48,015,150	45.51%
Asia	42,521,571	54.68%	56,984,374	54.01%
Other	271,983	0.35%	504,762	0.48%
Total	77,759,470	100.00%	105,504,286	100.00%

#### (2) Market Share

Realtek is one of the world's leading IC suppliers. It designs and develops wired and wireless communications networks as well as various computer peripheral IC products and multimedia applications. According to TrendForce, in 2021 Realtek ranked 8th worldwide in terms of revenue among IC design companies without fabrication plants.

#### (3) Future Market Supply and Demand and Growth Characteristics

The continuing impact of COVID-19, coupled with the supply-demand imbalance in the semiconductor industry, has resulted in supply shortages and protracted delivery in 2021. At the same time, due to changes in the way we live and work, people become more dependent on the IoTs and cloud services, thereby leading to strong demand for wired and wireless networking chips in many electronic products, home appliances and even cars. Examples include broadband devices like IP-STB, cable modems, and DSL, as well as consumer electronics products such as video game consoles, Blu-ray players, smart TVs, printers, refrigerators, air conditioners, voice-controlled smart speakers, cloud-based IP cameras, vacuum robots, drones, projectors, consumer and industrial robots, industrial controls, and automotive, each of which with more and more built-in Ethernet, Wi-Fi and Bluetooth. As more equipment is wirelessly connected, and as smart phones and cloud services become more widespread, the next wave of Wi-Fi and Bluetooth growth will come from hybrid applications involving IoT and AI. Meanwhile, the increase in wireless connection speed has also led to the upgrade of wired networks and broadband. The Multi-GbE network era arrived in 2021. In the Wi-Fi 6 wireless access point/router equipped with WAN and LAN ports, switch, PON optical network, TV cable modem network user, telephone DSL subscriber, 5G CPE, network storage device (NAS), gaming and commercial PCs as well as expansion cards and USB-to-Ethernet accessories have all been upgraded to 2.5Gbps or higher speed Ethernet. Another growth driver for the Ethernet market comes from the Internet of Vehicles. The trend of autonomous vehicles and electric cars has led to a substantial increase in the bandwidth of in-vehicle data streams, and the environmental awareness of weight reduction and energy saving has made Ethernet the

backbone network in the cars.

The OTT and network operator set-top box market will continue to grow. At the same time, the market for UHD televisions is rising and UHD HDR video content is becoming widespread. Demand for Wi-Fi 5 and Wi-Fi 6 is quickly increasing, and more people want integrated smart-home products with voice controls. These changes are boosting demand for fast wireless connections and smart edge computing. Moreover, the network operator market is shifting towards an open streaming media ecosystem that is boosting demand for IP OTT chips. Realtek is therefore developing highly integrated multimedia controllers with new features and a high cost-performance ratio. Used in conjunction with network communication chips, the controllers will offer a hardware-software total solution that helps customers take advantage of opportunities in this market.

The IP camera is an important IoT element that combines remote and mobile access with AI and AI edge computing tools like facial recognition, gesture recognition, and voice/speech recognition. Other diverse functions now available include a new generation of H.265 Codec, a 360-degree camera, and 3D video techniques. Besides traditional security surveillance, emerging applications with strong potential include AI optical recognition, unmanned stores, delivery and storage systems, and other essential industry 4.0 tools.

In the second half of 2021, with the gradual popularization of the Covid-19 vaccine, the epidemic slowed down, the market began to recover, people started to return to the office, and students returned to the classroom. This drove the need for an upgrade in both IT software, and hardware in the workplace and in schools, leading to an obvious supply shortage in 2021. This trend is expected to continue in the first half of 2022. At present, the upstream supply is still tight. We will continue to observe how sustainable market demand is, and also the potential impact to inventory caused by the protracted transportation delivery time.

In recent years, the requirements for voice, by PC products, broke away from the acoustic framework to use voice to realize many human-friendly applications. Besides continuing the development of existing voice recognition, voice wake-up and noise reduction technologies, Realtek has added deep learning technology to create a good user experience in voice applications, and to allow users to enjoy convenient voice control in both their work and daily life, thereby enabling Realtek to be the best voice and audio integrated solution provider for the next-generation of computer products. To this end, Realtek has developed a new generation of audio codec with high voltage (+9V) Class-D amplifiers and speaker protection. These integrate embedded adaptive boost circuits with low power designs to help customers reduce external components and cut the size of the motherboard via a reduced rBOM. To satisfy the high audio quality requirements of gaming PCs, e.g., to meet the Hi-Fi audio specs (32bits/384KHz sample rate), Realtek combines strengths in software and hardware integration to develop audio technology that provides the best balance between a slim PC and a Hi-Fi audio application.

New specs and interface technologies, such as 4K2K, USB Type-C, HDMI 2.1, DP 1.4, HDR, WCG, and high-frame-rate gaming, are ushering in growth for the LCD monitor market. Lower overall costs are another key trend. For the NB/DT market, more video interface connectors are using digital interfaces in 2022. For example, there is increased demand for the DisplayPort to HDMI 2.0 interface controller and the high-end DisplayPort to HDMI 2.1 interface controller. As more notebooks and mobile phones adopt USB Type-C, Thunderbolt 4, and USB 4 interfaces, demand for Realtek's external USB Type-C image translators is expected to increase dramatically. Demand for laptops and peripheral accessories products in 2022 will continue the trend. The strong demand is also expected to benefit Realtek's Single-Chip USB Type-C video translator.

The LCD TV market experienced several challenges over the course of 2021. In the first half of the year, there was a shortage of wafers, substrates, DRAM and packaging capacity, while in the second half of the year, high panel prices and the other complex market conditions led to lower than expected results. In 2022, the total shipment of LCD TVs is expected to be tepid due to the shortage of wafers and the overall weak consumer market. 2022 will be flattish for TV compared to 2021. UHD/HDR smart TVs have become mainstream in the market. The demand for 8K TVs with new specifications is expected to grow gradually as the cost of panels decreases. With Google leading end-point devices using Android TV OS, it is becoming more aggressive in launching devices using a new Google TV OS to attract more OEMs to join. Over the long-term, growth in the global LCD television market will continue. Realtek will promote its products in key markets while providing customers with comprehensive solutions.

#### (4) Competitive Strengths

- i. **Advanced Core Technologies:** Realtek has excellent complementary Radio Frequency (RF), analog and mixed signal circuit design capacity, IC manufacturing knowledge, systems technology, and intellectual property. These factors contribute to higher product effectiveness and production yield, thus lowering costs.
- ii. **Strong Customer Base:** Realtek's customer base includes leading manufacturers of PCs, motherboards, network hardware, consumer electronics, and multimedia products. By offering high-value, high-capacity products with excellent economic benefits, Realtek endeavors to build long-term partnerships with customers.
- iii. **Excellent Cost-Benefit Returns and Customer-Oriented Products:** Realtek is adept at developing products with high cost-benefit returns. By combining chip and system design, it provides customers with high-value system integration and helps them quickly release new products.
- iv. **Experienced R&D and Management Teams:** Realtek's R&D and management teams have extensive experience in the semiconductor industry. An excellent workplace environment and strong corporate culture attract talented technical and management staff.

#### (5) Future Advantageous and Disadvantageous Factors

- i. **Advantageous Factors:**

- (a) Ahead of domestic peers in the release of many communications network, computer peripheral, and multimedia IC products. Competitive prices. Realtek will continue to develop advanced core technologies to help increase product yield and decrease production costs.
- (b) Realtek maintains good relations with wafer foundries, which promotes a stable supply of raw materials and steady raw material costs.
- (c) Active client support, including the best sales and marketing services. These factors support a strong customer base.
- (d) Experienced R&D and management teams with decision-making authority combined with a corporate culture of mutual support attract talented technical staff.
- ii. Disadvantageous Factors  
Fierce competition in a short product life-cycle market. Failure to quickly release new products would lead to a loss of market share, thereby impacting profits.
- iii. Countermeasures:
  - (a) Proactively invest in new product development to timely release new products and gain market share.
  - (b) Proactively improve existing products. Reduce costs or increase product added value by yield improvement and performance enhancement.
  - (c) Offer comprehensive product services or jointly develop new products with customers to foster win-win situations.

## 2. Main Applications for Major Products and Production Process

### (1) Main Applications

- i. Communications Network Products: routers, switches, home gateways, OTT boxes, Wi-Fi applications, smart-home appliances, game consoles, security cameras, etc.
- ii. Computer Peripheral Products: Desktop computers, notebook computers, card readers, etc.
- iii. Consumer Electronics Products: GPS, mobile electronic devices, mobile phones, tablet computers, etc.
- iv. Multimedia Products: LCD monitors, multimedia video translators, smart HD TVs, etc.

### (2) Production Process

Realtek primarily engages in product design; it commissions wafer foundries to do wafer manufacturing. Finished wafers are tested then sent to an assembly house for packaging. Packaged products then go through final testing.

## 3. Supply Status of Key Raw Materials

Wafers are Realtek's primary raw materials. Main suppliers include TSMC, UMC, and other professional wafer foundries, which have a considerable level of quality and process capability. However, in 2021, due to the impact of factors such as COVID-19 and the trade relationship between the United States and China, the semiconductor supply chain remains in a supply-demand imbalance with supply lagging demand. To strive for production capacity, the company actively deepened collaboration with foundries, and has made mid- and long-term plans to secure stable supplies.

4. Suppliers' Name of purchase equal to or over 10% of the total purchase in any of the last two years

Major suppliers in the last two years

Unit: NT\$ thousands

	2020				2021				2022 first Quarter			
Item	Name	Amount	% of Total Purchase	Relation to the Company	Name	Amount	% of Total Purchase	Relation to the Company	Name	Amount	% of Total Purchase	Relation to the Company
1	A	12,551,958	29		A	15,541,105	27		A	4,292,378	30	
2	C	8,504,500	20		C	11,887,976	21		C	2,766,673	20	
3	B	6,583,180	15		B	7,091,591	12		B	2,250,684	16	
	Other	15,870,529	36		Other	23,061,955	40		Other	4,784,968	34	
	Total	43,510,167	100		Total	57,582,627	100		Total	14,094,703	100	

There have been few changes in the Company's major suppliers in the last two years.

Major customers in the last two years

Unit: NT\$ thousands

Item	2020				2021				2022 first Quarter			
	Name	Amount	% of Total Operating revenue	Relation to the Company	Name	Amount	% of Total Operating revenue	Relation to the Company	Name	Amount	% of Total Operating revenue	Relation to the Company
1	B	16,074,247	21		B	24,336,918	23		B	6,852,151	23	
2	D	14,175,131	18		D	22,895,750	22		D	6,778,121	23	
3	A	12,212,600	16	(note)	A	16,083,737	15	(note)	A	4,437,927	15	(note)
	Other	35,297,492	45		Other	42,157,881	40		Other	11,688,112	39	
	Total Operating revenue	77,759,470	100		Total Operating revenue	105,504,286	100		Total Operating revenue	29,756,311	100	

There have been few changes in the Company's major customers in the last two years.

Note: The chairmen of A and Realtek are second-degree relatives.

## 5. Production Volume and Value in the Past Two Years

Unit: NT\$ thousands

Quantity & Value Major Product	Year		2020			2021		
	Capacity	Output	Value	Capacity	Output	Value		
IC (thousand pieces)	—	2,674,003	43,263,645	—	3,288,848	56,806,629		
Total	—	2,674,003	43,263,645	—	3,288,848	56,806,629		

## 6. Sales Volume and Value in the Past Two Years

Unit: NT\$ thousands

Quantity & Value Major Product	Year		2020				2021			
			Domestic		Export		Domestic		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
IC (thousand pieces)	1,273,989	36,857,996	1,453,849	49,046,890	1,529,042	49,438,669	1,699,054	60,983,436		
Others	—	142,521	—	272,151	—	161,309	—	180,181		
Total	1,273,989	37,000,517	1,453,849	49,319,041	1,529,042	49,599,978	1,699,054	61,163,617		

Note: Sales volume and value as shown above has not deducted sales returns and allowances.

### III. Employees

Employee breakdown over the past two calendar years and up until the date of the Report's publication

Year		2020	2021	As of March 31, 2022
Number	Research and Development	5,253	5,655	5,560
	Administration and Sales	530	575	566
	Production and Testing	190	212	211
	Total	5,973	6,442	6,337
Average Age		34.90	35.49	35.59
Average Years of Service		6.40	6.42	6.64
Education	Ph.D./Master's	70.95%	71.02%	72.05%
	University/College Degree	26.70%	26.73%	25.97%
	High School/Vocational High School Degree	2.35%	2.25%	1.97%

Note: Data are based on the Company's consolidated statements, including employees of the Company and its subsidiaries.

### IV. Environmental Expenses

1. The Company did not incur any losses, penalties or liabilities due to environmental pollution during the previous calendar year or up until the date of the Report's publication.
2. The Company passed ISO 14001 Environmental Management Systems certification on September 22, 2006. It was recertified on August 18, 2021.
3. The Company passed OHSAS18001 Occupational Health and Safety Management Systems certification on June 29, 2017. It was revised to ISO45001 certification on August 3, 2020. ISO 14001 was recertified on December 15, 2021.

### V. Labor Relations

1. Summary of the Company's employee benefits, continuing education, training, pension plan and implementation results, as well as labor agreements and measures to uphold employee rights.

#### (1) Wages and Benefits

- i. Performance appraisal twice a year for promotion/salary adjustment/bonus.
- ii. R&D and patent application training and patent bonuses.
- iii. Library of renowned domestic and foreign journals, papers and books, and guidance and

- incentive bonus system for publication.
- iv. R&D project participation based on professional suitability and personal choices.
  - v. Incentive system for the ‘Stimulus for Employee Brain Power Sharing Program’.
  - vi. Dual track career development to decide on going for R&D management based on ability and interest.
  - vii. Bonus and dividend system based on performance appraisal and comprehensive evaluation of R&D investment.
  - viii. Highly competitive salary and fringe benefit system.
  - ix. Profit sharing with the Company through salary adjustment, year-end bonus, and employee dividends based on personal performance.
  - x. New Year's Day and birthday gift vouchers, as well as a cafeteria benefit plan by the Welfare Committee.
  - xi. Paid annual health check-up to assist employees in implementing self-health care management.
  - xii. Major holiday bonuses, as well as wedding and funeral subsidies.
  - xiii. Professional and diverse intellectual lectures, club activities, ball games, and competition interactions held by the Employee Welfare Committee.
  - xiv. Employee Assistance Program providing psychological counseling, legal counseling, and stress relief massage services.
  - xv. Employee restaurants, cafes, and convenience stores for diversified dining services at a discount.
  - xvi. Employee group insurance to strengthen the work and life protection in addition to labor insurance and national health insurance.
  - xvii. Realtek gymnasium for exercise, reading, games, and health management.

## (2) Realtek Educational Training, and Development

Talent is a key requirement for building intellectual power, blazing competitive new trails, and fostering sustainable operations. The Company's greatest assets in these pursuits are the professionals of various fields who compose its workforce. In order to sustain competitiveness and develop new talent, the Company founded the Realtek Corporate University, which offers classes covering topics such as professional R&D, leadership development, organizational operations, and spontaneous learning. This initiative is part of the comprehensive education and training plans the Company offers to help all employees raise their capabilities to new heights.

### i. New Employee Training Camps

Orientation for new employees focuses on teamwork, innovation and vitality to help new team members quickly adapt to the Company's corporate lifestyle and culture.

### ii. Professional R&D Training

Each year the Company holds more than 260 education and training courses for new R&D staff to quickly raise their professional capabilities. It invites R&D experts from Taiwan and overseas to share their knowledge and techniques. Employees can also join fully subsidized external training courses.

### iii. Management and Leadership Training

Besides providing management training to employees based on their rank and role, the Company fully subsidizes training classes for employees at external institutions.

iv. Self-Study and Development

The Company offers open, diverse study environments and contents. It maintains awareness of employees' learning and development while taking into account their professional needs and lifestyle aspirations. Diversity, timeliness, and convenience are distinguishing features of our planning.

v. Tailored Professional Development Plans

A combination of traditional and on-line classes offers flexible professional development plans tailored to the specific needs of every employee. Raising the R&D capabilities of each individual and team gives the Company a workforce with diverse professional knowledge.

(3) Pension System

The Company established pension plans and created a Supervisory Committee of Labor Retirement Reserve to manage pension payments for regular employees in accordance with the 'Labor Standards Act'. From 1995, it appropriated labor pension reserve funds each month based on pension actuarial evaluations. From July 1, 2005, it utilized a defined contribution system for employees who are ROC nationals in accordance with the 'Labor Pension Act'. At least 6% of the worker's monthly wages are paid into his or her Individual Account of Labor Pension at the Bureau of Labor Insurance. Employees receive monthly retirement payments calculated based upon their individual account balance and other factors, or claim their pension in a lump-sum payment.

(4) Labor Agreements and Upholding Worker Rights

- i. The Company's intranet offers a forum that gives employees immediate access to management.
- ii. The Company holds worker-employer meetings as a positive mechanism for communication.
- iii. The Company set up two-way communication channel (CEO mailbox) for employees to offer their opinions to management.
- iv. At regular departmental/unit meetings, employees can voice their opinions on problems.
- v. The Company has a sexual harassment prevention hotline and a prevention plan against unlawful violation to provide a safe work environment that puts employees' minds at ease.
- vi. The Company has an Employee Care and Consultation Center to provide individual or team consultation services.
- vii. The Occupational Safety and Health Center is responsible for matters related to safe workplaces and health promotion.

2. The Company did not incur any losses due to labor disputes during the past calendar year and up until the date of publication of this Report.

## VI. Cyber security management

### (I) Cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

‘Information security is everyone's responsibility’. In order to protect the security of information assets, including personnel, equipment, systems, information, raw data, and networks, etc., from disclosure, destruction, or loss by external threats or internal personnel abnormal operations, we ensure continuous improvement of risk management, continuous strengthening of governance strategies, personnel training, assessment and review, and information security. Our vision is to create a solid, secure, and reliable enterprise digital environment, and provide a solid foundation for the sustainable operation of said enterprise. The following describes the specific requirements:

#### Governance Strategy

In order to implement and improve information security, the company formed an Information Security Steering Committee (hereafter referred to as the ISSC). The chairman of the ISSC is the Chief Information Security Officer (CISO) of company. The first-level supervisors of each unit are ex-officio members. A regular ISSC meeting is held every year, and intermediate meetings are held on a case-by-case basis as events occur. The mission of the ISSC is to formulate security policies, comprehensively review and supervise the execution of security policies, continuously improve the capabilities of information security protection, and reduce information security risks. The meeting minutes are required to be submitted to the board of directors, and the main items are listed in the company's annual report.

#### Information Security Organization

The Company has created a Chief Information Security Officer (CISO) position. There are 5 teams under the CISO's jurisdiction: product development and security platform team, industrial network security team, IT security technology team, information security audit team, information security education and training team, to implement security policy and employee education and training, and to strengthen the security management of various information assets to ensure its confidentiality, integrity, and availability.

The ISSC refers to the product development security and network security committee, industrial network data security review committee, IT security resources and technology committee, audits committee, and the defect review and improvement committee. It provides cross-function information security notices, is responsible for security policy review, and promotes information security management.

#### Employee Training

The information security awareness of enterprise members is the cornerstone of company information security. Over the years, through internal training, members of all functions have become familiar with security related courses. In order to improve the information security DNA, Realtek encourages employees to take the necessary security certification exams, and gives priority to recruiting new personnel who pass the certification exams. An online education system has also been introduced to enable corporate members to more efficiently learn the required security courses. The system also provides unit testing to aid learning. The visibility of high-level managers to the training results is greatly improved by quantifying the learning results, and integrated reports are automatically generated by the system. This enables easy integration of the learning achievements into the KPI assessment standards.

#### Assessment & Review

The core of information security management is risk management. In order to construct an intelligent, real-time information security management system, Realtek collects and examines network data flow for anomaly detection and pattern analysis, software updates, and other information gathered by the hardware and software systems of network equipment. Through automation, visualization, and quantifiable control systems, it lays a solid foundation for standard operating procedures for early warning, continuous monitoring, notification of contingency, and assistance with improvement. This system can fully provide required information for event analysis before, during, and after the event.

For accurate quantification, all incidents are marked with severity levels and corresponding scores, and event points will trigger the intelligent system to take action. Relevant personnel are notified in real time and automatically log in to the incident management system. The managers can handle the system from multiple angles through the security management system, which can be used as the basis for future evaluation and assessment of security risks.

### Information Security Policy

Security threats are ubiquitous, with countless Internet viruses, Trojan horses, spyware, ransomware, blocking attacks, social engineering, and more. In recent years, due to the rapid development of network connections and bandwidth, coupled with the explosive amount of encrypted data transmission, the huge information flow has prompted the information security system to combine the security framework and corresponding measures to be more effective in providing complete and comprehensive security protection.

- a. Front-end users: Front-end users must comply with the security policy, operating system regulations, and domain policy defined by company. Front-end users also need to execute computer system updates to effectively block computer viruses, Trojan horses, and malicious programs, providing the first line of Security protection.
- b. Enterprise data center: Enterprise data centers must adopt new generation firewalls to filter encrypted data effectively and instantly, and manage traffic by application type. The firewalls also have to provide the necessary information for the security management system to facilitate automated analysis.
- c. Centralization of confidential information: Important confidential information of the company should be stored centralized in specific areas. The latest information security technology should be integrated to manage and monitor access to confidential information. In cases where the confidential information has to be stored out of the specific area, attention should be paid to the protection and management of the access and delivery of the data.
- d. Data backup management: Adopt advanced backup system to carry out full backup, incremental backup, off-site, and offline backup for important data according to various timing and management plans. All off-line and off-site backups should be encrypted, and regularly restored to ensure their recoverability.
- e. Information Security Management System: Information Security Management System (ISMS) integrates the massive network traffic information of the enterprise, various antivirus systems, anti-hacking systems, and other system logs. The system logs of irregular health check scanning and penetration testing are processed by big data analysis system. The results are classified and presented to different management members according to different aspects to achieve the goals of information classification, risk classification, and management stratification. Therefore, Realtek can reduce the impact of security threats on corporate operations.

### Information Security Risks & Countermeasures

In order to improve the protection capability of information security, Realtek identified information security risks, individually proposed countermeasures, and regularly reviewed their effectiveness.

Identified Information Security Risks	Explanation of Impact Assessment	Response Measure	Performance Management
Personal computer account and password security	Prevent the deliberate theft of trade secrets	Changing the personal computer boot (and e-mail) password regularly.	Regular changing of the password and requiring password of a certain strength.
Information security	Requests to access information systems must go through a formal application process and are logged.	An authorization application access was established for work-related information.	Electronic application for permission by the applicant's supervisor and the competent unit.
Computer virus protection	Computer viruses are constantly evolving and ransom-ware is difficult to guard against.	The Virus definition files are regularly updated and pushed out to personal computers by the system automatically.	Improve the security of information on personal computers.
Network administration safety	Maintain the firewall to protect against malicious attacks.	Update firmware and backup configuration regularly.	Improve the quality of data transmission through the network.
Safety of external network access	Prevent and redirect access to malicious domains and IP addresses, restrict improper data transfers by malware, network phishing, and Command & Control (C&C) of zombie networks.	Adopt Enterprise Threat Protector (ETP) mechanism.	Strengthen access security for external networks.

(II) Losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None

## VII. Significant Agreements

Agreement Type	Signatory	Contract Validity	Summary	Limitations
Rental Agreements 4 Items	Hsinchu Science Park Bureau	Sep, 2003~Dec, 2022 Mar, 2014~Dec, 2027 Sep, 2019~Dec, 2038 Feb, 2020~Dec, 2039	The lessee shall build a factory, warehouse, or laboratory or use the site for storage and delivery, loading and unloading, packaging, or repairs and maintenance.	The site must be used to build a factory, warehouse, or laboratory, or to conduct business-related tasks such as storage and delivery, loading and unloading, packaging, or repairs and maintenance.

# Financial Status, Operating Results and Status of Risk Management

## I. Financial Status

Unit: NT\$ thousands

Item \ Year	2021	2020	Changes	% of Changes
Current Assets	86,245,402	66,811,913	19,433,489	29.09%
Non-current assets	14,986,511	11,284,004	3,702,507	32.81%
Total assets	101,231,913	78,095,917	23,135,996	29.63%
Current liabilities	58,820,923	46,128,894	12,692,029	27.51%
Non-current liabilities	3,458,666	2,498,277	960,389	38.44%
Total Liabilities	62,279,589	48,627,171	13,652,418	28.08%
Share capital	5,106,849	5,106,849	0	0.00%
Capital surplus	1,101,079	2,122,008	(1,020,929)	-48.11%
Retained earnings	34,510,813	23,786,273	10,724,540	45.09%
Other equity	(1,776,090)	(1,556,049)	(220,041)	14.14%
Non-controlling interest	9,673	9,665	8	0.08%
Total Equity	38,952,324	29,468,746	9,483,578	32.18%

### Analysis of Changes equal to or over 20%

1. Increase in Current assets: Mainly due to increase in financial assets at amortised cost and inventories.
2. Increase in Non-current assets: Mainly due to increase in property, plant, and equipment.
3. Increase in Current liabilities: Mainly due to increase in other payables
4. Increase in Non-current liabilities: Mainly due to increase in long-term loans
5. Decrease in Capital surplus: Mainly due to distribution by cash.
6. Increased in Retained earnings: Mainly due to increase in net income.

## II. Operational Results

Unit: NT\$ thousands

Item \ Year	2021	2020	Changes	% of Changes
Operating revenue	105,504,286	77,759,470	27,744,816	35.68%
Operating costs	( 52,315,883)	(44,510,731)	(7,805,152)	17.54%
Gross profit	53,188,403	33,248,739	19,939,664	59.97%
Operating expenses	( 35,863,507)	(24,609,176)	(11,254,331)	45.73%
Operating income	17,324,896	8,639,563	8,685,333	100.53%
Non-operating income and expenses	249,826	716,582	(466,756)	-65.14%
Profit before income tax, net	17,574,722	9,356,145	8,218,577	87.84%
Income tax expense	( 721,911)	(562,619)	(159,292)	28.31%
Net income for the year	16,852,811	8,793,526	8,059,285	91.65%

Analysis of Changes equal to or over 20%

1. Increase in Operating revenue and Operating costs: Mainly due to increase in sales.
2. Increase in Operating expenses: Mainly due to increase in research and development expenses.
3. Decrease in Non-operating income and expenses: Mainly due to the decrease in interest income.
4. Increase in Profit before income tax, net: Mainly due to increase in operating income.

### III. Cash Flow

#### 1. Analysis of the Change in Cash Flow in 2020

Unit: NT\$ thousands

The beginning of Cash Balance (1)	Net Cash Provided by Operating Activities (2)	Net Cash Used in Investing and Financing Activities (3)	The end of Cash Balance (1)+(2)-(3)	Remedy for Cash Shortage	
				Investment plan	Financial leverage plan
7,296,360	18,351,929	18,450,938	7,197,351	—	—

Analysis of the Change in Cash Flow:

(1) Operating activities: Net cash inflow is mainly due to increase in operating income.

(2) Investing activities: Net cash outflow is mainly due to acquisition of financial assets at amortised cost.

Financing activities: Net cash outflow is mainly due to distribution of cash dividends.

#### 2. Cash Flow Projection for Next Year: Not applicable.

### IV. Impact on Financial and Business associated with Major Capital Expenditures in recent years: None.

### V. Investment Policies in recent years, the reasons for losses and plans to improve for next year:

Our investment policies are based on strategic investments. The investment losses accounted for under the equity method in 2021 was approximately NT\$12,113 thousand. We will continuously focus on strategic investment and prudently evaluate investment plans in the future.

### VI. Risk Items

#### 1. The effect upon the profits (or losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

Our exposure to interest rate risks arises from time deposits, short-term loans and long-term loans with floating rates, which are not significant and are normally incurred to support our operating activities. The Realtek Group is a multinational group in the Electronics industry. Currently, the majority of our revenues are denominated in USD. Our operating expenses are incurred in several currencies, primarily in USD, NTD, and RMB. After offsetting assets and liabilities between the currencies, the natural hedge is used to reduce the foreign exchange risk. Inflation risk does not have a significant impact on the results of our operating activities.

#### 2. The policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements and guarantees, and derivatives transactions, the main reasons for the profits/losses generated thereby, and response measures to be taken in the future:

The Realtek Group adopts a conservative investment policy and does not engage in high-risk investments

or highly leveraged investments.

The Realtek Group has formulated its procedures for Loaning Funds to Others, Procedures for Endorsements and Guarantees, and Procedures for Financial Derivatives Transactions in compliance with these Regulations. These procedures are aimed at improving operational performance and reducing financial risk.

3. Future R&D plans and expected R&D spending:

We will continuously research in chips regarding the area of communication networks, computer peripherals, multimedia and connected media. In addition, we will actively recruit outstanding R&D talents and invest in the best R&D resources and develop key technologies or obtain necessary licensed technology. The expected R&D spending for next year will be approximately NT\$33.4 billion.

4. Impact on finance and business associated with changes in domestic and foreign regulations and laws, and corresponding reactions: None.

5. Impact on finance and business associated with new technology and industry changes, and corresponding reactions:

We pay attention to the trend of future technology at all times. We not only focus on the timely launch new products, but also continuously enhance product functions and technical specifications in line with market trends and customer needs in order to strength our competitiveness and increase our market share.

6. Impact on Company's crisis management associated with changes in corporate image, and corresponding reactions:

Our corporate culture is 'self-confidence and trust in people'. Integrity is the central core of our corporate culture. We will maintain our good standing according to our corporate culture.

7. Risks and expected benefits associated with mergers and acquisitions, and corresponding reactions: None.

8. Risks and expected benefits associated with facility expansion, and corresponding reactions:

In order to meet the needs of future growth and operating development, the 2020 board of directors has resolved to build factory & office buildings and a parking garage. Currently, there are no known risks associated with this plan.

9. Risks associated with Purchase and sales Concentration and corresponding reactions:

The Company's raw material is wafer. We have maintained a good cooperative relationship with foundries. For wafer purchases, we have not concentrated on a single foundry. Moreover, we also have not concentrated on a single customer and the collection period is implemented in accordance with company policies and there is no abnormal situation.

10. Impact and risks to the Company associated with significant transfer of shares by the Company's Directors and major Shareholders who own 10% or more of the Company's outstanding shares, and

corresponding reactions: None.

11. Impact to the Company associated with change in management, and corresponding reactions: None.

12. Litigious and non-litigious matters:

The company is currently in major litigation, non-litigation, or administrative disputes:

(1) In 2020, Divx, LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court of Delaware against the Company’s IC products. On July 4, 2021, DivX terminated the investigation against the Company in ITC.

(2) In 2020, KONINKLIJKE PHILIPS N.V. and PHILIPS NORTH AMERICA LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court of Delaware against the Company’s IC products. On October 21, 2021, the Administrative Law Judge of ITC issued his initial determination finding non-infringement for the accused Company’s IC products and non-existence of the required domestic industry.

(3) Future Link Systems, LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court for the Western District of Texas against the Company’s IC products. The cases are still pending, and the Company is unable to reliably determine the outcome of the cases.

(4) BANDSPEED, LLC brought an action for patent infringement in United States District Court for the Western District of Texas against the Company’s IC products. The case is still pending, and the Company is unable to reliably determine the outcome of the case.

13. Other important risks and measures: None

VII. Other Material Events: None.

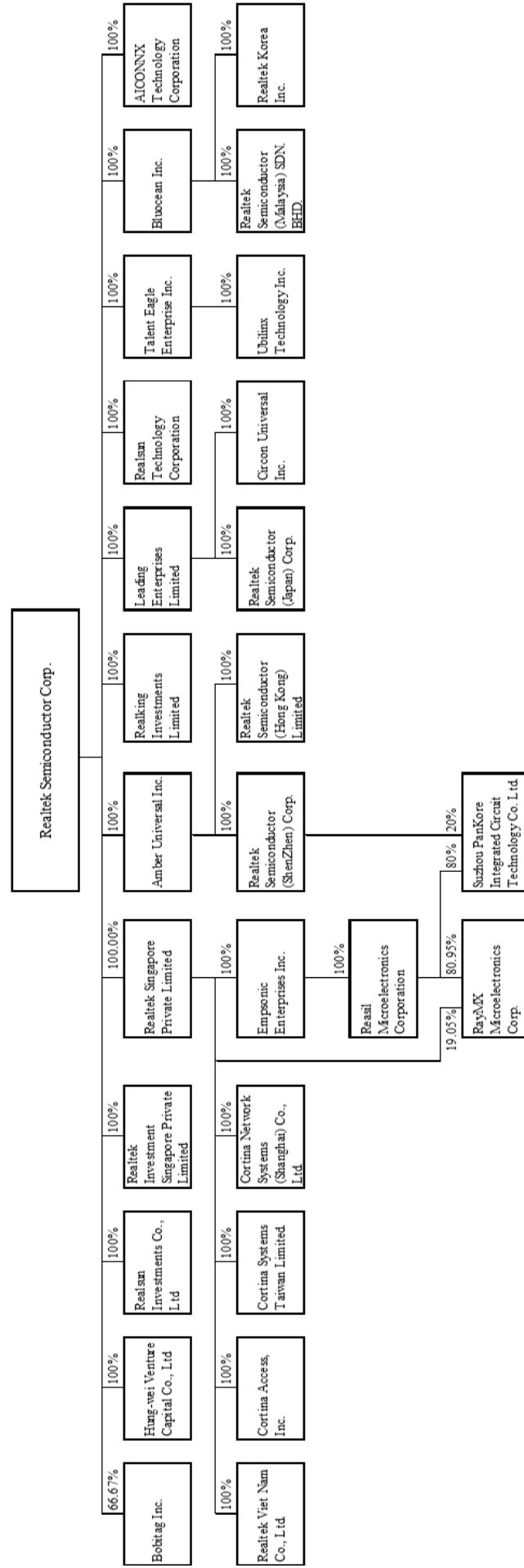
# Special Items

## I. Information of Affiliated Companies

### 1. Consolidated Business Report of the Affiliated Companies

#### 1.1. Chart of the Affiliated Companies

Mar. 31, 2022



### 1.2. Basic information of the Affiliated Companies

Unit: dollars / Dec. 31, 2021

Company Name	Date of Incorporation	Place of Registration	Paid-in Capital	Main Business Activities
Leading Enterprises Limited	1998.04	British Virgin Islands	US\$34,630,000	Investment holdings
Amber Universal Inc.	1998.10	British Virgin Islands	US\$41,432,000	Investment holdings
Circon Universal Inc.	2002.01	Mauritius	US\$300,000	Investment holdings
Empsonic Enterprises Inc.	2002.06	Mauritius	US\$28,250,000	Investment holdings
Blueocean Inc.	2016.02	Cayman Islands	US\$110,050,000	Investment holdings
Talent Eagle Enterprise Inc.	2016.02	Cayman Islands	US\$114,100,000	Investment holdings
Realsun Investments Co., Ltd	1998.06	Taiwan	NT\$280,000,000	Investment holdings
Hung-wei Venture Capital Co., Ltd	1999.12	Taiwan	NT\$250,000,000	Investment holdings
Realking Investments Limited	2000.04	Taiwan	NT\$293,929,850	Investment holdings
Realsun Technology Corporation	2004.12	Taiwan	NT\$5,000,000	ICs manufacturing, design, research, development, sales, and marketing
Bobitag Inc.	2012.12	Taiwan	NT\$28,783,650	Manufacture and installation of computer equipment and wholesale, retail and related service of electronic materials and information/software
Cortina Systems Taiwan Limited.	2015.04	Taiwan	NT\$211,300,000	R&D and technical support
AICONNX Technology Corporation	2021.12	Taiwan	NT\$20,000,000	ICs manufacturing, design, research, development, sales, and marketing
Realtek Semiconductor (Japan) Corp.	2001.12	Japan	JY¥20,000,000	ICs design, sales and consultancy
Realtek Semiconductor (HK) Limited	1999.09	Hong Kong	HK\$1,500,000	Information services and technical support
Realtek Semiconductor (ShenZhen) Corp.	2004.07	China	US\$5,000,000	R&D and technical support
Cortina Network Systems (Shanghai) Co., Ltd.	2015.04	China	US\$1,650,000	R&D and technical support
Reasil Microelectronics Corporation	2001.12	China	US\$28,000,000	R&D and technical support
RayMX Microelectronics Corporation	2018.12	China	CNY 26,250,000	ICs manufacturing, design, research, development, sales, and marketing
Suzhou PanKore Integrated Circuit Technology Co., Ltd.	2020.07	China	CNY10,000,000	ICs manufacturing, design, research, development, sales, and marketing
Realtek Investment Singapore Private Limited	2016.08	Singapore	US\$200,000,000	Investment holdings
Realtek Singapore Private Limited	2013.10	Singapore	US\$89,856,425	ICs manufacturing, design, research, development, sales, and marketing
Cortina Access, Inc.	2015.04	United States	US\$16,892	R&D and information services
Ubilinx Technology Inc.	2016.08	United States	US\$60,000,000	R&D and information services
Realtek Viet Nam Co., Ltd	2018.09	Vietnam	US\$4,000,000	R&D and technical support
Realtek Semiconductor (Malaysia) SDN. BHD.	2020.06	Malaysia	US\$2,500,000	R&D and technical support

1.3. The shareholders in common of the Affiliates presumed to have a relationship of control and subordination: None.

1.4. The industries covered by the business operated by the affiliates overall

Mar. 31, 2022

Company Name	Main Business Activities	Division of Work Among the Affiliates
Leading Enterprises Limited	Investment holdings	Not applicable
Amber Universal Inc.	Investment holdings	Not applicable
Circon Universal Inc.	Investment holdings	Not applicable
Empsonic Enterprises Inc.	Investment holdings	Not applicable
Bluocean Inc.	Investment holdings	Not applicable
Talent Eagle Enterprise Inc.	Investment holdings	Not applicable
Realsun Investments Co., Ltd	Investment holdings	Not applicable
Hung-wei Venture Capital Co., Ltd	Investment holdings	Not applicable
Realking Investments Limited	Investment holdings	Not applicable
Realsun Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	Not applicable
Bobitag Inc.	Manufacture and installation of computer equipment and wholesale, retail and related service of electronic materials and information/software	Not applicable
Cortina Systems Taiwan Limited.	R&D and technical support	Provide research and development and technical services
AICONNX Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	Not applicable
Realtek Semiconductor (Japan) Corp.	ICs design, sales and consultancy	Provide sales and technical services
Realtek Semiconductor (HK) Limited	Information services and technical support	Not applicable
Realtek Semiconductor (ShenZhen) Corp.	R&D and technical support	Provide research and development and technical services
Cortina Network Systems (Shanghai) Co., Ltd.	R&D and technical support	Provide research and development and technical services
Reasil Microelectronics Corporation	R&D and technical support	Provide research and development and technical services
RayMX Microelectronics Corporation	ICs manufacturing, design, research, development, sales, and marketing	Not applicable
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	Not applicable
Realtek Investment Singapore Private Limited	Investment holdings	Not applicable
Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	Not applicable
Cortina Access, Inc.	R&D and information services	Provide consultancy and services
Ubilinx Technology Inc.	R&D and information services	Provide consultancy and services
Realtek Viet Nam Co., Ltd.	R&D and technical support	Provide research and development and technical services
Realtek Semiconductor (Malaysia) SDN. BHD.	R&D and technical support	Provide research and development and technical services
Realtek Korea Inc.	R&D and technical support	Provide research and development and technical services

### 1.5. Directors, Supervisors, and Presidents of the Affiliates

Unit: shares/NT\$ thousands, %

Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
Leading Enterprises Limited	Director	Realtek Semiconductor Corp. (Representative: Yeh, Po-Len)	34,630	100%
Amber Universal Inc.	Director	Realtek Semiconductor Corp. (Representative: Yeh, Po-Len)	41,432	100%
Realtek Singapore Private Limited	Chairman	Huang, Yung-Fang	-	-
	Director and President	Yen, Kuang-Yu	-	-
	Director	Lin, Tsung-Ming	-	-
Realtek Investment Singapore Private Limited	Chairman	Huang, Yung-Fang	-	-
	Director and President	Yen, Kuang-Yu	-	-
	Director	Chang, Jr-Neng	-	-
Bluocean Inc.	Director	Realtek Semiconductor Corp. (Representative: Chiu, Sun-Chien)	110,050,000	100%
Talent Eagle Enterprise Inc.	Director	Realtek Semiconductor Corp. (Representative: Chiu, Sun-Chien)	114,100,000	100%
Realsun Investments Co., Ltd	Chairman and President	Realtek Semiconductor Corp. (Representative: Huang, Yee-Wei)	28,000,000	100%
	Director	Realtek Semiconductor Corp. (Representative: Huang, Yung-Fang)	28,000,000	100%
	Director	Realtek Semiconductor Corp. (Representative: Chern, Kuo-Jong)	28,000,000	100%
	Supervisor	Realtek Semiconductor Corp. (Representative: Chiang, Ting-Chi)	28,000,000	100%
	Chairman	Realtek Semiconductor Corp. (Representative: Yeh, Po-Len)	25,000,000	100%
Hung-wei Venture Capital Co., Ltd	Director and President	Realtek Semiconductor Corp. (Representative: Chiu, Sun-Chien)	25,000,000	100%
	Director	Realtek Semiconductor Corp. (Representative: Huang, Yung-Fang)	25,000,000	100%
	Supervisor	Realtek Semiconductor Corp. (Representative: Chiang, Ting-Chi )	25,000,000	100%

Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
Realking Investments Limited	Chairman	Realtek Semiconductor Corp. (Representative: Yeh, Po-Len)	29,392,985	100%
	Director and President	Realtek Semiconductor Corp. (Representative: Chiu, Sun-Chien)	29,392,985	100%
	Director	Realtek Semiconductor Corp. (Representative: Huang, Yung-Fang)	29,392,985	100%
	Supervisor	Realtek Semiconductor Corp. (Representative: Chiang, Ting-Chi)	29,392,985	100%
Realsun Technology Corporation	Chairman	Realtek Semiconductor Corp. (Representative: Yeh, Po-Len)	500,000	100%
	Director	Realtek Semiconductor Corp. (Representative: Chiu, Sun-Chien)	500,000	100%
	Director	Realtek Semiconductor Corp. (Representative: Huang, Yung-Fang)	500,000	100%
	Supervisor	Realtek Semiconductor Corp. (Representative: Chern, Kuo-Jong)	500,000	100%
Bobitag Inc.	Chairman	Realtek Semiconductor Corp. (Representative: Chiang, Ting-Chi)	1,918,910	66.67%
	Director	Realtek Semiconductor Corp. (Representative: Lu, Shiu-Hung)	1,918,910	66.67%
	Director	Realtek Semiconductor Corp. (Representative: Chan, Te-Chuan)	1,918,910	66.67%
	Supervisor	Guo, Yu-zhi	-	-
AICONNX Technology Corporation	Chairman	Realtek Semiconductor Corp. (Representative: Chiu, Sun-Chien)	2,000,000	100%
	Director	Realtek Semiconductor Corp. (Representative: Chern, Kuo-Jong)	2,000,000	100%
	Director	Realtek Semiconductor Corp. (Representative: Chang Yi-Shu)	2,000,000	100%
	Supervisor	Realtek Semiconductor Corp. (Representative: Chang, Jr-Neng)	2,000,000	100%
Realtek Semiconductor (Japan) Corp.	Director and President	Cheng, Shu-Chien	-	-
	Director	Chiu, Sun-Chien	-	-
	Director	Huang, Yung-Fang	-	-

Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
Circon Universal Inc.	Supervisor	Chiang, Ting-Chi	-	-
	Director	Leading Enterprises Limited (Representative: Yeh, Po-Len)	300,000	100%
	Director	Amber Universal Inc. (Representative: Yeh, Po-Len)	HK\$1,500,000	100%
Realtek Semiconductor (Hong Kong) Limited	Director	Lin, Ying-Hsi	-	-
	Director and President	Chern, Kuo-Jong	-	-
	Chairman	Realtek Singapore Private Limited (Representative: Huang, Yung-Fang)	2,825,000	100%
Empsonic Enterprises Inc.	Director	Realtek Singapore Private Limited (Representative: Yen, Kuang-Yu)	2,825,000	100%
	Director	Realtek Singapore Private Limited (Representative: Lin, Tsung-Ming)	2,825,000	100%
Cortina Access, Inc.	Director	Huang, Yung-Fang	-	-
	Director	Yen, Kuang-Yu	-	-
	Director	Zeineddine Chair	-	-
Cortina Systems Taiwan Limited.	Chairman	Realtek Singapore Private Limited (Representative: Huang, Yung-Fang)	21,130,000	100%
	Director	Realtek Singapore Private Limited (Representative: Yen, Kuang-Yu)	21,130,000	100%
	Director	Realtek Singapore Private Limited (Representative: Hsiao, Wang-Mien )	21,130,000	100%
	Supervisor	Realtek Singapore Private Limited (Representative: Fu, Ying-Chi )	21,130,000	100%
	Director	Zeineddine Chair	-	-
Cortina Network Systems (Shanghai) Co., Ltd.	Supervisor	Ke, Chieh-Yuan	-	-

Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
Realtek Viet Nam Co., Ltd.	Director	Soh Wei Kwek	-	-
	Director	Kao Shu-yi	-	-
	Director	Nguyen Phuoc Vinh Thang	-	-
Ubilinx Technology Inc.	Director	Chiang, Ting-Chi	-	-
	Director	Fu, Ying-Chi	-	-
	Director	Lin, Chia-Liang	-	-
	Director	Chang Yi-Shu	-	-
Realtek Semiconductor (Malaysia) SDN. BHD.	Director	Fu, Ying-Chi	-	-
	Director	Lau Lai Li	-	-
	Director and President	Chang Yi-Shu	-	-
	Director	Chiang, Ting-Chi	-	-
Realtek Korea Inc.	Director	Byung-gi Park	-	-
	Supervisor	Fu, Ying-Chi	-	-
	Chairman	Yeh, Nan-Horng	-	-
	Director and President	Yeh, Ta-Hsun	-	-
Reasil Microelectronics Corporation	Director	Chiou, Mhu-Hsiu	-	-
	Supervisor	Chern, Kuo-Jong	-	-
	Chairman	Tsai, Jon-Jinn	-	-
	Director and President	Zhu, Ying-hui	-	-
RayMX Microelectronics Corporation	Director	Su, Chu-Ting	-	-

Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
Suzhou PanKore Integrated Circuit Technology Co., Ltd.	Director	Chen, Chih-tung	-	-
	Director	Chien, Chih-Ching	-	-
	Supervisor	Wu, Wen-Bin	-	-
	Supervisor	Chang, Jr-Neng	-	-
	Supervisor	Liu, Shuan-Ta	-	-
	Chairman	Huang, Yung-Fang	-	-
	Director and President	Peng, Zuo-Hui	-	-
	Director	Yen, Kuang-Yu	-	-
	Director	Shen, Jia-Qing	-	-
	Director	Liu Yong	-	-
	Supervisor	Lin, Hou-Wei	-	-
	Supervisor	Li, Chao-Ming	-	-
	Supervisor	Lu, Shiu-Hung	-	-

Note 1: If the affiliates are foreign companies, list the same positions as domestic.

Note 2: The shares are the total of shareholdings directly or indirectly held; if the affiliates do not issue shares, the shareholdings are presented by the investment amount.

Note 3: The above information up to March 31, 2022

## 1.6. Operation Highlights of the Affiliates

Unit: NT\$ thousands / Dec. 31, 2021

Company	Paid in Capital	Assets	Liabilities	Equity	Operating revenue	Operation Income	Net Income for the year (After Taxes)	EPS (After Taxes)
Leading Enterprises Limited	13,676,922	19,460,389	6,189,262	13,271,127	0	(38,816)	36,386	-
Amber Universal Inc.	4,358,823	5,130,313	1,634,520	3,495,793	0	(10,513)	20,550	-
Realtek Singapore Private Limited	3,334,651	26,463,118	7,978,903	18,484,215	35,793,253	12,720,330	13,267,476	-
Realtek Investment Singapore Private Limited	5,538,000	6,806,885	668,786	6,138,099	0	(196)	43,812	-
Bluocean Inc.	3,047,285	5,755,229	2,473,278	3,281,951	0	(26,531)	10,825	-
Talent Eagle Enterprise Inc.	3,159,429	6,716,587	4,525,883	2,190,704	0	(5,335)	85,684	-
Realsun Investments Co., Ltd	280,000	880,610	113	880,497	0	(101)	17,017	0.61
Hung-wei Venture Capital Co., Ltd	250,000	849,023	90,254	758,769	0	(2,876)	80,784	3.23
Realking Investments Limited	293,930	286,014	121	285,893	0	(41)	(1,484)	(0.05)
Realsun Technology Corporation	5,000	5,074	0	5,074	0	(39)	7	0.01
Bobitag Inc.	28,784	29,124	104	29,020	0	(70)	157	0.05
AICONNX Technology Corporation	20,000	20,000	20	19,980	0	(20)	(20)	(0.01)
Realtek Semiconductor (Japan) Corp.	4,812	7,071	726	6,345	68,159	3,503	4,621	-
Circon Universal Inc.	8,307	7,126	0	7,126	0	(329)	(320)	-
Realtek Semiconductor (Hong Kong) Limited	5,326	1,034	0	1,034	0	(12)	(12)	-
Realtek Semiconductor (ShenZhen) Corp.	138,450	444,156	159,147	285,009	564,876	28,070	15,258	-
Empsonic Enterprises Inc.	782,243	1,959,833	0	1,959,833	0	(238)	395,720	-
Cortina Access, Inc.	364,073	784,653	60,440	724,213	217,183	14,208	26,504	-
Cortina Systems Taiwan Limited.	211,300	112,957	30,321	82,636	151,956	8,601	5,326	0.25
Cortina Network Systems (Shanghai) Co., Ltd.	99,684	219,666	51,255	168,411	138,314	7,390	6,952	-
Realtek Viet Nam Co., Ltd	110,760	84,753	8,400	76,353	10,370	(10,218)	(9,916)	-
Ubilinx Technology, Inc	1,661,400	372,956	118,790	254,166	514,591	33,665	54,656	-
Realtek Semiconductor (Malaysia) SDN. BHD.	69,275	62,923	847	62,076	17,575	1,150	1,452	-
Reasil Microelectronics Corporation	775,320	2,579,581	623,925	1,955,656	2,492,779	181,820	396,350	-
RayMX Microelectronics Corporation	113,941	684,775	287,626	397,149	1,219,539	291,028	311,601	-

Company	Paid in Capital	Assets	Liabilities	Equity	Operating revenue	Operation Income	Net Income for the year (After Taxes)	EPS (After Taxes)
Suzhou PanKore Integrated Circuit Technology Co., Ltd.	43,406	46,916	104,441	(57,525)	0	(82,840)	(82,838)	-

2. Affiliated Entities Consolidated Financial Statements:

The entities included in the consolidated financial statements are the same as the entities pursuant to the financial accounting standards to be included in the consolidated financial statements of the Parent Company. Therefore, please refer to consolidated financial reports for consolidated financial statement of affiliated entities.

II. Significant events with impact on shareholders' rights or stock price regulated in Article 36-3-2 of the Securities and Exchange Act happened during last year to the date of the annual report printed: None

III. Acquisition or disposal of Realtek shares by subsidiaries during last year to the date of the annual report printed: None

IV. Issuance of private placement securities: None

V. Other Necessary Supplements: None

# Financial Information

## I. Condensed balance sheet and Statement of Comprehensive Income, independent auditor's name and audit opinion in the recent five years

### 1. Condensed Balance Sheet

#### 1.1. Condensed Consolidated Balance Sheet (Note1)

		Unit: NT\$ thousands				
Item	Year	2017	2018	2019	2020	2021
Current assets		45,092,540	51,153,278	64,289,591	66,811,913	86,245,402
Property, plant and equipment		3,162,949	3,316,578	3,446,162	4,448,532	6,302,938
Right-of-use assets		-	-	1,403,245	1,647,421	1,587,910
Intangible assets		2,078,355	1,686,249	1,952,960	2,067,324	2,231,694
Other non-current assets		41,021	50,169	61,646	49,319	734,651
Total assets		52,310,913	58,252,314	73,431,830	78,095,917	101,231,913
Current liabilities	Before distribution	29,520,661	32,502,254	43,970,187	46,128,894	58,820,923
	After distribution	32,135,601	36,058,922	49,168,236	53,278,483	(Note)
Non-current liabilities		931,140	1,103,161	2,232,959	2,498,277	3,458,666
Total liabilities	Before distribution	30,451,801	33,605,415	46,203,146	48,627,171	62,279,589
	After distribution	33,066,741	37,162,083	51,401,195	55,776,760	(Note)
Equity attributable to owners of the parent company		21,849,518	24,637,292	27,218,985	29,459,081	38,942,651
Share capital		5,065,062	5,080,955	5,080,955	5,106,849	5,106,849
Capital surplus		3,558,856	3,236,659	2,736,854	2,122,008	1,101,079
Retained earnings	Before distribution	13,826,043	15,917,714	19,618,212	23,786,273	34,510,813
	After distribution	11,539,613	12,869,141	15,022,048	17,658,054	(Note)
Other equity interest		(600,443)	401,964	(217,036)	(1,556,049)	(1,776,090)
Treasury shares		—	—	—	—	—
Non-controlling interest		9,594	9,607	9,699	9,665	9,673
Total Equity	Before distribution	21,859,112	24,646,899	27,228,684	29,468,746	38,952,324
	After distribution	19,244,373	21,090,457	22,030,635	22,319,157	(Note)

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting.

## 1.2. Condensed Balance Sheet – Parent Company

Unit: NT\$ thousands

Item	Year	2017	2018	2019	2020	2021
Current assets		12,587,447	13,962,708	22,953,769	21,247,908	32,551,097
Property, plant and equipment		2,679,455	2,863,756	3,019,258	4,027,004	5,891,478
Right-of-use assets		-	-	1,091,607	1,390,104	1,357,716
Intangible assets		1,495,547	1,160,549	1,652,722	1,955,629	2,143,811
Other non-current assets		6,456	14,444	46,151	34,805	719,802
Total assets		50,512,739	53,992,856	67,445,996	70,040,894	91,738,180
Current liabilities	Before distribution	28,199,217	28,733,410	39,316,733	39,289,791	50,500,155
	After distribution	30,814,157	32,290,078	44,514,782	46,439,380	(Note)
Non-current liabilities		464,004	622,154	910,278	1,292,022	2,295,374
Total liabilities	Before distribution	28,663,221	29,355,564	40,227,011	40,581,813	52,795,529
	After distribution	31,278,161	32,912,232	45,425,060	47,731,402	(Note)
Share capital		5,065,062	5,080,955	5,080,955	5,106,849	5,106,849
Capital surplus		3,558,856	3,236,659	2,736,854	2,122,008	1,101,079
Retained earnings	Before distribution	13,826,043	15,917,714	19,618,212	23,786,273	34,510,813
	After distribution	11,539,613	12,869,141	15,022,048	17,658,054	(Note)
Other equity interest		(600,443)	401,964	(217,036)	(1,556,049)	(1,776,090)
Treasury shares		—	—	—	—	—
Total Equity	Before distribution	21,849,518	24,637,292	27,218,985	29,459,081	38,942,651
	After distribution	19,234,779	21,080,850	22,020,936	22,309,492	(Note)

Note: Pending on approval of shareholders at Annual General Shareholders' Meeting.

## 2. Condensed Statement of Comprehensive Income

### 2.1. Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	2017	2018	2019	2020	2021
Operating revenue	41,688,021	45,805,746	60,744,006	77,759,470	105,504,286
Gross Profit	17,903,422	20,460,870	26,583,316	33,248,739	53,188,403
Operating income	3,204,237	3,764,460	6,330,865	8,639,563	17,324,896
Non-operating income(expenses)	422,116	892,741	905,007	716,582	249,826
Net income before income tax, net	3,626,353	4,657,201	7,235,872	9,356,145	17,574,722
Income From Operations of Continued Segments	3,392,160	4,350,781	6,790,375	8,793,526	16,852,811
Income (Loss) From Operations of Discontinued Segments	—	—	—	—	—
Net income for the year	3,392,160	4,350,781	6,790,375	8,793,526	16,852,811
Total Comprehensive income for the year	1,390,168	5,054,264	6,130,163	7,425,261	16,632,770
Net Profit Attributable to: Owner of the Company	3,392,153	4,350,768	6,790,283	8,793,477	16,852,759
Net Profit(loss) Attributable to: Non-controlling interests	7	13	92	49	52
Total Comprehensive Income Attributable to: Owner of the Company	1,390,161	5,054,251	6,130,071	7,425,212	16,632,718
Total Comprehensive Income (Loss) Attributable to: Non-controlling interests	7	13	92	49	52
Earnings per share	6.71	8.57	13.36	17.24	33.00

## 2.2. Condensed Statement of Comprehensive Income – Parent Company

Unit: NT\$ thousands

Year Item	2017	2018	2019	2020	2021
Operating revenue	30,043,540	32,194,291	40,845,708	56,426,751	68,352,652
Gross Profit	12,168,244	13,288,095	16,202,655	22,535,979	32,982,757
Operating income	898,802	699,986	1,316,005	3,282,942	4,199,739
Non-operating income	2,703,351	3,938,782	5,912,278	6,070,535	13,358,020
Net income before income tax, net	3,602,153	4,638,768	7,228,283	9,353,477	17,557,759
Income From Operations of Continued Segments	3,392,153	4,350,768	6,790,283	8,793,477	16,852,759
Net Income for the year	3,392,153	4,350,768	6,790,283	8,793,477	16,852,759
Other comprehensive income (Loss), net	(2,001,992)	703,483	(660,212)	(1,368,265)	(220,041)
Total Comprehensive income for the year	1,390,161	5,054,251	6,130,071	7,425,212	16,632,718
Earnings per share	6.71	8.57	13.36	17.24	33.00

## 3. Name of Auditors and Issued Opinions in the recent five years

Year	Name of Auditors (CPA)	Auditor Opinion
2017	Hsueh, Seou-Hung, Li, Tien-Yi	Unqualified Opinions
2018	Hsueh, Seou-Hung, Li, Tien-Yi	Unqualified Opinions
2019	Lin, Yu-Kuan, Tsang, Kwok-Wah	Unqualified Opinions
2020	Lin, Yu-Kuan, Cheng, Ya-Huei	Unqualified Opinions
2021	Cheng, Ya-Huei, Lin, Yu-Kuan	Unqualified Opinions

## II. Financial Analysis in the Recent Five Years

### 1. Consolidated Financial Analysis

Item \ Year		2017	2018	2019	2020	2021
Capital Structure	Debt ratio (%)	58.21	57.68	62.91	62.26	61.52
	Long-term fund to Property, plant and equipment (%)	720.53	776.40	854.91	718.59	672.87
Liquidity	Current ratio (%)	152.74	157.38	146.21	144.83	146.62
	Quick ratio (%)	132.98	138.43	128.67	125	117.36
	Times interest earned (times)	24.77	34.63	45.46	59.47	171.22
Operating Performance	Average collection turnover (times)	6.35	6.32	6.74	6.4	7.07
	Average collection days	57	58	54	57	52
	Inventory turnover (times)	4.29	3.98	4.57	4.88	3.78
	Payment turnover (times)	4.83	4.64	4.95	4.69	4.63
	Average inventory turnover days	85	92	80	75	97
	Fixed assets turnover (times)	13.11	14.13	17.96	19.69	19.62
	Property, plant and equipment turnover (times)	0.77	0.82	0.92	1.02	1.17
Profitability	Return on total assets (%)	6.56	8.1	10.54	11.79	18.90
	Return on stockholders' equity (%)	15.18	18.71	26.17	31.01	49.26
	Profit before tax to paid-in capital (%)	71.59	91.65	142.41	183.2	344.14
	Profit after tax to net sales (%)	8.13	9.49	11.17	11.30	15.97
	Earnings per share (NT\$)	6.71	8.57	13.36	17.24	33.00
Cash Flow	Cash flow ratio (%)	12.73	25.20	27.86	33.47	31.19
	Cash flow adequacy ratio (%)	100	109.92	124.89	143.56	128.26
	Cash flow reinvestment ratio (%)	4.58	17.53	26.05	27.31	23.78
Leverage	Operating leverage	5.51	5.31	4.11	3.79	3.02
	Financial leverage	1.05	1.03	1.02	1.01	1.00
Analysis of Changes equal to or over 20% in the recent two years: Increase in Times interest earned: Mainly due to increase in net income. Decrease in Inventory turnover (times) and increase in Average inventory turnover days: Mainly due to increase in inventories. Increase in profitability: Mainly due to increase in net income.						

## 2. Financial Analysis-Parent Company

Item \ Year		2017	2018	2019	2020	2021
Capital Structure	Debt ratio (%)	56.74	54.36	59.64	57.94	57.55
	Long-term fund to Property, plant and equipment (%)	832.76	882.03	931.66	763.62	699.96
Liquidity	Current ratio (%)	44.63	48.59	58.38	54.07	64.45
	Quick ratio (%)	28.10	33.81	43.05	37.77	40.12
	Times interest earned (Times)	25.72	34.55	50.31	66.31	192.93
Operating Performance	Average collection turnover (Times)	6.00	5.66	6.14	6.49	7.07
	Average collection days	60	64	59	56	52
	Inventory turnover (times)	4.22	3.92	4.34	4.91	3.58
	Payment turnover (times)	4.67	4.60	4.87	4.82	4.56
	Average inventory turnover days	86	93	84	74	102
	Fixed assets turnover (times)	11.16	11.61	13.88	16.01	13.78
	Property, plant and equipment turnover (times)	0.61	0.61	0.67	0.82	0.84
Profitability	Return on total assets (%)	7.18	8.57	11.40	12.97	20.94
	Return on stockholders' equity (%)	15.18	18.71	26.18	31.02	49.27
	Profit before tax to paid-in capital (%)	71.11	91.29	142.26	183.15	343.8
	Profit after tax to net sales (%)	11.29	13.51	16.62	15.58	24.65
	Earnings per share (NT\$)	6.71	8.57	13.36	17.24	33.00
Cash Flow	Cash flow ratio (%)	6.99	16.13	10.06	38.88	27.02
	Cash flow adequacy ratio (%)	71.41	74.81	59.46	102.41	95.03
	Cash flow reinvestment ratio (%)	-2.09	6.10	1.26	28.10	14.30
Leverage	Operating leverage	13.72	19.19	12.50	6.97	7.88
	Financial leverage	1.19	1.25	1.12	1.04	1.02
<p>Analysis of Changes equal to or over 20% in the recent two years:</p> <p>Increase in Times interest earned: Mainly due to increase in net income.</p> <p>Decrease in Inventory turnover (times) and increase in Average inventory turnover days: Mainly due to increase in inventories.</p> <p>crease in profitability: Mainly due to increase in net income.</p> <p>Decrease in Cash flow ratio and Cash flow reinvestment ratio: Mainly due to increase in investment and dividends.</p>						

**Glossary:**

## 1. Capital Structure Analysis:

- (1). Debt ratio = Total liabilities / Total assets
- (2). Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

## 2. Liquidity Analysis:

- (1). Current ratio = Current assets / Current liabilities
- (2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3). Times interest earned = Earnings before interest and taxes / Interest expenses

## 3. Operating Performance Analysis:

- (1). Average collection turnover = Net sales / Average trade receivables
- (2). Days sales outstanding = 365 / Average collection turnover
- (3). Average inventory turnover = Operating costs / Average inventory
- (4). Average payment turnover = operating costs / Average trade payables
- (5). Average inventory turnover days = 365 / Average inventory turnover
- (6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7). Total assets turnover = Net sales / total assets

## 4. Profitability Analysis:

- (1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
- (2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3). Net margin = Net income / Net sales
- (4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

## 5. Cash Flow:

- (1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

## 6. Leverage:

- (1). Operating leverage = (Net sales – variable cost) / Operating income
- (2). Financial leverage = Operating income / (Operating income – interest expenses)

III. Has the company or its affiliates experienced financial difficulties in the most recent years up to the date of publication of the 2021 annual report: None.

#### IV. Audit Committee's Review Report

##### **Audit Committee's Review Report**

The Company's 2021 business report, financial statements and distribution of retained earnings have been prepared by the Board of Directors. The financial statements also have been audited by Pricewaterhouse Coopers' with the opinion that they present fairly the Company's financial position, operating performance, and cash flows. The Audit Committee has reviewed the business report, financial statements, and distribution of retained earnings, and found no irregularities. We hereby according to Securities and Exchange Act and Company Act submit this report.

To 2022 Annual Shareholders' Meeting.

Realtek Semiconductor Corp.

Chairman of the Audit Committee: Chen, Fu-Yen

March 18, 2022

## V. Consolidated Financial Statements

### INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000212

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

#### ***Opinion***

We have audited the accompanying consolidated balance sheets of Realtek Semiconductor Corporation and subsidiaries (the “Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

#### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context

of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

### ***Evaluation of inventories***

#### **Description**

Refer to Note 4(13) of the consolidated financial statements for inventory evaluation policies, Note 5(2) for uncertainty of accounting estimates and assumptions of inventory evaluation and Note 6(6) for the details of inventories.

The Group is primarily engaged in researching, developing, manufacturing, selling of various integrated circuits and related application software. Inventories are stated at the lower of cost and net realizable value. Due to the balances of inventories are significant to the financial statements and the rapid technological changes in the industry, there is a higher risk of decline in market value and obsolescence of inventories. Thus, we considered the evaluation of inventories as one of the key audit matters.

#### **How our audit addressed the matter**

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of accounting policies on the provision of allowance for inventory valuation losses and assessed the reasonableness.
2. Validated the accuracy of inventory aging report, as well as sampled and confirmed the consistency of quantities and amounts with detailed inventory listing, verified dates of movements with supporting documents and ensured the proper categorization of inventory aging report.
3. Evaluated and confirmed the reasonableness of net realizable value for inventories through validating respective supporting documents.

### ***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the consolidated subsidiaries and investments accounted for under equity method were based solely on the reports of other auditors. Total assets

(including investments accounted for under equity method amounted to NT\$191,377 thousand and NT\$156,854 thousand) of those companies amounted to NT\$1,220,840 thousand and NT\$959,452 thousand, constituting 1.21% and 1.23% of the consolidated total assets as of December 31, 2021 and 2020, respectively, and total operating revenues were both NT\$0 thousand, both constituting 0% of the consolidated total operating revenues for the years then ended. Furthermore, according to the reports of other auditors, comprehensive losses of those investments accounted for under equity method amounted to NT\$12,113 thousand and NT\$21,101 thousand, constituting (0.07%) and (0.28%) of comprehensive incomes for the years then ended, respectively.

***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Realtek Semiconductor Corporation as at and for the years ended December 31, 2021 and 2020.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying

transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Cheng, Ya-Huei

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Lin, Yu-Kuan

For and on behalf PricewaterhouseCoopers, Taiwan

March 18, 2022

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers 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.

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 7,197,351	7	\$ 7,296,360	9
1110	Financial assets at fair value through profit or loss - current	6(2)	1,952,647	2	1,080,657	1
1136	Financial assets at amortised cost - current	6(4)	43,740,876	43	35,330,346	45
1170	Accounts receivable, net	6(5)	12,796,821	13	10,840,669	14
1180	Accounts receivable, net - related parties	6(5) and 7	3,192,184	3	2,812,399	4
1200	Other receivables		156,928	-	301,431	1
130X	Inventories, net	6(6)	16,548,712	16	8,622,977	11
1410	Prepayments		659,883	1	527,074	1
11XX	Total current assets		86,245,402	85	66,811,913	86
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	3,644,878	4	2,619,331	3
1535	Financial assets at amortised cost - non-current	6(4) and 8	80,101	-	79,657	-
1550	Investments accounted for under equity method	6(7)	191,377	-	156,854	-
1600	Property, plant and equipment	6(8)	6,302,938	6	4,448,532	6
1755	Right-of-use assets	6(9)	1,587,910	2	1,647,421	2
1760	Investment property	6(10)	41,641	-	45,690	-
1780	Intangible assets	6(11)	2,231,694	2	2,067,324	3
1840	Deferred income tax assets	6(29)	171,321	-	169,876	-
1900	Other non-current assets		734,651	1	49,319	-
15XX	Total non-current assets		14,986,511	15	11,284,004	14
1XXX	Total assets		\$ 101,231,913	100	\$ 78,095,917	100

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
	Notes		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(13)	\$ 13,342,100	13	\$ 11,456,690	15
2130	Contract liabilities - current	6(22)	211,100	-	336,254	-
2150	Notes payable		3,276	-	28,653	-
2170	Accounts payable		11,105,568	11	10,620,054	14
2180	Accounts payable - related parties	7	334,413	-	340,232	-
2200	Other payables	6(14)	24,645,141	24	14,665,453	19
2220	Other payables - related parties	7	101,253	-	94,808	-
2230	Current income tax liabilities		1,458,340	2	1,084,362	1
2280	Lease liabilities - current		80,315	-	100,900	-
2300	Other current liabilities	6(22)	7,539,417	8	7,401,488	10
21XX	<b>Total current liabilities</b>		<u>58,820,923</u>	<u>58</u>	<u>46,128,894</u>	<u>59</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(15)	1,002,799	1	-	-
2550	Provisions - non-current	6(17)	989,475	1	1,018,706	1
2570	Deferred income tax liabilities	6(29)	103,512	-	102,872	-
2580	Lease liabilities - non-current		1,252,390	2	1,276,357	2
2600	Other non-current liabilities	6(16)	110,490	-	100,342	-
25XX	<b>Total non-current liabilities</b>		<u>3,458,666</u>	<u>4</u>	<u>2,498,277</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>62,279,589</u>	<u>62</u>	<u>48,627,171</u>	<u>62</u>
<b>Equity</b>						
	Share capital	6(18)				
3110	Common shares		5,106,849	5	5,106,849	7
	Capital surplus	6(19)				
3200	Capital surplus		1,101,079	1	2,122,008	3
	Retained earnings	6(20)				
3310	Legal reserve		5,577,083	5	5,577,083	7
3320	Special reserve		1,556,049	2	217,036	-
3350	Undistributed earnings		27,377,681	27	17,992,154	23
	Other equity	6(21)				
3400	Other equity interest		( 1,776,090 )	( 2 )	( 1,556,049 )	( 2 )
31XX	<b>Equity attributable to holders of the parent company</b>		<u>38,942,651</u>	<u>38</u>	<u>29,459,081</u>	<u>38</u>
36XX	Non-controlling interest		<u>9,673</u>	<u>-</u>	<u>9,665</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>38,952,324</u>	<u>38</u>	<u>29,468,746</u>	<u>38</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 101,231,913</u>	<u>100</u>	<u>\$ 78,095,917</u>	<u>100</u>

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

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(22) and 7	\$ 105,504,286	100	\$ 77,759,470	100
5000 Operating costs	6(6) and 7	( 52,315,883)	( 49)	( 44,510,731)	( 57)
5950 Gross profit		<u>53,188,403</u>	<u>51</u>	<u>33,248,739</u>	<u>43</u>
Operating expenses	6(27)(28) and 7				
6100 Selling expenses		( 4,477,084)	( 4)	( 3,434,253)	( 4)
6200 General and administrative expenses		( 3,433,308)	( 3)	( 2,104,282)	( 3)
6300 Research and development expenses		( 27,949,765)	( 27)	( 19,054,888)	( 25)
6450 Expected credit losses	12(2)	( 3,350)	-	( 15,753)	-
6000 Total operating expenses		<u>( 35,863,507)</u>	<u>( 34)</u>	<u>( 24,609,176)</u>	<u>( 32)</u>
6900 Operating income		<u>17,324,896</u>	<u>17</u>	<u>8,639,563</u>	<u>11</u>
Non-operating income and expenses					
7100 Interest income	6(23)	326,399	-	833,821	1
7010 Other income	6(24)	213,427	-	176,965	-
7020 Other gains and losses	6(25)	( 171,247)	-	( 109,328)	-
7050 Finance costs	6(26)	( 106,640)	-	( 153,896)	-
7060 Share of losses of associates and joint ventures accounted for under equity method	6(7)	( 12,113)	-	( 30,980)	-
7000 Total non-operating income and expenses		<u>249,826</u>	<u>-</u>	<u>716,582</u>	<u>1</u>
7900 Profit before income tax, net		<u>17,574,722</u>	<u>17</u>	<u>9,356,145</u>	<u>12</u>
7950 Income tax expense	6(29)	( 721,911)	( 1)	( 562,619)	-
8200 Net income for the year		<u>\$ 16,852,811</u>	<u>16</u>	<u>\$ 8,793,526</u>	<u>12</u>

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income, net</b>	6(21)				
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311 Losses on remeasurements of defined benefit plans		\$ -	-	(\$ 29,252)	-
8316 Unrealised income from investments in equity instruments measured at fair value through other comprehensive income		995,872	1	829,923	1
8320 Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss		-	-	9,879	-
8310 Total components of other comprehensive income that will not be reclassified to profit or loss		995,872	1	810,550	1
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		(1,215,913)	(1)	(2,178,815)	(3)
8360 Total components of other comprehensive loss that will be reclassified to profit or loss		(1,215,913)	(1)	(2,178,815)	(3)
8300 <b>Other comprehensive loss, net</b>		(\$ 220,041)	-	(\$ 1,368,265)	(2)
8500 <b>Total comprehensive income for the year</b>		<u>\$ 16,632,770</u>	<u>16</u>	<u>\$ 7,425,261</u>	<u>10</u>
Net income attributable to:					
8610 Equity holders of the parent company		\$ 16,852,759	16	\$ 8,793,477	12
8620 Non-controlling interest		52	-	49	-
Net income for the year		<u>\$ 16,852,811</u>	<u>16</u>	<u>\$ 8,793,526</u>	<u>12</u>
Comprehensive income attributable to:					
8710 Equity holders of the parent company		\$ 16,632,718	16	\$ 7,425,212	10
8720 Non-controlling interest		52	-	49	-
Total comprehensive income for the year		<u>\$ 16,632,770</u>	<u>16</u>	<u>\$ 7,425,261</u>	<u>10</u>
Earnings per share (in dollars)					
9750 Basic earnings per share	6(30)	<u>\$ 33.00</u>		<u>\$ 17.24</u>	
9850 Diluted earnings per share	6(30)	<u>\$ 32.38</u>		<u>\$ 16.93</u>	

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent company										
	Notes	Retained Earnings				Other equity interest					
		Common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealised gains from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
2020											
Balance at January 1, 2020		\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	(\$ 762,143 )	\$ 545,107	\$ 27,218,985	\$ 9,699	\$ 27,228,684
Net income for the year		-	-	-	-	8,793,477	-	-	8,793,477	49	8,793,526
Other comprehensive income (loss) for the year	6(16)(21)	-	-	-	-	( 29,252 )	( 2,178,815 )	839,802	( 1,368,265 )	-	( 1,368,265 )
Total comprehensive income (loss)		-	-	-	-	8,764,225	( 2,178,815 )	839,802	7,425,212	49	7,425,261
Distribution of 2019 earnings											
Legal reserve	6(20)	-	-	674,907	-	( 674,907 )	-	-	-	-	-
Special reserve	6(20)	-	-	-	217,036	( 217,036 )	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	( 4,596,164 )	-	-	( 4,596,164 )	-	( 4,596,164 )
Employees' compensation transferred to common shares	6(18)(19)	25,894	393,591	-	-	-	-	-	419,485	-	419,485
Cash from capital surplus	6(19)	-	( 1,021,370 )	-	-	-	-	-	( 1,021,370 )	-	( 1,021,370 )
Changes in non-controlling interest		-	-	-	-	-	-	-	-	( 83 )	( 83 )
Changes in equity of associates accounted for under equity method	6(19)	-	12,763	-	-	-	-	-	12,763	-	12,763
Cash dividends returned	6(19)	-	170	-	-	-	-	-	170	-	170
Balance at December 31, 2020		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958 )	\$ 1,384,909	\$ 29,459,081	\$ 9,665	\$ 29,468,746
2021											
Balance at January 1, 2021		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958 )	\$ 1,384,909	\$ 29,459,081	\$ 9,665	\$ 29,468,746
Net income for the year		-	-	-	-	16,852,759	-	-	16,852,759	52	16,852,811
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	( 1,215,913 )	995,872	( 220,041 )	-	( 220,041 )
Total comprehensive income (loss)		-	-	-	-	16,852,759	( 1,215,913 )	995,872	16,632,718	52	16,632,770
Distribution of 2020 earnings											
Special reserve	6(20)	-	-	-	1,339,013	( 1,339,013 )	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	( 6,128,219 )	-	-	( 6,128,219 )	-	( 6,128,219 )
Cash from capital surplus	6(19)	-	( 1,021,370 )	-	-	-	-	-	( 1,021,370 )	-	( 1,021,370 )
Changes in non-controlling interest		-	-	-	-	-	-	-	-	( 44 )	( 44 )
Changes in equity of associates accounted for under equity method	6(19)	-	226	-	-	-	-	-	226	-	226
Cash dividends returned	6(19)	-	215	-	-	-	-	-	215	-	215
Balance at December 31, 2021		\$ 5,106,849	\$ 1,101,079	\$ 5,577,083	\$ 1,556,049	\$ 27,377,681	(\$ 4,156,871 )	\$ 2,380,781	\$ 38,942,651	\$ 9,673	\$ 38,952,324

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

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 17,574,722	\$ 9,356,145
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	998,212	841,711
Amortization	6(11)(27)	1,302,659	1,142,222
Expected credit losses	12(2)	3,350	15,753
Interest expense	6(26)	106,640	153,896
Interest income	6(23)	( 326,399 )	( 833,821 )
Dividend income	6(24)	( 43,713 )	( 24,877 )
Gains on financial assets at fair value through profit or loss	6(2)(25)	( 114,364 )	( 231,470 )
Share of loss of associates and joint ventures accounted for under equity method	6(7)	12,113	30,980
Losses (gains) on disposal of property, plant and equipment	6(25)	196	( 1,501 )
Losses (gains) on disposal of investments	6(25)	145	( 466 )
Impairment loss	6(25)	-	140,854
Gains arising from lease modifications	6(25)	( 236 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		( 757,626 )	( 775,175 )
Accounts receivable, net		( 1,959,432 )	( 2,596,515 )
Accounts receivable, net - related parties		( 379,855 )	( 621,578 )
Other receivables		( 5,057 )	12,214
Inventories		( 7,925,735 )	( 1,231,442 )
Prepayments		( 132,809 )	( 208,390 )
Changes in operating liabilities			
Contract liabilities - current		( 125,154 )	231,280
Notes payable		( 25,377 )	25,377
Accounts payable		485,514	3,178,330
Accounts payable - related parties		( 5,819 )	10,718
Other payables		9,458,090	3,971,653
Other payables - related parties		6,445	7,515
Other current liabilities		137,929	2,023,410
Accrued pension obligations		( 4,610 )	( 3,791 )

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
Cash inflow generated from operations		\$ 18,279,829	\$ 14,613,032
Interest received		475,959	1,288,875
Dividends received		43,713	24,877
Interest paid		( 103,261 )	( 159,889 )
Income tax paid		( 344,311 )	( 326,686 )
Net cash flows from operating activities		<u>18,351,929</u>	<u>15,440,209</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at fair value through other comprehensive income		( 85,922 )	-
Acquisition of financial assets at amortised cost		( 62,836,686 )	( 48,815,990 )
Proceeds from disposal of financial assets at amortised cost		53,308,799	51,019,963
Acquisition of investments accounted for under equity method		( 45,000 )	-
Proceeds from disposal of investments accounted for under equity method		110	466
Proceeds from capital reduction of investee accounted for under equity method	6(7)	-	20,684
Acquisition of property, plant and equipment	6(31)	( 2,510,168 )	( 1,782,469 )
Proceeds from disposal of property, plant and equipment		200	1,700
Acquisition of intangible assets	6(31)	( 1,178,805 )	( 977,132 )
Increase in refundable deposits		( 684,728 )	( 17,743 )
(Increase)decrease in other non-current assets		( 604 )	30,070
Net cash flows used in investing activities		<u>( 14,032,804 )</u>	<u>( 520,451 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(32)	155,016,591	209,374,818
Decrease in short-term borrowings	6(32)	( 153,131,181 )	( 216,864,994 )
Increase in long-term borrowings	6(32)	1,017,360	-
Repayment of principal portion of lease liabilities	6(32)	( 90,779 )	( 88,691 )
Increase(decrease) in guarantee deposits		197	( 2,199 )
Cash from capital surplus and cash dividends		( 7,149,589 )	( 5,617,534 )
Cash dividends returned		215	170
Net cash flows used in financing activities		<u>( 4,337,186 )</u>	<u>( 13,198,430 )</u>
Effect of exchange rate		<u>( 80,948 )</u>	<u>( 152,879 )</u>
Net (decrease) increase in cash and cash equivalents		( 99,009 )	1,568,449
Cash and cash equivalents at beginning of year		7,296,360	5,727,911
Cash and cash equivalents at end of year		<u>\$ 7,197,351</u>	<u>\$ 7,296,360</u>

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

**1. HISTORY AND ORGANISATION**

Realtek Semiconductor Corporation (the “Company”) was incorporated as a company limited by shares on October 21, 1987 and commenced commercial operations in March 1988. The Company was based in Hsinchu Science-Based Industrial Park since October 28, 1989. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the research, development, design, testing, and sales of ICs and application softwares for these products.

**2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION**

These consolidated financial statements were authorised for issuance by the Board of Directors on March 18, 2022.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)**

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

**(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group**

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
  - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
  - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or

liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Realtek Semiconductor Corporation	Leading Enterprises Limited	Investment holdings	100%	100%	
Realtek Semiconductor Corporation	Amber Universal Inc.	"	100%	100%	
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	100%	100%	
Realtek Semiconductor Corporation	Bluocean Inc.	Investment holdings	100%	100%	
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	"	100%	100%	
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	"	100%	100%	
Realtek Semiconductor Corporation	Realsun Investment Co., Ltd.	"	100%	100%	
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	"	100%	100%	
Realtek Semiconductor Corporation	Realking Investments Co., Ltd.	"	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Realtek Semiconductor Corporation	Realsun Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	100%	100%	
Realtek Semiconductor Corporation	Bobitag Inc.	Manufacture and installation of computer equipment and wholesale, retail and related service of electronic materials and information / software	67%	67%	
Realtek Semiconductor Corporation	AICONNX Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	100%	-	Note
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	ICs design, sales and consultancy	100%	100%	
Leading Enterprises Limited	Circon Universal Inc.	Investment holdings	100%	100%	
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Information services and technical support	100%	100%	
Amber Universal Inc.	Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	100%	100%	
Empsonic Enterprises Inc.	Realsil Microelectronics Corp.	"	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	R&D and information services	100%	100%	
Realtek Singapore Private Limited	Cortina Access Inc.	"	100%	100%	
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	R&D and technical support	100%	100%	
Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	"	100%	100%	
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Investment holdings	100%	100%	
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	R&D and technical support	100%	100%	
Realtek Singapore Private Limited	RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	19%	19%	
Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	"	81%	81%	
Realsil Microelectronics Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	"	80%	80%	
Realtek Semiconductor (Shen Zhen) Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	"	20%	20%	
Bluocean Inc.	Realtek Semiconductor (Malaysia) Sdn. Bhd.	R&D and technical support	100%	100%	

Note: AICONNX Technology Corporation was incorporated on December 20, 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

**(5) Classification of current and non-current items**

A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities held mainly for trading purposes;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

**(6) Cash equivalents**

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

**(7) Financial assets at fair value through profit or loss**

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. Financial assets at amortized cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement

or recognition inconsistency.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts receivable

- A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime ECLs if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for under equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are

reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of the fixed assets are as follows: buildings - 10~55 years and other fixed assets - 3~5 years.

(16) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest

method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(18) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets

Separately acquired intangible assets with a finite useful life are stated at cost. Intangible assets acquired in a business combination are recognized at fair value at acquisition date. The amortization amounts of separately and consolidated acquired intangible assets were amortized on a straight-line basis over their estimated useful lives of 2-5 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be

reversed in the following years.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and recognized as interest expense in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The

rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in the Company's financial statements in the period in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells various integrated circuit related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognized based on the price specified in the contract. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Services revenue

Revenue from design, royalty and technical services is recognized after completing the services in which the services are rendered.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(1) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$16,548,712.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 910	\$ 1,011
Checking accounts and demand deposits	7,113,048	7,210,606
Time deposits	83,393	84,743
	<u>\$ 7,197,351</u>	<u>\$ 7,296,360</u>

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

Items	December 31, 2021	December 31, 2020
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 358,892	\$ 298,615
Beneficiary certificates	1,593,755	782,042
	<u>\$ 1,952,647</u>	<u>\$ 1,080,657</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31, 2021	Year ended December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 102,751	\$ 229,614
Beneficiary certificates	11,613	1,856
	<u>\$ 114,364</u>	<u>\$ 231,470</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 788,460	\$ 571,496
Emerging stocks	36,046	16,355
Unlisted stocks	2,820,372	2,031,480
	<u>\$ 3,644,878</u>	<u>\$ 2,619,331</u>

A. The Group has elected to classify equity instruments investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$3,644,878 and \$2,619,331 on December 31, 2021 and 2020, respectively.

B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2021	Year ended December 31, 2020
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ 995,872	\$ 829,923

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortized cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits	\$ 43,740,876	\$ 35,330,346
Non-current items:		
Time deposits	\$ 80,101	\$ 79,657

A. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 12,877,169	\$ 10,917,737
Accounts receivable - related parties	3,210,546	2,830,691
Less: Allowance for bad debts	( 98,710)	( 95,360)
	\$ 15,989,005	\$ 13,653,068

A. The aging analysis of accounts receivable is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 15,874,298	\$ 13,471,549
Up to 30 days	210,889	269,996
31 to 90 days	2,067	6,449
Over 90 days	461	434
	\$ 16,087,715	\$ 13,748,428

The above aging analysis is based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$10,450,728.

C. The Group has no accounts receivable pledged to others.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2021		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 1,181,719	(\$ 7,322)	\$ 1,174,397
Work in process	8,666,087	( 623,852)	8,042,235
Finished goods	7,815,457	( 483,377)	7,332,080
	<u>\$ 17,663,263</u>	<u>(\$ 1,114,551)</u>	<u>\$ 16,548,712</u>
	December 31, 2020		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 1,308,241	(\$ 20,696)	\$ 1,287,545
Work in process	6,342,702	( 645,173)	5,697,529
Finished goods	2,121,699	( 483,796)	1,637,903
	<u>\$ 9,772,642</u>	<u>(\$ 1,149,665)</u>	<u>\$ 8,622,977</u>

Operating costs incurred on inventories for the years ended December 31, 2021 and 2020 were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Cost of inventories sold and others	\$ 51,952,047	\$ 43,984,825
(Gain on reversal of) loss on decline in market value, obsolete and slow-moving Inventory	( 30,051)	318,025
Loss on scrap inventory	393,887	207,881
	<u>\$ 52,315,883</u>	<u>\$ 44,510,731</u>

(7) Investments accounted for under equity method

	December 31, 2021	December 31, 2020
Technology Partner V Venture Capital Corporation	\$ -	\$ 255
Estinet Technologies Incorporation	5,081	9,158
Innorich Venture Capital Corp.	142,619	147,441
Starmems Semiconductor Corp.	43,677	-
	<u>\$ 191,377</u>	<u>\$ 156,854</u>

- A. The loss on investments accounted for under equity method amounted to \$12,113 and \$30,980 for the years ended December 31, 2021 and 2020, respectively.
- B. The Group received the proceeds of \$20,684 from the capital reduction carried out by Technology Partner V Venture Capital Corporation in July 2020. The investee was dissolved on September 21, 2020 and the process of liquidation was completed as at July 20, 2021.
- C. Starmems Semiconductor Corp. was incorporated in April 2021. The Group's investment in the

investee amounted to \$45,000.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>							
Cost	\$ 387,280	\$ 3,414,624	\$ 3,838,068	\$ 3,290,307	\$ 333,113	\$ 1,111,004	\$ 12,374,396
Accumulated depreciation and impairment	-	( 1,413,842)	( 3,429,011)	( 2,195,086)	( 207,520)	( 680,405)	( 7,925,864)
	<u>\$ 387,280</u>	<u>\$ 2,000,782</u>	<u>\$ 409,057</u>	<u>\$ 1,095,221</u>	<u>\$ 125,593</u>	<u>\$ 430,599</u>	<u>\$ 4,448,532</u>
<u>2021</u>							
At January 1	\$ 387,280	\$ 2,000,782	\$ 409,057	\$ 1,095,221	\$ 125,593	\$ 430,599	\$ 4,448,532
Additions	-	16,140	356,412	686,676	161,590	1,514,187	2,735,005
Disposals	-	( 146)	-	( 10)	( 167)	( 73)	( 396)
Reclassifications	102,090	42,767	-	-	-	( 144,857)	-
Depreciation	-	( 114,392)	( 126,350)	( 493,922)	( 50,054)	( 99,321)	( 884,039)
Net exchange difference	-	4,286	302	161	31	( 944)	3,836
At December 31	<u>\$ 489,370</u>	<u>\$ 1,949,437</u>	<u>\$ 639,421</u>	<u>\$ 1,288,126</u>	<u>\$ 236,993</u>	<u>\$ 1,699,591</u>	<u>\$ 6,302,938</u>
<u>At December 31, 2021</u>							
Cost	\$ 489,370	\$ 3,466,696	\$ 4,185,792	\$ 3,926,851	\$ 492,603	\$ 2,477,232	\$ 15,038,544
Accumulated depreciation and impairment	-	( 1,517,259)	( 3,546,371)	( 2,638,725)	( 255,610)	( 777,641)	( 8,735,606)
	<u>\$ 489,370</u>	<u>\$ 1,949,437</u>	<u>\$ 639,421</u>	<u>\$ 1,288,126</u>	<u>\$ 236,993</u>	<u>\$ 1,699,591</u>	<u>\$ 6,302,938</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>							
Cost	\$ -	\$ 3,222,502	\$ 3,899,552	\$ 2,623,658	\$ 280,814	\$ 850,212	\$ 10,876,738
Accumulated depreciation and impairment	-	( 1,305,695)	( 3,529,856)	( 1,809,993)	( 176,813)	( 608,219)	( 7,430,576)
	<u>\$ -</u>	<u>\$ 1,916,807</u>	<u>\$ 369,696</u>	<u>\$ 813,665</u>	<u>\$ 104,001</u>	<u>\$ 241,993</u>	<u>\$ 3,446,162</u>
<u>2020</u>							
At January 1	\$ -	\$ 1,916,807	\$ 369,696	\$ 813,665	\$ 104,001	\$ 241,993	\$ 3,446,162
Additions	387,280	160,674	132,151	696,848	53,893	297,232	1,728,078
Disposals	-	( 7)	-	( 23)	( 162)	( 7)	( 199)
Reclassifications	-	26,110	( 5)	1,696	-	( 27,801)	-
Depreciation	-	( 108,601)	( 94,750)	( 416,378)	( 32,250)	( 79,708)	( 731,687)
Net exchange difference	-	5,799	1,965	( 587)	111	( 1,110)	6,178
At December 31	<u>\$ 387,280</u>	<u>\$ 2,000,782</u>	<u>\$ 409,057</u>	<u>\$ 1,095,221</u>	<u>\$ 125,593</u>	<u>\$ 430,599</u>	<u>\$ 4,448,532</u>
<u>At December 31, 2020</u>							
Cost	\$ 387,280	\$ 3,414,624	\$ 3,838,068	\$ 3,290,307	\$ 333,113	\$ 1,111,004	\$ 12,374,396
Accumulated depreciation and impairment	-	( 1,413,842)	( 3,429,011)	( 2,195,086)	( 207,520)	( 680,405)	( 7,925,864)
	<u>\$ 387,280</u>	<u>\$ 2,000,782</u>	<u>\$ 409,057</u>	<u>\$ 1,095,221</u>	<u>\$ 125,593</u>	<u>\$ 430,599</u>	<u>\$ 4,448,532</u>

A. There was no capitalization of borrowing costs attributable to the property, plant and equipment.

B. The Group has no property, plant and equipment pledged to others.

(9) Leasing arrangements – lessee

A. The Group leases various assets including land, buildings and transportation equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation are as follows:

	Carrying amount	
	December 31, 2021	December 31, 2020
Land	\$ 1,370,790	\$ 1,398,253
Buildings	215,177	249,168
Transportation equipment	1,943	-
	<u>\$ 1,587,910</u>	<u>\$ 1,647,421</u>
	Depreciation	
	Year ended December 31, 2021	Year ended December 31, 2020
Land	\$ 27,376	\$ 26,828
Buildings	81,295	79,389
Transportation equipment	1,644	-
	<u>\$ 110,315</u>	<u>\$ 106,217</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$57,016 and \$349,933, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 28,590</u>	<u>\$ 28,913</u>

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$119,369 and \$117,604, respectively.

(10) Investment property

	Buildings	
	2021	2020
<u>At January 1</u>		
Cost	\$ 81,499	\$ 80,799
Accumulated depreciation and impairment	( 35,809)	( 31,663)
	<u>\$ 45,690</u>	<u>\$ 49,136</u>
 At January 1	 \$ 45,690	 \$ 49,136
Depreciation	( 3,858)	( 3,807)
Net exchange difference	( 191)	361
At December 31	<u>\$ 41,641</u>	<u>\$ 45,690</u>
 <u>At December 31</u>		
Cost	\$ 81,152	\$ 81,499
Accumulated depreciation and impairment	( 39,511)	( 35,809)
	<u>\$ 41,641</u>	<u>\$ 45,690</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Year ended December 31, 2021	Year ended December 31, 2020
Rental income from the lease of the investment property	<u>\$ 2,231</u>	<u>\$ 1,127</u>
Operating expenses arising from the investment property that generated rental income during the period	<u>\$ 3,858</u>	<u>\$ 3,807</u>

B. The Group's investment property is located in Mainland China. The fair value is based on valuation information from Information Centre of Real Estate in local governments in Mainland China and is adjusted and classified as level 3 accordingly. As of December 31, 2021 and 2020, the fair value was \$130,525 and \$128,794, respectively.

(11) Intangible assets

	Computer software	Intellectual property	Goodwill	Others	Total
<u>At January 1, 2021</u>					
Cost	\$ 5,088,065	\$ 4,900,421	\$ 639,561	\$ 275,206	\$ 10,903,253
Accumulated amortisation and impairment	( 3,987,796)	( 3,981,733)	( 639,561)	( 226,839)	( 8,835,929)
	<u>\$ 1,100,269</u>	<u>\$ 918,688</u>	<u>\$ -</u>	<u>\$ 48,367</u>	<u>\$ 2,067,324</u>
<u>2021</u>					
At January 1	\$ 1,100,269	\$ 918,688	\$ -	\$ 48,367	\$ 2,067,324
Additions	551,638	906,330	-	14,176	1,472,144
Amortisation	( 749,514)	( 532,557)	-	( 20,588)	( 1,302,659)
Net exchange difference	( 38)	( 3,959)	-	( 1,118)	( 5,115)
At December 31	<u>\$ 902,355</u>	<u>\$ 1,288,502</u>	<u>\$ -</u>	<u>\$ 40,837</u>	<u>\$ 2,231,694</u>
<u>At December 31, 2021</u>					
Cost	\$ 5,639,381	\$ 5,805,930	\$ 639,561	\$ 281,520	\$ 12,366,392
Accumulated amortisation and impairment	( 4,737,026)	( 4,517,428)	( 639,561)	( 240,683)	( 10,134,698)
	<u>\$ 902,355</u>	<u>\$ 1,288,502</u>	<u>\$ -</u>	<u>\$ 40,837</u>	<u>\$ 2,231,694</u>
	Computer software	Intellectual property	Goodwill	Others	Total
<u>At January 1, 2020</u>					
Cost	\$ 4,083,596	\$ 4,500,995	\$ 645,724	\$ 291,141	\$ 9,521,456
Accumulated amortisation and impairment	( 3,307,376)	( 3,550,602)	( 498,707)	( 211,811)	( 7,568,496)
	<u>\$ 776,220</u>	<u>\$ 950,393</u>	<u>\$ 147,017</u>	<u>\$ 79,330</u>	<u>\$ 1,952,960</u>
<u>2020</u>					
At January 1	\$ 776,220	\$ 950,393	\$ 147,017	\$ 79,330	\$ 1,952,960
Additions	1,006,607	397,771	-	-	1,404,378
Reclassifications	540	-	-	( 572)	( 32)
Amortisation	( 683,120)	( 431,854)	-	( 27,248)	( 1,142,222)
Impairment	-	-	( 140,854)	-	( 140,854)
Net exchange difference	22	2,378	( 6,163)	( 3,143)	( 6,906)
At December 31	<u>\$ 1,100,269</u>	<u>\$ 918,688</u>	<u>\$ -</u>	<u>\$ 48,367</u>	<u>\$ 2,067,324</u>
<u>At December 31, 2020</u>					
Cost	\$ 5,088,065	\$ 4,900,421	\$ 639,561	\$ 275,206	\$ 10,903,253
Accumulated amortisation and impairment	( 3,987,796)	( 3,981,733)	( 639,561)	( 226,839)	( 8,835,929)
	<u>\$ 1,100,269</u>	<u>\$ 918,688</u>	<u>\$ -</u>	<u>\$ 48,367</u>	<u>\$ 2,067,324</u>

Details of amortization on intangible assets are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Operating costs	\$ 1,374	\$ 6,080
Operating expenses	<u>1,301,285</u>	<u>1,136,142</u>
	<u>\$ 1,302,659</u>	<u>\$ 1,142,222</u>

(12) Impairment of non-financial assets

A. The Group recognized impairment loss for the years ended December 31, 2020 was \$140,854.

Details of such loss are as follows:

	Year ended December 31, 2020	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss — Goodwill	\$ 140,854	\$ -

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets predicted by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Due to performance of the products acquired from the merger with Cortina was overestimated, a goodwill assessment for 2020 was conducted which is based on financial budgets estimated by the management covering a five-year period. The discount rate is 11.94% for 2020. The following sets forth the key assumptions that influence estimation of recoverable amounts and methods for determining key assumptions:

(a) Estimation of growth rate: Conservatively estimated the financial budget for the next 5 years at a zero-growth rate.

(b) Costs of goods sold and gross margin: Based on financial budgets estimated by the management covering five-year period and historical experience.

(c) Estimation of operating expense: Estimated annual operating expenses are based on financial budgets estimated by the management covering five-year period and actual operating expense ratio.

The recoverable amount calculated based on the above assumptions is lower than the sum of carrying value of identifiable assets of the cash-generating unit and goodwill. Thus, there is impairment for the assets. The Group recognized impairment loss for the year ended December 31, 2020.

(13) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 13,342,100	0.42%~0.57%	None
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 11,456,690	0.57%~0.60%	None

The Interest expense of long-term and short-term borrowing recognized in loss amounted to \$78,050 and \$124,983 for the years ended December 31, 2021 and 2020, respectively.

(14) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accrued salaries and bonus	\$ 9,641,868	\$ 5,286,534
Payable for employees' compensation	11,117,412	6,145,470
Other accrued expenses	1,927,958	1,850,766
Payables on equipment	283,796	58,959
Payables on software and intellectual property	1,445,930	1,152,591
Others	228,177	171,133
	<u>\$ 24,645,141</u>	<u>\$ 14,665,453</u>

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Loan for Accelerated Investment by Domestic Corporations (Note)	2021/11/8 ~2026/12/15	Repayable in instalment over the agreed period	0.3%~0.8%	None	<u>\$ 1,002,799</u>

There were no such transactions on December 31, 2020.

Note: The Ministry of Economic Affairs implemented the “Action Plan for Accelerated Investment by Domestic Corporations” on July 1, 2019. An entity can apply for a subsidized loan for an eligible investment project from financial institutions at a preferential interest rate. The Group is qualified for the loan as approved by the Ministry of Economic Affairs and loan contract with a financial institution with a credit period of 5 years. The loan is used for construction of plant and related facilities.

(16) Pension

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$ 628,846)	(\$ 600,923)
Fair value of plan assets	534,371	501,842
Net defined benefit liability	(\$ 94,475)	(\$ 99,081)

(c) Movement in net defined benefit liabilities are as follows:

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	( 600,923)	501,842	( 99,081)
Current service cost	( 1,079)	-	( 1,079)
Interest (expense) income	( 2,056)	1,741	( 315)
	( 604,058)	503,583	( 100,475)
Remeasurements:			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	35,943	35,943
Change in demographic assumptions	( 34,449)	-	( 34,449)
Change in financial assumptions	29,040	-	29,040
Experience adjustments	( 30,534)	-	( 30,534)
	( 35,943)	35,943	-
Pension fund contribution	-	6,000	6,000
Paid pension	11,155	( 11,155)	-
At December 31	(\$ 628,846)	\$ 534,371	(\$ 94,475)

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 595,932)	\$ 522,312	(\$ 73,620)
Current service cost	( 1,580)	-	( 1,580)
Interest (expense) income	( 4,727)	4,098	( 629)
	<u>( 602,239)</u>	<u>526,410</u>	<u>( 75,829)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,910	5,910
Change in demographic assumptions	( 3,573)	-	( 3,573)
Change in financial assumptions	( 17,863)	-	( 17,863)
Experience adjustments	( 13,726)	-	( 13,726)
	<u>( 35,162)</u>	<u>5,910</u>	<u>( 29,252)</u>
Pension fund contribution	-	6,000	6,000
Paid pension	36,478	( 36,478)	-
At December 31	<u>(\$ 600,923)</u>	<u>\$ 501,842</u>	<u>(\$ 99,081)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate	0.75%	0.3%
Future salary increases	4.75%	4.75%

Future mortality rate was estimated based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	<u>\$ 16,290</u>	<u>(\$ 16,894)</u>	<u>(\$ 15,888)</u>	<u>\$ 15,415</u>
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	<u>\$ 16,617</u>	<u>(\$ 17,201)</u>	<u>(\$ 16,104)</u>	<u>\$ 15,599</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to \$6,000.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 297,815
2-5 year(s)	119,175
5-10 years	209,134
	<u>\$ 626,124</u>

- B. (a) Effective July 1, 2005, the Company and domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, Realsil Microelectronics Corp., Realtek Semiconductor (Shen Zhen) Corp., Cortina Network Systems Shanghai Co., Ltd., RayMX Microelectronics Corp. and Suzhou PanKore Integrated Circuit Technology Co. Ltd. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Monthly contributions to an independent fund are administered by the government. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$330,437 and \$290,735, respectively.

(17) Provision

	2021	2020
At January 1	\$ 1,018,706	\$ 1,075,809
Effect of exchange rate	( 29,231)	( 57,103)
At December 31	<u>\$ 989,475</u>	<u>\$ 1,018,706</u>

As of December 31, 2021, provisions were estimated for potential infringement litigations.

(18) Share capital

A. As of December 31, 2021, the Company's authority capital was \$8,900,000, consisting of 890 million shares of common stock (including 80 million shares reserved for employee stock options), and the paid-in capital was \$5,106,849 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number (thousands of shares) of the Company's common shares outstanding are as follow:

	2021	2020
At January 1	510,684	508,095
Employees' compensation transferred to common shares	-	2,589
At December 31	<u>510,684</u>	<u>510,684</u>

B. On March 20, 2020, the Board of Directors of the Company during their meeting resolved for the Company to provide employees' compensation in the form of stocks amounting to \$419,485. The Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution. The closing price was \$162 (in dollars) per share, and the Company issued 2,589 thousand new shares, which was approved by the Competent Authority. The effective date for the issuance was April 8, 2020, and the related registration for the issuance was completed on April 20, 2020.

C. On January 24, 2002, the Company increased its new common stock and sold its old common stock by issuing 13,924 thousand units of GDRs for cash. Each GDR unit represents 4 common stocks, so the total common stocks issued were 55,694 thousand shares. The Company's GDRs are traded in the Luxembourg Stock Exchange. As of December 31, 2021, the outstanding GDRs were 463 thousand units, or 1,852 thousand shares of common stock, representing 0.36% of the Company's total common stocks.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated

deficit unless the legal reserve is insufficient.

	2021			
	Share premium	Change in associates accounted for under equity method	Others	Total
At January 1	\$ 2,060,376	\$ 61,035	\$ 597	\$ 2,122,008
Cash from capital surplus	( 1,021,370)	-	-	( 1,021,370)
Change in associates accounted for under equity method	-	226	-	226
Cash dividends returned	-	-	215	215
At December 31	<u>\$ 1,039,006</u>	<u>\$ 61,261</u>	<u>\$ 812</u>	<u>\$ 1,101,079</u>
	2020			
	Share premium	Change in associates accounted for under equity method	Others	Total
At January 1	\$ 2,688,155	\$ 48,272	\$ 427	\$ 2,736,854
Employees' compensation transferred to common stock	393,591	-	-	393,591
Cash from capital surplus	( 1,021,370)	-	-	( 1,021,370)
Change in associates accounted for under equity method	-	12,763	-	12,763
Cash dividends returned	-	-	170	170
At December 31	<u>\$ 2,060,376</u>	<u>\$ 61,035</u>	<u>\$ 597</u>	<u>\$ 2,122,008</u>

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is not required to be set aside any more. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with prior year's accumulated undistributed earnings shall be proposed by the Board of Directors. However, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares, or the appropriation of earnings shall be resolved by the Board of Directors, if earnings are distributed in the form of cash. The Company should consider factors affecting finance, business and operations to appropriate distributable earnings for the period, and appropriate all or partial reserve in accordance with regulations of the Competent Authority. Dividends distributed are at least 50% of the addition of distributable earnings for the year.

The Company's dividend policy takes into consideration the Company's future expansion plans and future cash flows. In accordance with the Company's dividend policy, cash

dividends shall account for at least 10% of the total dividends distributed.

In accordance with Company Act Article 240, Item 5 and Article 241, Item 2, the resolution, for all or partial of distributable dividends, legal reserve and capital surplus are distributed in the form of cash, will be adopted by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors, and will be reported to the shareholders.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriation of 2020 and 2019 earnings had been resolved at the shareholders' meeting on August 9, 2021 and June 10, 2020, respectively. Details are summarized below:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -	\$ -	\$ 674,907	\$ -
Special reserve	1,339,013	-	217,036	-
Cash dividends	6,128,219	12.00	4,596,164	9.00
Total	<u>\$ 7,467,232</u>	<u>\$ 12.00</u>	<u>\$ 5,488,107</u>	<u>\$ 9.00</u>

- E. On April 23, 2021 and April 24, 2020, the Board of Directors of the Company resolved to distribute cash dividends from capital surplus to shareholders in the amount of \$1,021,370 (two dollars per share) and \$1,021,370 (two dollars per share), respectively.

(21) Other equity items

	2021		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 1,384,909	(\$ 2,940,958)	(\$ 1,556,049)
Revaluation:			
–Group	995,872	-	995,872
Currency translation differences:			
–Group	-	( 1,215,913)	( 1,215,913)
At December 31	<u>\$ 2,380,781</u>	<u>(\$ 4,156,871)</u>	<u>(\$ 1,776,090)</u>

	2020		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 545,107	(\$ 762,143)	(\$ 217,036)
Revaluation:			
–Group	829,923		829,923
–Associates	9,879	-	9,879
Currency translation differences:			
–Group	-	( 2,178,815)	( 2,178,815)
At December 31	<u>\$ 1,384,909</u>	<u>(\$ 2,940,958)</u>	<u>(\$ 1,556,049)</u>

(22) Operating revenue

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue from contracts with customers	<u>\$ 105,504,286</u>	<u>\$ 77,759,470</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

<u>Year ended December 31, 2021</u>	Integrated circuit products	Others	Total
Revenue from external customer contracts	<u>\$ 105,374,969</u>	<u>\$ 129,317</u>	<u>\$ 105,504,286</u>
Timing of revenue recognition			
At a point in time	<u>\$ 105,374,969</u>	<u>\$ 129,317</u>	<u>\$ 105,504,286</u>
<u>Year ended December 31, 2020</u>	Integrated circuit products	Others	Total
Revenue from external customer contracts	<u>\$ 77,588,285</u>	<u>\$ 171,185</u>	<u>\$ 77,759,470</u>
Timing of revenue recognition			
At a point in time	<u>\$ 77,588,285</u>	<u>\$ 171,185</u>	<u>\$ 77,759,470</u>

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities –			
advance sales receipts	<u>\$ 211,100</u>	<u>\$ 336,254</u>	<u>\$ 104,947</u>

Revenue recognized that was included in the contract liability balance at the beginning of the period:

	Year ended December 31, 2021	Year ended December 31, 2020
Contract liabilities – advance sales receipts	<u>\$ 269,069</u>	<u>\$ 98,318</u>

C. Refund liabilities (shown in other current liabilities)

The Group estimates the discounts based on accumulated experience. The estimation is subject to an assessment at each reporting date.

The following refund liabilities:

	December 31, 2021	December 31, 2020
Refund liabilities – current	\$ 7,521,493	\$ 7,386,910

(23) Interest income

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income from bank deposits	\$ 326,399	\$ 833,821

(24) Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Dividend income	\$ 43,713	\$ 24,877
Grant income	53,621	60,635
Other income	116,093	91,453
	<u>\$ 213,427</u>	<u>\$ 176,965</u>

(25) Other gains and losses

	Year ended December 31, 2021	Year ended December 31, 2020
Gains (losses) on disposal of property, plant and equipment	(\$ 196)	\$ 1,501
Gains (losses) on disposal of investments	( 145)	466
Net currency exchange losses	( 109,466)	( 206,408)
Gains on financial assets at fair value through profit or loss	114,364	231,470
Impairment losses of intangible assets	-	( 140,854)
Other (losses) income	( 176,040)	4,497
Gains arising from lease modifications	236	-
	<u>(\$ 171,247)</u>	<u>(\$ 109,328)</u>

(26) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense		
Bank borrowings	\$ 78,050	\$ 124,983
Lease liabilities	28,590	28,913
	<u>\$ 106,640</u>	<u>\$ 153,896</u>

(27) Expenses by nature

	Year ended December 31, 2021	Year ended December 31, 2020
Employee benefit expenses	\$ 27,400,484	\$ 17,418,281
Depreciation	\$ 998,212	\$ 841,711
Amortisation	\$ 1,302,659	\$ 1,142,222

(28) Employee benefit expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Wages and salaries	\$ 26,163,019	\$ 16,381,081
Labor and health insurance fees	662,438	505,515
Pension costs	331,831	292,944
Other personnel expenses	243,196	238,741
Total	\$ 27,400,484	\$ 17,418,281

A. In accordance with the Company's Articles of Incorporation, the Company shall appropriate no higher than 3% for directors' remuneration and no less than 1% for employees' compensation, if the Company generates profit. If the Company has accumulated deficit, earnings should be reserved to cover losses before the appropriation of directors' remuneration and employees' compensation. Aforementioned employees' compensation could be distributed by cash or stocks. Specifics of the compensation are to be determined by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors. The resolution should be reported to the shareholders during the shareholders' meeting.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$4,956,694 and \$2,586,317, respectively; directors' remuneration was accrued at \$130,000 and \$90,000, respectively. The amounts were estimated as operating cost or operating expense in accordance with the Company's Articles of Incorporation.

On March 19, 2021, employees' compensation was \$2,586,317, and directors' remuneration was \$90,000 for 2020 resolved at the meeting of the Board of Directors agreed with those amounts recognized in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

	Year ended December 31, 2021	Year ended December 31, 2020
Current income tax:		
Current income tax on profit for the period	\$ 934,395	\$ 625,190
Tax on undistributed earnings	64,850	63,048
Prior year income tax overestimation	( 276,529)	( 121,055)
Total current income tax	<u>722,716</u>	<u>567,183</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 805)	( 4,564)
Income tax expense	<u>\$ 721,911</u>	<u>\$ 562,619</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2021	Year ended December 31, 2020
Income tax calculated based on income before tax	\$ 3,528,450	\$ 1,873,197
Expenses disallowed by tax regulation and effects from tax-exempt income	( 2,594,860)	( 1,252,571)
Prior year income tax overestimation	( 276,529)	( 121,055)
Tax on undistributed earnings	<u>64,850</u>	<u>63,048</u>
Income tax expense	<u>\$ 721,911</u>	<u>\$ 562,619</u>

C. Amounts of deferred income tax assets or liabilities as a result of temporary differences are as follows:

	2021		
	January 1	loss	December 31
Deferred income tax assets:			
— Temporary differences:			
Unrealised loss on market price decline and obsolete and slow-moving inventories and others	\$ 169,876	\$ 1,445	\$ 171,321
Deferred income tax liabilities:			
— Temporary differences:			
Unrealised exchange gain	( 106,872)	( 640)	( 103,512)
Total	<u>\$ 63,004</u>	<u>\$ 805</u>	<u>\$ 67,809</u>

2020			
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets:			
— Temporary differences:			
Unrealised loss on market price decline and obsolete and slow-moving inventories and others	\$ 114,163	\$ 55,713	\$ 169,876
Deferred income tax liabilities:			
— Temporary differences:			
Unrealised exchange gain	( 51,723)	( 51,149)	( 102,872)
	<u>\$ 62,440</u>	<u>\$ 4,564</u>	<u>\$ 67,004</u>

D. The amounts of deductible temporary differences that were not recognized as deferred income tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 1,414,597</u>	<u>\$ 1,256,642</u>

E. As of December 31, 2021, the Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(30) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent company	<u>\$ 16,852,759</u>	<u>510,684</u>	<u>\$ 33.00</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent company	\$ 16,852,759	510,684	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	9,726	
Profit attributable to common shareholders of the parent company plus assumed conversion of all dilutive potential	<u>\$ 16,852,759</u>	<u>520,410</u>	<u>\$ 32.38</u>

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent company	<u>\$ 8,793,477</u>	<u>510,126</u>	<u>\$ 17.24</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent company	\$ 8,793,477	510,126	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	<u>-</u>	<u>9,418</u>	
Profit attributable to common shareholders of the parent company plus assumed conversion of all dilutive potential	<u>\$ 8,793,477</u>	<u>519,544</u>	<u>\$ 16.93</u>

(31) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of property, plant and equipment	\$ 2,735,005	\$ 1,728,078
Add: Opening balance of payable on equipment	58,959	113,350
Less: Ending balance of payable on equipment	( 283,796)	( 58,959)
Cash paid during the period	<u>\$ 2,510,168</u>	<u>\$ 1,782,469</u>
	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of intangible assets	\$ 1,472,144	\$ 1,404,378
Add: Opening balance of payable on software and intellectual property	1,152,591	725,345
Less: Ending balance of payable on software and intellectual property	( 1,445,930)	( 1,152,591)
Cash paid during the period	<u>\$ 1,178,805</u>	<u>\$ 977,132</u>

(32) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Long-term borrowings	Liabilities from financing activities-total
At January 1, 2021	\$ 11,456,690	\$ 1,251	\$ 1,377,257	\$ -	\$ 12,835,198
Changes in cash flow from financing activities	1,885,410	197 (	90,779)	1,017,360	2,812,188
Interest paid	-	- (	28,590)	- (	28,590)
Interest of lease liabilities	-	-	28,590	-	28,590
Impact of changes in foreign exchange	-	- (	3,056)	- (	3,056)
Changes in other non-cash items	-	-	49,283 (	14,561)	34,722
At December 31, 2021	<u>\$ 13,342,100</u>	<u>\$ 1,448</u>	<u>\$ 1,332,705</u>	<u>\$ 1,002,799</u>	<u>\$ 15,679,052</u>
	Short-term borrowings	Guarantee deposits received	Lease liabilities		Liabilities from financing activities-total
At January 1, 2020	\$ 18,966,042	\$ 3,450	\$ 1,112,675	\$	\$ 20,082,167
Changes in cash flow from financing activities	( 7,490,176)	( 2,199)	( 88,691)	(	( 7,581,066)
Interest paid	-	- (	28,913)	(	28,913)
Interest of lease liabilities	-	-	28,913		28,913
Impact of changes in foreign Changes in other non-cash items	( 19,176)	-	3,340 (	(	15,836)
	-	-	349,933		349,933
At December 31, 2020	<u>\$ 11,456,690</u>	<u>\$ 1,251</u>	<u>\$ 1,377,257</u>	<u>\$</u>	<u>\$ 12,835,198</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The ultimate controlling party of the Group is the Company.

### (2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
G.M.I Technology Inc.	Other related party
Actions Semiconductor Co., Ltd.	Other related party
C-Media Electronics Inc.	Other related party
Greatek Electronics Inc.	Other related party
EmBestor Technology Inc.	Other related party

### (3) Significant related party transactions and balances

#### A. Operating revenue

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Sales of goods:		
G.M.I Technology Inc.	\$ 16,083,737	\$ 12,212,600
Others	623,758	377,047
	<u>\$ 16,707,495</u>	<u>\$ 12,589,647</u>

Goods are sold based on the price lists in force and terms that would be available to third parties, and the general collection term was 30 ~ 60 days after monthly billings.

#### B. Processing cost

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Greatek Electronics Inc.	\$ 1,339,141	\$ 1,253,860
Others	8,413	45
	<u>\$ 1,347,554</u>	<u>\$ 1,253,905</u>

Processing cost is paid to related parties on normal commercial terms and conditions, and the general payment term was 69 days after monthly billings.

#### C. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
G.M.I Technology Inc.	\$ 3,146,078	\$ 2,753,359
Other	46,106	59,040
	<u>\$ 3,192,184</u>	<u>\$ 2,812,399</u>

Aforementioned receivables were 30 ~ 60 days after monthly billings. The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest.

#### D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Greatek Electronics Inc.	\$ 333,380	\$ 340,187
Others	1,033	45
	<u>\$ 334,413</u>	<u>\$ 340,232</u>

The payment term above was 69 days after monthly billings. The payables to related parties arise mainly from processing cost. The payables bear no interest.

#### E. Other transactions and other (receivables) payables:

	<u>Year ended</u> <u>December 31, 2021</u>		<u>Year ended</u> <u>December 31, 2020</u>	
	<u>Amount</u>	<u>Ending balance</u>	<u>Amount</u>	<u>Ending balance</u>
Other related parties-				
Sales commissions	\$ 633,550	\$ 101,253	\$ 471,394	\$ 94,808
Cash dividends revenue	(\$ 21,761)	\$ -	(\$ 14,381)	\$ -
Technical royalty revenue	(\$ 31,451)	\$ -	(\$ 8,406)	\$ -
Other	\$ 327	\$ -	\$ -	\$ -

The payment term above was 49 days after monthly billings; the collection term was 30 ~ 60 days after monthly billings.

#### (4) Key management compensation

	<u>Year ended</u> <u>December 31, 2021</u>	<u>Year ended</u> <u>December 31, 2020</u>
Salaries and other short-term employee benefits	\$ 248,487	\$ 137,298
Post-employment benefits	3,103	2,721
Total	<u>\$ 251,590</u>	<u>\$ 140,019</u>

#### 8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	<u>Book value</u>		
<u>Pledged asset</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purposes</u>
Time deposits (shown in financial assets at amortised cost non-current)	\$ 31,048	\$ 30,821	Guarantee for the importation customs duties of materials
"	49,053	48,836	Guarantee for leasing land and office in science park
	<u>\$ 80,101</u>	<u>\$ 79,657</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### (1) Contingencies

- A. In 2020, Divx, LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court of Delaware against the Company’s IC products. On July 4, 2021, DivX terminated the investigation against the Company in ITC.
- B. In 2020, KONINKLIJKE PHILIPS N.V. and PHILIPS NORTH AMERICA LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court of Delaware against the Company’s IC products. On October 21, 2021, the Administrative Law Judge of ITC issued his initial determination finding non-infringement for the accused Company’s IC products and non-existence of the required domestic industry.
- C. Future Link Systems, LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court for the Western District of Texas against the Company’s IC products. The cases are still pending, and the Company is unable to reliably determine the outcome of the cases.
- D. BANDSPEED, LLC brought an action for patent infringement in United States District Court for the Western District of Texas against the Company’s IC products. The case is still pending, and the Company is unable to reliably determine the outcome of the case.

### (2) Commitments

None.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 1,952,647</u>	<u>\$ 1,080,657</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 3,644,878</u>	<u>\$ 2,619,331</u>
Financial assets at amortised cost/Receivables		
Cash and cash equivalents	\$ 7,197,351	\$ 7,296,360
Financial assets at amortised cost	43,820,977	35,410,003
Accounts receivable (including related parties)	15,989,005	13,653,068
Other receivables	156,928	301,431
Refundable deposits	734,855	50,127
	<u>\$ 67,899,116</u>	<u>\$ 56,710,989</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 13,342,100	\$ 11,456,690
Notes payable	3,276	28,653
Accounts payable (including related parties)	11,439,981	10,960,286
Other payables (including related parties)	24,746,394	14,760,261
Long-term borrowings	1,002,799	-
Guarantee deposits received	1,448	1,251
Other financial liabilities	7,521,493	7,386,910
	<u>\$ 58,057,491</u>	<u>\$ 44,594,051</u>
Lease liabilities	<u>\$ 1,333,705</u>	<u>\$ 1,377,257</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a finance division (Group finance) under policies approved by the Board of Directors. Group finance identifies, evaluates, and hedges

financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and CNY. Foreign exchange risk arises from future commercial transactions, recognized assets, and liabilities.
- ii. Management has set up a policy to require the Group to manage its foreign exchange risk against its functional currency. The Group is required to hedge its entire foreign exchange risk exposure with the Group finance.
- iii. The Group's businesses involve some functional currency operations (the Company's and other certain subsidiaries' functional currency: NTD ; other certain subsidiaries' functional currency: USD and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021			
	Foreign currency amount		Book value	
	(In thousands)	Exchange rate	(NTD)	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	\$ 371,907	27.690	\$	10,298,105
Non-monetary items				
USD:NTD	1,692,376	27.690	\$	46,861,891
Financial liabilities				
Monetary items				
USD:NTD	458,477	27.690	\$	12,695,228

December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 425,703	28.508	\$ 12,135,941
<u>Non-monetary items</u>			
USD:NTD	1,387,989	28.508	39,568,790
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	543,630	28.508	15,497,804

The exchange loss including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$109,466 and \$206,408, respectively. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 102,981	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	468,619
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 126,952)	-

Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 121,359	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	395,688
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 154,978)	-

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$195,265 and \$108,066, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$364,488 and \$261,933, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

The Group has no material interest rate risk.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortized cost.
- ii. The Group manages their credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the

credit quality of the customers, taking into account their financial position, past experience and other factors.

- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecast ability of semiconductor industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021, and 2020, the provision matrix are as follows:

	Not past due	1~90 days past due	Over 90 days past due	Total
<u>At December 31, 2021</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	\$ 15,874,298	\$ 212,956	\$ 461	\$ 16,087,715
Loss allowance	\$ 96,119	\$ 2,130	\$ 461	\$ 98,710
	Not past due	1~90 days past due	Over 90 days past due	Total
<u>At December 31, 2020</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	\$ 13,471,549	\$ 276,445	\$ 434	\$ 13,748,428
Loss allowance	\$ 92,162	\$ 2,764	\$ 434	\$ 95,360

- ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2021
	Loss allowance for accounts receivable
At January 1	\$ 95,360
Provision for impairment loss	3,350
At December 31	<u>\$ 98,710</u>
	2020
	Loss allowance for accounts receivable
At January 1	\$ 79,607
Provision for impairment loss	15,753
At December 31	<u>\$ 95,360</u>

- x. For financial assets at amortised cost, the credit rating levels are presented below:

	December 31, 2021			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 43,820,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,820,977</u>
	December 31, 2020			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 35,410,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,410,003</u>

The Group's financial assets at amortized cost are all time deposits with an original due date of more than three months, and there is no significant abnormality in credit risk assessment.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Group finance invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 13,342,100	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	11,439,981	-	-
Other payables (including related parties)	24,746,394	-	-
Lease liabilities	115,821	334,479	1,340,088
Long-term borrowings	-	1,017,360	-
Guarantee deposits received	-	-	1,448
Other financial liabilities	7,521,493	-	-

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 11,465,691	\$ -	\$ -
Notes payable	28,653	-	-
Accounts payable (including related parties)	10,960,286	-	-
Other payables (including related parties)	14,760,261	-	-
Lease liabilities	123,951	338,279	1,393,936
Guarantee deposits received	-	-	1,251
Other financial liabilities	7,386,910	-	-

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

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. The fair value of the Group's investment in equity investment without active market is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(10).  
C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:  
(a) The related information of nature of the assets is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,952,647	\$ -	\$ -	\$ 1,952,647
Financial assets at fair value through other comprehensive income				
Equity securities	824,506	-	2,820,372	3,644,878
Total	<u>\$ 2,777,153</u>	<u>\$ -</u>	<u>\$ 2,820,372</u>	<u>\$ 5,597,525</u>
December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,080,657	\$ -	\$ -	\$ 1,080,657
Financial assets at fair value through other comprehensive income				
Equity securities	587,851	-	2,031,480	2,619,331
Total	<u>\$ 1,668,508</u>	<u>\$ -</u>	<u>\$ 2,031,480</u>	<u>\$ 3,699,988</u>

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Closed- end fund	Open- end fund	Government bond	Corporate bond	Convertible (exchangeable) bond
Market quoted price	Closing price	Closing price	Net asset value	Translation price	Weighted average quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs.

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	\$ 2,031,480	\$ 1,353,863
Gains recognized in other comprehensive income	788,892	677,617
At December 31	\$ 2,820,372	\$ 2,031,480

F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

G. The finance division is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the

exercisable price, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity					
Unlisted shares	\$ 106,304	Market comparable companies	Price to book ratio multiple	15.33	The higher the multiple, the higher the fair value
"	30,270	Net asset value	Not applicable	-	Not applicable
Private equity fund investment	2,683,798	Net asset value	Not applicable	-	Not applicable
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity					
Unlisted shares	\$ 109,445	Market comparable companies	Price to book ratio multiple	4.04	The higher the multiple, the higher the fair value
"	22,737	Net asset value	Not applicable	-	Not applicable
Private equity fund investment	1,899,298	Net asset value	Not applicable	-	Not applicable

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
	Input	Change	Change	change	Change	change
Financial assets						
Equity instrument	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 7,283	(\$ 7,283)
			December 31, 2020			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
	Input	Change	Change	change	Change	change
Financial assets						
Equity instrument	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 1,760	(\$ 1,760)

(4) Effects on the Group's operation arising from the COVID-19 pandemic

As a result of the COVID-19 outbreak, the government implemented prevention measures against the COVID-19 pandemic starting from May 2021. Under these measures, residents were restricted to leave their homes and unessential establishments were closed, The Company had adjusted its employees' working patterns accordingly, and the prevention measures continued to be implemented in accordance with the relevant regulations of the government. As of December 31, 2021, there were no significant effects to the Group's operating activities and financial statements arising from the pandemic under the Group's assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations, and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to tables 1, 2 and 6.

(4) Major shareholders information

As of December 31, 2021, the Company had no shareholders who hold over 5% (including 5%) of the Company's shares.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the consolidated financial statements. The accounting policy of operating segments is the same as that described in Note 4.

(3) Information on segment profit (loss), assets and liabilities

The revenue from external customers and segment financial information reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the consolidated statement of comprehensive income.

(4) Reconciliation for segment profit (loss)

The segment assets, liabilities and profit before income tax reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the consolidated balance sheet and consolidated statement of comprehensive income. As a result, no reconciliation was reported.

(5) Information on products and services

Revenue from external customers is derived from the sale of integrated circuits. Other income is derived from design, royalty and technical services.

Breakdown of the revenue from all sources are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue from ICs	\$ 105,374,969	\$ 77,588,285
Others	129,317	171,185
Total	<u>\$ 105,504,286</u>	<u>\$ 77,759,470</u>

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 48,015,150	\$ 9,397,141	\$ 34,965,916	\$ 7,231,964
Asia	56,984,374	670,167	42,521,571	847,660
Others	504,762	96,671	271,983	128,535
Total	<u>\$ 105,504,286</u>	<u>\$ 10,163,979</u>	<u>\$ 77,759,470</u>	<u>\$ 8,208,159</u>

Note: Non-current assets exclude financial instruments and deferred income tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Segment	Revenue	Segment
Customer B	\$ 24,336,918	The whole group	\$ 16,074,247	The whole group
Customer D	22,895,750	"	14,175,131	"
Customer A	16,083,737	"	12,212,600	"

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1  
Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended		Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral			Colling on total loans granted (Note 2)	Footnote
					December 31, 2021 (Note 3)	December 31, 2021 (Note 3)							Item	Value	Limit on loans granted to a single party		
0	Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Other receivables related parties	Y	\$ 300,000	\$ 300,000	\$ 87,000	0.58	Short-term financing	\$ -	Operations	\$ -	None	\$ -	3,894,265	\$ 15,577,060	None
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	Other receivables related parties	Y	55,380	55,380	-	-	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Other receivables related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables related parties	Y	1,661,400	1,661,400	1,629,557	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Bluewin Inc.	Other receivables related parties	Y	1,661,400	1,661,400	1,661,400	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables related parties	Y	1,661,400	1,661,400	1,661,400	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables related parties	Y	2,492,100	2,492,100	2,422,875	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
1	Leading Enterprises Limited	Bluewin Inc.	Other receivables related parties	Y	1,661,400	1,661,400	238,272	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables related parties	Y	5,538,000	5,538,000	89,439	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
2	Amber Universal Inc.	Blueocean Inc.	Other receivables related parties	Y	1,384,500	1,384,500	567,645	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
2	Amber Universal Inc.	Talent Eagle Enterprise Inc.	Other receivables related parties	Y	2,769,000	2,769,000	2,769,693	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
3	Corina Access, Inc.	Leading Enterprises Limited	Other receivables related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
4	Realtek Investment Singapore Private Limited	Realtek Singapore Private Limited	Other receivables related parties	Y	2,769,000	2,769,000	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended		Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral			Ceiling on total loans granted (Note 2)	Footnote
					December 31, 2021 (Note 3)	December 31, 2021 (Note 3)							Item	Value	Limit on loans granted to a single party		
5	Realtek Singapore Private Limited	Leading Enterprises Limited	Other receivables-related parties	Y	\$ 2,769,000	\$ 2,769,000	\$ 2,769,000	0.60	Short-term financing	\$	Operations	\$	None	\$	-	\$ 15,577,000	None
5	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	Other receivables-related parties	Y	55,380	55,380	-	-	Short-term financing	-	Operations	-	None	-	-	15,577,000	None
5	Realtek Singapore Private Limited	Realtek Microelectronics Corp.	Other receivables-related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	-	15,577,000	None
5	Realtek Singapore Private Limited	Realtek Investment Singapore Private Limited	Other receivables-related parties	Y	2,769,000	2,769,000	663,096	0.60	Short-term financing	-	Operations	-	None	-	-	15,577,000	None
6	Realtek Microelectronics Corp.	Suzhou Pankere Integrated Circuit Technology Co., Ltd.	Other receivables-related parties	Y	347,248	347,248	72,022	4.35	Short-term financing	-	Operations	-	None	-	-	15,577,000	None
6	Realtek Microelectronics Corp.	RayMX Microelectronics Corp.	Other receivables-related parties	Y	347,248	347,248	-	-	Short-term financing	-	Operations	-	None	-	-	15,577,000	None
7	Cerina Network Systems Shanghai Co., Ltd.	Suzhou Pankere Integrated Circuit Technology Co., Ltd.	Other receivables-related parties	Y	130,218	130,218	-	-	Short-term financing	-	Operations	-	None	-	-	15,577,000	None

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is 'Y'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The Company's "Procedures for Provision of Loans" are as follows:

(1) Ceiling on total loans granted by the Company to all parties is 40% of the Company's net assets value as per its most recent financial statements.

(2) Limit on loans to a single party with business transactions is the business transactions occurred between the creditor and borrower in the current year. The business transaction amount is the higher of purchasing and selling during current year on the year of financing.

(3) For companies needing for short-term financing, the cumulative lending amount may not exceed 40% of the borrowing company's net assets based on its latest financial statements audited or reviewed by independent accountants.

The amount the Company or its subsidiaries lend to an individual entity may not exceed 10% of the Company's or subsidiary's net assets based on its latest financial statements audited or reviewed by independent accountants.

For the foreign companies which the Company holds 100% of the voting rights directly or indirectly, limit on loans is not restricted as stipulated in the above item (3). However, the ceiling on total loans and limit on loans to a single party may not exceed 40% of the Company's net assets based on

its latest financial statements audited or reviewed by independent accountants.

Note 3: Accumulated maximum outstanding balance of loans to others as of the reporting month of the current period.

Note 4: Fill in the actual amount of loans to others used by the borrowing company.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others  
For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limited on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	2	\$ 19,471,326	\$ 3,894,265	\$ 3,894,265	\$ -	\$ -	10%	\$ 19,471,326	Y	N	N	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	2	19,471,326	7,788,530	7,788,530	-	-	20%	19,471,326	Y	N	N	
0	Realtek Semiconductor Corporation	Suzhn PanKore Integrated Greuit Technology Co., Ltd.	2	19,471,326	389,427	389,427	-	-	1%	19,471,326	Y	N	Y	
0	Realtek Semiconductor Corporation	Realsil Microelectronics Corp.	2	19,471,326	1,168,280	1,168,280	-	-	3%	19,471,326	Y	N	Y	
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	2	19,471,326	1,168,280	1,168,280	13,276	-	3%	19,471,326	Y	N	Y	
1	Leading Enterprises Limited	Realsil Microelectronics Corp.	2	19,471,326	553,800	553,800	-	-	2%	19,471,326	N	N	Y	
2	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	2	19,471,326	553,800	553,800	-	-	2%	19,471,326	N	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly or indirectly owns more than 50% voting shares of the endorsed/guaranteed subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total endorsements/guarantees granted by the Company and subsidiaries is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants, and limit on endorsements/guarantees to a single party is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Lending of Funds and Making of Endorsement/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Realtek Semiconductor Corporation	C-media Electronics Inc. - Common stock	Other related parties	Financial assets at fair value through profit or loss	1,278,501	\$ 129,129	1.06%	\$ 129,129	
Realtek Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	111,898	5.34%	111,898	
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	48,736,172	723,290	3.03%	723,290	
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	3,575,000	111,898	5.34%	111,898	
Leading Enterprises Limited	Fortemedia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8,623,301	89,690	6.89%	89,690	
Leading Enterprises Limited	Starix Technology, Inc. - Preferred stock	None	Financial assets at fair value through other comprehensive income	5,000,000	16,614	-	16,614	
Leading Enterprises Limited	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9,000,000	1,285,407	12.49%	1,285,407	
Amber Universal Inc.	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4,726,836	675,101	6.56%	675,101	
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336,346	21,862	-	21,862	
Hung-wei Venture Capital Co., Ltd.	C-media Electronics Inc. - Common stock	Other related parties	Financial assets at fair value through profit or loss	2,274,875	229,763	2.85%	229,763	
Hung-wei Venture Capital Co., Ltd.	Greatek Electronics Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	5,823,602	454,823	1.02%	454,823	
Hung-wei Venture Capital Co., Ltd.	Subtron technology Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	1,093,968	36,046	0.37%	36,046	
Hung-wei Venture Capital Co., Ltd.	Embestor Technology Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	2,800,000	30,270	10.77%	30,270	

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2021

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2021								Footnote (Note 4)	
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)		Ownership (%)	Fair value	
Blueocean Inc.	EARGO, Inc.	None	Financial assets at fair value through other comprehensive income	424,000	\$	59,877	1.08%	\$	59,877
Talent Eagle Enterprise Inc.	EARGO, Inc.	None	Financial assets at fair value through other comprehensive income	199,000		28,102	0.51%		28,102
Realsil Microelectronics Corp.	Cuam Money Fund	None	Financial assets at fair value through profit or loss	1,015,308		43,472	-		43,472
Realsil Microelectronics Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	184,600,000		803,223	-		803,223
Realsil Microelectronics Corp.	Guang-Fa Demand Policy Loan Fund	None	Financial assets at fair value through profit or loss	10,055,163		43,645	-		43,645
Realsil Microelectronics Corp.	Guang-Fa Currency Class B Fund	None	Financial assets at fair value through profit or loss	39,136,680		169,877	-		169,877
Realsil Microelectronics Corp.	Jian-Xin Monetary Fund	None	Financial assets at fair value through profit or loss	10,055,543		43,647	-		43,647
Realsil Microelectronics Corp.	Rui-Xin Monetary Fund	None	Financial assets at fair value through profit or loss	20,000,000		86,812	-		86,812
Realsil Microelectronics Corp.	Pu-Yin Monetary Fund	None	Financial assets at fair value through profit or loss	30,089,700		130,607	-		130,607
Realetek Semiconductor (Shen Zhen) Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	20,000,000		87,016	-		87,016
Realetek Semiconductor (Shen Zhen) Corp.	Tian-Tian-Zeng-Li Monetary Fund	None	Financial assets at fair value through profit or loss	7,620,000		33,979	-		33,979
Realetek Semiconductor (Shen Zhen) Corp.	Cash Appreciation Currency Fund	None	Financial assets at fair value through profit or loss	9,531,843		41,374	-		41,374
Cortina Network Systems Shanghai Co. Ltd.	Zhou Zhou Fa Fund	None	Financial assets at fair value through profit or loss	4,657,932		27,198	-		27,198
Cortina Network Systems Shanghai Co. Ltd.	Step by step Gold Fund	None	Financial assets at fair value through profit or loss	19,100,000		82,905	-		82,905
Blueocean Inc.	CyWeeMotion Group Limited	None	Financial assets at fair value through other comprehensive income	4,800,000		-	6.59%		-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions											Notes/accounts receivable/payable	
Transaction						Percentage of total purchase (sales)			Percentage of total notes/accounts receivable (payable)			
Purchase/seller	Counterparty	Relationship with the counterparty	Purchase (sales)	Amount		Credit term	Unit price	Credit term	Balance		Footnote	
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	(Sales)	(\$ 9,690,767)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	\$ 1,763,556	11%		
Realtek Semiconductor Corporation	Actions Semiconductor Co., Ltd.	Other related parties	(Sales)	( 184,238)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	17,189	0%		
Realtek Semiconductor Corporation	C-Media Electronics Inc.	Other related parties	(Sales)	( 420,529)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	28,999	0%		
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	( 5,864,928)	(6%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	1,339,319	8%		
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	(Sales)	( 487,094)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	43,203	0%		
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	1,009,689	2%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 235,939)	0%		
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	289,394	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 97,441)	0%		

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2021

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Overdue receivables			Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Turnover rate	Amount	Action taken		
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	\$ 1,763,556	5.51	\$ -	-	\$ 833,031	(\$ 17,814)
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	1,339,319	5.26	-	-	454,424	-

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2021

Table 6	Transaction					Expressed in thousands of NTD (Except as otherwise indicated)	
	Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Percentage of consolidated total operating revenues or total assets (Note 3)
	0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	1	Other receivables	\$ 45,049	0.04%
	1	Realtek Singapore Private Limited	Realtek Microelectronics Corp.	3	Technical service fees	2,386,682	2.26%
	1	Realtek Singapore Private Limited	Realtek Microelectronics Corp.	3	Other payables	326,742	0.32%
	1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Technical service fees	566,137	0.54%
	1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Other payables	105,776	0.10%
	1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Technical service fees	217,181	0.21%
	1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Other payables	11,200	0.01%
	1	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co. Ltd.	3	Technical service fees	138,457	0.13%
	1	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co. Ltd.	3	Other payables	39,249	0.04%
	1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Technical service fees	152,176	0.14%
	1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Other payables	13,453	0.01%
	1	Realtek Singapore Private Limited	Realtek Semiconductor (Japan) Corp.	3	Technical service fees	69,211	0.07%
	1	Realtek Singapore Private Limited	Ubilink Technology Inc.	3	Technical service fees	514,586	0.49%
	1	Realtek Singapore Private Limited	Ubilink Technology Inc.	3	Other payables	259,448	0.26%
	1	Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	3	Technical service fees	10,604	0.01%
	1	Realtek Singapore Private Limited	Realtek Semiconductor (Malaysia) SDN. BHD	3	Technical service fees	17,565	0.02%
	1	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	3	Other receivables	45,049	0.04%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories: fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: The transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on examined transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Only transactions above NT\$10 million are disclosed. Transactions of related parties are not further disclosed here.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Initial investment amount				Shares held as at December 31, 2021				Investment income (loss)		
Investor	Investee	Location	Main business activities	Balance as at		Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2021	Footnote
				December 31, 2021	December 31, 2020					
Realtek Semiconductor Corporation	Lending Enterprises Limited	British Virgin Islands	Investment holdings	\$ 13,676,922	\$ 14,080,956	34,630	100%	\$ 13,271,128	\$ 36,386	Subsidiary
Realtek Semiconductor Corporation	Amber Universal Inc.	British Virgin Islands	Investment holdings	4,358,823	4,487,621	41,432	100%	3,495,793	20,550	Subsidiary
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	3,928,798	4,076,101	89,856,425	100%	18,474,782	13,267,476	Subsidiary
Realtek Semiconductor Corporation	Bluocean Inc.	Cayman Islands	Investment holdings	3,047,285	3,137,305	110,050,000	100%	3,281,950	10,825	Subsidiary
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Cayman Islands	Investment holdings	3,159,429	3,252,763	114,100,000	100%	2,190,704	85,684	Subsidiary
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	Singapore	Investment holdings	5,538,000	5,701,600	200,000,000	100%	6,138,099	43,812	Subsidiary
Realtek Semiconductor Corporation	Realsun Investments Co., Ltd.	Taiwan	Investment holdings	280,000	280,000	28,000,000	100%	880,497	17,017	Subsidiary
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Taiwan	Investment holdings	250,000	250,000	25,000,000	100%	758,769	80,784	Subsidiary
Realtek Semiconductor Corporation	Realtek Investments Co., Ltd.	Taiwan	Investment holdings	293,930	293,930	29,392,985	100%	285,893	(1,484)	Subsidiary
Realtek Semiconductor Corporation	Realsun Technology Corporation	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	5,000	5,000	500,000	100%	5,074	7	Subsidiary
Realtek Semiconductor Corporation	Bobitag Inc.	Taiwan	Manufacturing and installation of computer equipment and wholesale, retail and related services of electronic materials and information/software	19,189	19,189	1,918,910	66.67%	19,347	157	Subsidiary
Realtek Semiconductor Corporation	AICONNX Technology Corporation	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	20,000	-	2,000,000	100%	19,980	(20)	Subsidiary

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Initial investment amount				Shares held as at December 31, 2021				Investment income (loss)					
Investor	Investee	Location	Main business activities	Balance as at		Number of shares	Ownership (%)	Book value	December 31, 2021	December 31, 2020	Net profit (loss) of the investee for the year ended	Investment income recognised by the Company for the year ended December 31,	Footnote
				December 31, 2021	December 31, 2020								
Realtek Semiconductor Corporation	Estinet Technologies Incorporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	\$ 110,000	\$ 110,000	2,000,000	6.89%	\$ 5,081	\$ (64,411)	\$ (5,968)			Investments accounted for under equity method
Realtek Investments Co., Ltd.	Innorch Venture Capital Corp.	Taiwan	Venture capital activities	200,000	200,000	20,000,000	37.38%	142,619	(17,446)	(4,882)			Investments accounted for under equity method
Realtek Investments Co., Ltd.	Starmems Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	10,000	-	1,000,000	10%	9,706	(2,940)	(294)			Investments accounted for under equity method
Realsun Investments Co., Ltd.	Starmems Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	23,000	-	2,300,000	23%	22,324	(2,940)	(676)			Investments accounted for under equity method
Hung-wei Venture Capital Co., Ltd.	Starmems Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	12,000	-	1,200,000	12%	11,647	(2,940)	(353)			Investments accounted for under equity method
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	ICs design, sales, and consultancy	4,812	5,530	400	100%	6,344	4,621	4,621			Sub-Subsidiary
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	Investment holdings	8,307	1,847,318	300,000	100%	7,126	(320)	(320)			Sub-Subsidiary
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Hong Kong	Information services and technical support	5,326	5,516	-	100%	1,034	(12)	(12)			Sub-Subsidiary
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	Investment holdings	782,243	805,351	2,825,000	100%	1,959,141	395,720	395,720			Sub-Subsidiary
Realtek Singapore Private Limited	Corina Access Inc.	U.S.A	R&D and information services	1,131,026	1,164,438	16,892	100%	839,870	26,504	26,504			Sub-Subsidiary

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	Taiwan	R&D and technical support	\$ 55,380	\$ 57,016	21,130,000	100%	\$ 54,730	\$ 5,326	\$ 5,326	Sub-Subsidiary
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	Vietnam	R&D and technical support	110,760	114,032	4,000,000	100%	76,353	( 9,916)	( 9,916)	Sub-Subsidiary
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	U.S.A	R&D and information services	1,661,400	1,482,416	60,000,000	100%	254,166	54,656	54,656	Sub-Subsidiary
Bluocean Inc.	Realtek Semiconductor (Malaysia) Limited	Malaysia	R&D and information services	69,275	74,144	10,450,000	100%	62,077	1,452	1,452	Sub-Subsidiary

Note : The amount of foreign currencies denominated in New Taiwan dollars in this table, which related to income and expenses were re-translated at the average exchange rate from January 1, 2021 to December 31, 2021, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in Capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021			Accumulated amount of remittance from Mainland China as of January 1, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(2))	Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				Accumulated amount of remittance from Mainland China as of January 1, 2021	Remitted to Mainland China	Remitted back to Taiwan	as of December 31, 2021	December 31, 2021					
Cortina Network Systems Shanghai Co., Ltd.	R&D and technical support	\$ 99,684	(2)	\$ 99,684	\$ -	\$ -	\$ 99,684	\$ 6,952	100%	\$ 6,952	\$ 106,099	\$ -	-
Realtek Microelectronics Corp.	R&D and technical support	775,320	(2)	775,320	-	-	775,320	396,350	100%	396,350	1,955,657	-	-
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	138,450	(2)	138,450	-	-	138,450	15,258	100%	15,258	285,009	-	-
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	113,941	(2)	113,941	-	-	113,941	311,601	100%	311,601	397,149	-	-
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	43,406	(2)	43,406	-	-	43,406	82,838	100%	82,838	( 57,525)	-	-

Company name	December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Cortina Network Systems Shanghai Co., Ltd.	\$ 99,684	\$ 99,684	\$ 23,365,591
Realtek Microelectronics Corp.	775,320	775,320	
Realtek Semiconductor (Shan Zhen) Corp.	138,450	138,450	
RayMX Microelectronics Corp.	113,941	113,941	
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	43,406	43,406	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others.

Note 2: In the Investment income (loss) recognised by the Company for the year ended December 31, 2021 column except for the financial statements of Cortina Network Systems Shanghai Co. Ltd. were audited by other independent auditors, the remaining financial statements were audited by the independent auditors of parent company in Taiwan.

Note 3: The amount of foreign currencies denominated in New Taiwan dollars in this table, which related to income and expenses were re-translated at the average exchange rate from January 1, 2021 to December 31, 2021, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.

## VI. Parent Company Only Financial Statements

### INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000205

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

#### ***Opinion***

We have audited the accompanying parent company only balance sheets of Realtek Semiconductor Corporation (the “Company”) as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section ), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

### ***Valuation of inventories***

#### Description

Refer to Note 4(11) of the parent company only financial statements for inventory valuation policies, Note 5(2) for uncertainty of accounting estimates and assumptions of inventory valuation and Note 6(3) for the details of inventories.

The Company is primarily engaged in researching, developing, manufacturing, selling of various integrated circuits and related application software. Inventories are stated at the lower of cost and net realizable value. Due to the balances of inventories are significant to the financial statements and the rapid technological changes in the industry, there is a higher risk of decline in market value and obsolescence of inventories. Thus, we considered the valuation of inventories as one of the key audit matters.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of accounting policies on the provision for inventory valuation losses and assessed the reasonableness.
2. Validated the accuracy of inventory aging report, as well as sampled and confirmed the consistency of quantities and amounts with detailed inventory listing, verified dates of movements with supporting documents and ensured the proper categorization of inventory aging report.
3. Evaluated and confirmed the reasonableness of net realizable value for inventories through validating respective supporting documents.

***Other matter – Reference to the audits of other auditors***

We did not audit the financial statements of certain investments accounted for under equity method. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other auditors. Investments accounted for under equity method amounted to NT\$763,850 thousand and NT\$642,359 thousand, constituting 0.83% and 0.92% of total assets as of December 31, 2021 and 2020, respectively. Comprehensive income amounted to NT\$236,416 thousand and NT\$196,125 thousand, constituting 1.42% and 2.64% of total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

***Auditor's responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Cheng, Ya-Huei

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Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2022

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers 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.

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,874,335	3	\$ 4,630,448	7
1110	Financial assets at fair value through profit or loss - current		129,129	-	124,360	-
1170	Accounts receivable, net	6(2)	7,908,657	9	7,587,080	11
1180	Accounts receivable, net - related parties	6(2) and 7	1,809,669	2	1,810,900	2
1200	Other receivables		8,161	-	3,828	-
1210	Other receivables - related parties	7	7,534,133	8	685,224	1
130X	Inventories, net	6(3)	11,800,895	13	6,029,557	9
1410	Prepayments		486,118	-	376,511	-
11XX	Total current assets		32,551,097	35	21,247,908	30
Non-current assets						
1535	Financial assets at amortised cost - non-current	8	75,858	-	75,293	-
1550	Investments accounted for under equity method	6(4)	48,827,097	53	41,140,275	59
1600	Property, plant and equipment	6(5)	5,891,478	7	4,027,004	6
1755	Right-of-use assets	6(6)	1,357,716	2	1,390,104	2
1780	Intangible assets	6(7)	2,143,811	2	1,955,629	3
1840	Deferred income tax assets	6(23)	171,321	-	169,876	-
1900	Other non-current assets		719,802	1	34,805	-
15XX	Total non-current assets		59,187,083	65	48,792,986	70
1XXX	Total assets		\$ 91,738,180	100	\$ 70,040,894	100

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2100	Short-term borrowings	6(8)	\$	13,342,100	15	\$	11,456,690	16		
2130	Contract liabilities - current	6(16)		84,259	-		163,080	-		
2150	Notes payable			3,276	-		3,276	-		
2170	Accounts payable			7,349,443	8		7,609,092	11		
2180	Accounts payable - related parties	7		236,973	-		253,691	-		
2200	Other payables	6(9)		22,905,637	25		13,403,670	19		
2220	Other payables - related parties	7		63,954	-		60,784	-		
2230	Current income tax liabilities			1,443,630	2		1,063,516	2		
2280	Lease liabilities - current			26,419	-		35,944	-		
2300	Other current liabilities	6(16)		5,044,464	5		5,240,048	8		
21XX	Total current liabilities			50,500,155	55		39,289,791	56		
Non-current liabilities										
2540	Long-term borrowings	6(10)		1,002,799	1		-	-		
2570	Deferred income tax liabilities	6(23)		103,512	-		102,872	-		
2580	Lease liabilities - non-current			1,078,976	2		1,089,030	2		
2600	Other non-current liabilities	6(11)		110,087	-		100,120	-		
25XX	Total non-current liabilities			2,295,374	3		1,292,022	2		
2XXX	Total liabilities			52,795,529	58		40,581,813	58		
Equity										
	Share capital	6(12)								
3110	Common shares			5,106,849	5		5,106,849	7		
	Capital surplus	6(13)								
3200	Capital surplus			1,101,079	1		2,122,008	3		
	Retained earnings	6(14)								
3310	Legal reserve			5,577,083	6		5,577,083	8		
3320	Special reserve			1,556,049	2		217,036	-		
3350	Undistributed earnings			27,377,681	30		17,992,154	26		
	Other equity	6(15)								
3400	Other equity interest		(	1,776,090)	(	2)	(	1,556,049)	(	2)
3XXX	Total equity			38,942,651	42		29,459,081	42		
	Significant contingent liabilities and unrecognized contract commitments	9								
3X2X	Total liabilities and equity		\$	91,738,180	100	\$	70,040,894	100		

The accompanying notes are an integral part of these parent company only financial statements.

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7		\$ 68,352,652	100	\$ 56,426,751	100
5000 Operating costs	6(3) and 7		( 35,369,895)	( 52)	( 33,889,501)	( 60)
5900 Gross profit			32,982,757	48	22,537,250	40
5910 Unrealized profit from sales			-	-	( 1,271)	-
5950 Net operating margin			32,982,757	48	22,535,979	40
Operating expenses	6(21)(22) and 7					
6100 Selling expenses			( 2,968,243)	( 4)	( 2,306,323)	( 4)
6200 General and administrative expenses			( 2,808,054)	( 4)	( 1,680,835)	( 3)
6300 Research and development expenses			( 23,003,371)	( 34)	( 15,250,126)	( 27)
6450 Expected credit losses	12(2)		( 3,350)	-	( 15,753)	-
6000 Total operating expenses			( 28,783,018)	( 42)	( 19,253,037)	( 34)
6900 Operating income			4,199,739	6	3,282,942	6
Non-operating income and expenses						
7100 Interest income	6(17)		27,803	-	52,103	-
7010 Other income	6(18) and 7		66,543	-	67,522	-
7020 Other gains and losses	6(19)		( 205,702)	( 1)	( 12,797)	-
7050 Finance costs	6(20)		( 94,875)	-	( 137,127)	( 1)
7070 Share of profit of associates and joint ventures accounted for under equity method	6(4)		13,564,251	20	6,100,834	11
7000 Total non-operating income and expenses			13,358,020	19	6,070,535	10
7900 Profit before income tax, net			17,557,759	25	9,353,477	16
7950 Income tax expense	6(23)		( 705,000)	( 1)	( 560,000)	( 1)
8200 Net income for the year			\$ 16,852,759	24	\$ 8,793,477	15
<b>Other comprehensive income, net</b>						
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>						
8311 Losses on remeasurements of defined benefit plans			\$ -	-	( \$ 29,252)	-
8330 Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(15)		995,872	2	839,802	2
8310 Total other comprehensive income that will not be reclassified to profit or loss			995,872	2	810,550	2
<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>						
8380 Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(15)		( 1,215,913)	( 2)	( 2,178,815)	( 4)
8300 Other comprehensive loss, net			( \$ 220,041)	-	( \$ 1,368,265)	( 2)
8500 Total comprehensive income for the year			\$ 16,632,718	24	\$ 7,425,212	13
Earnings Per Share (in dollars)	6(24)					
9750 Basic earnings per share			\$ 33.00		\$ 17.24	
Diluted earnings per share (in dollars)	6(24)					
9850 Diluted earnings per share			\$ 32.38		\$ 16.93	

The accompanying notes are an integral part of these parent company only financial statements.

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Retained Earnings				Other equity interest			Total equity	
	Notes	Common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations		Unrealised gains from financial assets measured at fair value through other comprehensive income
2020									
Balance at January 1, 2020		\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	(\$ 762,143 )	\$ 545,107	\$ 27,218,985
Net income for the year		-	-	-	-	8,793,477	-	-	8,793,477
Other comprehensive income (loss)	6(11)(15)	-	-	-	-	( 29,252 )	( 2,178,815 )	839,802	( 1,368,265 )
Total comprehensive income (loss)		-	-	-	-	8,764,225	( 2,178,815 )	839,802	7,425,212
Distribution of 2019 earnings									
Legal reserve	6(14)	-	-	674,907	-	( 674,907 )	-	-	-
Special reserve	6(14)	-	-	-	217,036	( 217,036 )	-	-	-
Cash dividends	6(14)	-	-	-	-	( 4,596,164 )	-	-	( 4,596,164 )
Employees' compensation transferred to common shares	6(12)(13)	25,894	393,591	-	-	-	-	-	419,485
Cash from capital surplus	6(13)	-	( 1,021,370 )	-	-	-	-	-	( 1,021,370 )
Changes in equity of associates accounted for under equity method	6(13)	-	12,763	-	-	-	-	-	12,763
Cash dividends returned	6(13)	-	170	-	-	-	-	-	170
Balance at December 31, 2020		<u>\$ 5,106,849</u>	<u>\$ 2,122,008</u>	<u>\$ 5,577,083</u>	<u>\$ 217,036</u>	<u>\$ 17,992,154</u>	<u>(\$ 2,940,958 )</u>	<u>\$ 1,384,909</u>	<u>\$ 29,459,081</u>
2021									
Balance at January 1, 2021		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958 )	\$ 1,384,909	\$ 29,459,081
Net income for the year		-	-	-	-	16,852,759	-	-	16,852,759
Other comprehensive income (loss)	6(15)	-	-	-	-	-	( 1,215,913 )	995,872	( 220,041 )
Total comprehensive income (loss)		-	-	-	-	16,852,759	( 1,215,913 )	995,872	16,632,718
Distribution of 2020 earnings									
Special reserve	6(14)	-	-	-	1,339,013	( 1,339,013 )	-	-	-
Cash dividends	6(14)	-	-	-	-	( 6,128,219 )	-	-	( 6,128,219 )
Cash from capital surplus	6(13)	-	( 1,021,370 )	-	-	-	-	-	( 1,021,370 )
Changes in equity of associates accounted for under equity method	6(13)	-	226	-	-	-	-	-	226
Cash dividends returned	6(13)	-	215	-	-	-	-	-	215
Balance at December 31, 2021		<u>\$ 5,106,849</u>	<u>\$ 1,101,079</u>	<u>\$ 5,577,083</u>	<u>\$ 1,556,049</u>	<u>\$ 27,377,681</u>	<u>(\$ 4,156,871 )</u>	<u>\$ 2,380,781</u>	<u>\$ 38,942,651</u>

The accompanying notes are an integral part of these parent company only financial statements.

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 17,557,759	\$ 9,353,477
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(21)	833,678	694,924
Amortization	6(21)	1,272,531	1,098,919
Expected credit losses	12(2)	3,350	15,753
Interest expense	6(20)	94,875	137,127
Interest income	6(17)	( 27,803 )	( 52,103 )
Dividend income	6(18)	( 1,434 )	( 411 )
Gains on financial assets at fair value through profit or loss	6(19)	( 47,244 )	( 95,624 )
Share of gain of associates and joint ventures accounted for under equity method	6(4)	( 13,564,251 )	( 6,100,834 )
Gain on disposal of property, plant and equipment	6(19)	( 200 )	( 1,700 )
(Gains) losses on disposal of investments	6(19)	145	( 466 )
Unrealized profit from sales		-	1,271
Gains arising from lease modifications	6(19)	( 236 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		42,475	-
Accounts receivable, net		( 324,856 )	( 1,008,712 )
Accounts receivable, net - related parties		1,160	( 589,540 )
Other receivables		( 4,354 )	11,442
Other receivables, - related parties		( 16,956 )	47,165
Inventories		( 5,771,338 )	( 209,231 )
Prepayments		( 109,607 )	( 171,182 )
Changes in operating liabilities			
Contract liabilities - current		( 78,821 )	95,227
Accounts payable		( 259,649 )	1,949,574
Accounts payable - related parties		( 16,718 )	( 59,494 )
Other payables		8,980,596	3,526,463
Other payables - related parties		3,170	5,094
Other current liabilities		( 195,584 )	1,408,188
Accrued pension obligations		( 4,606 )	( 3,790 )

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
Cash inflow generated from operations		\$ 8,366,082	\$ 10,051,537
Interest received		27,824	57,250
Dividends received		5,670,493	5,631,893
Interest paid		( 91,496 )	( 143,121 )
Income taxes paid		( 325,663 )	( 321,381 )
Net cash flows from operating activities		<u>13,647,240</u>	<u>15,276,178</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at amortised cost		( 627 )	( 10,408 )
Proceeds from disposal of financial assets at amortised cost		62	-
Increase in other receivables, - related parties		( 10,323,895 )	( 7,787,942 )
Decrease in other receivables, - related parties		3,500,242	12,785,206
Acquisition of investments accounted for under equity method		( 20,000 )	( 3,515,687 )
Proceeds from capital reduction of investee accounted for under equity method	6(4)	-	20,684
Proceeds from disposal of investments accounted for under equity method		110	466
Acquisition of property, plant and equipment	6(25)	( 2,425,189 )	( 1,707,418 )
Proceeds from disposal of property, plant and equipment		200	1,700
Acquisition of intangible assets	6(25)	( 1,167,374 )	( 974,580 )
Increase in refundable deposits		( 684,997 )	( 18,639 )
Decrease in other non-current assets		-	29,985
Net cash flows used in investing activities		<u>( 11,121,468 )</u>	<u>( 1,176,633 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings	6(26)	155,016,591	205,377,996
Decrease in short-term borrowings	6(26)	( 153,131,181 )	( 212,526,076 )
Increase in long-term borrowings	6(26)	1,017,360	-
Repayment of principal portion of lease liabilities	6(26)	( 35,293 )	( 35,261 )
Increase (decrease) in guarantee deposits		12	( 2,220 )
Cash from capital surplus and cash dividends		( 7,149,589 )	( 5,617,534 )
Cash dividends returned		215	170
Net cash flows used in financing activities		<u>( 4,281,885 )</u>	<u>( 12,802,925 )</u>
Net (decrease) increase in cash and cash equivalents		( 1,756,113 )	1,296,620
Cash and cash equivalents at beginning of year		4,630,448	3,333,828
Cash and cash equivalents at end of year		<u>\$ 2,874,335</u>	<u>\$ 4,630,448</u>

The accompanying notes are an integral part of these parent company only financial statements.

REALTEK SEMICONDUCTOR CORPORATION  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Realtek Semiconductor Corporation (the “Company”) was incorporated as a company limited by shares on October 21, 1987 and commenced commercial operations in March 1988. The Company was based in Hsinchu Science-Based Industrial Park since October 28, 1989. The Company is engaged in the research, development, design, testing, and sales of ICs and application softwares for these products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 18, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities held mainly for trading purposes;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses(ECLs) if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime ECLs if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for under equity method / associates

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains or losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies

adopted by the Company.

- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the parent company only financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if

appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of the fixed assets are as follows: buildings - 10~55 years and other fixed assets - 3~5 years.

(14) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (a) The amount of the initial measurement of lease liability; and
  - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Intangible assets

- A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

- B. Other intangible assets

Separately acquired intangible assets with a finite useful life are stated at cost, net of accumulated amortisation and accumulated impairment. Intangible assets acquired in a business combination are recognized at fair value at acquisition date. The amortisation amounts of separately and parent company only acquired intangible assets were amortised on a straight-line basis over their estimated useful lives of 2-5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons

for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and recognized as interest expense in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pension

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension

liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from

research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in the Company's financial statements in the period in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells various integrated circuit related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognized based on the price specified in the contract. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Services revenue

Revenue from design, royalty and technical services is recognized after completing the services in which the services are rendered.

(25) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

### (1) Critical judgements in applying the Company's accounting policies

None.

### (2) Critical accounting estimates and assumptions

#### Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$11,800,895.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 706	\$ 806
Checking accounts and demand deposits	2,873,629	4,629,642
	<u>\$ 2,874,335</u>	<u>\$ 4,630,448</u>

The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

### (2) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 7,989,004	\$ 7,664,148
Accounts receivable – related parties	1,828,032	1,829,192
Less: Allowance for bad debts	( 98,710)	( 95,360)
	<u>\$ 9,718,326</u>	<u>\$ 9,397,980</u>

A. The aging analysis of accounts receivable is as follows:

	December 31, 2021	December 31, 2020
Not past due	\$ 9,733,237	\$ 9,274,060
Up to 30 days	81,271	212,397
31 to 90 days	2,067	6,449
Over 90 days	461	434
	<u>\$ 9,817,036</u>	<u>\$ 9,493,340</u>

The above aging analysis is based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable arose from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$7,815,480.

C. The Company has no accounts receivable pledged to others.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(3) Inventories

December 31, 2021			
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 689,396	(\$ 5,657)	\$ 683,739
Work in process	6,256,802	( 436,512)	5,820,290
Finished goods	5,637,324	( 340,458)	5,296,866
Total	<u>\$ 12,583,522</u>	<u>(\$ 782,627)</u>	<u>\$ 11,800,895</u>
December 31, 2020			
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 843,416	(\$ 20,128)	\$ 823,288
Work in process	4,542,905	( 598,262)	3,944,643
Finished goods	1,659,044	( 397,418)	1,261,626
Total	<u>\$ 7,045,365</u>	<u>(\$ 1,015,808)</u>	<u>\$ 6,029,557</u>

Operating costs incurred on inventories for the years ended December 31, 2021 and 2020 were as follows:

	Years ended December 31,	
	2021	2020
Cost of inventories sold and others	\$ 35,229,040	\$ 33,389,503
(Gain on reversal of) loss on decline in market value, obsolete and slow-moving Inventory	( 233,181)	292,451
Loss on scrap inventory	374,036	207,547
	<u>\$ 35,369,895</u>	<u>\$ 33,889,501</u>

(4) Investments accounted for under equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Leading Enterprises Limited	\$ 13,271,128	\$ 13,239,425
Amber Universal Inc.	3,495,793	3,367,376
Realtek Singapore Private Limited	18,474,782	11,149,584
Realtek Investment Singapore Private Limited	6,138,099	6,275,015
Talent Eagle Enterprise Inc.	2,190,704	2,162,386
Bluocean Inc.	3,281,950	3,369,936
Realsun Investments Co., Ltd.	880,497	619,510
Hung-wei Venture Capital Co., Ltd.	758,769	632,946
Realking Investments Co., Ltd.	285,893	290,236
Realsun Technology Corporation	5,074	5,118
Bobitag Inc.	19,347	19,330
AICONNX Technology Corporation	19,980	-
Associates:		
Technology Partner V Venture Capital Corporation	-	255
Estinet Technologies Incorporation	5,081	9,158
	<u>\$ 48,827,097</u>	<u>\$ 41,140,275</u>

- A. Details of the Company's subsidiaries are provided in Note 4(3) in the Company's 2021 consolidated financial statements.
- B. The gain on investments accounted for under equity method amounted to \$13,564,251 and \$6,100,834 for the years ended December 31, 2021 and 2020, respectively.
- C. The Company received the proceeds of \$20,684 from the capital reduction carried out by Technology Partner V Venture Capital Corporation in July 2020. The investee was dissolved on September 21, 2020 and the process of liquidation was completed as at July 20, 2021.
- D. AICONNX Technology Corporation was incorporated on December 20, 2021. The Company's investment in the investee amounted to \$20,000.

(5) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>							
Cost	\$ 387,280	\$ 2,758,801	\$ 3,800,466	\$ 2,904,416	\$ 278,569	\$ 1,034,223	\$ 11,163,755
Accumulated depreciation and impairment	-	( 1,050,324)	( 3,401,211)	( 1,889,965)	( 167,599)	( 627,652)	( 7,136,751)
	<u>\$ 387,280</u>	<u>\$ 1,708,477</u>	<u>\$ 399,255</u>	<u>\$ 1,014,451</u>	<u>\$ 110,970</u>	<u>\$ 406,571</u>	<u>\$ 4,027,004</u>
<u>2021</u>							
At January 1	\$ 387,280	\$ 1,708,477	\$ 399,255	\$ 1,014,451	\$ 110,970	\$ 406,571	\$ 4,027,004
Additions	-	14,108	353,207	612,924	155,783	1,514,004	2,650,026
Reclassifications	102,090	42,767	-	-	-	( 144,857)	-
Depreciation	-	( 82,851)	( 123,845)	( 445,699)	( 42,666)	( 90,491)	( 785,552)
At December 31	<u>\$ 489,370</u>	<u>\$ 1,682,501</u>	<u>\$ 628,617</u>	<u>\$ 1,181,676</u>	<u>\$ 224,087</u>	<u>\$ 1,685,227</u>	<u>\$ 5,891,478</u>
<u>At December 31, 2021</u>							
Cost	\$ 489,370	\$ 2,815,676	\$ 4,145,587	\$ 3,476,211	\$ 434,352	\$ 2,403,370	\$ 13,764,566
Accumulated depreciation and impairment	-	( 1,133,175)	( 3,516,970)	( 2,294,535)	( 210,265)	( 718,143)	( 7,873,088)
	<u>\$ 489,370</u>	<u>\$ 1,682,501</u>	<u>\$ 628,617</u>	<u>\$ 1,181,676</u>	<u>\$ 224,087</u>	<u>\$ 1,685,227</u>	<u>\$ 5,891,478</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>							
Cost	\$ -	\$ 2,574,744	\$ 3,863,302	\$ 2,281,360	\$ 233,933	\$ 772,540	\$ 9,725,879
Accumulated depreciation and impairment	-	( 971,140)	( 3,505,163)	( 1,527,274)	( 140,063)	( 562,981)	( 6,706,621)
	<u>\$ -</u>	<u>\$ 1,603,604</u>	<u>\$ 358,139</u>	<u>\$ 754,086</u>	<u>\$ 93,870</u>	<u>\$ 209,559</u>	<u>\$ 3,019,258</u>
<u>2020</u>							
At January 1	\$ -	\$ 1,603,604	\$ 358,139	\$ 754,086	\$ 93,870	\$ 209,559	\$ 3,019,258
Additions	387,280	160,674	131,306	637,467	44,636	291,664	1,653,027
Reclassifications	-	23,383	( 5)	-	-	( 23,378)	-
Depreciation	-	( 79,184)	( 90,185)	( 377,102)	( 27,536)	( 71,274)	( 645,281)
At December 31	<u>\$ 387,280</u>	<u>\$ 1,708,477</u>	<u>\$ 399,255</u>	<u>\$ 1,014,451</u>	<u>\$ 110,970</u>	<u>\$ 406,571</u>	<u>\$ 4,027,004</u>
<u>At December 31, 2020</u>							
Cost	\$ 387,280	\$ 2,758,801	\$ 3,800,466	\$ 2,904,416	\$ 278,569	\$ 1,034,223	\$ 11,163,755
Accumulated depreciation and impairment	-	( 1,050,324)	( 3,401,211)	( 1,889,965)	( 167,599)	( 627,652)	( 7,136,751)
	<u>\$ 387,280</u>	<u>\$ 1,708,477</u>	<u>\$ 399,255</u>	<u>\$ 1,014,451</u>	<u>\$ 110,970</u>	<u>\$ 406,571</u>	<u>\$ 4,027,004</u>

A. There was no capitalization of borrowing costs attributable to the property, plant and equipment.

B. The Company has no property, plant and equipment pledged to others.

(6) Leasing arrangements — lessee

A. The Company leases various assets including land, buildings and transportation equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	
	December 31, 2021	December 31, 2020
Land	\$ 1,350,829	\$ 1,377,739
Buildings	4,944	12,365
Transportation equipment	1,943	-
	<u>\$ 1,357,716</u>	<u>\$ 1,390,104</u>
	Depreciation	
	Years ended December 31,	
	2021	2020
Land	\$ 26,910	\$ 26,367
Buildings	19,572	23,276
Transportation equipment	1,644	-
	<u>\$ 48,126</u>	<u>\$ 49,643</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$23,235 and \$348,140, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 18,924</u>	<u>\$ 18,916</u>

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$54,217 and \$54,177, respectively.

(7) Intangible assets

	Computer software	Intellectual property	Others	Total
<u>At January 1, 2021</u>				
Cost	\$ 5,071,405	\$ 4,707,768	\$ 1,222	\$ 9,780,395
Accumulated amortisation and impairment	( 3,975,903)	( 3,848,863)	-	( 7,824,766)
	<u>\$ 1,095,502</u>	<u>\$ 858,905</u>	<u>\$ 1,222</u>	<u>\$ 1,955,629</u>
<u>2021</u>				
At January 1	\$ 1,095,502	\$ 858,905	\$ 1,222	\$ 1,955,629
Additions	540,208	906,329	14,176	1,460,713
Amortisation	( 746,081)	( 526,450)	-	( 1,272,531)
At December 31	<u>\$ 889,629</u>	<u>\$ 1,238,784</u>	<u>\$ 15,398</u>	<u>\$ 2,143,811</u>
<u>At December 31, 2021</u>				
Cost	\$ 5,611,613	\$ 5,614,097	\$ 15,398	\$ 11,241,108
Accumulated amortisation and impairment	( 4,721,984)	( 4,375,313)	-	( 9,097,297)
	<u>\$ 889,629</u>	<u>\$ 1,238,784</u>	<u>\$ 15,398</u>	<u>\$ 2,143,811</u>
	Computer software	Intellectual property	Others	Total
<u>At January 1, 2020</u>				
Cost	\$ 4,067,350	\$ 4,309,997	\$ 1,222	\$ 8,378,569
Accumulated amortisation and impairment	( 3,293,971)	( 3,431,876)	-	( 6,725,847)
	<u>\$ 773,379</u>	<u>\$ 878,121</u>	<u>\$ 1,222</u>	<u>\$ 1,652,722</u>
<u>2020</u>				
At January 1	\$ 773,379	\$ 878,121	\$ 1,222	\$ 1,652,722
Additions	1,004,055	397,771	-	1,401,826
Amortisation	( 681,932)	( 416,987)	-	( 1,098,919)
At December 31	<u>\$ 1,095,502</u>	<u>\$ 858,905</u>	<u>\$ 1,222</u>	<u>\$ 1,955,629</u>
<u>At December 31, 2020</u>				
Cost	\$ 5,071,405	\$ 4,707,768	\$ 1,222	\$ 9,780,395
Accumulated amortisation and impairment	( 3,975,903)	( 3,848,863)	-	( 7,824,766)
	<u>\$ 1,095,502</u>	<u>\$ 858,905</u>	<u>\$ 1,222</u>	<u>\$ 1,955,629</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2021	2020
Operating costs	\$ 1,374	\$ 3,968
Operating expenses	<u>1,271,157</u>	<u>1,094,951</u>
	<u>\$ 1,272,531</u>	<u>\$ 1,098,919</u>

(8) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>13,342,100</u>	0.42%~0.57%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>11,456,690</u>	0.57%~0.60%	None

The Interest expense of long-term and short-term borrowing recognized in profit or loss amounted to \$75,951 and \$118,211 for the years ended December 31, 2021 and 2020, respectively.

(9) Other payables

	December 31, 2021	December 31, 2020
Accrued salaries and bonus	\$ 8,499,995	\$ 4,675,282
Payable for employees' compensation	11,117,373	6,145,446
Other accrued expenses	1,373,848	1,236,747
Payables on equipment	283,796	58,959
Payables on software and intellectual property	1,445,930	1,152,591
Others	184,695	134,645
	<u>\$ 22,905,637</u>	<u>\$ 13,403,670</u>

(10) Long-term borrowings

Type of borrowings	Borrowing period	Repayment term	Interest rate range	Collateral	December 31, 2021
Loan for Accelerated Investment by Domestic Corporations (Note)	2021/11/8~2026/12/15	Repayable in instalment over the agreed period	0.3%~0.8%	None	\$ <u>1,002,799</u>

There were no such transactions on December 31, 2020.

Note : The Ministry of Economic Affairs implemented the "Action Plan for Accelerated Investment by Domestic Corporations" on July 1, 2019. An entity can apply for a subsidised loan for an eligible investment project from financial institutions at a preferential interest rate. The Company is qualified for the loan as approved by the Ministry of Economic Affairs and loan contract with a financial institution with a credit period of 5 years. The loan is used for construction of plant and related facilities.

(11) Pension

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional

year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	(\$ 628,846)	(\$ 600,923)
Fair value of plan assets	534,371	501,842
Net liability in the balance sheet	<u>(\$ 94,475)</u>	<u>(\$ 99,081)</u>

(c) Movement in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
At January 1	(\$ 600,923)	\$ 501,842	(\$ 99,081)
Current service cost	( 1,079)	-	( 1,079)
Interest (expense) income	( 2,056)	1,741	( 315)
	<u>( 604,058)</u>	<u>503,583</u>	<u>( 100,475)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	35,943	35,943
Change in demographic assumptions	( 34,449)	-	( 34,449)
Change in financial assumptions	29,040	-	29,040
Experience adjustments	( 30,534)	-	( 30,534)
	<u>( 35,943)</u>	<u>35,943</u>	<u>-</u>
Pension fund contribution	-	6,000	6,000
Paid pension	11,155	( 11,155)	-
At December 31	<u>(\$ 628,846)</u>	<u>\$ 534,371</u>	<u>(\$ 94,475)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
At January 1	(\$ 595,932)	\$ 522,312	(\$ 73,620)
Current service cost	( 1,580)	-	( 1,580)
Interest (expense) income	( 4,727)	4,098	( 629)
	( 602,239)	526,410	( 75,829)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,910	5,910
Change in demographic assumptions	( 3,573)	-	( 3,573)
Change in financial assumptions	( 17,863)	-	( 17,863)
Experience adjustments	( 13,726)	-	( 13,726)
	( 35,162)	5,910	( 29,252)
Pension fund contribution	-	6,000	6,000
Paid pension	36,478	( 36,478)	-
At December 31	(\$ 600,923)	\$ 501,842	(\$ 99,081)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2021	2020
Discount rate	0.75%	0.3%
Future salary increases	4.75%	4.75%

Future mortality rate was estimated based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase by	Decrease by	Increase by	Decrease by
	0.25%	0.25%	0.25%	0.25%
December 31, 2021				
Effect on present value				
of defined benefit obligation	\$ 16,290	(\$ 16,894)	(\$ 15,888)	\$ 15,415
December 31, 2020				
Effect on present value				
of defined benefit obligation	\$ 16,617	(\$ 17,201)	(\$ 16,104)	\$ 15,599

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$6,000.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 297,815
2~5 years	119,175
5~10 years	209,134
	<u>\$ 626,124</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$307,768 and \$272,845, respectively.

(12) Share capital

- A. As of December 31, 2021, the Company’s authorised capital was \$8,900,000, consisting of 890 million shares of ordinary stock (including 80 million shares reserved for employee stock options), and the paid-in capital was \$5,106,849 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

	Unit : Thousands of shares	
	2021	2020
At January 1	510,684	508,095
Employees' compensation transferred to common stock	-	2,589
At December 31	510,684	510,684

B. On March 20, 2020, the Board of Directors of the Company during their meeting resolved for the Company to provide employees' compensation in the form of stocks amounting to \$419,485. The Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution. The closing price was \$162 (in dollars) per share, and the Company issued 2,589 thousand new shares, which was approved by the Competent Authority. The effective date for the issuance was April 8, 2020, and the related registration for the issuance was completed on April 20, 2020.

C. On January 24, 2002, the Company increased its new common stock and sold its old common stock by issuing 13,924 thousand units of GDRs for cash. Each GDR unit represents 4 common stocks, so the total common stocks issued were 55,694 thousand shares. The Company's GDRs are traded in Luxembourg stock exchange. As of December 31, 2021, the outstanding GDRs were 463 thousand units, or 1,852 thousand shares of common stock, representing 0.36% of the Company's total common stocks.

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2021			
	Change in associates accounted for under			
	Share premium	equity method	Others	Total
At January 1	\$ 2,060,376	\$ 61,035	\$ 597	\$ 2,122,008
Change in associates accounted for under equity method	-	226	-	226
Cash from capital surplus	( 1,021,370)	-	-	( 1,021,370)
Cash dividends returned	-	-	215	215
At December 31	\$ 1,039,006	\$ 61,261	\$ 812	\$ 1,101,079

	2020			
	Change in associates accounted for under			
	Share premium	equity method	Others	Total
At January 1	\$ 2,688,155	\$ 48,272	\$ 427	\$ 2,736,854
Employees' compensation transferred to common stock	393,591	-	-	393,591
Change in associates accounted for under equity method	-	12,763	-	12,763
Cash from capital surplus	( 1,021,370)	-	-	( 1,021,370)
Cash dividends returned	-	-	170	170
At December 31	<u>\$ 2,060,376</u>	<u>\$ 61,035</u>	<u>\$ 597</u>	<u>\$ 2,122,008</u>

(14) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is not required to be set aside any more. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with prior year's accumulated undistributed earnings shall be proposed by the Board of Directors. However, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares, or the appropriation of earnings shall be resolved by the Board of Directors, if earnings are distributed in the form of cash. The Company should consider factors affecting finance, business and operations to appropriate distributable earnings for the period, and appropriate all or partial reserve in accordance with regulations of the Competent Authority. Dividends distributed are at least 50% of the addition of distributable earnings for the year.

The Company's dividend policy takes into consideration the Company's future expansion plans and future cash flows. In accordance with the Company's dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

In accordance with Company Act Article 240, Item 5 and Article 241, Item 2, the resolution, for all or partial of distributable dividends, legal reserve and capital surplus are distributed in the form of cash, will be adopted by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors, and will be reported to the shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to

the portion in excess of 25% of the Company's paid-in capital.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of 2020 and 2019 earnings had been resolved at the shareholders' meeting on August 9, 2021 and June 10, 2020, respectively. Details are summarised below:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -	\$ -	\$ 674,907	\$ -
Special reserve	1,339,013	-	217,036	-
Cash dividends	6,128,219	12.00	4,596,164	9.00
	<u>\$ 7,467,232</u>	<u>\$ 12.00</u>	<u>\$ 5,488,107</u>	<u>\$ 9.00</u>

- E. On April 23, 2021 and April 24, 2020, the Board of Directors of the Company resolved to distribute cash dividends from capital surplus to shareholders in the amount of \$1,021,370 (two dollars per share) and \$1,021,370 (two dollars per share), respectively.

(15) Other equity items

	2021		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 1,384,909	(\$ 2,940,958)	(\$ 1,556,049)
Revaluation			
–Group	995,872	-	995,872
Currency translation differences:			
–Group	-	( 1,215,913)	( 1,215,913)
At December 31	<u>\$ 2,380,781</u>	<u>(\$ 4,156,871)</u>	<u>(\$ 1,776,090)</u>
	2020		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 545,107	(\$ 762,143)	(\$ 217,036)
Revaluation			
–Group	829,923	-	829,923
–Associates	9,879	-	9,879
Currency translation differences:			
–Group	-	( 2,178,815)	( 2,178,815)
At December 31	<u>\$ 1,384,909</u>	<u>(\$ 2,940,958)</u>	<u>(\$ 1,556,049)</u>

(16) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 68,352,652	\$ 56,426,751

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines:

Year ended December 31, 2021	Integrated circuit products	Others	Total
Revenue from external customer contracts	\$ 68,225,415	\$ 127,237	\$ 68,352,652
Timing of revenue recognition			
At a point in time	\$ 68,225,415	\$ 127,237	\$ 68,352,652
Year ended December 31, 2020	Integrated circuit products	Others	Total
Revenue from external customer contracts	\$ 56,311,636	\$ 115,115	\$ 56,426,751
Timing of revenue recognition			
At a point in time	\$ 56,311,636	\$ 115,115	\$ 56,426,751

B. Contract liabilities

The Company has recognized the following revenue-related contract liabilities:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
– advance sales receipts	\$ 84,259	\$ 163,080	\$ 67,853

Revenue recognized that was included in the contract liability balance at the beginning of the period:

	Years ended December 31,	
	2021	2020
Contract liabilities – advance sales receipts	\$ 130,391	\$ 49,080

C. Refund liabilities (shown in other current liabilities)

The Company estimates the discounts based on accumulated experience. The estimation is subject to an assessment at each reporting date.

	December 31, 2021	December 31, 2020
Refund liabilities – current	\$ 5,044,386	\$ 5,240,048

(17) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 4,621	\$ 23,356
Other interest income	23,182	28,747
	<u>\$ 27,803</u>	<u>\$ 52,103</u>

(18) Other income

	Years ended December 31,	
	2021	2020
Rent income	\$ 4,226	\$ 4,571
Dividend income	1,434	411
Grant income	53,621	60,635
Other income	7,262	1,905
	<u>\$ 66,543</u>	<u>\$ 67,522</u>

(19) Other gains and losses

	Years ended December 31,	
	2021	2020
Gains on disposal of property, plant and equipment	\$ 200	\$ 1,700
(Losses)gains on disposal of investment	( 145)	466
Net currency exchanges losses	( 76,404)	( 105,455)
Gains on financial assets		
at fair value through profit or loss	47,244	95,624
Other losses	( 176,833)	( 5,132)
Gains arising from lease modifications	236	-
	<u>(\$ 205,702)</u>	<u>(\$ 12,797)</u>

(20) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense		
Bank borrowings	\$ 75,951	\$ 118,211
Lease liabilities	18,924	18,916
	<u>\$ 94,875</u>	<u>\$ 137,127</u>

(21) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expenses	\$ 23,378,582	\$ 14,433,363
Depreciation	\$ 833,678	\$ 694,924
Amortisation	\$ 1,272,531	\$ 1,098,919

(22) Employee benefit expenses

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 22,176,909	\$ 13,445,450
Labor and health insurance fees	627,431	474,118
Pension costs	309,162	275,054
Other personnel expenses	265,080	238,741
	<u>\$ 23,378,582</u>	<u>\$ 14,433,363</u>

A. In accordance with the Company's Articles of Incorporation, the Company shall appropriate no higher than 3% for directors' remuneration and no less than 1% for employees' compensation, if the Company generates profit. If the Company has accumulated deficit, earnings should be reserved to cover losses before the appropriation of directors' remuneration and employees' compensation. Aforementioned employees' compensation could be distributed by cash or stocks. Specifics of the compensation are to be determined by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the number of directors. The resolution should be reported to the shareholders during the shareholders' meeting.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$4,956,694 and \$2,586,317, respectively; directors' remuneration was accrued at \$130,000 and \$90,000, respectively. The amounts were estimated as operating cost or operating expense in accordance with the Company's Articles of Incorporation.

Employees' cash compensation was \$2,586,317, and directors' remuneration was \$90,000 for 2020. Employees' compensation and directors' remuneration for 2020 as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

	Years ended December 31,	
	2021	2020
Current income tax:		
Current income tax on profits for the year	\$ 917,484	\$ 622,571
Tax on undistributed earnings	64,850	63,048
Prior year income tax overestimation	( 276,529)	( 121,055)
Total current income tax	<u>705,805</u>	<u>564,564</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 805)	( 4,564)
Income tax expense	<u>\$ 705,000</u>	<u>\$ 560,000</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Income tax calculated based on income before tax	\$ 3,511,552	\$ 1,870,696
Expenses disallowed by tax regulation and effects from tax-exempt income	( 2,594,873)	( 1,252,689)
Prior year income tax overestimation	( 276,529)	( 121,055)
Tax on undistributed earnings	<u>64,850</u>	<u>63,048</u>
Income tax expense	<u>\$ 705,000</u>	<u>\$ 560,000</u>

C. Amounts of deferred income tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2021		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets:			
-Temporary differences:			
Unrealised loss on market price decline and obsolete and slow-moving inventories and others	\$ 169,876	\$ 1,445	\$ 171,321
Deferred income tax liabilities:			
-Temporary differences:			
Unrealised exchange gain	( 102,872)	( 640)	( 103,512)
	<u>\$ 67,004</u>	<u>\$ 805</u>	<u>\$ 67,809</u>

Year ended December 31, 2020			
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets:			
-Temporary differences:			
Unrealised loss on market price decline and obsolete and slow-moving inventories and others	\$ 114,163	\$ 55,713	\$ 169,876
Deferred income tax liabilities:			
-Temporary differences:			
Unrealised exchange gain	( 51,723)	( 51,149)	( 102,872)
	<u>\$ 62,440</u>	<u>\$ 4,564</u>	<u>\$ 67,004</u>

D. The amounts of deductible temporary differences that were not recognized as deferred income tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 1,414,597</u>	<u>\$ 1,256,642</u>

E. As of December 31, 2021, the Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(24) Earnings per share

Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders	<u>\$ 16,852,759</u>	<u>510,684</u>	<u>\$ 33.00</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders	\$ 16,852,759	510,684	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,726	
Profit attributable to common shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 16,852,759</u>	<u>520,410</u>	<u>\$ 32.38</u>

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders	<u>\$ 8,793,477</u>	<u>510,126</u>	<u>\$ 17.24</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders	\$ 8,793,477	510,126	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,418	
Profit attributable to common shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 8,793,477</u>	<u>519,544</u>	<u>\$ 16.93</u>

(25) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 2,650,026	\$ 1,653,027
Add: Opening balance of payable on equipment	58,959	113,350
Less: Ending balance of payable on equipment	(283,796)	(58,959)
Cash paid during the year	<u>\$ 2,425,189</u>	<u>\$ 1,707,418</u>
	Years ended December 31,	
	2021	2020
Purchase of intangible assets	\$ 1,460,713	\$ 1,401,826
Add: Opening balance of payable on software and intellectual property	1,152,591	725,345
Less: Ending balance of payable on software and intellectual property	(1,445,930)	(1,152,591)
Cash paid during the year	<u>\$ 1,167,374</u>	<u>\$ 974,580</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Long-term borrowings	Liabilities from financing activities-total
At January 1, 2021	\$ 11,456,690	\$ 1,038	\$ 1,124,974	\$ -	\$ 12,582,702
Changes in cash flow from financing activities	1,885,410	12	( 35,293)	1,017,360	2,867,489
Interest paid	-	-	( 18,924)	-	( 18,924)
Interest on lease liabilities	-	-	18,924	-	18,924
Changes in other non-cash items	-	-	15,714	( 14,561)	1,153
At December 31, 2021	<u>\$ 13,342,100</u>	<u>\$ 1,050</u>	<u>\$ 1,105,395</u>	<u>\$ 1,002,799</u>	<u>\$ 15,451,344</u>

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-total
At January 1, 2020	\$ 18,604,770	\$ 3,258	\$ 812,095	\$ 19,420,123
Changes in cash flow from financing activities	( 7,148,080)	( 2,220)	( 35,261)	( 7,185,561)
Interest paid	-	-	( 18,916)	( 18,916)
Interest on lease liabilities	-	-	18,916	18,916
Changes in other non-cash items	-	-	348,140	348,140
At December 31, 2020	<u>\$ 11,456,690</u>	<u>\$ 1,038</u>	<u>\$ 1,124,974</u>	<u>\$ 12,582,702</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Leading Enterprises Limited	Subsidiary
Realtek Singapore Private Limited	Subsidiary
Bluocean Inc.	Subsidiary
Talent Eagle Enterprise Inc.	Subsidiary
Amber Universal Inc.	Subsidiary
AICONNX Technology Corporation Equity	Subsidiary
Cortina Systems Taiwan Limited	Sub-subsidiary
RayMX Microelectronics Corp.	Sub-subsidiary
G.M.I Technology Inc.	Other related party
Actions Semiconductor Co., Ltd.	Other related party
C-Media Electronics Inc.	Other related party
Greatek Electronics Inc.	Other related party
EmBestor Technology Inc.	Other related party

## Significant related party transactions and balances

### A. Operating revenue

	Years ended December 31,	
	2021	2020
Sales of goods:		
G.M.I Technology Inc.	\$ 9,690,767	\$ 7,375,829
Others	604,767	365,249
	<u>\$ 10,295,534</u>	<u>\$ 7,741,078</u>

Goods are sold based on the price lists in force and terms that would be available to third parties, and the general collection term was 30 ~ 60 days after monthly billings.

### B. Processing cost

	Years ended December 31,	
	2021	2020
Greatek Electronics Inc.	<u>\$ 1,009,689</u>	<u>\$ 1,033,517</u>

Processing cost is paid to related parties on normal commercial terms and conditions, and the general payment term was 69 days after monthly billings.

### C. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable:		
G.M.I Technology Inc.	\$ 1,763,556	\$ 1,751,860
Others	46,113	59,040
	<u>\$ 1,809,669</u>	<u>\$ 1,810,900</u>

Aforementioned receivables were 30 ~ 60 days after monthly billings. The receivables from related parties arise mainly from sale transactions. The receivables bear no interest.

### D. Payables to related parties:

	December 31, 2021	December 31, 2020
Accounts payable:		
Greatek Electronics Inc.	\$ 235,939	\$ 253,691
Other	1,034	-
	<u>\$ 236,973</u>	<u>\$ 253,691</u>

The payment term above was 69 days after monthly billings. The payables to related parties arise mainly from processing cost. The payables are unsecured in nature and bear no interest.

E. Other transactions and other (receivables) payables:

	Years ended December 31,			
	2021		2020	
	Amount	Ending balance	Amount	Ending balance
Other related parties-				
Sales commissions	\$ 396,355	\$ 63,954	\$ 286,704	\$ 60,784
Technical royalty revenue	(\$ 31,451)	\$ -	(\$ 8,406)	\$ -
Cash dividend income	(\$ 1,434)	\$ -	(\$ 411)	\$ -
Subsidiaries and sub-subsidiaries-				
Interest income	(\$ 23,182)	(\$ 18,285)	(\$ 28,747)	(\$ 20)
Other income	\$ -	(\$ 53,368)	\$ -	(\$ 46,380)
Cash dividend income	(\$ 5,669,060)	\$ -	(\$ 5,631,482)	\$ -
Rent income	(\$ 1,922)	(\$ 248)	(\$ 1,922)	(\$ 245)

The payment term above was 49 days after monthly billings; collection term was 30 ~ 60 days after monthly billings.

F. Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2021
				Consideration
AICONNX Technology Corporation	Investments accounted for under equity method	2,000,000	AICONNX Technology Corporation equity (Investment Establishment)	\$ 20,000
	Accounts	No. of shares	Objects	Year ended December 31, 2020
				Consideration
Leading Enterprises Limited	Investments accounted for under equity method	9,856,425	Realtek Singapore Private Limited equity	\$ 1,780,187
Leading Enterprises Limited	Investments accounted for under equity method	60,000	Leading Enterprises Limited equity (increased common stock)	1,735,500
				\$ 3,515,687

G. Loans to related parties :

(a) Outstanding balance:

	December 31, 2021	December 31, 2020
Subsidiaries		
Leading Enterprises Limited	\$ 2,422,875	\$ -
Talent Eagle Enterprise Inc.	1,661,400	57,016
Bluocean Inc.	1,661,400	-
Amber Universal Inc.	1,629,557	11,403
Realtek Singapore Private Limited	-	570,160
Hung-wei Venture Capital Co., Ltd.	87,000	-
	<u>\$ 7,462,232</u>	<u>\$ 638,579</u>

(b) Interest income

	Years ended December 31,	
	2021	2020
Subsidiaries	\$ 23,182	\$ 28,747

The loans to subsidiaries are repayable monthly within one year, and carry interest at 0.58% and 0.2% for the years ended December 31, 2021 and 2020, respectively.

H. Endorsements and guarantees provided to related parties:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 14,339,165	\$ 10,605,268

(2) Key management compensation

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 248,487	\$ 137,298
Post-employment benefits	3,103	2,721
Total	<u>\$ 251,590</u>	<u>\$ 140,019</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purposes
	December 31, 2021	December 31, 2020	
Time deposits (shown in financial assets at amortised cost - non-current)	\$ 31,048	\$ 30,821	Guarantee for the importation customs duties of materials
"	44,810	44,472	Guarantee for leasing land and office in Science Park
	<u>\$ 75,858</u>	<u>\$ 75,293</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### (1) Contingencies

- A. In 2020, Divx, LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court of Delaware against the Company’s IC products. On July 4, 2021, DivX terminated the investigation against the Company in ITC.
- B. In 2020, KONINKLIJKE PHILIPS N.V. and PHILIPS NORTH AMERICA LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court of Delaware against the Company’s IC products. On October 21, 2021, the Administrative Law Judge of ITC issued his initial determination finding non-infringement for the accused Company’s IC products and non-existence of the required domestic industry.
- C. Future Link Systems, LLC brought actions for patent infringement in United States International Trade Commission (“ITC”) and United States District Court for the Western District of Texas against the Company’s IC products. The cases are still pending, and the Company is unable to reliably determine the outcome of the cases.
- D. BANDSPEED, LLC brought an action for patent infringement in United States District Court for the Western District of Texas against the Company’s IC products. The case is still pending, and the Company is unable to reliably determine the outcome of the case.

### (2) Commitments

None.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 129,129</u>	<u>\$ 124,360</u>
Financial assets at amortised cost/Receivables		
Cash and cash equivalents	\$ 2,874,335	\$ 4,630,448
Financial assets at amortised cost	75,858	75,293
Accounts receivable (including related parties)	9,718,326	9,397,980
Other receivables (including related parties)	7,542,294	689,052
Refundable deposits	719,802	34,805
	<u>\$ 20,930,615</u>	<u>\$ 14,827,578</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 13,342,100	\$ 11,456,690
Notes payable	3,276	3,276
Accounts payable (including related parties)	7,586,416	7,862,783
Other payable (including related parties)	22,969,591	13,464,454
Long-term borrowings	1,002,799	-
Guarantee deposits received	1,050	1,038
Other financial liability	5,044,386	5,240,048
	<u>\$ 49,949,618</u>	<u>\$ 38,028,289</u>
Lease liability	<u>\$ 1,105,395</u>	<u>\$ 1,124,974</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a finance division (Company finance) under policies approved by the Board of Directors. Company finance identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require the Company to manage its foreign exchange

risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company finance.

- iii. The Company's businesses involve some functional currency operations (the Company's and certain subsidiaries' functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 721,980	27.690	\$ 19,991,626
<u>Non-monetary items</u>			
USD:NTD	1,692,376	27.690	46,861,891
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	458,477	27.690	12,695,228
December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 445,489	28.508	\$ 12,700,000
<u>Non-monetary items</u>			
USD:NTD	1,387,989	28.508	39,568,790
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	468,326	28.508	13,351,038

The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$76,404 and \$105,455, respectively. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 199,916	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	468,619
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 126,952)	-
December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 127,000	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	395,688
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 133,510)	-

#### Price risk

- The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other

comprehensive income.

- ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had decreased/increased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$12,913 and \$12,436, respectively.

Cash flow and fair value interest rate risk

The Company has no material interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the modified approach using provision matrix to estimate expected

credit loss under the provision matrix basis.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

viii. The Company used the forecast ability of semiconductor industry research report to adjust historical and timely information to assess the default possibility of accounts receivable.

On December 31, 2021 and 2020, the provision matrix is as follows:

	<u>Not past due</u>	<u>1~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>At December 31, 2021</u>				
Expected loss rate	0-1%	0-1%	100%	
Total book value	<u>\$ 9,733,237</u>	<u>\$ 83,338</u>	<u>\$ 461</u>	<u>\$ 9,817,036</u>
Loss allowance	<u>\$ 96,119</u>	<u>\$ 2,130</u>	<u>\$ 461</u>	<u>\$ 98,710</u>
	<u>Not past due</u>	<u>1~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>At December 31, 2020</u>				
Expected loss rate	0-1%	0-1%	100%	
Total book value	<u>\$ 9,274,060</u>	<u>\$ 218,846</u>	<u>\$ 434</u>	<u>\$ 9,493,340</u>
Loss allowance	<u>\$ 92,162</u>	<u>\$ 2,764</u>	<u>\$ 434</u>	<u>\$ 95,360</u>

ix. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2021</u>
	<u>Loss allowance for accounts receivable</u>
At January 1	\$ 95,360
Provision for impairment	3,350
At December 31	<u>\$ 98,710</u>
	<u>2020</u>
	<u>Loss allowance for accounts receivable</u>
At January 1	\$ 79,607
Provision for impairment	15,753
At December 31	<u>\$ 95,360</u>

x. For financial assets at amortised cost, the credit rating levels are presented below:

December 31, 2021				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 75,858	\$ -	\$ -	\$ 75,858
December 31, 2020				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 75,293	\$ -	\$ -	\$ 75,293

The financial assets at amortized cost are bank time deposits with original maturity more than three months, and there is no significant abnormality in credit risk assessment.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company finance. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Company finance invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

- iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 13,342,100	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	7,586,416	-	-
Other payables (including related parties)	22,969,591	-	-
Lease liability	45,175	162,621	1,328,389
Long-term borrowings	-	1,017,360	-
Guarantee deposits received	-	-	1,050
Other financial liabilities	5,044,386	-	-

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 11,465,691	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	7,862,783	-	-
Other payables (including related parties)	13,464,454	-	-
Lease liability	54,804	153,111	1,366,224
Guarantee deposits received	-	-	1,038
Other financial liabilities	5,240,048	-	-

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary certificates is included in Level 1.

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. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of nature of the assets is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 129,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,129</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 124,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,360</u>

(b) The instruments the Company used market quoted prices as their fair values (that is, Level 1), and the listed company shares used closing price.

C. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

D. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 1, table 2 and table 6.

(4) Major shareholders information

As of December 31, 2021, the Company had no shareholders who hold the Company's shares over 5% (including 5%).

14. SEGMENT INFORMATION

None.

REALTEK SEMICONDUCTOR CORPORATION

Loans to others

For the year ended December 31, 2021

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Maximum outstanding  
balance during the year  
ended

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended		Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short- term financing	Allowance for doubtful accounts	Collateral			Ceiling on total loans granted (Note 2)	Footnote
					December 31, 2021 (Note 3)	December 31, 2021							Item	Value	Limit on loans granted to a single party		
0	Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Other receivables-related parties	Y	\$ 300,000	\$ 300,000	\$ 87,000	0.58	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 3,804,205	\$ 15,577,060	None
0	Realtek Semiconductor Corporation	RayMAX Microelectronics Corp.	Other receivables-related parties	Y	55,380	55,380	-	-	Short-term financing	-	Operations	-	None	-	3,804,205	15,577,060	None
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Other receivables-related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	3,804,205	15,577,060	None
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	1,620,557	0.60	Short-term financing	-	Operations	-	None	-	3,804,205	15,577,060	None
0	Realtek Semiconductor Corporation	Bluxcean Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	1,661,400	0.60	Short-term financing	-	Operations	-	None	-	3,804,205	15,577,060	None
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	1,661,400	0.60	Short-term financing	-	Operations	-	None	-	3,804,205	15,577,060	None
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables-related parties	Y	2,492,100	2,492,100	2,422,875	0.60	Short-term financing	-	Operations	-	None	-	3,804,205	15,577,060	None
1	Leading Enterprises Limited	Bluxcean Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	238,272	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	5,538,000	5,538,000	88,438	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
2	Amber Universal Inc.	Bluxcean Inc.	Other receivables-related parties	Y	1,384,500	1,384,500	587,645	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
2	Amber Universal Inc.	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	2,760,000	2,760,000	2,760,693	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
3	Cerina Access, Inc.	Leading Enterprises Limited	Other receivables-related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
4	Realtek Investment Singapore Private Limited	Realtek Singapore Private Limited	Other receivables-related parties	Y	2,760,000	2,760,000	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None

REALTEK SEMICONDUCTOR CORPORATION

Loans to others

For the year ended December 31, 2021

Table 1  
Maximum outstanding balance during the year ended December 31, 2021 (Note 3)  
Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Balance at December 31, 2021	Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted (Note 2)	Footnote
												Item	Value			
5	Realtek Singapore Private Limited	Leading Enterprises Limited	Other receivables-related parties	Y	\$ 2,768,000	\$ 2,768,000	0.60	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 15,577,060	\$ 15,577,060	None
5	Realtek Singapore Private Limited	RajMX Microelectronics Corp.	Other receivables-related parties	Y	55,380	55,380	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
5	Realtek Singapore Private Limited	Realtek Microelectronics Corp.	Other receivables-related parties	Y	830,700	830,700	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
5	Realtek Singapore Private Limited	Realtek Investment Singapore Private Limited	Other receivables-related parties	Y	2,768,000	2,768,000	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
6	Realtek Microelectronics Corp.	Suzhou Fankore Integrated Circuit Technology Co., Ltd.	Other receivables-related parties	Y	347,248	347,248	4.35	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
6	Realtek Microelectronics Corp.	RajMX Microelectronics Corp.	Other receivables-related parties	Y	347,248	347,248	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
7	Corinna Network Systems Shanghai Co., Ltd.	Suzhou Fankore Integrated Circuit Technology Co., Ltd.	Other receivables-related parties	Y	130,218	130,218	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The Company's "Procedures for Provision of Loans" are as follows:

(1) Ceiling on total loans granted by the Company to all parties is 40% of the Company's net assets value as per its most recent financial statements.

(2) Limit on loans to a single party with business transactions is the business transactions occurred between the creditor and borrower in the current year. The business transaction amount is the higher of purchasing and selling during current year on the year of financing.

(3) For companies needing for short-term financing, the cumulative lending amount may not exceed 40% of the borrowing company's net assets based on its latest financial statements audited or reviewed by independent accountants.

The amount the Company or its subsidiaries lend to an individual entity may not exceed 10% of the Company's or subsidiary's net assets based on its latest financial statements audited or reviewed by independent accountants.

For the foreign companies which the Company holds 100% of the voting rights directly or indirectly, limit on loans is not restricted as stipulated in the above item (3). However, the ceiling on total loans and limit on loans to a single party may not exceed 40% of the Company's net assets based on its latest financial statements audited or reviewed by independent accountants.

Note 3: Accumulated maximum outstanding balance of loans to others as of the reporting month of the current period.

Note 4: Fill in the actual amount of loans to others used by the borrowing company.

**REALTEK SEMICONDUCTOR CORPORATION**  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2021

Table 2  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limited on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	2	\$ 19,471,326	\$ 3,894,265	\$ 3,894,265	\$ -	\$ -	10%	\$ 19,471,326	Y	N	N	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	2	19,471,326	7,788,530	7,788,530	-	-	20%	19,471,326	Y	N	N	
0	Realtek Semiconductor Corporation	Suzhn PanKore Integrated Circuit Technology Co., Ltd.	2	19,471,326	389,427	389,427	-	-	1%	19,471,326	Y	N	Y	
0	Realtek Semiconductor Corporation	Realisil Microelectronics Corp.	2	19,471,326	1,168,280	1,168,280	-	-	3%	19,471,326	Y	N	Y	
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	2	19,471,326	1,168,280	1,168,280	13,276	-	3%	19,471,326	Y	N	Y	
1	Leading Enterprises Limited	Realisil Microelectronics Corp.	2	19,471,326	553,800	553,800	-	-	2%	19,471,326	N	N	Y	
2	Realisil Microelectronics Corp.	RayMX Microelectronics Corp.	2	19,471,326	553,800	553,800	-	-	2%	19,471,326	N	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly or indirectly owns more than 50% voting shares of the endorsed/guaranteed subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total endorsements/guarantees granted by the Company and subsidiaries is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants, and limit on endorsements/guarantees to a single party is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

REALTEK SEMICONDUCTOR CORPORATION  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2021

Table 3  
Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2021							Footnote (Note 4)
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership (%)	
Realtek Semiconductor Corporation	C-media Electronics Inc. - Common stock	Other related parties	Financial assets at fair value through profit or loss	1, 278, 501	\$ 129, 129	1. 60%	129, 129
Realtek Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3, 575, 000	111, 898	5. 34%	111, 898
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	48, 736, 172	723, 290	3. 03%	723, 290
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3, 575, 000	111, 898	5. 34%	111, 898
Leading Enterprises Limited	Fortemedia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8, 623, 301	89, 690	6. 89%	89, 690
Leading Enterprises Limited	Sunix Technology, Inc.-Preferred stock	None	Financial assets at fair value through other comprehensive income	5, 000, 000	16, 614	-	16, 614
Leading Enterprises Limited	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9, 000, 000	1, 285, 407	12. 49%	1, 285, 407
Amber Universal Inc.	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4, 726, 836	675, 101	6. 56%	675, 101
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336, 346	21, 862	-	21, 862
Hung-wei Venture Capital Co., Ltd.	C-media Electronics Inc. - Common stock	Other related parties	Financial assets at fair value through profit or loss	2, 274, 875	229, 763	2. 85%	229, 763
Hung-wei Venture Capital Co., Ltd.	Greatek Electronine Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	5, 823, 602	454, 823	1. 02%	454, 823
Hung-wei Venture Capital Co., Ltd.	Subtron technology Co., Ltd - Common stock	None	Financial assets at fair value through other comprehensive income	1, 093, 968	36, 046	0. 37%	36, 046
Hung-wei Venture Capital Co., Ltd.	Embestor Technology Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	2, 800, 000	30, 270	10. 77%	30, 270

REALTEK SEMICONDUCTOR CORPORATION

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2021

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2021

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Blueocean Inc.	EARGO, Inc.	None	Financial assets at fair value through other comprehensive income	424,000	\$ 59,877	1.08%	\$ 59,877	
Talent Eagle Enterprise Inc.	EARGO, Inc.	None	Financial assets at fair value through other comprehensive income	199,000	28,102	0.51%	28,102	
Realisil Microelectronics Corp.	Cuam Money Fund	None	Financial assets at fair value through profit or loss	1,015,308	43,472	-	43,472	
Realisil Microelectronics Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	184,600,000	803,223	-	803,223	
Realisil Microelectronics Corp.	Guang-Fa Demand Policy Loan Fund	None	Financial assets at fair value through profit or loss	10,055,163	43,645	-	43,645	
Realisil Microelectronics Corp.	Guang-Fa Currency Class B Fund	None	Financial assets at fair value through profit or loss	39,136,680	169,877	-	169,877	
Realisil Microelectronics Corp.	Jian-Xin Monetary Fund	None	Financial assets at fair value through profit or loss	10,055,543	43,647	-	43,647	
Realisil Microelectronics Corp.	Rui-Xin Monetary Fund	None	Financial assets at fair value through profit or loss	20,000,000	86,812	-	86,812	
Realisil Microelectronics Corp.	Pu-Yin Monetary Fund	None	Financial assets at fair value through profit or loss	30,089,700	130,607	-	130,607	
Realtek Semiconductor (Shen Zhen) Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	20,000,000	87,016	-	87,016	
Realtek Semiconductor (Shen Zhen) Corp.	Tian-Tian-Zeng-Li Monetary Fund	None	Financial assets at fair value through profit or loss	7,620,000	33,979	-	33,979	
Realtek Semiconductor (Shen Zhen) Corp.	Cash Appreciation Currency Fund	None	Financial assets at fair value through profit or loss	9,531,843	41,374	-	41,374	
Cortina Network Systems Shanghai Co. Ltd.	Zhou Zhou Fa Fund	None	Financial assets at fair value through profit or loss	4,657,932	27,198	-	27,198	
Cortina Network Systems Shanghai Co. Ltd.	Step by step Gold Fund	None	Financial assets at fair value through profit or loss	19,100,000	82,905	-	82,905	
Blueocean Inc.	CyWeeMotion Group Limited	None	Financial assets at fair value through other comprehensive income	4,800,000	-	6.59%	-	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

REALTEK SEMICONDUCTOR CORPORATION

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Differences in transaction terms  
compared to third party  
transactions

Purchase/seller	Counterparty	Relationship with the counterparty	Transaction			Notes/accounts receivable/payable			Footnote
			Purchase (sales)	Amount	Percentage of total purchase (sales)	Credit term	Unit price	Credit term	
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	(Sales)	(\$ 9,690,767)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	
Realtek Semiconductor Corporation	Actions Semiconductor Co., Ltd.	Other related parties	(Sales)	( 184,238)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	
Realtek Semiconductor Corporation	C-Media Electronics Inc.	Other related parties	(Sales)	( 420,529)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	( 5,864,928)	(6%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	(Sales)	( 487,094)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	1,009,689	2%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	289,394	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	

REALTEK SEMICONDUCTOR CORPORATION

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2021

Table 5

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Overdue receivables			Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Turnover rate	Amount	Action taken		
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	\$ 1,763,556	5.51	\$ -	-	\$ 833,031	(\$ 17,814)
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	1,339,319	5.26	-	-	454,424	-

Expressed in thousands of NTD  
(Except as otherwise indicated)

**REALTEK SEMICONDUCTOR CORPORATION**  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Transaction													
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account		Amount		Transaction terms		Percentage of consolidated total operating revenues or total assets (Note 3)			
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.		1	Other receivables	\$	45,049	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%				
1	Realtek Singapore Private Limited	Realtek Microelectronics Corp.		3	Technical service fees		2,386,682	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	2.26%				
1	Realtek Singapore Private Limited	Realtek Microelectronics Corp.		3	Other payables		326,742	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.32%				
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.		3	Technical service fees		566,137	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.54%				
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.		3	Other payables		105,776	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.10%				
1	Realtek Singapore Private Limited	Corinna Access, Inc.		3	Technical service fees		217,181	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.21%				
1	Realtek Singapore Private Limited	Corinna Access, Inc.		3	Other payables		11,200	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.01%				
1	Realtek Singapore Private Limited	Corinna Network Systems Shanghai Co. Ltd.		3	Technical service fees		138,457	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.13%				
1	Realtek Singapore Private Limited	Corinna Network Systems Shanghai Co. Ltd.		3	Other payables		39,249	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%				
1	Realtek Singapore Private Limited	Corinna Systems Taiwan Limited		3	Technical service fees		152,176	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.14%				
1	Realtek Singapore Private Limited	Corinna Systems Taiwan Limited		3	Other payables		13,453	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.01%				
1	Realtek Singapore Private Limited	Realtek Semiconductor (Japan) Corp.		3	Technical service fees		69,211	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.07%				
1	Realtek Singapore Private Limited	Ubilinx Technology Inc.		3	Technical service fees		514,586	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.49%				
1	Realtek Singapore Private Limited	Ubilinx Technology Inc.		3	Other payables		259,448	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.26%				
1	Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.		3	Technical service fees		10,604	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.01%				
1	Realtek Singapore Private Limited	Realtek Semiconductor (Malaysia) SDN. BHD		3	Technical service fees		17,565	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.02%				
1	Realtek Singapore Private Limited	RayMX Microelectronics Corp.		3	Other receivables		45,049	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%				

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories: fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction in consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period in consolidated total operating revenues for income statement accounts.

Note 4: Only transactions above NT\$10 million are disclosed. Transactions of related parties are not further disclosed here.

### Information on investees

For the year ended December 31, 2021

Expressed in thousands of NTD  
(Except as otherwise indicated)

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REALTEK SEMICONDUCTOR CORPORATION

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Initial investment amount				Shares held as at December 31, 2021				Investment income (loss)		Footnote
Investor	Investee	Location	Main business activities	Balance as at		Number of shares	Ownership (%)	Book value	December 31, 2021	
				December 31, 2021	December 31, 2020					
Realtek Semiconductor Corporation	Estinet Technologies Incorporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	\$ 110,000	\$ 110,000	2,000,000	6.89%	\$ 5,081	\$ (64,411)	Investments accounted for under equity method (5,968)
Realking Investments Co., Ltd.	Innorich Venture Capital Corp.	Taiwan	Venture capital activities	200,000	200,000	20,000,000	37.38%	142,619	(17,446)	Investments accounted for under equity method (4,882)
Realking Investments Co., Ltd.	Starmens Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	10,000	-	1,000,000	10%	9,706	( 2,940)	Investments accounted for under equity method (294)
Realsun Investments Co., Ltd.	Starmens Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	23,000	-	2,300,000	23%	22,324	( 2,940)	Investments accounted for under equity method (676)
Hung-wei Venture Capital Co., Ltd.	Starmens Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	12,000	-	1,200,000	12%	11,647	( 2,940)	Investments accounted for under equity method (353)
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	ICs design,sales, and consultancy	4,812	5,530	400	100%	6,344	4,621	Sub-Subsidiary
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	Investment holdings	8,307	1,847,318	300,000	100%	7,126	( 320)	Sub-Subsidiary
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Hong Kong	Information services and technical support	5,326	5,516	-	100%	1,034	( 12)	Sub-Subsidiary
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	Investment holdings	782,243	805,351	2,825,000	100%	1,959,141	395,720	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Access Inc.	U.S.A	R&D and information services	1,131,026	1,164,438	16,892	100%	839,870	26,504	Sub-Subsidiary

### Information on investees

For the year ended December 31, 2021

Expressed in thousands of NTD  
(Except as otherwise indicated)

Note : The amount of foreign currencies denominated in New Taiwan dollars in this table, which related to income and expenses were re-translated at the average exchange rate from January 1, 2021 to December 31, 2021, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.

**REALTEK SEMICONDUCTOR CORPORATION**  
Information on investments in Mainland China  
For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland	Main business activities	Paid-in Capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021		Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(2))		Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				China	Taiwan	China	Mainland China	Taiwan							
Corinna Network Systems Shanghai Co., Ltd.	R&D and technical support	\$ 99,684	(2)	\$ 99,684	-	\$ 99,684	\$ -	\$ -	\$ 6,952	100%	\$ 6,952	\$ 106,099	\$ -	-	
Realisil Microelectronics Corp.	R&D and technical support	775,320	(2)	775,320	-	775,320	396,350	-	396,350	100%	396,350	1,955,657	-	-	
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	138,450	(2)	138,450	-	138,450	15,258	-	15,258	100%	15,258	285,009	-	-	
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	113,941	(2)	113,941	-	113,941	311,601	-	311,601	100%	311,601	397,149	-	-	
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	43,406	(2)	43,406	-	43,406	82,838	-	82,838	100%	82,838	57,525	-	-	

Company name	December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Corinna Network Systems Shanghai Co., Ltd.	\$ 99,684	\$ 99,684	\$ 23,365,591
Realisil Microelectronics Corp.	775,320	775,320	
Realtek Semiconductor (Shan Zhen) Corp.	138,450	138,450	
RayMX Microelectronics Corp.	113,941	113,941	
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	43,406	43,406	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column, except for the financial statements of Corinna Network Systems Shanghai Co. Ltd. were audited by other independent auditors, the remaining financial statements were audited by the independent auditors of parent company in Taiwan.

Note 3: The amount of foreign currencies denominated in New Taiwan dollars in this table, which related to income and expenses were re-translated at the average exchange rate from January 1, 2021 to December 31, 2021, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.