

# REALTEK SEMICONDUCTOR CORP.

## 2020 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. 2020 Operating Results

The year 2020 was a very challenging year for the semiconductor industry, and of course, the entire world. Despite the uncertainties posed by international affairs and the impact of COVID-19, Realtek, relying on continuous enhancement of product competitiveness and flexible market strategies, maintained the pace towards its 34th consecutive year of growth. Full-year 2020 consolidated revenue reached NT\$77.76 billion, an increase of 28.0% from the previous year; gross profit was NT\$33.25 billion, an increase of 25.1% from the previous year; and net profit after tax was NT\$8.79 billion, representing an increase of 29.5% compared to the previous year, with earnings per share of NT\$17.24. According to IC Insights, worldwide semiconductor industry revenue in 2020 was US\$480.9 billion, an increase of 8% compared to 2019, of which IC sales grew by 10%. Realtek ranked 11th amongst the global IC design companies in 2020, once again marching forward at a speed outpacing the overall industry.

Looking back on 2020, the needs for working from home and remote learning to cope with COVID-19 drove demand for productivity products such as personal computers, as well as home networks and network infrastructure. In addition, the market itself was pulled by megatrends such as 5G and Artificial Intelligence of Things (AIoT), thereby accelerating and expanding the demand for various connectivity solutions. With its comprehensive product portfolio and technological competitiveness, Realtek has delivered outstanding results in the PC, communications network, consumer electronics, and automotive electronics fields.

In terms of corporate social responsibility best practice, Realtek has set up a Nominating Committee and Corporate Governance Officer to strengthen the board's practices and intensify its management functions, thereby heightening its quality and efficiency. We identified various climate risks related to climate change issues of global concern, proposed actions in response, and integrated internal and external resources to actively manage energy usage, including setting targets for carbon reduction and greenhouse gas emissions, saving electricity, and harvesting green energy to reduce environmental impact. We also focused on our core competencies to develop innovative, high-performance, and low-power-consumption products. In 2020 we have continued to fulfill our promise to help create a greener, healthier environment by delivering many new products where power consumption (wattage) was reduced by more than 40% when compared with their predecessors. To promote social inclusion, Realtek proactively participates in charitable activities. In 2020 we sponsored free Low-Dose Computed Tomography lung cancer screening for Hsinchu County and City police forces, as well as offering free liver disease and liver cancer screening, and also a health questionnaire at Longshan Temple. The Longshan Temple event attracted more than 8,000 participants and was awarded a certificate for breaking a Guinness World Record. Regarding education, Realtek established the 'Caring Rural Education and Boosting Student Learning Charity Project' to provide rural schools with additional reading material to expand their horizons and promote learning through reading. In addition, Realtek continues to provide services to groups such as the Taiwan Fund for Children and Families, the Eden Social Welfare Foundation, and the Boyo Social Welfare Foundation, among others.

## 2. 2021 Business Plan

Having outperformed the market in 2020, Realtek will continue to launch more competitive products in 2021, strengthen the portfolio of each product line, and maintain our growth momentum and technological leadership.

In relation to wireless products, Realtek Wi-Fi 6 (11ax) wireless controller products successfully entered mass production in 2020, and have experienced great success in PC, router, and broadband applications. They are expected to gradually become an important growth driver in 2021. In addition to Wi-Fi 6, the existing 11ac and 11n products will be optimized continually to provide more cost-effective solutions, which will help expand markets and increase overall market share while consolidating existing

customers. For IoT controller chips, Realtek offers the most complete product portfolio. In addition to hardware specifications with high integration and ultra-low power consumption, Realtek also provides customers with complete software and hardware development kits through close cooperation with IoT-related organizations and leaders. This enabled rapid growth in both the number of customers and shipments in 2020, and this trend is expected to continue in 2021. With respect to Bluetooth products, COVID-19 impacted True Wireless Stereo (TWS) products, and there was a slight decline in growth in 2020. However, in 2021, a new wave of growth is expected, as the number of customers requiring Active Noise Cancellation (ANC) increases and the upcoming BT 5.2 TWS solution fulfills the market's expectation for the evolution of Bluetooth headsets. Additionally, Bluetooth Low Energy single chips in voice remote controllers are now widely recognized by well-known brands at home and abroad. Realtek will continue to assist customers to migrate from infrared to Bluetooth remote controllers, and provide the market with appealing and high-value wearable applications. The promotion by intelligent voice ecosystem leaders to adopt Bluetooth Mesh Networking will further drive the growth of Bluetooth products.

Realtek's second-generation 2.5Gb Ethernet products have been designed into PCs and their peripherals. The bandwidth demanded by many applications is further reflected in the specification upgrade from 1GbE to 2.5GbE, which is expected to become one of the major growth drivers of our Ethernet product line in the near future. For Switch products, Realtek has been actively developing the smart switch market by investing resources to develop Layer 3 stackable managed and higher-speed switch controller chips, as well as deploying entry-level managed switches by offering low-power, cost-effective solutions, in order to increase both market visibility and market share. In addition, in response to the increasing demand for network bandwidth, an 8-port 2.5GbE single-chip switch is expected to be launched in 2021, providing low-power, easy-to-operate and cost-effective products to the market, which in turn should drive another wave of specification upgrades of consumer switches. For automotive Ethernet, the number of customers and shipments are growing steadily through persistent team effort. Other than the existing 100/1000BASE-T1 dual-mode high-port-count switches and physical layer (PHY) controllers, Realtek is also actively investing in the development of 10BASE-T1 and 2.5GBASE-T1 products, targeting the increased market demand foreseen for the years 2024 and 2025.

For TV SoCs, Realtek leads in end market demand due to superior system expertise and specifications that are highly recognized by customers, and has delivered steady sales growth throughout 2020. In 2021, we will continue to improve products by integrating 8K, AI, and other functions to enhance the consumer multimedia experience. With the rise of audiovisual streaming media, and its promotion by major operators, the demand for OTT set-top boxes continues to rise. To this end, Realtek will continually develop new generations of UHD multimedia controller chips for OTT set-top boxes by integrating the multi-CAS security requirements of various operators, and will combine its own multimedia and network total solutions to gain greater customer recognition and maintain stable growth.

Regarding Computer Peripheral products, as lifestyles around the world changed dramatically in 2020 due to COVID-19, working from home and remote learning became the norm, thereby enabling the PC market, notebooks in particular, to experience positive growth against the trend. In addition, sales of VoIP communication devices and noise reduction software capable of improving the quality of calls has shown strong growth. Realtek launched an environmental noise cancellation solution for PC audio peripheral devices, which combines AI algorithms to effectively eliminate background noise. In addition to the need for high-level voice call quality, a parallel demand for more convenient and clearer video images has also emerged. To meet these needs, Realtek will launch a series of PC camera ISP chips with HD/FHD/5M resolution, featuring dual-lens and Temporal Noise Reduction to bring consumers a first-class user experience. In terms of single-chip controllers for surveillance cameras, in response to the high growth being seen in the security industry, Realtek will launch a new generation of highly integrated, low-power single-chip camera products, supporting H.264/H.265 encoding, 5 million Pixel CMOS Sensor, and Video HDR wide dynamic range with long and short exposure specifications, in order to strengthen our product portfolio and provide customers with more competitive solutions.

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

The COVID-19 pandemic during 2020 heavily impacted people's daily lives; however, the semiconductor industry continued to grow steadily, both because of these lifestyle changes, and as a result of megatrends such as 5G and AIoT. Entering 2021, the industry will face challenges caused by supply-demand imbalances in the supply chain, in addition to the continuing impact of COVID-19 on the macro economy. Despite many uncertainties, Realtek will rise above the challenges to deliver market success through its highly flexible strategies, time-proven deep technical strength, and excellent customer support. In the face of future challenges, we will not only expand and construct our third office building this year, but also map out a plan for entering the biomedical industry to uphold our goal of steady growth and sustainable development.

We want to thank all shareholders for your ceaseless care and support. We also wish you great health and success.

Chairman      Yeh, Nan-Horng

President      Chiu, Sun-Chien

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.

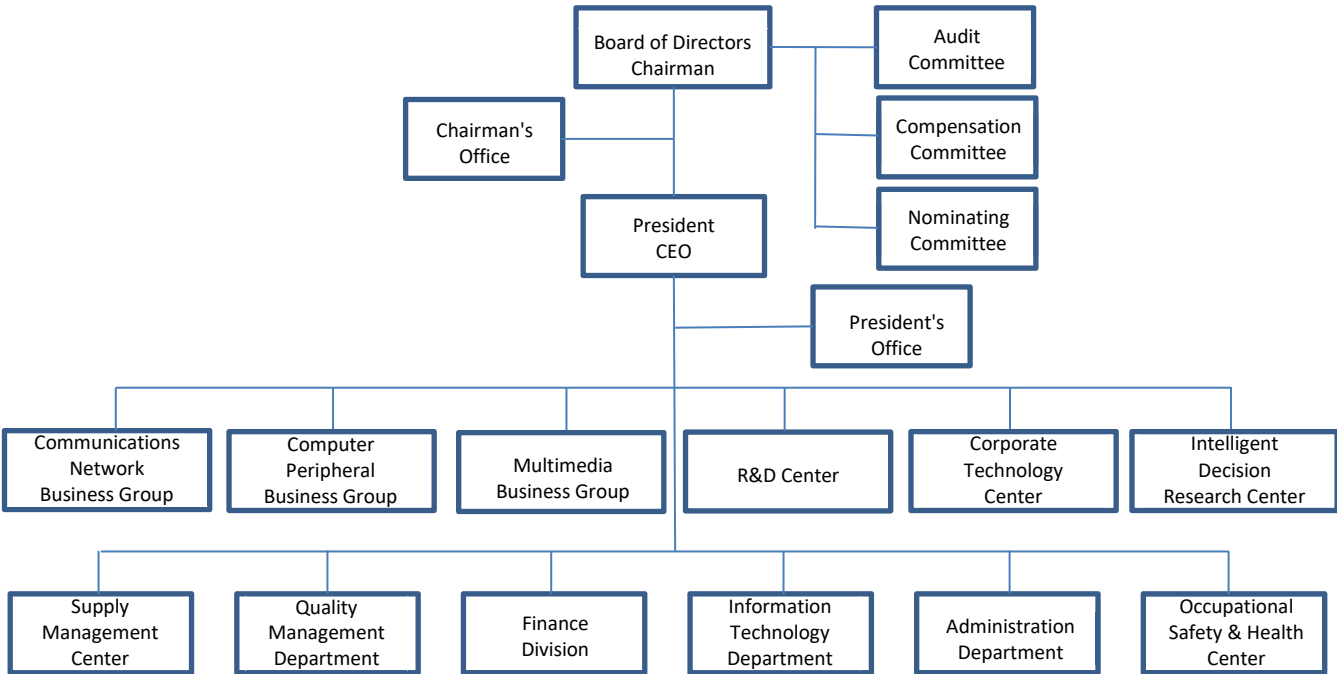
2010/12	The RTL8111E Single-Chip Gigabit Ethernet Controller receives a 2010 Outstanding IT Application and Products Award.
2010/12	The RTL8367M 7-Port Gigabit Ethernet Switch Controller receives a 2010 Innovative Product Award from the Hsinchu Science Park Administration.
2010/12	The Company receives 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.

# 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.
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

April 10, 2021

Title	Nationality by Origin	Name	Gender	Date Elected	Term of Office	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & 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	ROC	Cock Pharmaceutical Industry Co., Ltd.	-	2018.06.05	3 years	2015.06.09	22,146,604	4.36%	22,146,604	4.34%	-	-	-	-	NA	NA			
Chairman	ROC	Cock Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Hong	Male	2018.06.05	3 years	1984.03.02 (Note 1)	-	-	-	-	-	-	-	-	MBA(Master of Business Administration), Washington University in St. Louis, USA.	Chairman of Realtek Microelectronics Corp. (Note 2) Director of Yihong Investment Co., Ltd. Chairman of Zi Yuan Industries Co., Ltd. Director of Cook Pharmaceutical Industry Co., Ltd. Director of Novasist (Shanghai) Co., Ltd. Director of Chung Qing Rui Lian Microelectronics Ltd.	Director	Yeh, Po-Len	Brother
Director	BVI	Forehead International Co., Ltd.	-	2018.06.05	3 years	2009.06.10	6,184,359	1.22%	5,023,359	0.98%	-	-	-	-	NA	NA	-	-	-
Vice Chairman	ROC	Forehead International Co., Ltd. Representative: Chiu, Sui-Chien	Male	2018.06.05	3 years	2006.06.09	1,388,831	0.27%	892,831	0.17%	1,384	0.00%	-	-	M.S. in Electrical Engineering, National Taiwan University	President of Realtek Semiconductor Corp. Director of Realtek Technology Corporation (Note 2) Director of Realtek Investments Limited (Note 2) Director of Hungwei Venture Capital Co., Ltd (Note 2) Director of Realtek Semiconductor (Japan) Corp. (Note 2)	-	-	-
Director	ROC	Forehead International Co., Ltd. Representative: Chen, Kuo-Long	Male	2018.06.05	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	Chief Financial Officer of Realtek Semiconductor Corp. Director of Realtek Investments Co., Ltd. (Note 2) Director of Realtek Semiconductor (Shenzhen) Corp. (Note 2)	-	-	-
Director	BVI	Sonnet Limited	-	2018.06.05	3 years	2015.06.09	66,000	0.01%	66,000	0.01%	-	-	-	-	NA	NA	-	-	-
Director	ROC	Sonnet Limited Representative: Yeh, Po-Len	Male	2018.06.05	3 years	1991.06.26	2,323,899	0.46%	2,323,899	0.46%	208,338	0.04%	-	-	MSc. & Ph.D. in Material Engineering, Loughborough University of Technology, United Kingdom	Chairman of Realtek Technology Corporation (Note 2) Chairman of Realtek Investments Limited (Note 2) Chairman of Hungwei Venture Capital Co., Ltd. (Note 2) Director of Realtek Semiconductor (HK) Ltd. (Note 2)	Chairman	Yeh, Po-Len Hong	Brother
Director	ROC	Sonnet Limited Representative: Huang, Yung-Fang	Male	2018.06.05	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. Director of Hungwei Venture Capital Co., Ltd. (Note 2) Director of Realtek Investments Co., Ltd. (Note 2) Director of Realtek Semiconductor (Japan) Corp. (Note 2) Director of Realtek Technology Corporation (Note 2) Chairman of Realtek Singapore Pte Ltd. (Note 2) Chairman of Realtek Investment Singapore Private Limited (Note 2) Director of Cortina Access, Inc. (Note 2) Chairman of Cortina Systems Taiwan Limited (Note 2) Chairman of Suzhou Pankore Integrated Circuit Technology Co., Ltd. (Note 2)	-	-	-
Director	ROC	Ni, Shu-Ching	Female	2018.06.05	3 years	1991.06.26	6,308,389	1.24%	6,308,389	1.24%	6,569,949	1.29%	-	-	Open Junior College	None	-	-	-
Independent Director	ROC	Chen, Fui-Yen	Male	2018.06.05	3 years	2015.06.09	-	-	-	-	-	-	-	-	M.A. in Journalism, National Chengchi University	CEO of Creative Education and Management Foundation Chairman of EZTravel Travel Service Co., Ltd. Chairman of Realtek Investments Co., Ltd. Chairman of Eland Technology Co., Ltd. Chairman of Eland Information Co., Ltd.	-	-	-
Independent Director	ROC	Wang, Chun-Hsiung	Male	2018.06.05	3 years	2018.06.05	-	-	-	-	-	-	-	-	MBA(Master of Business Administration), Tulane University, USA	President of Jasslin Technology Co., Ltd.	-	-	-
Independent Director	ROC	Oh, Yang, Won-Han	Male	2018.06.05	3 years	2018.06.05	578,688	0.11%	563,688	0.11%	152,024	0.03%	-	-	Bachelor of Electrical Engineering, National Taiwan University	None	-	-	-

Note 1: Chairman Yeh, Nan-Hong did not serve as a director of the Company from 2005.05.20 to 2009.06.09.

Note 2: The representative of Realtek Semiconductor Corp. or its affiliated company.

Table I: The major shareholders of institutional shareholders

April 10, 2021

<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%)
Forehead International Co., Ltd.	Time Wealth Co., Ltd. (shareholding: 100%)

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

April 10, 2021

<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%)
Time Wealth Co., Ltd.	H.S. Lee Hsia (shareholding: 100%)



## Professional Background and Independence of Directors

Name	Criteria	Possess five or more years of experience and the following professional qualifications			Independence Status (Note)												Number of other public companies concurrently serving as an independent director
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10	11	12	
Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	-	✓	-	0
Forehead International Co., Ltd. Representative: Chiu, Sun-Chien	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Forehead International Co., Ltd. Representative: Chern, Kuo-Jong	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Sonnen Limited Representative: Yeh, Po-Len	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	-	✓	-	0
Sonnen Limited Representative: Huang, Yung-Fang	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Ni, Shu-Ching	-	-	✓	✓	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, Fu-Yen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Chun-Hsiung	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ou Yang, Wen-Han	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: '✓' indicates the conditions listed met during the director's terms and two years prior.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor or employee of other companies controlled by the same person with more than half of directors or voting shares of the company and another companies. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) Not a director, supervisor or employee of another companies or institutions who are the same person or spouse as the company's chairman, president or equivalent. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, in cases where the specified company or institution

holds 20 percent or more and no more than 50 percent of the total number of issued shares of the company, and the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

- (9) Not a professional individual who, or an owner, partner, director, supervisor, officer or their spouse of a sole proprietorship, partnership, company, or institution that, provides audit or commercial, legal, financial, or accounting services with remuneration in the past two years with cumulative amounts exceeding NT\$ 500,000 to the company or to any affiliate of the company. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative within the second degree of kinship to any of other directors.
- (11) Not under any condition pursuant to Article 30 of the Company Act.
- (12) Not a juridical person or its representative as defined in Article 27 of the Company Act.

## 2. Information of President and Vice Presidents

April 10, 2021

Title	Nationality	Name	Gender	Date Appointed	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
President	ROC	Chiu, Sun-Chien	Male	1999.07.01	892,831	0.17%	1,384	0.00%	-	-	M.S. in Electrical Engineering, National Taiwan University	Director of Realsun Technology Corporation (Note1) Director of Realking Investments Limited (Note1) Director of Hungwei Venture Capital Co., Ltd. (Note1) Director of Realtek Semiconductor (Japan) Corp. (Note1)	-	-	-
Chief Operating Officer	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	Director of Realtek Venture Capital Co., Ltd. (Note1) Director of Realsun Investments Co., Ltd. (Note1) Director of Realking Investments Limited (Note1) Director of Realsun Technology Corporation (Note1) Chairman of Realtek Singapore Pte Ltd. (Note1) Chairman of Realtek Investment Singapore Private Limited (Note1) Director of Cortina Access, Inc. (Note1) Chairman of Cortina Systems Taiwan Limited (Note1) Chairman of Suzhou PanKore Integrated Circuit Technology Co. Ltd. (Note1)	-	-	-
Chief Financial Officer	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 of Realsun Investments Co., Ltd. (Note1) Director of Realtek Semiconductor (Shenzhen) Corp. (Note1)	-	-	-
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 Realsun Investments Co., Ltd. (Note1)	-	-	-
Vice President	ROC	Lin, Yng-Hsi	Male	2017.03.13	50,000	0.01%	0	0.00%	-	-	M.S. in Electrical Engineering, National Taiwan University	Director of Realtek Semiconductor (HK) Limited (Note1)	-	-	-
Vice President	ROC	Lin, Lung-Wei (Note 2)	Male	2017.03.13	-	-	-	-	-	-	MBA(Master of Business Administration), National Chengchi University	NA	-	-	-
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. (Note1)	-	-	-
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	Director of Compal Broadband Networks Inc. (Note1) Chairman of RayMX Microelectronics Corporation (Note1)	-	-	-
Vice 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 Singapore Pte. Ltd. (Note1) Director of Realtek Investment Singapore Private Limited (Note1) Director of Cortina Access, Inc. (Note1) Director of Cortina Systems Taiwan Limited (Note1) Director of Suzhou PanKore Integrated Circuit Technology Co. Ltd. (Note1)	-	-	-

Title	Nationality	Name	Gender	Date Appointed	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
Controller	ROC	Chang, Jr-Neng	Male	2007.03.16	35,045	0.01%	0	0.00%	-	-	M.A. in Accounting, National Taiwan University	Director of Greatek Electronics Inc. (Note1) Director of Realtek Investment Singapore Private Limited Supervisor of RayMX Microelectronics Corporation (Note1)	-	-	-

Note 1: The representative of Realtek Semiconductor Corp. or its affiliated company.

Note 2: Lin, Lung-Wei resigned on 2020.05.31.

### 3. Remuneration for Directors and Officers

#### 3.1 Directors' Remuneration

2020 / Unit: NT\$K

Title	Name	Director remuneration				A + B + C + D as percentage of net income after taxes		Remuneration from concurrent position as employee				A + B + C + D + E + F + G as percentage of net income after taxes		Remuneration received from investment business other than subsidiaries or parent company		
		Remuneration (A)	Pension (B)	Remuneration from profit distribution (C) (Note 1)		Business expenses (D)	Salaries, bonuses and special expenses (E) (Note 2)	Pension (F)	Profit distribution for employee compensation (G)		Consolidated Entities	REALTEK				
				Consolidated Entities	REALTEK				Consolidated Entities	Stock						
													REALTEK		Cash	Stock
Chairman	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Hong															
Vice Chairman	Forehead International Co., Ltd. Representative: Chiu, Sun-Chien															
Director	Forehead International Co., Ltd. Representative: Chern, Kuo-Jong															
Director	Sonnen Limited Representative: Yeh, Po-Len															
Director	Sonnen Limited Representative: Huang, Yung-Fang															
Director	Ni, Shu-Ching															
Independent Director	Chen, Fu-Yen															
Independent Director	Wang, Chun-Hsiung															
Independent Director	Ou Yang, Wen-Han															

Note 1: The relevant compensation of 2,470 thousand dollars for the drivers is not included.

Note 2: In addition to the above table, in recent year, the directors of the Company provided services for all companies in the financial reports (such as consultants who are non-employees): 0

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	Yeh, Nan-Horng, Chiu, Sun-Chien, Chern, Kuo-Jong, Yeh, Po-Len, Huang, Yung-Fang, Chen, Fu-Yen, Wang, Chun-Hsiung, Ou Yang, Wen-Han	Yeh, Nan-Horng, Chiu, Sun-Chien, Chern, Kuo-Jong, Yeh, Po-Len, Huang, Yung-Fang, Chen, Fu-Yen, Wang, Chun-Hsiung, Ou Yang, Wen-Han	Chen, Fu-Yen, Wang, Chun-Hsiung, Ou Yang, Wen-Han	Chen, Fu-Yen, Wang, Chun-Hsiung, Ou Yang, Wen-Han
\$1,000,000 (incl.) - \$2,000,000 (excl.)	Ni, Shu-Ching	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.)	-	-	Huang, Yung-Fang, Chern, Kuo-Jong,	Huang, Yung-Fang, Chern, Kuo-Jong,
\$15,000,000 (incl.) - \$30,000,000 (excl.)	Cotek Pharmaceutical Industry Co., Ltd.	Cotek Pharmaceutical Industry Co., Ltd.	Yeh, Po-Len, Yeh, Nan-Horng, Chiu, Sun-Chien, Cotek Pharmaceutical Industry Co., Ltd.	Yeh, Po-Len, Yeh, Nan-Horng, Chiu, Sun-Chien, Cotek Pharmaceutical Industry Co., Ltd.
\$30,000,000 (incl.) - \$50,000,000 (excl.)	Sonnen Limited, Forehead International Co., Ltd.	Sonnen Limited, Forehead International Co., Ltd.	Sonnen Limited, Forehead International Co., Ltd.	Sonnen Limited, Forehead International Co., Ltd.
\$50,000,000 (incl.) - \$100,000,000 (excl.)	-	-	-	-
\$100,000,000 and above	-	-	-	-
Total	12	12	12	12

### 3.2 Officer's Compensation

2020 / Unit: NT\$K

Title	Name	Salary (A)		Pension (B)		Bonuses and special expenses (C) (Note)		Employee compensation (D)				A + B + C + D as percentage of net income after taxes		Compensation received from investment business other than subsidiaries or parent company
		REALTEK	Consolidated Entities	REALTEK	Consolidated Entities	REALTEK	Consolidated Entities	Cash	Stock	Cash	Stock	REALTEK	Consolidated Entities	
President	Chiu, Sun-Chien	40,909	40,909	2,455	2,455	43,103	43,103	42,738	0	42,738	0	1.47%	1.47%	None
Chief Operating Officer	Huang, Yung-Fang													
Chief Financial Officer	Chern, Kuo-Jong													
Vice President	Huang, Yee-Wei													
Vice President	Lin, Ying-Hsi													
Vice President	Lin, Lung-Wei (Note 2)													
Vice President	Wang, Po-Chih													
Vice President	Chang, King-Hsiung													
Vice President	Tsai, Jon-Jinn													
Vice President	Yen, Kuang-Yu													
Controller	Chang, Jr-Neng													

Note 1: The relevant compensation of 897 thousand dollars for the driver is not included.

Note 2: Lin, Lung-Wei resigned on 2020.05.31.

## Compensation Range

Compensation Range	Name of Presidents and Vice Presidents	
	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.)	Huang, Yee-Wei, Chang, King-Hsiung, Lin, Lung-Wei(Note), Chang, Jr-Neng	Huang, Yee-Wei, Chang, King-Hsiung, Lin, Lung-Wei(Note), Chang, Jr-Neng
\$10,000,000 (incl.) - \$15,000,000 (excl.)	Chern, Kuo-Jong, Huang, Yung-Fang, Lin, Ying-His, Yen, Kuang-Yu, Tsai, Jon-Jinn, Wang, Po-Chih	Chern, Kuo-Jong, Huang, Yung-Fang, Lin, Ying-His, Yen, Kuang-Yu, Tsai, Jon-Jinn, Wang, Po-Chih
\$15,000,000 (incl.) - \$30,000,000 (excl.)	Chiu, Sun-Chien	Chiu, Sun-Chien
\$30,000,000 (incl.) - \$50,000,000 (excl.)	-	-
\$50,000,000 (incl.) - \$100,000,000 (excl.)	-	-
\$100,000,000 and above	-	-
Total	11	11

Note : Lin, Lung-Wei resigned on 2020.05.31.

### 3.3 Employee's Compensation for Officers

2020 / Unit: NT\$K

Title	Name	Stock	Cash	Total	Percentage of net income after taxes (%)
President	Chiu, Sun-Chien	0	42,738	42,738	0.49%
Chief Operating Officer	Huang, Yung-Fang				
Chief Financial Officer	Chern, Kuo-Jong				
Vice President	Huang, Yee-Wei				
Vice President	Lin, Ying-His				
Vice President	Lin, Lung-Wei (Note)				
Vice President	Wang, Po-Chih				
Vice President	Chang, King-Hsiung				
Vice President	Tsai, Jon-Jinn				
Vice President	Yen, Kuang-Yu				
Controller	Chang, Jr-Neng				

Note: Lin, Lung-Wei resigned on 2020.05.31.

### 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 2019	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
4.18%	3.47%

The 2020 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 9 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:

The Board of Directors held meetings 7 times in 2020. Attendance status of Directors is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Chairman	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	7	0	100%	-
Vice Chairman	Forehead International Co., Ltd. Representative: Chiu, Sun-Chien	7	0	100%	-
Director	Sonnen Limited Representative: Yeh, Po-Len	7	0	100%	-
Director	Sonnen Limited Representative: Huang, Yung-Fang	7	0	100%	-
Director	Forehead International Co., Ltd. Representative: Chern, Kuo-Jong	7	0	100%	-
Director	Ni, Shu-Ching	7	0	100%	-
Independent Director	Chen, Fu-Yen	7	0	100%	-
Independent Director	Ou Yang, Wen-Han	7	0	100%	-
Independent Director	Wang, Chun-Hsiung	7	0	100%	-

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, corporate social responsibility best practice principles, 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, 2020 to Dec. 31, 2020

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 2020 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; 7 meetings were held in 2020. 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:

The Audit Committee held meetings 7 times in 2020. 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	7	0	100%	-
Independent Director	Chen, Fu-Yen	7	0	100%	-
Independent Director	Wang, Chun-Hsiung	7	0	100%	-

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
Feb. 21, 2020	1. To approve property purchase. 2. The Company's Auditor of financial statements and Audit Fee for 2020.	All independent directors approved
Mar. 18, 2020	1. 2019 financial statements and consolidated financial statements. 2. Issuance of new shares for capital increase from employees' compensation. 3. The Company intends to loan a fund to a subsidiary. 4. To revise provisions of the Company's internal regulations. 5. To revise the written system of internal control of the Company. 6. 2019 Statement of Internal Control System.	
Apr. 22, 2020	1. Distribution of 2019 Retained Earnings. 2. 2019 cash dividends distribution from retained earnings. 3. Cash distribution from capital surplus. 4. 2019 business report and 2020 business plan. 5. The Company plans to build factory & office buildings. 6. The Company intends to loan a fund to a subsidiary.	
Jul. 29, 2020	1. To establish Regulation of Insider Trading.	
Sep. 30, 2020	1. To increase budget for office building and parking construction. 2. The Company increases investment in a subsidiary.	
Oct. 27, 2020	1. The Company obtains its holdings of equity from its subsidiary. 2. The Company's subsidiaries reduce capital to offset accumulated deficit.	

Date	Resolutions	The Opinions of All Independent Directors and the Company's Actions to the Opinions
	3. The Company extends the period of endorsement guarantee for bank loans of a subsidiary. 4. The Company intends to loan a fund to a subsidiary. 5. The Company intends to loan a fund to a Mainland China subsidiary. 6. The Company's investee company intends to loan a fund to a Mainland China subsidiary. 7. The Company intends to endorse the guarantee for a Mainland China subsidiary.	All independent directors approved
Dec. 22, 2020	1. The Company intends to loan a fund to a subsidiary. 2. Fund loans between subsidiaries of the Company. 3. The Company's investee company intends to loan a fund to a Mainland China subsidiary. 4. The Company increases budget for factory & office buildings 5. The Company's investee company intends to subscribe capital increase of a Mainland China subsidiary. 6. The Status that the Company regularly evaluates the independence of auditor. 7. 2021 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. 18, 2020	The consolidated financial statement and independent auditor's report result for 2019 and Important audit events.	No suggestion from independent directors
Apr. 24, 2020	The consolidated financial statement and independent auditor's report result for the first quarter of 2020 and Important review events.	No suggestion from independent directors
Jul. 29, 2020	The consolidated financial statement and independent auditor's report result for the second quarter of 2020 and Important review events.	No suggestion from independent directors
Oct. 27, 2020	The consolidated financial statement and independent auditor's report result for the third quarter of 2020 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	Resolution Results
Mar. 18, 2020	Implementation of the audit plan for the fourth quarter of 2019	No suggestion from independent directors
Apr. 22, 2020	Implementation of the audit plan for the first quarter of 2020	No suggestion from independent directors
Jul. 29, 2020	Implementation of the audit plan for the second quarter of 2020	No suggestion from independent directors
Oct. 27, 2020	Implementation of the audit plan for the third quarter of 2020	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	Summary Description	
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		The Company established and disclosed the corporate governance best practice principles based on ‘Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies,’ with a dedicated ‘Corporate Governance’ section on the Company’s website for all investors to inquire the Company’s corporate governance regulations.	-
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		The Company has set up an investor relations team and appointed a professional stock transfer agency to handle matters such as shareholder suggestions or doubts.	-
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company regularly collects the shareholdings of directors and officers.	-
(3) Does the Company establish and implement the risk management and firewall system between related companies?	V		The business transactions between the Company and affiliated companies are implemented and controlled in accordance with relevant internal control systems, and laws and regulations.	-



Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for deviation.
	Yes	No	
(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 2020, the current directors, officers and all employees have been educated on December 17 and November 25. 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 develop and implement a diversity policy for the composition of its members?	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> <ol style="list-style-type: none"> <li>1. Basic requirements and values: gender, age, nationality, and culture.</li> <li>2. Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance,</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>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 nine 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 members. The management objective of diversity policy is reached by the Company's current board of directors and 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, submit the results of performance evaluation to the board of directors, and base the determination of remuneration, the election or nomination of an individual director on the evaluation	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	
results?			“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 2020 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 2020 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> <li>(1) Provided onboard directors revision and development of the latest laws and regulations regarding company management field and corporate governance, and updated</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>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 meetings within 20 days after the meetings.</p> <p>4. Registered the date of the shareholders meeting in advance in accordance with the law, prepared meeting</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>notices, handbook, meeting minutes within the statutory deadlines, and handled registration of change matters in the revised articles of incorporation or director election.</p> <p>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" (Note 2)</p>
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 better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations,	V		-

1. The Company provides information on relevant regulations that directors should pay attention to at any time.  
2. The directors of the Company attended the board of

Evaluation Item	Implementation Status		Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for deviation.
	Yes	No	
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>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. In 2020, the Company has improved the following: 1. Establishing and disclosing Regulation of Insider Trading to prohibit directors, officers, or employees taking advantage of undisclosed information to engage in insider trading; 2. Establishing Risk Management Methods and Procedures, disclosing risk management categories, organizational framework and implementation status, and the implementation status shall at least once per year be reported to the board of directors; 3. Setting up a ethical corporate management dedicated unit which is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and the dedicated unit shall at least once per year report to the board of directors.			

Note1: The abilities possessed by individual board members of the Company

	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
Yeh, Nan-Horng	Male	√	√	√	√	√	√	√	√
Chiu, Sun-Chien	Male	√	√	√	√	√	√	√	√
Yeh, Po-Len	Male	√	√	√	√	√	√	√	√
Huang, Yung-Fang	Male	√		√	√	√	√	√	√
Chern, Kuo-Jong	Male	√	√	√	√	√	√	√	√
Ni, Shu-Ching	Female	√	√		√		√		√
Ou Yang, Wen-Han	Male	√	√	√	√	√	√	√	√
Chen, Fu-Yen	Male	√		√	√		√	√	√
Wang, Chun-Hsiung	Male	√		√	√		√	√	√

Note 2: Professional training of corporate governance officer

Sponsoring Organization	Course	Study Date	Training Hours
Securities & Futures Institute	Early warning and type analysis of enterprise financial crisis	2020/06/11	3
Securities & Futures Institute	The principle and application of block chain	2020/06/11	3
Securities & Futures Institute	Principles and applications of artificial intelligence	2020/07/16	3
Securities & Futures Institute	5G key technologies and application opportunities	2020/08/27	3
Securities & Futures Institute	The compliance of insider equity trading regulations of listed companies advocacy meeting in 2020	2020/09/11	3
Securities & Futures Institute	Discuss how the company plans equity and the offensive and defensive strategies of the board of directors and shareholders meeting from the recent cases of competition for management rights	2020/09/29	3



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

### 5.1.1. Members Background of the Remuneration Committee

Title	Criteria	Possesses five or more years of experience and the following professional qualifications			Independence Status (Note 2)										Number of other public companies concurrently serving as an independent director	Remarks
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chen, Fu-Yen			V	V	V	V	V	V	V	V	V	V	V	0	
Other	Kao, Chih-Chun			V	V	V	V	V	V	V	V	V	V	V	0	
Independent Director	Wang, Chun-Hsiung			V	V	V	V	V	V	V	V	V	V	V	0	

Note 1: Title should be directors, independent directors, or others.

Note 2: 'V' indicates the conditions listed met during the member's terms and two years prior.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

(6) Not a director, supervisor or employee of other companies controlled by the same person with more than half of directors or voting shares of the company and another companies. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

(7) Not a director, supervisor or employee of another companies or institutions who are the same person or spouse as the company's chairman, president or equivalent. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, in cases where the specified company or institution holds 20 percent or more and no more than 50



percent of the total number of issued shares of the company, and the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, officer or their spouse of a sole proprietorship, partnership, company, or institution that, provides audit or commercial, legal, financial, or accounting services with remuneration in the past two years with cumulative amounts exceeding NT\$ 500,000 to the company or to any affiliate of the company. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not under any condition pursuant to Article 30 of the Company Act.

## 5.2. Operation of Remuneration Committee status

1. There are 3 members of the Remuneration Committee.
2. Current member's term of office: July 25, 2018 to June 4, 2021.

The Remuneration Committee held meetings 2 times in 2020. Attendance status of members is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Convener	Wang, Chun-Hsiung	2	0	100%	
Member	Kao, Chih-Chun	2	0	100%	
Member	Chen, Fu-Yen	2	0	100%	

### 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. 18, 2020	1. Revise the Remuneration Committee Charter 2. Approve the distribution of 2019 directors' remuneration and officers' compensation. 3. Approve 2020 officers' salary adjustments.	Approved by all members of the committee.	Processed as the resolution results of the remuneration committee.
Oct. 27, 2020	1. Approve 2020 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 committee is composed of three independent directors. The convener and chairman, Ou Yang, Wen-Han, possesses the abilities of financial analysis and management administration. The independent directors, Chen, Fu-Yen and Wang, Chun-Hsiung, possess the abilities of management administration and leadership. The professional abilities required by the Committee are all matched.  
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. Current term of office: 2019/10/31 to 2021/06/04. The Nominating Committee held meetings 2 times in 2020. Attendance status of members is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remarks
Convener	Ou Yang, Wen-Han	1	0	100%	
Member	Chen, Fu-Yen	1	0	100%	
Member	Wang, Chun-Hsiung	1	0	100%	

#### 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
Jan. 8, 2020	1. 2019 board performance evaluation results.	Approved by all members of the committee.	Processed as the resolution results of the nominating committee.
Oct. 27, 2020	1. Conduct 2020 performance evaluation of the board of directors and functional committees.	Approved by all members of the committee.	Processed as the resolution results of the nominating committee.

## 7. Implementing Corporate Social Responsibility

Assessment Item	Implementation Status			Deviation from the 'Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies' and Reasons
	Yes	No	Summary	
1. On the basis of the materiality principle, does the Company give due consideration to the environment, society and corporate governance in its business operations, and establish related risk management policies or strategies?	✓		In order to implement corporate governance obligations and maintain sustainable business goals, and to grasp the internal and external risks that the company may face in its operations, such as economic, social and environmental risks, each department should identify and clarify related risks that may affect business operations or sustainable development according to their duties, and monitor potential risks, implement preventive measures to strengthen risk management, improve systemic resilience, and achieve the goal of risk control, thereby safeguarding shareholder rights, enhancing competitiveness, and laying the foundation for sustainable operation and development of the company.	-
2. Does the Company establish a full-time (or part-time) dedicated unit for the purpose of managing corporate social responsibility initiatives, and does the Board of Directors appoint executive-level positions with responsibility for handling such	✓		The Company has the Board of Directors as the highest level of guidance, and has set up a Corporate Social Responsibility Center under the President's Office to promote corporate	-

initiatives? Is the status of the handling reported back to the Board?			governance, R&D innovation, environmental responsibility, human resources, social inclusion and other key corporate social responsibility issues, and report the results of execution to the Board of Directors at least once a year.	
3. Environmental Issues				-
(1) Does the Company establish proper environmental management systems based on the characteristics of its industries?	✓		The Company has established proper environmental management systems and passed ISO 14001 certification.	-
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have a low impact on the environment?	✓		The Company has environmental and energy policies, including compliance with environmental laws and regulations, active resource management, strengthening pollution prevention, promotion of education and training, and continuous improvement plans. The Company also continuously invests in R&D to develop a variety of low-power products to reduce the impact on the environment.	-
(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?	✓		Through risk identification, the Company proposes effective response measures and supporting plans, and simulates actual annual actions to reduce the impact of climate change, obtain effective control in case of climate disasters, and recover rapidly.	
(4) Does the Company take inventories of greenhouse gas emissions, water use, and waste volume during the	✓		The Company endeavors to implement environmental protection policies, including	

past two years? Does it adopt guidelines to conserve energy and reduce carbon and greenhouse gases emissions, water use, and waste generation?			measuring total electricity usage, total water usage, total waste generation, and greenhouse gas emission. It conserves energy and reduces carbon as well as other greenhouse gases by replacing old electronics and other equipment with more efficient models.	
4. Social Issues (1) Does the Company comply with relevant laws and regulations and the International Bill of Human Rights? Does it adopt relevant management policies and processes?	✓		<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 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.</p> <p>The Company establishes and implements appropriate employee welfare mechanisms as well as appropriate wage and remuneration, so that employees can share the Company's operational achievements.</p> <p>The Company continuously improves work safety issues and procedures in accordance with</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>
(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?	✓			
(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?			domestic and foreign occupational safety laws and regulations, and actively and diligently creates a safe and healthy working environment that is both safe and reliable for all employees.	
(4) Does the Company establish effective training programs to foster employees' career skills?	✓		Through the 'Realtek Enterprise University', the Company integrates organizational competitiveness and sustainable development goals, and effectively links the development of employees' functions, assisting employees to systematically conduct professional learning in both breadth and depth.	
(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	✓		Realtek publishes corporate social responsibility reports in accordance with Global Reporting Initiative standards to disclose business performance, corporate governance, stakeholder negotiation, social participation, environmental protection, friendly workplaces,	

enhance the reliability of the information in the reports?			and employee care. The 2019 Realtek 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. The state of the company's performance in the area of ethical corporate management and the adoption of related measures  
The Ethical Corporate Management Implementation Status 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?	✓		-
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its 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?	✓		-
(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 review and correct the programs?	✓		-

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	
2. Implement ethical corporate management (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		-
(2) Does the company establish an exclusively dedicated unit under the board of directors, which report to the board of directors on a regular basis (at least once a year) for establishing and supervising the implementation of the ethical corporate management policies and prevention programs?	✓		-
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement the policies?	✓		-
(4) Does the company establish effective systems for both accounting and internal control systems to facilitate ethical corporate management, and does the internal 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	✓		-

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	
educational trainings of ethical corporate management?			<p>management, integrity management operating procedures and behavior guidelines, a code of ethics and conduct, a code of conduct for all employees, and internal (outside) personnel reporting unlawful and unethical behaviors and other relevant measures, which are published on the Realtek corporate website to provide information for directors, employees, and stakeholders.</p> <p>In addition, the Company continues to carry out relevant education and training on integrity management and ethical behavior for employees and supervisors. The contents include the Company's integrity management policies, employee code of ethical conduct, and channels for reporting unethical behaviors, etc., so as to promote the integrity management philosophy and ensure it is implemented in daily work. In 2020, the total hours related to integrity management education were 17.5 hours, and a total of 555 people participated in the courses.</p>	
3. Implementation status of the whistle-blowing system				
(1) Does the company establish a concrete whistle-blowing system and incentive measures, create a convenient way for reporting, and appoint appropriate designated personnel for reported cases?	✓		The Company has established measures to report illegal or unethical behavior, created the way for reporting and appointed 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	✓		The Company will take the necessary protective	-

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	
whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?			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/GTSM 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..  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 19, 2021

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 2020:

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, 2020, 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 2020 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 19, 2021, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

Realtek Semiconductor Corporation

Chairman: Yeh, Nan-Horng  
President: Chiu, Sun-Chien

### 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 2020 shareholders' meeting:

Date	Proposals	Resolution Results And Implementation
June 10, 2020	Ratification Items	
	1. 2019 business report and financial statements	Approved
	2. Distribution of 2019 retained earnings	Approved Dividend record date: 2020/09/14 Payment date: 2020/10/07 Amount: NT\$4,596,163,875
	Discussion Item	
	1. Cash distribution from capital surplus	Approved Distribution record date: 2020/09/14 Payment date: 2020/10/07 Amount: NT\$1,021,369,750
	2. To revise the Articles of Incorporation	Approved Obtained the approval letter for registration change: 2020/07/02



### 13.2. Major Resolutions of Board Meetings

Date	Summary of Major Resolutions	Resolution Results
Feb. 21, 2020	<ol style="list-style-type: none"> <li>1. To approve property purchase.</li> <li>2. The Company's Auditor of financial statements and Audit Fee for 2020.</li> </ol>	Approved by all attending directors
Mar. 20, 2020	<ol style="list-style-type: none"> <li>1. 2019 financial statements and consolidated financial statements.</li> <li>2. Matters of convening 2020 shareholders' meeting.</li> <li>3. Adoption of the shareholders' proposals for 2020 shareholders' meeting.</li> <li>4. Employees' compensation and Directors' remuneration of 2019.</li> <li>5. The Company intends to loan a fund to a subsidiary.</li> <li>6. To revise the Articles of Incorporation.</li> <li>7. To revise provisions of the Company's internal regulations.</li> <li>8. To revise the written system of internal control of the Company.</li> <li>9. 2019 Statement of Internal Control System.</li> <li>10. The Company created a 'Corporate Technology Center' department and organization changes of R&amp;D center.</li> </ol>	Approved by all attending directors
Apr. 24, 2020	<ol style="list-style-type: none"> <li>1. Distribution of 2019 Retained Earnings.</li> <li>2. 2019 cash dividends distribution from retained earnings.</li> <li>3. Cash distribution from capital surplus.</li> <li>4. 2019 business report and 2020 business plan.</li> <li>5. The Company plans to build factory &amp; office buildings.</li> <li>6. The Company intends to loan a fund to a subsidiary.</li> </ol>	Approved by all attending directors
Jul. 31, 2020	<ol style="list-style-type: none"> <li>1. Establish Regulation of Insider Trading.</li> <li>2. Personnel related matters.</li> </ol>	Approved by all attending directors
Sep. 30, 2020	<ol style="list-style-type: none"> <li>1. To increase budget for office building and parking construction.</li> <li>2. The Company to increase investment in a subsidiary.</li> </ol>	Approved by all attending directors
Oct. 30, 2020	<ol style="list-style-type: none"> <li>1. The Company obtains its holdings of equity from its subsidiary.</li> <li>2. The Company's subsidiaries reduce capital to offset accumulated deficit.</li> <li>3. The Company extended the period of endorsement guarantee for bank loans of a subsidiary.</li> <li>4. The Company intends to loan a fund to a subsidiary.</li> <li>5. The Company intends to loan a fund to a subsidiary in Mainland China.</li> <li>6. The Company's investee company intends to loan a fund to a Mainland China subsidiary.</li> <li>7. The Company intends to endorse the guarantee for a Mainland China subsidiary.</li> <li>8. Formulate policies, codes and systems related to integrity management and risk management</li> </ol>	Approved by all attending directors
Dec. 25, 2020	<ol style="list-style-type: none"> <li>1. The Company intends to loan a fund to a subsidiary.</li> <li>2. Fund loans between subsidiaries of the Company.</li> <li>3. The Company's investee company intends to loan a fund to a Mainland China subsidiary.</li> <li>4. The Company increases budget for factory &amp; office buildings</li> <li>5. The Company's investee company intends to subscribe capital increase of a Mainland China subsidiary.</li> </ol>	Approved by all attending directors

Date	Summary of Major Resolutions	Resolution Results
	6. The Status that the Company regularly evaluates the independence of auditor. 7. 2021 annual audit plans.	
Mar. 19, 2021	1. 2020 financial statements and consolidated financial statements. 2. Matters of convening 2021 shareholders' meeting. 3. Election of Directors (including Independent Directors). 4. Adoption of the shareholders' proposals for 2021 shareholders' meeting and adoption of the nomination of candidates for directors, including independent directors. 5. Employees' compensation and Directors' remuneration of 2020. 6. The Company intends to endorse the guarantee for a Mainland China subsidiary. 7. The Company's investee company increases investment in a subsidiary. 8. The Company's auditor of financial statements and audit Fee for 2021. 9. 2020 Statement of Internal Control System.	Approved by all attending directors
Apr. 23, 2021	1. To amend matters of convening 2021 shareholders' meeting. 2. To approve the list of nominated candidates for directors and independent directors. 3. Distribution of 2020 Retained Earnings. 4. 2020 cash dividends distribution from retained earnings. 5. Cash distribution from capital surplus. 6. To request the shareholders' meeting to release the Directors and their Representatives from non-competition restrictions. 7. 2020 business report and 2021 business plan. 8. Fund loans between subsidiaries of the Company. 9. The Company intends to loan funds to subsidiaries.	Approved by all attending directors

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

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PricewaterhouseCoopers Taiwan	Lin, Yu-Kuan	Tsang, Kwok-Wah	2020/01/01~2020/02/20	-
PricewaterhouseCoopers Taiwan	Lin, Yu-Kuan	Cheng, Ya-Huei	2020/02/21~2020/12/31	-

Unit: NT\$K

Range \ Items		Audit Fee	Non-audit Fee	Total
1	Less than \$2,000,000		0	
2	\$2,000,000 (incl.) - \$4,000,000			
3	\$4,000,000 (incl.) - \$6,000,000	✓		✓
4	\$6,000,000 (incl.) - \$8,000,000			
5	\$8,000,000 (incl.) - \$10,000,000			
6	\$100,000,000 and above			

1. Non-audit fee paid to the auditors, the audit firm and its affiliates accounted for not less than one-fourth of total audit fee: For 2020, the non-audit fee paid to the auditors, the audit firm and its affiliates was 0.
2. Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.
3. 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	February 21, 2020		
Replacement reasons and explanations	The internal regular rotation of PricewaterhouseCoopers Taiwan		
Describe whether the Company terminated or the CPA rejected the appointment	<div>Parties</div> <div>Status</div>	CPA	The Company
	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	Lin, Yu-Kuan; Cheng, Ya-Huei
Date of appointment	February 21, 2020
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	2020		As of April 10, 2021	
		Shares increased (decreased)	Pledge shares increased (decreased)	Shares increased (decreased)	Pledge shares increased (decreased)
Chairman	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	-	(4,010,000)	—	4,800,000
Vice Chairman	Forehead International Co., Ltd. Representative: Chiu, Sun-Chien	-	-	-	-
Director	Forehead International Co., Ltd. Representative: Chern, Kuo-Jong				
Director	Sonnen Limited Representative: Yeh, Po-Len	-	-	-	-
Director	Sonnen Limited Representative: Huang, Yung-Fang	-	-	-	-
Director	Ni, Shu-Ching	-	-	-	-
Independent Director	Chen, Fu-Yen	-	-	-	-
Independent Director	Wang, Chun-Hsiung	-	-	-	-
Independent Director	Ou Yang, Wen-Han	-	-	-	-
President	Chiu, Sun-Chien	(405,000)	-	(91,000)	-
Chief Operating Officer	Huang, Yung-Fang	-	-	-	-
Chief Financial Officer	Chern, Kuo-Jong	-	-	-	-
Vice President	Huang, Yee-Wei	-	-	-	-
Vice President	Lin, Ying-Hsi	-	-	-	-
Vice President	Lin, Lung-Wei(Note)	-	-	-	-
Vice President	Chang, King-Hsiung	-	-	-	-
Vice President	Tsai, Jon-Jinn	-	-	-	-
Vice President	Yen, Kuang-Yu	-	-	-	-
Controller	Chang, Jr-Neng	-	-	-	-

Note: Lin, Lung-Wei resigned on 2020.05.31.

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, 2021

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	4.34%	-	-	-	-	-	-
Cathay Life Insurance Company, Ltd. Representative: Huang, Tiao-Kuei	13,368,000	2.62%	-	-	-	-	-	-
Leicester Worldwide Corporation	12,616,184	2.47%	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for JPMorgan Funds	9,340,000	1.83%	-	-	-	-	-	-
Enable Educational Technology Co., Ltd. Representative: Yeh, Wei-Ting	8,181,000	1.60%	-	-	-	-	-	-
Investment account of Norges Bank managed by Citibank Taiwan	7,552,121	1.48%	-	-	-	-	-	-
China Life Insurance Co., Ltd. Representative: Stephanie Hwang	7,537,000	1.48%	-	-	-	-	-	-
Nan Shan Life Insurance Co., Ltd. Representative: Tang Chen	7,324,000	1.43%	-	-	-	-	-	-
New Labor Pension Fund	7,122,227	1.39%						
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	6,822,959	1.34%	-	-	-	-	-	-

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, 2020 / 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%
Bobitag Inc.	1,918,910	66.67%	—	—	1,918,910	66.67%
EstiNet Technologies Inc.	2,000,000	6.68%	—	—	2,000,000	6.68%

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

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.

Type of share	Authorized Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total	
Common stock	510,684,875	379,315,125	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, 2021

Structure of Shareholders	Government Institutions	Financial Institutions	Other Institutional Investors	Foreign Institutional & Individual Investors	Individual Investors	Total
Number of Shareholders	0	38	455	1,263	47,724	49,480
Shareholdings	0	45,851,973	76,081,313	314,898,137	73,853,452	510,684,875
Shareholding Percentage	0.00%	8.98%	14.90%	61.66%	14.46%	100.00%

### III. Distribution of Shareholding

April 10, 2021

Category	Number of Shareholders	Shareholdings	Shareholding Percentage
1 to 999	35,421	2,699,850	0.53%
1,000 to 5,000	11,408	18,949,818	3.71%
5,001 to 10,000	923	6,673,913	1.31%
10,001 to 15,000	319	3,885,741	0.76%
15,001 to 20,000	149	2,691,635	0.53%
20,001 to 30,000	214	5,278,238	1.03%
30,001 to 40,000	131	4,638,491	0.91%
40,001 to 50,000	81	3,712,711	0.73%
50,001 to 100,000	270	19,230,904	3.77%
100,001 to 200,000	193	28,108,328	5.50%
200,001 to 400,000	160	44,850,092	8.78%
400,001 to 600,000	55	26,802,362	5.25%
600,001 to 800,000	37	26,152,790	5.12%
800,001 to 1,000,000	25	21,604,112	4.23%
1,000,001 and above	94	295,405,890	57.84%
Total	49,480	510,684,875	100.00%

### IV. List of Major Shareholders

April 10, 2021

Shareholder	Shareholding	Shareholdings	Percentage of Shareholding
Cotek Pharmaceutical Industry Co., Ltd.		22,146,604	4.34%
Cathay Life Insurance Company, Ltd.		13,368,000	2.62%
Leicester Worldwide Corporation		12,616,184	2.47%
JPMorgan Chase Bank N.A. Taipei Branch in custody for JPMorgan Funds		9,340,000	1.83%
Enable Educational Technology Co., Ltd.		8,181,000	1.60%
Investment account of Norges Bank managed by Citibank Taiwan		7,552,121	1.48%
China Life Insurance Co., Ltd.		7,537,000	1.48%
Nan Shan Life Insurance Co., Ltd.		7,324,000	1.43%
New Labor Pension Fund		7,122,227	1.39%
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds		6,822,959	1.34%



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

Item \ Year		2019	2020	As of March 31, 2021
Market price per share	Highest	251.5	432	524
	Lowest	136	162	383
	Average	207.43	312.62	461.32
Net worth per share	Before distribution	53.57	57.69	-
	After distribution	43.34	-	-
Earnings per share	Weighted average shares	508,095 (thousand shares)	510,126 (thousand shares)	510,126 (thousand shares)
	Earnings per share	13.36	17.24	-
Dividends per share (Note4)	Cash dividends	9	12	-
	Stock dividends	-	-	-
		-	-	-
	Accumulated unappropriated dividends	-	-	-
Return on investment	Price/earnings ratio (Note1)	15.53	18.13	-
	Price/dividend ratio (Note2)	23.05	26.05	-
	Cash dividends yield (Note3)	4.34%	3.84%	-

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 2020 and 2019 represent the distribution of 2019 and 2018 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.

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. 2021 Annual Shareholders' Meeting report on the distribution of dividends for 2020:

The Company's dividend distribution from retained earnings for 2020, approved by the board of directors, was NTD 12 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 2020 Employees' Compensation and Remuneration to Directors

resolved at the Board of Directors held on March 19, 2021:

Unit: New Taiwan Dollars; shares

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

Note: the 2019 Employees' compensation and directors' remuneration resolved at the Board of Directors are the same as the accrued amounts in 2019.

3.2. The ratio of employees' stock compensation divided by the total of income after tax and employees' compensation: The 2020 employees' compensation is in cash so that it is not applicable.

## 4. The 2019 Employees' Compensation and Remuneration to Directors approved by the stockholders' meeting (including common shares to employees, amount of employees' stock compensation and share price) and the effect in financial statements if the actual amounts approved by stockholders' meeting differ from the accrued amounts.

Unit: New Taiwan Dollars; shares

Employees' Compensation				Remuneration to Directors	Difference	
Cash compensation	Stock compensation	Common Shares	total	cash	Difference Amount	Effect of financial statements
1,677,939,109	419,484,582	2,589,411	2,097,423,691	119,828,246	none	Not applicable

Note: The 2018 Employees' compensation and directors' remuneration approved by the shareholders' meeting are the same as accrued amounts in 2018.

IX. Status of Treasury Stocks: None

X. Status of Corporate Bonds: None

XI. Status of Preferred Stocks: None

## XII. Status of GDR

March 31, 2021

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			367,227 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\$)	2020	Highest	58.44
		Lowest	21.92
		Average	42.29
	As of March 31 of 2021	Highest	73.83
		Lowest	53.96
		Average	65.00

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

2020	IC Products	Other	Total
Net Operating Revenue	77,588,285	171,185	77,759,470
Percentage of Operating Revenue	99.78%	0.22%	100%

#### (3) Current Products

##### **Communications Network Products:**

- PCIe 10BASE-T/100BASE-TX Single-Chip Ethernet Controller
- PCIe 2.5GBASE-T Single-Chip Ethernet Controller
- PCIe 2.5GBASE-T Single-Chip Ethernet Controller for Gaming
- USB2.0 10BASE-T/100BASE-TX Single-Chip Ethernet Controller
- USB3.2 Gen1 2.5GBASE-T Single-Chip Ethernet Controller
- USB3.2 Gen1 2.5GBASE-T Single-Chip Ethernet Controller for Gaming
- PCIe 1GBASE-T Single-Chip Ethernet Controller
- PCIe 1GBASE-T Single-Chip Ethernet Controller for Gaming
- PCIe 1GBASE-T Programmable Single-Chip Ethernet Controller
- USB3.2 Gen 1 1GBASE-T Single-Chip Ethernet Controller
- USB3.2 Gen1 1GBASE-T Single-Chip Ethernet Controller for Gaming
- USB3.2 Gen 2 to PCIe 3.0 x 2 NVMe Storage Single-Chip Bridge Controller
- USB3.2 Gen 2 to PCIe 3.0 x 2 SATA Storage Single-Chip Bridge Controller
- Long Distance 10/100 BASE-T/100BASE-T1 Ethernet PHYceiver
- PCIe Single-Chip 1GBase-X Fiber Ethernet Controller
- RGMII/SGMII/GMII 1GBASE-T Ethernet PHYceiver
- 1GBASE-T Ethernet PHYceiver for LED transceiver
- 2.5GBASE-T Ethernet PHYceiver

- 100BASE-T1 Automotive Ethernet PHYceiver
- 100/1000BASE-T1 Dual Mode Automotive Ethernet PHYceiver
- 100BASE-T1 Automotive Multiport Ethernet Switch Controller
- 100/1000BASE-T1 Automotive Multiport Ethernet Switch Controller
- Single-Chip UHD HDR Streaming Multimedia SoC
- Single-Chip Multi-CAS UHD Multimedia STB SoC
- 802.11b/g/n 1T1R WLAN Single-Chip Controller with PCIe/USB2.0/SDIO2.0 Interfaces
- 802.11b/g/n 2T2R WLAN Single-Chip Controller with PCIe/USB2.0/SDIO3.0 Interfaces
- 802.11b/g/n 1T1R WLAN and Bluetooth Smart Single-Chip Controller with PCIe/USB2.0/SDIO2.0 Interfaces
- 802.11a/b/g/n/ac/ax 1T1R WLAN and Bluetooth 5.2 Smart Single-Chip Controller with PCIe/USB2.0/SDIO3.0 Interfaces
- 802.11a/b/g/n/ac/ax 2T2R WLAN and Bluetooth 5.2 Smart Single-Chip Controller with PCIe/USB2.0/SDIO3.0 and HS-UART interfaces
- 802.11a/b/g/n/ac 2T2R WLAN Single-Chip Controller with USB2.0 Interface
- 802.11a/b/g/n/ac 3T4R WLAN Single-Chip Controller with PCIe/USB3.0 Interfaces
- 802.11a/b/g/n/ac 4T4R WLAN Single-Chip Controller with PCIe/USB3.0 Interfaces
- Wireless LAN (Wi-Fi) with Microcontroller Integrated SoC
- Wireless LAN (Wi-Fi), Bluetooth and Microcontroller Multifunction Integrated SoC
- Low-Power, Highly-Integrated Dual Band Wi-Fi Network Camera SoC
- Wireless LAN 802.11ac Dual Band Access Point / Router Integrated SoC
- Bluetooth 5.1 BLE SOC
- Bluetooth 5.1 Audio SoC
- GNSS Satellite Positioning IC
- 8-Port Fast Ethernet PHY
- 5/8/16/24-Port Fast Ethernet Switch Controller
- 4/8-Port Gigabit Ethernet PHY
- 8-Port Gigabit Ethernet PHY
- 5/8-Port Single Chip Gigabit Ethernet Switch Controller
- 16/24-Port Gigabit Ethernet Switch Controller
- 24-Port Gigabit/2.5G + 2-Port 10G Ethernet Managed Switch Controller
- 48-Port Gigabit + 4-Port 10G Ethernet Managed Switch Controller
- 24-Port Gigabit/2.5G + 4-Port 10G Ethernet Managed Switch Controller
- 48-Port Gigabit + 6-Port 10G Ethernet Managed Switch Controller
- 1.25G/2.5G/10G Integrated xPON Network Gateway Controller
- Single-Port xPON Network Bridge Controller
- 2-Port xPON Network Gateway Controller
- GPON Laser Driver
- 8-Port Integrated IEEE 802.3at-Compliant PSE controller
- 4-Port Integrated IEEE 802.3bt-Compliant 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)
- SoundWire 4-Channel Audio Codec with Embedded Class-D Amplifier and I2S In & Out
- Low Power USB 2.0 Audio Codec with Equalizer
- Single-Chip Hi-Fi Audio Codec with Power Amplifier for Mobile Devices
- USB 2.0 to I2S Bridge Controller
- Single-Chip Hi-Fi Audio Codec 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 USB2.0 Image Signal Processor Chip Supporting Windows Hello Face Recognition
- 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 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

#### **Multimedia Products:**

- Integrated LCD Controller with VGA Analog 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 HDMI2.0 Translator
- DisplayPort to HDMI2.1 Translator
- USB Type-C to VGA Translator
- Low Power USB Type-C to HDMI2.0 Translator
- DisplayPort MST Hub Controller



- Integrated High Resolution 5K3K/4K2K/QHD LCD Display Controller with HDR, DP1.4, HDMI2.0, and HDCP2.2
- Integrated High Resolution 4K2K144Hz Gaming LCD Display Controller with Realtek Owl Sight Technology, DSC, HDR, DP1.4, HDMI2.1, and HDCP2.3
- Integrated High Resolution 4K2K144Hz/QHD165Hz Gaming LCD Display Controller with Realtek Owl Sight Technology, DSC, HDR, DP1.4, HDMI2.0, and HDCP2.3
- 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 Integrated LCD TV Controller Chip
- High-End Multimedia Digital/Analog LCD TV Controller Chip
- High-End Connected Digital/Analog LCD TV Controller Chip
- High-End UHD Smart Connected Digital/Analog LCD TV Controller Chip
- High-End UHD HDR Smart Connected Digital/Analog LCD TV Controller Chip
- High-End UHD HDR 60Hz/120Hz FRC Full-Function HDR Smart Connected LCD TV Controller Chip
- High-End UHD Full-Function HDR and 3D Surround Sound Multi-Core Smart Connected LCD TV Controller Chip
- High-End 8K LCD TV Video Decoder and Processing Chip
- High-End Full Function, Multi-Core UHD Connected LCD TV Controller Chip with AI PQ and AQ Processing
- Bridge IC for ‘Separated Type’ LCD TV

#### (4) Products Under Development

##### **Communications Network Products:**

- New Generation USB3.2 Gen 1 Single-Chip 2.5GBASE-T Ethernet Controller for Gaming Applications
- USB3.2 Gen 2 Single-Chip 2.5G/5GBASE-T Ethernet Controller
- PCIe Single-Chip 2.5G/5GBASE-T Ethernet Controller
- 2.5G/5GBASE-T Ethernet PHY
- USB3.2 Gen2 x2 to USB PCIe 3.0 x 4 Single-Chip Bridge Controller for Storage Application
- 1GBASE-T Ethernet Phyceiver for LED Transceiver Application
- 2.5GBASE-T1 Automotive Ethernet PHY
- Multi-Port 2.5GBASE-T Multi-Gb 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
- 8-Port IEEE 802.3at PSE Controller

- 4-Port IEEE 802.3at PSE Controller
- New Generation High-Port Density Gigabit Ethernet Managed Switch Controller
- New Generation 24-Port 10G + 4-Port 25G + 2-Port 100G Ethernet Managed Switch Controller
- New Generation Single-Chip 10G xPON Home Gateway SoC
- 10G PON Laser Driver
- VDSL 35B Transceiver
- 802.11a/b/g/n 1T1R Wi-Fi and Bluetooth 5.2 Single-Chip Controller
- 802.11a/b/g/n/ac 1T1R Wi-Fi and Bluetooth 5.2 Single-Chip Controller
- 802.11a/b/g/n/ac/ax 2T2R Wi-Fi and Bluetooth 5 Single-Chip Controller
- 802.11a/b/g/n/ac/ax 4T4R Wi-Fi Single-Chip Controller with PCIe/USB3.0 interfaces
- Next Generation Wi-Fi, Bluetooth and Highly-Integrated Microcontroller SoC
- Wi-Fi 802.11ax (Wi-Fi 6) Dual Band Access Point / Router Integrated SoC
- Bluetooth 5.2 Classic and BLE Audio with Active Noise Cancellation SoC
- New Generation Bluetooth 5.2 Ultra Low Power Audio SoC
- Next Generation Single-Chip UHD HDR Multimedia SoC
- Next Generation Single-Chip UHD HDR Set-Top Box SoC with Multi-CAS Support

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

- HD-A 4-Channel Audio Codec with High Wattage Class-D Amplifier Supporting Speaker Protection
- SoundWire Audio Codec
- Low Power USB2.0 Audio Codec
- USB2.0 Audio Codec with DSP
- Voice Audio DSP
- Mobile Device Audio Codec with Power Amplifier
- Customized Stereo High Fidelity Audio Power Amplifier for Gaming Device
- High Performance Programmable Voice/Audio DSP for Mobile Device
- Hi-Fi Codec and Class-D Amplifier Single-Chip with SoundWire Interface for Mobile Device
- Hi-Fi, High Efficiency Class-D Smart Amplifier with Built-in Boost for Mobile Device
- New Generation Image Signal Processor with Embedded USB2.0/MIPI Interface Supporting Video High Dynamic Range (HDR)
- New Generation ISP with embedded and external USB3.0 and MIPI Interfaces supporting 4K2K Resolution/Video HDR/Quad-Cell Specifications
- Notebook PC Card Reader Controller with PCIe Gen I Interface, Supporting SD 7.0
- USB3.2 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 HDMI2.1 Interfaces
- New Generation High-End UHD Full-Function HDR and 3D Surround Sound Multi-Core Smart Connected LCD TV Controller Chip
- New Generation High-End 8K120 AI PQ Chip
- New Generation High-End 8K120 LCD TV Video Processing Chip with AI PQ
- New Generation High-End Full Function AI 8K Multi-Core, Smart Connected LCD TV SoC

## 2. Industry Overview

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

The Coronavirus disease (COVID-19) has spread rapidly since the beginning of 2020 and has had a great impact on the lives of all mankind. By the second quarter, Working From Home (WFH) and remote learning gradually became the norm. This change in lifestyle has generated a large number of needs for connectivity, including the use of various mobile devices such as personal computers, tablets, mobile phones, wired or wireless connection to routers, switches, and broadband gateways connecting to various servers or terminal devices via the internet. Such application demands caused the IC industry to maintain a 10% growth in 2020 while many other industries contracted under the impact of COVID-19. Realtek grew strongly by providing various connectivity IC solutions for a multitude of communication networks, computer peripherals, and consumer multimedia applications. Realtek's revenue in 2020 was approximately NT\$77.8 billion, achieving a 28.0% annual growth.

**Communications Network Products:**

In Ethernet, the market has seen a new generation of gaming PCs, motherboards, network adapter cards, interface expansion accessories and docking stations adopting Realtek's second generation 2.5Gbps Ethernet (2.5GbE) products. Due to the COVID-19 outbreak in early 2020, the global demand for network communication devices has increased sharply. To curb the epidemic impact, people reduced in-person group activities, prompting companies and schools to change the work and learning patterns of employees and students, and to purchase home office and remote learning equipment. It also led to changes in consumer behavior and entertainment patterns, with greater focus on online interactions and leisure activities. As network infrastructure is constantly upgraded in various countries, the bandwidth requirements of various applications are also reflected in the upgrade of 1GbE to 2.5GbE specifications. In addition, the 5G telecom market is integrating 2.5GbE into the planning of 5G Customer Premises Equipment (CPE). In 2020, Realtek released its second-generation 2.5GbE single chip. With the lowest power consumption and smallest package, the Realtek series of 2.5GbE solutions are found in not only mainstream motherboards, but also in the higher-end models of well-known PC brands. In the communications network market, the demand for Low Power Ethernet PHY for IP CAM/PON continued to reach record highs. Furthermore, falling prices in

Solid-State Drive (SSD) has sped up the replacement of traditional hard drives by SSDs. During this wave of conversion, Realtek launched the second generation USB 3.2 Gen 2 to PCIe 3.0 x 2 Bridge for external SSD, which is the world's first to enable an SSD to support both the new PCIe NVMe and the old SATA interfaces. A number of customers have adopted this technology following its release in the second half of 2020.

In the Ethernet Switch market, Realtek has been the market share leader in embedded applications and unmanaged switches. In recent years, its market share in Smart Switches has been steadily rising. In 2020, 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 in response to the developmental trend of the enterprise network and campus network markets. With respect to PHY technology, Realtek also simultaneously developed 2.5G, 5G, and 10G PHY to expand the product depth and breadth in anticipation of greater penetration into the switch market. Following years of advancement, Realtek has smoothly transitioned into seeing embedded applications and smart switches as its main growth drivers. As demand in the Power-over-Ethernet (PoE) Switch market quickly rises, customers expect Realtek to provide total solutions. To this end, Realtek commits itself to PoE R&D with a focus on the pairing of switches with Power Source Equipment (PSE) and security applications.

Wi-Fi 6 has been widely implemented as the demand for wireless network bandwidth has greatly increased in the past two years. Consumers are not satisfied with the speed of current GbE switches, however current Multi-G switches on the market are all 10G managed switches with more than 10 ports. Not only they are very expensive, but also their operations are complicated and not user friendly, which makes them difficult for consumers to accept. Realtek is planning to launch an 8-port 2.5GbE switch in 2021, which not only meets the needs of most gaming players, but also is low power and easy to operate for non-gamers. It is expected to cause a surge in the sales of 2.5GbE switches.

In addition, Realtek will launch more cost-effective 24/48-port 1GbE managed switch products to address the popularity and fierce competition in 1GbE access ports of entry-level managed switches, thereby proactively going after new market share with its increase in computing power and decrease in power consumption.

China is the world's largest market for optical fiber. Over the past two years, Realtek has endeavored, with success, to build a strong market share in China while also expanding in other areas. Affected by the pandemic in 2020, WFH and remote learning have become new social needs. The broadband access technology of xPON is right there to provide a stable, high-bandwidth, and reasonably-priced home internet environment. The next new market specifications are xGPON products with greater bandwidth. Chinese telecom operators began to prepare tenders and conduct field-tests for 10G PON Home Gateway Units (HGU) in 2020. Cortina Access, a Realtek affiliate, is in an excellent position to fulfill these market needs.

Increasing numbers of 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 a power consumption of a mere 35 $\mu$ A, they support remote ECU TC10 wake-up, making them a necessary part of energy-efficient automobiles. They have been certified by many carmakers, adopted by tier one suppliers, and are starting shipment. Looking ahead, 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. PHY controllers supporting the new 2.5GBASE-T1 standard are also planned to be developed to meet 2024/2025 market needs.

After many years of streaming media such as Netflix, YouTube, and Amazon popularizing the use of Over the Top (OTT) boxes, Disney and Apple launched Disney+ and Apple TV+ respectively at the end of 2019. HBO launched HBO Max in May 2020, yielding explosive sales of OTT services and further boosting demand. These firms are transforming the pay television industry, while operators continue to deliver high-quality audio and video contents through broadcast, IP, or hybrid network services. Large telecom operators have also fully turned to the IP ecosystem and started to launch their own OTT services or Set-Top Boxes. For example, Comcast launched its OTT Set-Top Box Xfinity Flex to broadband users at the end of 2019, followed by its own OTT service 'Peacock' in July 2020. In addition to the trend of turning to IP and OTT, open platforms also rely on the support of app stores and a better integrated architecture for premium apps to attract operators to abandon the old closed systems and embrace open platforms. Android TV by Google and the RDK-V platform by the RDK Alliance have successfully attracted major telecom operators to adopt them and gradually steered the closed telecom market towards an open IP ecosystem that enables major telecom operators to offer hybrid OTT and IPTV boxes that play online 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 the new generation of HDR technologies, they support the latest audio-video codecs, such as AV1, AVS2, and VVC. Software and hardware reference designs that are cost competitive and offer low power consumption further help customers to develop high efficiency OTT boxes to take advantage of this key market. Realtek Multimedia Controllers that combine in-house multimedia and network total solutions have an advantage that is difficult to emulate.

In the area of Wi-Fi controllers, many companies have converted to Working From Home (WFH) due to COVID-19 in 2020. To enhance work efficiency, PC OEM customers significantly decreased usage of 11n Wi-Fi, and 11ac Wi-Fi has already become the standard for PCs. About 15% to 20% of platforms have switched to the faster Wi-Fi 6 specification. Realtek expects Wi-Fi 6 shipments to rise rapidly in 2021; nonetheless, Realtek's overall Wi-Fi shipments will continue to be based on 11ac chips in 2021.

Besides the traditional PC market, Realtek's Wi-Fi shipments for the printer market have been gradually increasing. Mass production shipments for the top 3 printer customers was started in 2020. Along with Wi-Fi, other wireless transmission methods gaining popularity include Bluetooth printing, Neighborhood Aware Networking (NAN or Wi-Fi Aware), and Apple AirPrint. These added options give end users greater convenience and capabilities.

As technology matures and devices become more affordable, Wi-Fi use is flourishing in the consumer and IoT markets. For example, Wi-Fi has already become a standard feature in smart televisions. Realtek performs strongly in major global television markets. As the television market becomes saturated, Wi-Fi use is trending toward an M-shape, with high-end products using 11ac and gradually adopting Wi-Fi 6, while low-end products continue to use 11n. For all ranges of televisions, Realtek offers Wi-Fi solutions with high price-performance ratios that support expansion of this important market.

China is home to more than 100 million IP STB users. Support from the three leading telecom operators over the past five years has brought Wi-Fi capabilities to a high percentage of these devices. Broadcasting systems also continue to use Wi-Fi while introducing 4KP60 models that boost growth of Wi-Fi 11ac+BT and gradually creates demand for Wi-Fi 6. Realtek's Wi-Fi products have been used in IP STB products for many years. In 2020, Realtek has obtained a substantial market share and will transition to Wi-Fi 6 in 2021. Realtek will continue to provide high-quality Wi-Fi products that are suitable for IP STB.

Realtek's Wi-Fi application in IP CAM has achieved good results in 2020. With the rise of AI technologies, human shape recognition, facial recognition, and gesture recognition are now possible using remote server or edge computing, thereby fueling a stable IP CAM growth. However, due to congestion in the 2.4GHz band, caused by interference from various ISM (Industrial, Scientific and Medical) band transmission technologies, as well as channel competition and the overlap of AP network coverage, the quality of services of 2.4GHz WLAN will continue to drop, thereby inhibiting the practicality of IP CAM. Fortunately, as WLAN technology improves, the performance of the built-in RF front-end (PA and LNA) of 5GHz WLAN has been improved, which enlarges the coverage of WLAN in the 5GHz band and reduces the cost of dual-band WLAN. New technologies added to Wi-Fi 6, including a longer OFDM symbol, guard interval, spatial reuse, and OFDMA are conducive to improve the transmission experience and will become mainstream in WLAN IP CAM applications. Realtek's Wi-Fi technology stays on top of international standards and undergoes frequent upgrades; it is well positioned to provide the best Wi-Fi solution for IP CAM.



Google, Apple, and other western-based companies are leaders in the smart speaker market. They are joined by Chinese companies such as Alibaba, Xiaomi, and Baidu, that specialize in entry-level smart speakers with 11n+BT Combo specs. Realtek's Wi-Fi capabilities together with China's smart speaker SoC plants form a competitive partnership. In 2021, Realtek will actively and strategically expand in the smart speaker market in Europe and America.

In 2020, as 11ac continued to replace 11n for Integrated WLAN Access Point/Router products, an increasing number of global brands and network operators chose to adopt Realtek's highly integrated, high-performance 802.11ac Dual Band Router solutions, resulting in continuing shipment growth. Realtek's Dual Band Mesh Routers took advantage of an exceptional price-performance ratio to spark new market demand and product growth. In high-end markets, Realtek released a new generation of Wi-Fi 6 router mainstream specifications AX1800 and AX1500 products in 2020, and will launch AX5400 and AX6000 high-end solutions in 2021/Q4, thereby providing an improved, comprehensive router solution.

The Internet of Things (IoT) market became more visible, and customer acceptance broadened, as applications such as Big Data, AI, and smart speakers became commonplace. In 2020, Realtek's IoT customers and shipments grew quickly. Gartner forecasts that IoT growth will remain in double digits in 2021. The statistics portal Statista predicts that by 2025, there will be 75 billion devices with IoT functionality. Realtek will continue to invest in IoT development. Realtek already has a comprehensive suite of IoT products in mass production, including single-chip controllers for IoT household appliances, single-chip with microprocessors for diverse product applications, and single-chip with microprocessors that are suitable for sound, audio, and video applications. These are multifunctional, highly integrated, low energy, and high security. Every year Realtek dedicates more resources into developing new generations of energy-saving IoT chips in response to changing IoT product needs, trending from mobile app control to adding AI applications, combined with voice and image recognition, to fulfill customers' pricing and specification needs. Realtek directly cooperates with the organizations and companies that are leading the IoT revolution, including the makers of Apple Home Kit, Google Home, and Amazon Alexa, as well as the Open Connectivity Foundation (OCF), and ARM Mbed to provide customers with complete software and hardware development tool kits. Realtek is the world leader in releasing the first Ultra Low Energy Wireless IoT Single Chip to feature image and voice functions; it introduces product innovations every year and frequently receives COMPUTEX Taipei Best Choice Awards in the IoT category.

Bluetooth has been widely adopted in mobile phones, TVs, OTT boxes, smart speakers, and other products, assisting individuals or home users to enjoy Bluetooth earphones, sports bracelets, Bluetooth voice-assisted remote controllers, and Bluetooth 5 mesh peripherals, bringing easy entertainment enjoyment, user-friendly human-machine interfaces, as well as simple and fast operational feedback.

In 2020, True Wireless Stereo (TWS) growth slowed down due to the impact of the pandemic.

With the removal of the 3.5mm audio jack and the de-bundling of the free wired headset with a mobile phone, however, TWS is expected to return to high growth, with TWS headsets that support Active Noise Cancellation (ANC) having the most growth opportunity. 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, which was well received in the market and is a favorite of many international brands. In 2021, Realtek's latest generation of Bluetooth BT5.2 TWS solutions will be 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 also enter industries such as smart factories, property management, and B2B transportation management, providing multiple levels of cross-domain applications.

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

In 2020, COVID-19 has drastically changed people's lifestyles. As working from home and remote learning have become the norm, consumers now understand that one computer is no longer enough. This change has caused PC market demand, after years of decline, to rise significantly in 2020, especially for notebook computers. Commercial notebooks led the growth in the first half of the year, and consumer and educational notebooks picked up the growth momentum in the second half of the year. Other than notebook computers, VoIP communication devices and noise reduction software to improve the quality of VoIP calls are two obvious drivers of growth. Realtek launched in 2020 an AI algorithm integrating neural network computation to greatly enhance consumers' experience on VoIP Apps by eliminating effectively uncontrollable sounds in the home environment, such as noises made by pets or alarms. Demand for conference devices and consumer headsets grew in 2020 as VoIP calls became essential in using PCs. In 2020, Realtek cooperated with many PC peripheral manufacturers to launch a number of related application products that combine Realtek's USB audio chips, Digital Signal Processors (DSP), and algorithms.

Work-from-home and remote learning arising from COVID-19 induced the need for both high quality voice calls and also more convenient and clearer video. These requirements vastly increased the popularity of embedded, as well as plug-in, video devices for PCs. The



improvement in video quality has therefore become most important. 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, Windows 10, with increasing penetration, has built-in Windows Hello Face Authentication technology. In 2021, the flagship models of many PC brands will upgrade from the Hybrid HD RGBIR single lens to a Dual Sensor dual lens. 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 will launch 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). Realtek expects to establish the highest video quality standard in the PC industry and provide consumers with the best user experience.

In response to the high growth of the security and video surveillance industry, since 2016 Realtek has released a series of highly integrated IP Camera single chips. These contain multi-function image signal processors and can support the CMOS sensors of major manufacturers, 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. In 2021, a new generation of highly integrated low-power single-chip cameras will be launched. They support up to 5 megapixel CMOS sensor and support the Video HDR wide dynamic long and short exposure specifications in addition to H.264/H.265 encoding capability, thus allowing Realtek to have a more comprehensive product portfolio in single-chip camera controller, and continually provide customers with more competitive solutions.

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

Demand for USB 3.0 is growing as more products that support it are released. High demand among manufacturers for Realtek's 4-Port USB 3.0 hubs has led to monthly shipment increases. 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. USB 3.1 hubs offer faster transmission with lower power consumption. They integrate USB Type-C functions to provide customers with the option of designing higher-spec, more refined products. In the future, Realtek will integrate existing technologies and product lines and release updated hubs with greater functionality in order to expand market share and provide more diverse product lines.

With the introduction of USB Type-C, Realtek simultaneously released the first highly integrated Type-C compatible controllers. These reduce overall design costs and refine 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.

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 the smartphone and game console sectors, Realtek's Low Power Audio Codec, Smart Amplifier, and Programmable Audio DSP have been gradually adopted by major brand manufacturers and have received accolades.

### **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. Work-from-home and remote learning have seen a significant increase in the demand for consumer models and gaming models due to COVID-19. 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, that have been widely adopted by tier-one and tier-two brands. Many devices such as notebook computers, mobile phones, and the Apple iPad Pro now use USB Type-C for transferring video, data, and power. This raises demand for Type-C peripheral products. Also impacted by COVID-19, the demand for laptops and PC peripheral accessories went up significantly in 2020 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.

Fierce competition among suppliers of LCD TV Controllers in recent years has led key suppliers to gradually downsize, merge, or leave the market. Realtek, however, continues to develop new products, including Smart Connected LCD TV Controller Chips that support UHD (resolution of 3,840 x 2,160), LCD TV Controller Chips that support UHD 60 Hz/120 Hz Frame Rate Conversion, as well as a new generation of Integrated 4K Smart LCD TV Controllers that support HDR. 8K TV was previously expected to take a big step in 2020. Affected by the COVID-19 and the delay of the Tokyo Olympics, 8K TV sales were limited in 2020. However, the economic threshold of 8K panels has fallen more than expected. Realtek provides an 8K TV decoder solution for customers to have a seamless transition to 8K TV without changing the original TV architecture, and more competitive products for LCD television 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 Expenditures in the Past Two Years

Unit: NT\$ thousands

Year	Revenues	R&D Expenditure	Ratio (%)
2019	60,744,006	15,535,505	25.58
2020	77,759,470	19,054,888	24.50

### (2) Products Successfully Developing In the Past Year

#### **Communications Network Products:**

- PCIe 2.5GBASE-T Single-Chip Programmable Ethernet Controller
- USB3.2 Gen1 2.5GBASE-T Single-Chip Programmable Ethernet Controller
- USB3.2 Gen1 2.5GBASE-T Single-Chip Ethernet Controller
- USB3.2 Gen 2 to PCIe 3.0x2 NVMe and SATA Dual Protocol Storage Bridge Controller
- USB3.2 Gen 2 to PCIe 3.0x2 NVMe and SATA Dual Protocol Storage Bridge Controller with PD3.0
- 100BASE-T1 Automotive Ethernet PHY
- 100/1000BASE-T1 Dual-Mode Automotive Ethernet PHY
- Multi-Port Automotive Ethernet Switch Controller with Integrated 100BASE-T1
- Multi-Port Automotive Ethernet Switch Controller with Integrated 100/1000BASE-T1
- Single-Chip UHD STB SoC
- 802.11b/g/n 2T2R WLAN Single-Chip Controller with PCIe/USB2.0/SDIO3.0 Interfaces
- 802.11a/b/g/n/ac 2T2R WLAN and Bluetooth 5 Single-Chip Controller with PCIe/USB2.0/SDIO3.0 Interfaces
- 802.11a/b/g/n/ac 2T2R WLAN Single-Chip Controller with USB2.0 Interface
- 802.11a/b/g/n/ac 4T4R WLAN Single-Chip Controller with PCIe/ USB 3.0 Interfaces
- Wireless LAN 802.11ax (Wi-Fi 6) Dual Band Access Point / Router Integrated SoC
- Bluetooth 5 Dual Mode Transceiver Controller 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 Ethernet Managed Switch Controller
- 48-Port 1GBASE-T + 6-Port 10GBASE-T Ethernet Managed Switch Controller
- Single-Port 2.5G/5G/10GBASE-T Ethernet PHY
- 4-Port 2.5G/5G/10GBASE-T Ethernet PHY
- Integrated Single-Chip xPON Network Gateway Controller
- Integrated Single-Chip 10G xPON Network Gateway Processor
- GPON Laser Driver
- 8-Port Integrated IEEE 802.3at PSE Controller
- 4-Port Integrated IEEE 802.3at PSE Controller
- Long Distance 24-Port 100 BASE-T and 2-Port 1000BASE-T1 Ethernet Switch Controller
- VDSL 35B Router Controller

### **Computer Peripheral Products:**

- 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
- SdW 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, DP1.4, HDMI2.0, HDCP2.2, and Display HDR
- High Resolution Integrated 4K2K 144Hz Gaming LCD Display Controller Supporting Realtek Owl Sight Technology, DSC, HDR, DP1.4, HDMI2.1, and HDCP2.3
- Integrated High Resolution Integrated 4K2K 144Hz/QHD165Hz Gaming LCD Display Controller Supporting Realtek Owl Sight Technology, DSC, HDR, DP1.4, HDMI2.0, and HDCP2.3
- DisplayPort to HDMI2.0 Translator
- DisplayPort to HDMI2.1 Translator
- USB Type-C to HDMI 2.0/VGA Translator
- DisplayPort MST Hub Controller
- High-End LCD TV Controller Chip
- High-End Multimedia Digital/Analog LCD TV Controller Chip
- High-End Connected Digital/Analog LCD TV Controller Chip
- High-End UHD Smart Connected Digital/Analog LCD TV Controller Chip
- High-End UHD HDR Smart Connected Digital/Analog LCD TV Controller Chip
- High-End UHD HDR 60Hz/120Hz FRC Smart Connected Digital/Analog LCD TV Controller Chip
- High-End UHD HDR 60Hz/120Hz FRC and New Generation 3D Surround Sound Smart Connected LCD TV Controller Chip
- High-End 8K LCD TV Video Decoder and Processing Chip
- New Generation High-End Full Function, Multi-Core UHD LCD TV Controller with AI PQ and AQ
- Bridge IC for ‘Separated Type’ LCD TV

#### 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	2019		2020	
	Sales Amount	Percentage	Sales Amount	Percentage
Taiwan	27,792,901	45.75%	34,965,916	44.97%
Asia	32,627,117	53.72%	42,521,571	54.68%
Other	323,988	0.53%	271,983	0.35%
Total	60,744,006	100.00%	77,759,470	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 IC Insights, in 2020 Realtek ranked 11th worldwide in terms of revenue among IC design companies without fabrication plants.

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

Since the outbreak of the COVID-19 in 2020, the entire semiconductor industry has experienced an imbalance between supply and demand and a serious shortage of production capacity. This has caused widespread supply shortages and prolonged delivery issues, making the communication between upstream and downstream more complicated.

Boosted by IoT and cloud services, many electronic goods, home electronics products, and transportation devices now have built-in Wi-Fi or Bluetooth. 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 products. 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. Furthermore, the increase in wireless connectivity speed will spur demand for heightened landline connectivity speed. AP router, switch, PON, cable modem, NAS, gaming PC, commercial PC will all see gradual upgrades to 2.5Gbps Ethernet. In addition, the Internet of Vehicles, and trends such as autonomous and electric vehicles, are significantly raising data stream bandwidth while boosting demand for lighter, lower energy devices, thereby making Ethernet the backbone of in-vehicle networking.

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 high-end Wi-Fi, such as 802.11ac 2T2R, 4T4R, 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 a more open IP 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 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.

The strong development of the gaming industry in recent years has breathed new life into the PC market. Gaming and high-end PCs maintain their growth where the high-end audio experience and value perception have become the selling points. 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. In addition, voice applications are becoming common on the new generation of platforms among global PC brands. We expect that the requirement of intelligent voice for PC products will break away from the acoustic framework and use voice technology to enable many human-friendly applications. Realtek will continue to work on voice recognition and voice wake-up technology. Adding deep learning will improve interactions so that users enjoy more convenient voice controls in both their work and daily life. Realtek will be the best voice and audio integrated solution provider for the next-generation of computer products.

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 in the LCD monitor market. Lower overall costs are another key trend. Affected by COVID-19 in 2020, new lifestyles such as work-from-home and remote learning have increased the demand for consumer models and gaming models. We expect this demand trend will continue in the first half of 2021. In the 2021 NB/DT market, more video interface connectors are using digital interfaces. 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 and Thunderbolt 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 2021 will continue the trend seen in the second half of 2020. There is also expected to be robust demand for Realtek's Single-Chip USB Type-C image translator.

Sales of LCD televisions in 2021 are expected to be at about the same level as those in 2020. Key growth will come from Central and South America, North America, China, and Southeast Asia. UHD/HDR TVs and Smart TVs have become mainstream products, and demand for 8K TVs will gradually grow in the market as the cost of components drops substantially. For Google-led Android TV, on one hand, manufacturers using AOSP (Android Open Source Project) are prompted to switch to the development of end devices using regular versions of Android TV. On the other hand, a new development platform, Reference Plus, has been launched to attract more OEMs. However, the COVID-19 is causing chip supply in 2020/2021 to not fully meet customer needs. 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

Item	2019				2020				2021 first Quarter			
	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	10,850,350	31		A	12,551,958	29		A	3,923,233	29	
2	B	6,574,369	19		B	6,583,180	15		B	1,528,380	11	
3	C	5,681,987	16		D	8,504,500	20		C	2,693,109	20	
	Other	11,801,216	34		Other	15,870,529	36		Other	5,277,674	40	
	Total	34,907,922	100		Total	43,510,167	100		Total	13,422,396	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	2019				2020				2021 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	13,368,262	22		B	16,074,247	21		B	4,890,537	21	
2	D	10,014,670	16		D	14,175,131	18		D	4,747,878	20	
3	A	11,392,557	19	(note)	A	12,212,600	16	(note)	A	3,638,534	16	(note)
	Other	25,968,517	43		Other	35,297,492	45		Other	10,063,797	43	
	Total Operating revenue	60,744,006	100		Total Operating revenue	77,759,470	100		Total Operating revenue	23,340,746	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		2019			2020		
	Capacity	Output	Value	Capacity	Output	Value		
IC (thousand pieces)	—	2,223,987	33,317,918	—	2,674,003	43,263,645		
Total	—	2,223,987	33,317,918	—	2,674,003	43,263,645		

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

Unit: NT\$ thousands

Quantity & Value Major Product	Year		2019				2020			
			Domestic		Export		Domestic		Export	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
IC (thousand pieces)	1,002,456	29,410,554	1,244,477	37,494,168	1,273,995	36,962,821	1,453,850	49,185,552		
Others	—	47,973	—	72,823	—	37,696	—	133,489		
Total	1,002,456	29,458,527	1,244,477	37,566,991	1,273,995	37,000,517	1,453,850	49,319,041		

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		2019	2020	As of March 31, 2021
Number	Research and Development	4,487	5,253	5,356
	Administration and Sales	486	530	546
	Production and Testing	182	190	196
	Total	5,155	5,973	6,098
Average Age		34.63	34.90	35.11
Average Years of Service		6.43	6.40	6.42
Education	Ph.D./Master's	71.02%	70.96%	70.71%
	University/College Degree	26.71%	26.70%	26.96%
	High School/Vocational High School Degree	2.27%	2.34%	2.33%

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 October 12, 2020.
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.

### 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. Significant Agreements

Agreement Type	Signatory	Contract Validity	Summary	Limitations
Rental Agreements 4 Items	Hsinchu Science Park Bureau	Sep, 2010~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	2020	2019	Changes	% of Changes
Current Assets	66,811,913	64,289,591	2,522,322	3.92%
Non-current assets	11,284,004	9,142,239	2,141,765	23.43%
Total assets	78,095,917	73,431,830	4,664,087	6.35%
Current liabilities	46,128,894	43,970,187	2,158,707	4.91%
Non-current liabilities	2,498,277	2,232,959	265,318	11.88%
Total Liabilities	48,627,171	46,203,146	2,424,025	5.25%
Share capital	5,106,849	5,080,955	25,894	0.51%
Capital surplus	2,122,008	2,736,854	(614,846)	(22.47%)
Retained earnings	23,786,273	19,618,212	4,168,061	21.25%
Other equity	(1,556,049)	(217,036)	(1,339,013)	616.95%
Non-controlling interest	9,665	9,699	(34)	(0.35%)
Total Equity	29,468,746	27,228,684	2,240,062	8.23%

Analysis of Changes equal to or over 20%

1. Increase in Non-current assets: Mainly due to increase in property, plant, and equipment.
2. Decrease in Capital surplus: Mainly due to distribution by cash.
3. Increased in Retained earnings: Mainly due to increase in net income.
4. Decrease in Other equity: Mainly due to decrease in financial statements translation differences of foreign operations.

## II. Operational Results

Unit: NT\$ thousands

Item \ Year	2020	2019	Changes	% of Changes
Operating revenue	77,759,470	60,744,006	17,015,464	28.01%
Operating costs	(44,510,731)	(34,160,690)	(10,350,041)	30.30%
Gross profit	33,248,739	26,583,316	6,665,423	25.07%
Operating expenses	(24,609,176)	(20,252,451)	(4,356,725)	21.51%
Operating income	8,639,563	6,330,865	2,308,698	36.47%
Non-operating income and expenses	716,582	905,007	(188,425)	(20.82%)
Profit before income tax, net	9,356,145	7,235,872	2,120,273	29.30%
Income tax expense	(562,619)	(445,497)	(117,122)	26.29%
Net income for the year	8,793,526	6,790,375	2,003,151	29.50%

### 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
5,727,911	15,440,209	13,871,760	7,296,360	—	—

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 property, plant, equipment and intangible assets.
- (3) Financing activities: Net cash inflow is mainly due to increase in short-term borrowings and the 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 2020 was approximately NT\$30,980 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 or short-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 and multimedia. 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\$21.3 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 board of directors has resolved to build and purchase 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 and United States District Court of Delaware against the Company's IC products. The cases are still pending, and the Company is unable to comment on the outcome of the cases.  
(2) In 2020, KONINKLIJKE PHILIPS N.V. and PHILIPS NORTH AMERICA LLC brought actions for patent infringement in United States International Trade Commission and United States District Court of Delaware against the Company's IC products. The cases are still pending, and the Company is unable to comment on the outcome of the cases.
13. Disclosure of Information Security Risks  
'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.

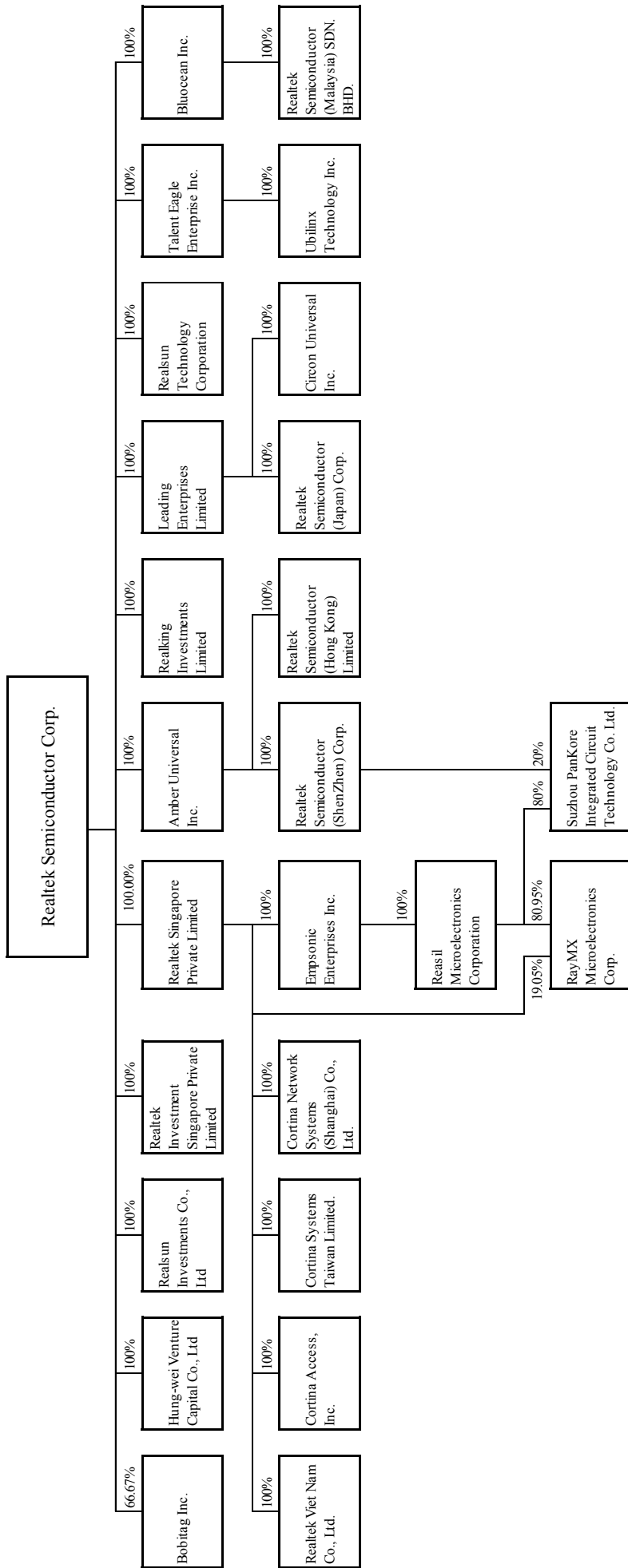
VII. Other Material Events: None.

# Special Items

## I. Information of Affiliated Companies

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

#### 1.1. Chart of the Affiliated Companies



## 1.2. Basic information of the Affiliated Companies

Unit: dollars / Dec. 31, 2020

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
Bluocean 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
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	CNY 10,000,000	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\$52,000,000	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

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
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
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

### 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%
Bluocean Inc.	Director	Realtek Semiconductor Corp. (Representative: Yeh, Nan-Hong)	110,050,000	100%
Talent Eagle Enterprise Inc.	Director	Realtek Semiconductor Corp. (Representative: Yeh, Nan-Hong)	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%
Hung-wei Venture Capital Co., Ltd	Chairman	Realtek Semiconductor Corp. (Representative: Yeh, Po-Len)	25,000,000	100%
	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%
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%

Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
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-long)	500,000	100%
	Director	Leading Enterprises Limited (Representative: Yeh, Po-Len)	300,000	100%
Circon Universal Inc.	Director and President	Cheng, Shu-Chien	-	-
	Director	Chiu, Sun-Chien	-	-
	Director	Tung Nien-Tsu	-	-
	Supervisor	Chiang, Ting-Chi	-	-
Empsonic Enterprises Inc.	Chairman	Realtek Singapore Private Limited (Representative: Huang, Yung-Fang)	2,825,000	100%
	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%
	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	-	-
	Director	Chiang, Ting-Chi	-	-
	Director	Chen, Chin	-	-
Realtek Semiconductor (ShenZhen) Corp.	Director	Lin, Yung-Chieh	-	-
	Chairman	Yeh, Nan-Hong	-	-
	Director and President	Yeh, Ta-Hsun	-	-
	Director	Chiou, Mhu-Hsiu	-	-
Reasil Microelectronics Corporation	Supervisor	Chern, Kuo-Jong	-	-

Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
Bobitag Inc.	Chairman and President	Realtek Semiconductor Corp. (Representative: Chiang, Ting-Chi)	1,918,910	66.67%
	Director	Realtek Semiconductor Corp. (Representative: Lin, Yung-Chieh)	1,918,910	66.67%
	Director	Realtek Semiconductor Corp. (Representative: Chan, Te-Chuan)	1,918,910	66.67%
	Supervisor	Guo, Yu-zhi	0	0
Realtek Singapore Private Limited	Chairman	Huang, Yung-Fang	-	-
	Director and President	Yen, Kuang-Yu	-	-
	Director	Lin, Tsung-Ming	-	-
	Chairman	Huang, Yung-Fang	-	-
Realtek Investment Singapore Private Limited	Director and President	Yen, Kuang-Yu	-	-
	Director	Chang, Jr-Neng	-	-
	Director	Huang, Yung-Fang	-	-
	Director	Yen, Kuang-Yu	-	-
Cortina Access, Inc.	Director	Zeineddine Chair	-	-
	Director	Zeineddine Chair	-	-
	Supervisor	Ke, Chieh-Yuan	-	-
	Chairman	Realtek Singapore Private Limited (Representative: Huang, Yung-Fang)	21,130,000	100%
Cortina Network Systems (Shanghai) Co., Ltd.	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: Lin, Yung-Chieh )	21,130,000	100%
	Supervisor	Realtek Singapore Private Limited (Representative: Lin, Yung-Chieh )	21,130,000	100%

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	-	-
RayMX Microelectronics Corporation	Chairman	Tsai, Jon-Jinn	-	-
	Director and President	Zhu, Ying-hui	-	-
	Director	Su, Chu-Ting	-	-
	Director	Chen, Chih-tung	-	-
	Director	Chien, Chih-Ching	-	-
	Supervisor	Wu, Wen-Bin	-	-
	Supervisor	Lin, Yung-Chieh	-	-
	Supervisor	Liu, Shuan-Ta	-	-
	Chairman	Huang, Yung-Fang		
Suzhou PanKore Integrated Circuit Technology Co., Ltd.	Director and President	Peng, Zuo-Hui		
	Director	Yen, Kuang-Yu		
	Director	Shen, Jia-Qing		
	Director	Liu Yong		
	Director	Lin, Hou-Wei		
	Director	Li, Chao-Ming		
	Director	Lu, Shiu-Hung		
	Director	Chang Yi-Shu	-	-
	Director	Fu, Ying-Chi	-	-
Realtek Semiconductor (Malaysia) SDN. BHD.				



Company Name	Title (note 1)	Name	Shareholding (note 2)	
			Shares/ Investment Amount	% of Investment Holding
	Director	Lau Lai Li	-	-

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, 2021

### 1.6. Operation Highlights of the Affiliates

Unit: NT\$ thousands

Company	Paid in Capital	Assets	Liabilities	Equity	Operating revenue	Operation Income	Net Income for the year (After Taxes)	EPS (After Taxes)
Leading Enterprises Limited	14,080,956	14,261,272	1,021,847	13,239,425	0	(28,687)	671,282	-
Amber Universal Inc.	4,487,621	3,378,780	11,404	3,367,376	0	(11,433)	51,962	-
Blueocean Inc.	3,137,305	4,998,324	1,628,388	3,369,936	0	(2,801)	76,184	-
Talent Eagle Enterprise Inc.	3,252,763	8,016,776	5,854,390	2,162,386	0	(5,602)	(295,459)	-
Hung-wei Venture Capital Co., Ltd	250,000	637,499	4,553	632,946	0	(3,056)	150,791	6.03
Realsun Investments Co., Ltd	280,000	619,625	115	619,510	0	(102)	5,145	0.18
Realking Investments Limited	293,930	290,298	62	290,236	0	(46)	(7,428)	(0.25)
Realsun Technology Corporation	5,000	5,118	0	5,118	0	(1)	57	0.11
Realtek Semiconductor (Japan) Corp.	5,530	5,758	3,481	2,277	63,193	(1,338)	(104)	-
Circon Universal Inc.	8,552	7,663	0	7,663	0	(74)	(58)	-
Empsonic Enterprises Inc.	805,351	1,570,760	0	1,570,760	0	(40)	121,713	-
Reasil Microelectronics Corporation	798,224	2,106,503	540,283	1,566,220	2,125,111	151,584	111,152	-
Ubilinx Technology, Inc	1,482,416	122,993	145,005	(22,012)	0	(414,002)	(418,782)	-
Realtek Semiconductor (Hong Kong) Limited	5,516	1,082	0	1,082	0	(21)	(21)	-
Realtek Semiconductor (ShenZhen) Corp.	142,540	374,415	103,803	270,612	397,051	22,182	13,415	-
Bobitag Inc.	28,784	29,118	124	28,994	0	(1)	146	0.05
Realtek Singapore Private Limited	3,471,467	19,639,886	8,485,237	11,154,649	20,791,170	5,691,729	5,879,387	-
Realtek Investment Singapore Private Limited	5,701,600	6,275,138	123	6,275,015	0	(325)	130,511	-
Cortina Access, Inc.	374,828	777,335	58,700	718,635	204,759	13,395	21,968	-
Cortina Network Systems (Shanghai) Co., Ltd.	102,629	189,497	27,343	162,154	104,435	4,520	(2,338)	-
Cortina Systems Taiwan Limited.	211,300	91,262	13,952	77,310	112,384	6,361	791	0.04
Realtek Viet Nam Co., Ltd	114,032	100,874	12,085	88,789	0	(16,151)	(17,359)	-
RayMX Microelectronics Corporation	114,428	430,603	344,495	86,108	416,519	(20,015)	137	-
Suzhou PanKore Integrated Circuit Technology Co., Ltd.	43,592	36,125	10,755	25,370	0	(17,915)	(17,915)	-
Realtek Semiconductor (Malaysia) SDN. BHD.	74,144	65,948	1,034	64,914	0	(9,025)	(9,150)	-

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

Unit: NT\$ thousands

Item \ Year	2016	2017	2018	2019	2020
Current assets	47,956,677	45,092,540	51,153,278	64,289,591	66,811,913
Property, plant and equipment	3,192,717	3,162,949	3,316,578	3,446,162	4,448,532
Right-of-use assets				1,403,245	1,647,421
Intangible assets	2,244,532	2,078,355	1,686,249	1,952,960	2,067,324
Other non-current assets	41,074	41,021	50,169	61,646	49,319
Total assets	55,519,808	52,310,913	58,252,314	73,431,830	78,095,917
Current liabilities					
Before distribution	31,816,328	29,520,661	32,502,254	43,970,187	46,128,894
After distribution	34,180,149	32,135,601	36,058,922	49,168,236	—
Non-current liabilities	878,708	931,140	1,103,161	2,232,959	2,498,277
Total liabilities					
Before distribution	32,695,036	30,451,801	33,605,415	46,203,146	48,627,171
After distribution	35,058,857	33,066,741	37,162,083	51,401,195	—
Equity attributable to owners of the parent company	22,815,185	21,849,518	24,637,292	27,218,985	29,459,081
Share capital	5,049,513	5,065,062	5,080,955	5,080,955	5,106,849
Capital surplus	3,910,428	3,558,856	3,236,659	2,736,854	2,122,008
Retained earnings					
Before distribution	12,453,695	13,826,043	15,917,714	19,618,212	23,786,273
After distribution	10,433,890	11,539,613	12,869,141	15,022,048	—
Other equity interest	1,401,549	(600,443)	401,964	(217,036)	(1,556,049)
Treasury shares	—	—	—	—	—
Non-controlling interest	9,587	9,594	9,607	9,699	9,665
Total Equity					
Before distribution	22,824,772	21,859,112	24,646,899	27,228,684	29,468,746
After distribution	20,460,951	19,244,373	21,090,457	22,030,635	—

Note : 1. The above annual financial statements are audited by independent auditors.

2. 2020 Distribution is approved by the Board of Directors.

## 1.2. Condensed Balance Sheet – Parent Company

Unit: NT\$ thousands

Item \ Year	2016	2017	2018	2019	2020
Current assets	16,506,277	12,587,447	13,962,708	22,953,769	21,247,908
Property, plant and equipment	2,700,331	2,679,455	2,863,756	3,019,258	4,027,004
Right-of-use assets				1,091,607	1,390,104
Intangible assets	1,604,684	1,495,547	1,160,549	1,652,722	1,955,629
Other non-current assets	6,356	6,456	14,444	46,151	34,805
Total assets	47,739,038	50,512,739	53,992,856	67,445,996	70,040,894
Current liabilities Before distribution	24,550,306	28,199,217	28,733,410	39,316,733	39,289,791
After distribution	26,914,127	30,814,157	32,290,078	44,514,782	—
Non-current liabilities	373,547	464,004	622,154	910,278	1,292,022
Total liabilities Before distribution	24,923,853	28,663,221	29,355,564	40,227,011	40,581,813
After distribution	27,287,674	31,278,161	32,912,232	45,425,060	—
Share capital	5,049,513	5,065,062	5,080,955	5,080,955	5,106,849
Capital surplus	3,910,428	3,558,856	3,236,659	2,736,854	2,122,008
Retained earnings Before distribution	12,453,695	13,826,043	15,917,714	19,618,212	23,786,273
After distribution	10,433,890	11,539,613	12,869,141	15,022,048	—
Other equity interest	1,401,549	(600,443)	401,964	(217,036)	(1,556,049)
Treasury shares	—	—	—	—	—
Total Equity Before distribution	22,815,185	21,849,518	24,637,292	27,218,985	29,459,081
After distribution	20,451,364	19,234,779	21,080,850	22,020,936	—

Note: 1. The above annual financial statements are audited by independent auditors.

2. 2020 Distribution is approved by the Board of Directors.

## 2. Condensed Statement of Comprehensive Income

### 2.1. Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	2016	2017	2018	2019	2020
Operating revenue	38,914,031	41,688,021	45,805,746	60,744,006	77,759,470
Gross Profit	16,896,737	17,903,422	20,460,870	26,583,316	33,248,739
Operating income	3,342,764	3,204,237	3,764,460	6,330,865	8,639,563
Non-operating income(expenses)	(7,378)	422,116	892,741	905,007	716,582
Net income before income tax, net	3,335,386	3,626,353	4,657,201	7,235,872	9,356,145
Income From Operations of Continued Segments	3,039,837	3,392,160	4,350,781	6,790,375	8,793,526
Income (Loss) From Operations of Discontinued Segments	—	—	—	—	—
Net income for the year	3,039,837	3,392,160	4,350,781	6,790,375	8,793,526
Total Comprehensive income for the year	2,563,674	1,390,168	5,054,264	6,130,163	7,425,261
Net Profit Attributable to: Owner of the Company	3,039,875	3,392,153	4,350,768	6,790,283	8,793,477
Net Profit(loss) Attributable to: Non-controlling interests	(38)	7	13	92	49
Total Comprehensive Income Attributable to: Owner of the Company	2,563,712	1,390,161	5,054,251	6,130,071	7,425,212
Total Comprehensive Income (Loss) Attributable to: Non-controlling interests	(38)	7	13	92	49
Earnings per share	6.02	6.71	8.57	13.36	17.24

Note: 1. The above annual financial statements are audited by independent auditors.

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

Unit: NT\$ thousands

Item \ Year	2016	2017	2018	2019	2020
Operating revenue	29,705,075	30,043,540	32,194,291	40,845,708	56,426,751
Gross Profit	12,395,345	12,168,244	13,288,095	16,202,655	22,535,979
Operating income	1,599,195	898,802	699,986	1,316,005	3,282,942
Non-operating income	1,720,680	2,703,351	3,938,782	5,912,278	6,070,535
Net income before income tax, net	3,319,875	3,602,153	4,638,768	7,228,283	9,353,477
Income From Operations of Continued Segments	3,039,875	3,392,153	4,350,768	6,790,283	8,793,477
Net Income for the year	3,039,875	3,392,153	4,350,768	6,790,283	8,793,477
Other comprehensive income (Loss), net	(476,163)	(2,001,992)	703,483	(660,212)	(1,368,265)
Total Comprehensive income for the year	2,563,712	1,390,161	5,054,251	6,130,071	7,425,212
Earnings per share	6.02	6.71	8.57	13.36	17.24

Note: 1. The above annual financial statements are audited by independent auditors.

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

Year	Name of Auditors (CPA)	Auditor Opinion
2016	Li, Tien-Yi, Tsang, Kwok-Wah	Unqualified Opinions
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

## II. Financial Analysis in the Recent Five Years

### 1. Consolidated Financial Analysis

Year		2016	2017	2018	2019	2020
Item						
Capital Structure	Debt ratio (%)	58.88	58.21	57.68	62.91	62.26
	Long-term fund to Property, plant and equipment (%)	714.90	691.09	743.14	790.11	662.43
Liquidity	Current ratio (%)	150.72	152.74	157.38	146.21	144.83
	Quick ratio (%)	133.65	132.98	138.43	128.67	125
	Times interest earned (times)	23.01	24.77	34.63	45.46	59.47
Operating Performance	Average collection turnover (times)	6.49	6.35	6.32	6.74	6.4
	Average collection days	56	57	58	54	57
	Inventory turnover (times)	5.05	4.29	3.98	4.57	4.88
	Payment turnover (times)	4.93	4.83	4.64	4.95	4.69
	Average inventory turnover days	72	85	92	80	75
	Fixed assets turnover (times)	11.84	13.11	14.13	17.96	19.69
	Property, plant and equipment turnover (times)	0.75	0.77	0.82	0.92	1.02
Profitability	Return on total assets (%)	6.2	6.56	8.1	10.54	11.79
	Return on stockholders' equity (%)	13.47	15.18	18.71	26.17	31.01
	Profit before tax to paid-in capital (%)	66.05	71.59	91.65	142.41	183.2
	Profit after tax to net sales (%)	7.81	8.13	9.49	11.17	11.30
	Earnings per share (NT\$)	6.02	6.71	8.57	13.36	17.24
Cash Flow	Cash flow ratio (%)	16.42	12.73	25.20	27.86	33.47
	Cash flow adequacy ratio (%)	121.3	100	109.92	124.89	143.56
	Cash flow reinvestment ratio (%)	11.78	4.58	17.53	26.05	27.31
Leverage	Operating leverage	4.93	5.51	5.31	4.11	3.79
	Financial leverage	1.04	1.05	1.03	1.02	1.01
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.						
Increase in profitability: Mainly due to increase in net income.						
Increase in Cash flow ratio: Mainly due to increase in cash flows from operating activities.						



## 2. Financial Analysis-Parent Company

Item \ Year		2016	2017	2018	2019	2020
Capital Structure	Debt ratio (%)	52.2	56.74	54.36	59.64	57.94
	Long-term fund to Property, plant and equipment (%)	844.9	815.44	860.31	901.51	731.53
Liquidity	Current ratio (%)	67.23	44.63	48.59	58.38	54.07
	Quick ratio (%)	53.11	28.10	33.81	43.05	37.77
	Times interest earned (Times)	27.96	25.72	34.55	50.31	66.31
Operating Performance	Average collection turnover (Times)	6.94	6.00	5.66	6.14	6.49
	Average collection days	52	60	64	59	56
	Inventory turnover (times)	5.15	4.22	3.92	4.34	4.91
	Payment turnover (times)	5.11	4.67	4.60	4.87	4.82
	Average inventory turnover days	70	86	93	84	74
	Fixed assets turnover (times)	10.89	11.16	11.61	13.88	16.01
	Property, plant and equipment turnover (times)	0.64	0.61	0.61	0.67	0.82
Profitability	Return on total assets (%)	6.87	7.18	8.57	11.40	12.97
	Return on stockholders' equity (%)	13.48	15.18	18.71	26.18	31.02
	Profit before tax to paid-in capital (%)	65.74	71.11	91.29	142.26	183.15
	Profit after tax to net sales (%)	10.23	11.29	13.51	16.62	15.58
	Earnings per share (NT\$)	6.02	6.71	8.57	13.36	17.24
Cash Flow	Cash flow ratio (%)	15.64	6.99	16.13	10.06	24.54
	Cash flow adequacy ratio (%)	103.78	71.41	74.81	59.46	82.98
	Cash flow reinvestment ratio (%)	6.79	-2.09	6.10	1.26	11.72
Leverage	Operating leverage	10.52	13.72	19.19	12.50	6.97
	Financial leverage	1.08	1.19	1.25	1.12	1.04
<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>Increase in the turnover rate of total asset: Mainly due to increase in operating revenue.</p> <p>Increase in profitability: Mainly due to increase in net income.</p> <p>Increase in Cash flow ratio: Mainly due to increase in cash flows from operating activities.</p> <p>Decrease in Operating leverage: Mainly due to increase in operating income.</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 2020 annual report: None.

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

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

The Company's 2020 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 2021 Annual Shareholders' Meeting.

Realtek Semiconductor Corp.

Chairman of the Audit Committee: Ou Yang, Wen-Han

March 19, 2021

## V. Consolidated Financial Statements

### INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20000252

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, 2020 and 2019, 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 matters* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 (“ROC GAAS”). 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 2020 consolidated financial statements of the current period. 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 2020 consolidated financial statements of the current period are stated as follows:

### ***Existence of cash in banks***

#### Description

Refer to Notes 4(6) and 4(9) of the consolidated financial statements for the accounting policies on cash and cash equivalents and time deposits that do not qualify as cash equivalents. The balance of cash and cash equivalents was NT\$7,296,360 thousand, constituting 9% of the consolidated total assets as of December 31, 2020, as described in Note 6(1) of the consolidated financial statements. Time deposits that do not meet the definition of cash and cash equivalents, which refers 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 are classified as "financial assets at amortised cost – current" and "financial assets at amortised cost – non – current". The balance of these time deposits amounted to NT\$35,410,003 thousand, constituting 45% of consolidated total assets, refer to Note 6(4) of the consolidated financial statements for the details. The abovementioned assets constituted 54% of the total assets, have a significant impact on the consolidated financial statements, the nature and usage of those bank accounts varies, and the Group transacts with various financial institutions, thus, audit of cash in bank was considered 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 detailed listings of cash in banks. Sent confirmation letters to all financial institutions and reviewed special terms and agreements in order to ensure the existence and rights and obligations of cash in banks.
2. Obtained an understanding of procedures for preparation and review of bank reconciliations, including validating unusual reconciling items.
3. Obtained an understanding of the usage of the bank accounts as well as sampled and validated significant cash transactions to ensure they are operational in nature and there are no significant and unusual transactions.

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

##### Description

Refer to Note 4(14) 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\$156,854 thousand and NT\$185,972 thousand) of those companies amounted to NT\$959,452 thousand and NT\$5,971,097 thousand, constituting 1.23% and 8.13% of the consolidated total assets as of December 31, 2020 and 2019, 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\$21,101 thousand and NT\$19,443 thousand, constituting (0.28%) and (0.32%) 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, 2020 and 2019.

***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 ROC GAAS 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 ROC GAAS, 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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Lin, Yu-Kuan

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Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

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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 report of independent auditors 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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	7,296,360	9	\$	5,727,911	8
1110	Financial assets at fair value through profit or loss - current	6(2)		1,080,657	1		74,012	
1136	Financial assets at amortised cost - current	6(4)		35,330,346	45		39,558,054	54
1170	Accounts receivable, net	6(5)		10,840,669	14		8,254,011	11
1180	Accounts receivable, net - related parties	6(5) and 7		2,812,399	4		2,196,717	3
1200	Other receivables			301,431	1		768,699	1
130X	Inventories, net	6(6)		8,622,977	11		7,391,535	10
1410	Prepayments			527,074	1		318,652	1
11XX	Total current assets			66,811,913	86		64,289,591	88
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)		2,619,331	3		1,859,478	2
1535	Financial assets at amortised cost - non-current	6(4) and 8		79,657	-		69,477	-
1550	Investments accounted for under equity method	6(7)		156,854	-		185,972	-
1600	Property, plant and equipment	6(8)		4,448,532	6		3,446,162	5
1755	Right-of-use assets	6(9)		1,647,421	2		1,403,245	2
1760	Investment property	6(10)		45,690	-		49,136	-
1780	Intangible assets	6(11)		2,067,324	3		1,952,960	3
1840	Deferred income tax assets	6(28)		169,876	-		114,163	-
1900	Other non-current assets			49,319	-		61,646	-
15XX	Total non-current assets			11,284,004	14		9,142,239	12
1XXX	Total assets		\$	78,095,917	100	\$	73,431,830	100

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019	
	Notes		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(13)	\$ 11,456,690	15	\$ 18,966,042	26
2130	Contract liabilities - current	6(21)	336,254	-	104,974	-
2150	Notes payable		28,653	-	3,276	-
2170	Accounts payable		10,620,054	14	7,441,724	10
2180	Accounts payable - related parties	7	340,232	-	329,514	1
2200	Other payables	6(14)	14,665,453	19	10,746,168	15
2220	Other payables - related parties	7	94,808	-	87,293	-
2230	Current income tax liabilities		1,084,362	1	828,790	1
2280	Lease liabilities - current		100,900	-	84,328	-
2300	Other current liabilities	6(21)	7,401,488	10	5,378,078	7
21XX	<b>Total current liabilities</b>		<u>46,128,894</u>	<u>59</u>	<u>43,970,187</u>	<u>60</u>
<b>Non-current liabilities</b>						
2550	Provisions - non-current	6(16)	1,018,706	1	1,075,809	2
2570	Deferred income tax liabilities	6(28)	102,872	-	51,723	-
2580	Lease liabilities - non-current		1,276,357	2	1,028,347	1
2600	Other non-current liabilities		100,342	-	77,080	-
25XX	<b>Total non-current liabilities</b>		<u>2,498,277</u>	<u>3</u>	<u>2,232,959</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>48,627,171</u>	<u>62</u>	<u>46,203,146</u>	<u>63</u>
<b>Equity</b>						
	Share capital	6(17)				
3110	Common shares		5,106,849	7	5,080,955	7
	Capital surplus	6(18)				
3200	Capital surplus		2,122,008	3	2,736,854	3
	Retained earnings	6(19)				
3310	Legal reserve		5,577,083	7	4,902,176	7
3320	Special reserve		217,036	-	-	-
3350	Undistributed earnings		17,992,154	23	14,716,036	20
	Other equity	6(20)				
3400	Other equity interest		( 1,556,049 )	( 2 )	( 217,036 )	-
31XX	<b>Equity attributable to holders of the parent company</b>		<u>29,459,081</u>	<u>38</u>	<u>27,218,985</u>	<u>37</u>
36XX	Non-controlling interest		9,665	-	9,699	-
3XXX	<b>Total equity</b>		<u>29,468,746</u>	<u>38</u>	<u>27,228,684</u>	<u>37</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 78,095,917</u>	<u>100</u>	<u>\$ 73,431,830</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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items		Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7	\$ 77,759,470	100	\$ 60,744,006	100
5000	Operating costs	6(6) and 7	( 44,510,731)	( 57)	( 34,160,690)	( 56)
5950	Gross profit		<u>33,248,739</u>	<u>43</u>	<u>26,583,316</u>	<u>44</u>
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		( 3,434,253)	( 4)	( 2,996,402)	( 5)
6200	General and administrative expenses		( 2,104,282)	( 3)	( 1,699,212)	( 3)
6300	Research and development expenses		( 19,054,888)	( 25)	( 15,535,505)	( 26)
6450	Expected credit losses	12(2)	( 15,753)	-	( 21,332)	-
6000	Total operating expenses		( 24,609,176)	( 32)	( 20,252,451)	( 34)
6900	Operating income		<u>8,639,563</u>	<u>11</u>	<u>6,330,865</u>	<u>10</u>
	Non-operating income and expenses					
7100	Interest income	6(22)	833,821	1	1,277,211	2
7010	Other income	6(23)	176,965	-	135,568	-
7020	Other gains and losses	6(24)	( 109,328)	-	( 323,685)	-
7050	Finance costs	6(25)	( 153,896)	-	( 160,254)	-
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	( 30,980)	-	( 23,833)	-
7000	Total non-operating income and expenses		<u>716,582</u>	<u>1</u>	<u>905,007</u>	<u>2</u>
7900	<b>Profit before income tax, net</b>		<u>9,356,145</u>	<u>12</u>	<u>7,235,872</u>	<u>12</u>
7950	Income tax expense	6(28)	( 562,619)	-	( 445,497)	( 1)
8200	<b>Net income for the year</b>		<u>\$ 8,793,526</u>	<u>12</u>	<u>\$ 6,790,375</u>	<u>11</u>

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive loss, net</b>	6(20)				
<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 incomes from investments in equity instruments measured at fair value through other comprehensive income		829,923	1	227,352	-
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		9,879	-	4,390	-
8310 Total components of other comprehensive income that will not be reclassified to profit		810,550	1	231,742	-
<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 2,178,815)	( 3)	( 891,954)	( 1)
8360 Total components of other comprehensive loss that will be reclassified to profit or loss		( 2,178,815)	( 3)	( 891,954)	( 1)
8300 <b>Other comprehensive loss, net</b>		(\$ 1,368,265)	( 2)	(\$ 660,212)	( 1)
8500 <b>Total comprehensive income for the year</b>		<u>\$ 7,425,261</u>	<u>10</u>	<u>\$ 6,130,163</u>	<u>10</u>
Net income attributable to:					
8610 Equity holders of the parent company		\$ 8,793,477	12	\$ 6,790,283	11
8620 Non-controlling interest		49	-	92	-
Net income for the year		<u>\$ 8,793,526</u>	<u>12</u>	<u>\$ 6,790,375</u>	<u>11</u>
Comprehensive income attributable to:					
8710 Equity holders of the parent company		\$ 7,425,212	10	\$ 6,130,071	10
8720 Non-controlling interest		49	-	92	-
Total comprehensive income for the year		<u>\$ 7,425,261</u>	<u>10</u>	<u>\$ 6,130,163</u>	<u>10</u>
Earnings per share (in dollars)					
9750 Basic earnings per share	6(29)	<u>\$ 17.24</u>		<u>\$ 13.36</u>	
9850 Diluted earnings per share	6(29)	<u>\$ 16.93</u>		<u>\$ 13.13</u>	

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent company											
	Notes	Retained earnings				Other equity interest				Non-controlling interest	Total equity
		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		
2019											
Balance at January 1, 2019		\$ 5,080,955	\$ 3,236,659	\$ 4,467,099	\$ 600,443	\$ 10,850,172	\$ 129,811	\$ 272,153	\$ 24,637,292	\$ 9,607	\$ 24,646,899
Net income for the year	6(20)	-	-	-	-	6,790,283	-	-	6,790,283	92	6,790,375
Other comprehensive income (loss) for the year		-	-	-	-	-	( 891,954 )	231,742	( 660,212 )	-	( 660,212 )
Total comprehensive income (loss)		-	-	-	-	6,790,283	( 891,954 )	231,742	6,130,071	92	6,130,163
Distribution of 2018 earnings											
Legal reserve	6(19)	-	-	435,077	-	( 435,077 )	-	-	-	-	-
Special reserve	6(19)	-	-	-	( 600,443 )	600,443	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	( 3,048,573 )	-	-	( 3,048,573 )	-	( 3,048,573 )
Cash from capital surplus	6(18)	-	( 508,095 )	-	-	-	-	-	( 508,095 )	-	( 508,095 )
Changes in equity of associates accounted for under equity method	6(18)	-	8,064	-	-	-	-	-	8,064	-	8,064
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(20)	-	-	-	-	( 41,212 )	-	41,212	-	-	-
Cash dividends returned		-	226	-	-	-	-	-	226	-	226
Balance at December 31, 2019		\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	( \$ 762,143 )	\$ 545,107	\$ 27,218,985	\$ 9,699	\$ 27,228,684
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	6(15)(20)	-	-	-	-	8,793,477	-	-	8,793,477	49	8,793,526
Other comprehensive income (loss) for the year		-	-	-	-	( 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(19)	-	-	674,907	-	( 674,907 )	-	-	-	-	-
Special reserve	6(19)	-	-	-	217,036	( 217,036 )	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	( 4,596,164 )	-	-	( 4,596,164 )	-	( 4,596,164 )
Employees' compensation transferred to common shares	6(17)(18)	25,894	393,591	-	-	-	-	-	419,485	-	419,485
Cash from capital surplus	6(18)	-	( 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(18)	-	12,763	-	-	-	-	-	12,763	-	12,763
Cash dividends returned	6(18)	-	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

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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 9,356,145	\$ 7,235,872
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation	6(26)	841,711	700,806
Amortization	6(11)(26)	1,142,222	1,019,785
Expected credit losses	12(2)	15,753	21,332
Interest expense	6(25)	153,896	160,254
Interest income	6(22)	( 833,821 )	( 1,277,211 )
Dividend income	6(23)	( 24,877 )	( 30,150 )
Gain on financial assets at fair value through profit or loss	6(2)(24)	( 231,470 )	( 5,764 )
Share of loss of associates and joint ventures accounted for under equity method	6(7)	30,980	23,833
(Gain) loss on disposal of property, plant and equipment through profit or loss	6(24)	( 1,501 )	157
Gain on disposal of investments	6(24)	( 466 )	-
Impairment loss	6(24)	140,854	189,483
Other intangible assets transferred to expenses		-	526
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		( 775,175 )	1,241,327
Accounts receivable, net		( 2,596,515 )	( 2,627,248 )
Accounts receivable, net - related parties		( 621,578 )	( 425,122 )
Other receivables		12,214	24,884
Inventories		( 1,231,442 )	( 1,529,530 )
Prepayments		( 208,390 )	( 21,325 )
Changes in operating liabilities			
Contract liabilities - current		231,280	( 43,722 )
Notes payable		25,377	( 5,381 )
Accounts payable		3,178,330	1,805,738
Accounts payable - related parties		10,718	79,645
Other payables		3,971,653	3,149,058
Other payables - related parties		7,515	18,246
Other current liabilities		2,023,410	1,671,139
Provisions - non-current		-	102,181
Accrued pension obligations		( 3,791 )	( 2,466 )

(Continued)



**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
Cash inflow generated from operations		\$ 14,613,032	\$ 11,476,347
Receipt of interest		1,288,875	1,140,818
Receipt of dividend		24,877	30,150
Interest paid		( 159,889 )	( 162,681 )
Income tax paid		( 326,686 )	( 233,349 )
Net cash flows from operating activities		<u>15,440,209</u>	<u>12,251,285</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at amortised cost		( 48,815,990 )	( 44,715,715 )
Proceeds from disposal of financial assets at amortised cost		51,019,963	35,512,063
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	939
Proceeds from disposal of investments accounted for under equity method		466	-
Proceeds from capital reduction of investee accounted for under equity method	6(7)	20,684	17,908
Acquisition of property, plant and equipment	6(30)	( 1,782,469 )	( 747,026 )
Proceeds from disposal of property, plant and equipment		1,700	92
Acquisition of intangible assets	6(30)	( 977,132 )	( 1,403,279 )
Acquisition of right-of-use assets		-	( 286,276 )
Increase in refundable deposits		( 17,743 )	( 3,811 )
Decrease (increase) in other non-current assets		30,070	( 7,666 )
Net cash flows used in investing activities		<u>( 520,451 )</u>	<u>( 11,632,771 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings		209,374,818	148,524,088
Decrease in short-term borrowings		( 216,864,994 )	( 144,084,357 )
Repayment of principal portion of lease liabilities	6(31)	( 88,691 )	( 76,732 )
Guarantee deposits returned	6(31)	( 2,199 )	( 1,437 )
Cash dividends paid		( 5,617,534 )	( 3,556,668 )
Cash dividends returned		170	226
Net cash flows (used in) from financing activities		<u>( 13,198,430 )</u>	<u>805,120</u>
Effect of exchange rate		<u>( 152,879 )</u>	<u>( 5,374 )</u>
Net increase in cash and cash equivalents		1,568,449	1,418,260
Cash and cash equivalents at beginning of year		<u>5,727,911</u>	<u>4,309,651</u>
Cash and cash equivalents at end of year		<u>\$ 7,296,360</u>	<u>\$ 5,727,911</u>

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

(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 19, 2021.

**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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 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 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

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 3, 'Reference to the conceptual framework'	January 1, 2022
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
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 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.

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 unrealised 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 non-controlling 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, 2020	December 31, 2019	
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%	89%	Note 3
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%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Investment holdings	100%	100%	
Realtek Semiconductor Corporation	Realking Investments Co., Ltd.	"	100%	100%	
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%	
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	ICs design,sales and consultancy	100%	100%	
Leading Enterprises Limited	Circon Universal Inc.	Investment holdings	100%	100%	
Leading Enterprises Limited	Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	-	11%	Note 3
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Information services and technical support	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Amber Universal Inc.	Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	100%	100%	
Empsonic Enterprises Inc.	Realsil Microelectronics Corp.	"	100%	100%	
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%	29%	Note 4
Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	"	81%	71%	Note 4

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Realsil Microelectronics Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	80%	-	Note 2
Realtek Semiconductor (Shen Zhen) Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	"	20%	-	Note 2
Bluocean Inc.	Realtek Semiconductor (Malaysia) Sdn. Bhd.	R&D and technical support	100%	-	Note 1

Note 1: Realtek Semiconductor (Malaysia) Sdn. Bhd. was incorporated and registered on June 10, 2020.

Note 2: Suzhou PanKore Integrated Circuit Technology Co. Ltd. was incorporated and registered on July 3, 2020.

Note 3: On October 30, 2020, the Board of Directors of the Company resolved to acquire the equity shares of Realtek Singapore Private Limited from the subsidiary, Leading Enterprises Limited.

Note 4: In the third quarter of 2020, Realsil Microelectronics (Suzhou) Inc. acquired 9.52% equity interests of RayMX Microelectronics Corp. from Realtek Singapore Private Limited due to the investment structure adjustment of the Company.

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 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 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 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; otherwise they are classified as non-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.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-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.

(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 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 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 amortised 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 amortised 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) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) 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.

(15) 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. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group'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 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.

(16) 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 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.

(17) 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 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 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.

(18) 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.

(19) 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. 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 lives are stated at cost. Intangible assets acquired in a business combination are recognized at fair value at acquisition date. The amortisation amounts of separately and consolidated acquired intangible assets were amortised on a straight-line basis over their estimated useful lives of 2-5 years.

(20) 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 amortised historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill is 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.

(21) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) 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.



(27) 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.

(28) Dividends

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

(29) 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.

(30) Government grants

Government grants are recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(31) 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.

#### (2) 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, 2020, the carrying amount of inventories was \$8,622,977.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

#### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 1,011	\$ 841
Checking accounts and demand deposits	7,210,606	4,221,046
Time deposits	84,743	1,506,024
	<u>\$ 7,296,360</u>	<u>\$ 5,727,911</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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 298,615	\$ 69,001
Beneficiary certificates	782,042	5,011
	<u>\$ 1,080,657</u>	<u>\$ 74,012</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, 2020	Year ended December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 229,614	(\$ 780)
Beneficiary certificates	1,856	6,544
	<u>\$ 231,470</u>	<u>\$ 5,764</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, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 571,496	\$ 492,258
Emerging stocks	16,355	13,357
Unlisted stocks	2,031,480	1,353,863
	<u>\$ 2,619,331</u>	<u>\$ 1,859,478</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 \$2,619,331 and \$1,859,478 on December 31, 2020 and 2019, 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, 2020	Year ended December 31, 2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ 829,923	\$ 227,352
Cumulative losses reclassified to retained earnings due to derecognition	\$ -	\$ 41,212

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

(4) Financial assets at amortised cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposits	\$ 35,330,346	\$ 39,558,054
Non-current items:		
Time deposits	\$ 79,657	\$ 69,477

A. Details of the Group's financial assets at amortised 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, 2020	December 31, 2019
Accounts receivable	\$ 10,917,737	\$ 8,321,221
Accounts receivable - related parties	2,830,691	2,209,114
Less: Allowance for bad debts	( 95,360)	( 79,607)
	\$ 13,653,068	\$ 10,450,728

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

	December 31, 2020	December 31, 2019
Not past due	\$ 13,471,549	\$ 10,153,312
Up to 30 days	269,996	376,366
31 to 90 days	6,449	1
Over 90 days	434	656
	\$ 13,748,428	\$ 10,530,335

The above aging analysis is based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable was all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$7,419,793.

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, 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
	\$ 9,772,642	(\$ 1,149,665)	\$ 8,622,977

	December 31, 2019		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 1,054,744	(\$ 26,672)	\$ 1,028,072
Work in process	4,624,767	( 355,239)	4,269,528
Finished goods	2,550,754	( 456,819)	2,093,935
	<u>\$ 8,230,265</u>	<u>(\$ 838,730)</u>	<u>\$ 7,391,535</u>

Operating costs incurred on inventories for the years ended December 31, 2020 and 2019 were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Cost of inventories sold and others	\$ 43,984,825	\$ 33,813,815
Loss on market value decline and obsolete and slow-moving inventory	318,025	166,028
Loss on scrap inventory	207,881	180,847
	<u>\$ 44,510,731</u>	<u>\$ 34,160,690</u>

(7) Investments accounted for under equity method

	December 31, 2020	December 31, 2019
Technology Partner V Venture Capital Corporation	\$ 255	\$ 22,247
5V Technologies, Taiwan Ltd.	-	-
Estinet Technologies Incorporation	9,158	3,701
Innorich Venture Capital Corp.	147,441	160,024
	<u>\$ 156,854</u>	<u>\$ 185,972</u>

- A. The loss on investments accounted for under equity method amounted to \$30,980 and \$23,833 for the years ended December 31, 2020 and 2019, respectively.
- B. In February 2020, the Group sold all shares of 5V Technologies, Taiwan Ltd. and the gain on disposal of investments amounted to \$466.
- C. 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 was still in the process of liquidation as of December 31, 2020.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Test equipment	Office equipment	Others	Total
<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>							
Opening net book amount	\$ -	\$ 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
Closing net book amount	<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>
	Land	Buildings	Machinery	Test equipment	Office equipment	Others	Total
<u>At January 1, 2019</u>							
Cost	\$ -	\$ 3,246,163	\$ 3,726,816	\$ 2,225,944	\$ 232,162	\$ 754,293	\$ 10,185,378
Accumulated depreciation and impairment	-	( 1,197,942)	( 3,456,955)	( 1,514,287)	( 151,702)	( 547,914)	( 6,868,800)
	<u>\$ -</u>	<u>\$ 2,048,221</u>	<u>\$ 269,861</u>	<u>\$ 711,657</u>	<u>\$ 80,460</u>	<u>\$ 206,379</u>	<u>\$ 3,316,578</u>
<u>2019</u>							
Opening net book amount	\$ -	\$ 2,048,221	\$ 269,861	\$ 711,657	\$ 80,460	\$ 206,379	\$ 3,316,578
Additions	-	-	147,583	425,288	51,034	126,070	749,975
Disposals	-	( 18)	-	( 105)	( 124)	( 2)	( 249)
Reclassifications	-	-	27,167	-	-	( 27,167)	-
Depreciation	-	( 121,031)	( 77,024)	( 318,746)	( 27,082)	( 63,137)	( 607,020)
Net exchange difference	-	( 10,365)	2,109	( 4,429)	( 287)	( 150)	( 13,122)
Closing net book amount	<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>At December 31, 2019</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>

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 and buildings. 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, 2020	December 31, 2019
Land	\$ 1,398,253	\$ 1,082,850
Buildings	249,168	320,395
	<u>\$ 1,647,421</u>	<u>\$ 1,403,245</u>
	Depreciation	
	Year ended December 31, 2020	Year ended December 31, 2019
Land	\$ 26,828	\$ 20,983
Buildings	79,389	68,826
	<u>\$ 106,217</u>	<u>\$ 89,809</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$349,933 and \$432,193, respectively.

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

	Year ended December 31, 2020	Year ended December 31, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 28,913</u>	<u>\$ 23,915</u>

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were \$117,604 and \$100,647, respectively.

(10) Investment property

	Buildings	
	2020	2019
<u>At January 1</u>		
Cost	\$ 80,799	\$ 83,688
Accumulated depreciation and impairment	( 31,663)	( 28,820)
	<u>\$ 49,136</u>	<u>\$ 54,868</u>
Opening net book value	\$ 49,136	\$ 54,868
Depreciation	( 3,807)	( 3,977)
Net exchange difference	361	( 1,755)
Closing net book amount	<u>\$ 45,690</u>	<u>\$ 49,136</u>
<u>At December 31</u>		
Cost	\$ 81,499	\$ 80,799
Accumulated depreciation and impairment	( 35,809)	( 31,663)
	<u>\$ 45,690</u>	<u>\$ 49,136</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, 2020	Year ended December 31, 2019
Rental income from the lease of the investment property	\$ <u>1,127</u>	\$ <u>1,486</u>
Operating expenses arising from the investment property that generated rental income during the period	\$ <u>3,807</u>	\$ <u>3,977</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, 2020 and 2019, the fair value was \$128,794 and \$134,439, respectively.

(11) Intangible assets

	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>					
Opening net book amount	\$ 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)
Closing net book amount	<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>



	Computer software	Intellectual property	Goodwill	Others	Total
<u>At January 1, 2019</u>					
Cost	\$ 3,234,611	\$ 3,911,807	\$ 650,778	\$ 298,916	\$ 8,096,112
Accumulated amortisation and impairment	( 2,738,897)	( 3,149,643)	( 350,621)	( 170,702)	( 6,409,863)
	<u>\$ 495,714</u>	<u>\$ 762,164</u>	<u>\$ 300,157</u>	<u>\$ 128,214</u>	<u>\$ 1,686,249</u>
<u>2019</u>					
Opening net book amount	\$ 495,714	\$ 762,164	\$ 300,157	\$ 128,214	\$ 1,686,249
Additions	847,571	596,018	-	597	1,444,186
Reclassifications	1,800	-	-	( 2,326)	( 526)
Amortisation	( 568,851)	( 405,131)	-	( 45,803)	( 1,019,785)
Impairment	-	-	( 148,086)	-	( 148,086)
Net exchange difference	( 14)	( 2,658)	( 5,054)	( 1,352)	( 9,078)
Closing net book amount	<u>\$ 776,220</u>	<u>\$ 950,393</u>	<u>\$ 147,017</u>	<u>\$ 79,330</u>	<u>\$ 1,952,960</u>
<u>At December 31, 2019</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>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Operating costs	\$ 6,080	\$ 4,107
Operating expenses	1,136,142	1,015,678
	<u>\$ 1,142,222</u>	<u>\$ 1,019,785</u>

(12) Impairment of non-financial assets

A. The Group recognized impairment loss for the years ended December 31, 2020 and 2019 was \$140,854 and \$148,086. 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	\$ -
	Year ended December 31, 2019	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss — Goodwill	\$ 148,086	\$ -

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 approved 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 and 2019 were conducted which is based on financial budgets estimated by the management covering a five-year period. The discount rate are 11.94% and 14.4% for 2020 and 2019. 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 and 2019.

(13) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 11,456,690	0.57%~0.60%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 18,966,042	0.71%~2.64%	None

Interest expense recognized in profit or loss amounted to \$124,983 and \$136,339 for the years ended December 31, 2020 and 2019, respectively.

(14) Other payables

	December 31, 2020	December 31, 2019
Accrued salaries	\$ 5,286,534	\$ 4,041,988
Payable for employees' compensation	6,145,470	3,978,638
Other accrued expenses	1,850,766	1,715,223
Payables on equipment	58,959	113,350
Payables on software and intellectual property	1,152,591	725,345
Others	171,133	171,624
	<u>\$ 14,665,453</u>	<u>\$ 10,746,168</u>

(15) 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, 2020	December 31, 2019
Present value of defined benefit obligations	(\$ 600,923)	(\$ 595,932)
Fair value of plan assets	501,842	522,312
Net liability in the balance sheet	(\$ 99,081)	(\$ 73,620)

(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, 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)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
At January 1	(\$ 568,382)	\$ 495,415	(\$ 72,967)
Current service cost	( 2,709)	-	( 2,709)
Interest (expense) income	( 6,366)	5,544	( 822)
	<u>( 577,457)</u>	<u>500,959</u>	<u>( 76,498)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	24,973	24,973
Change in demographic assumptions	( 1,283)	-	( 1,283)
Change in financial assumptions	( 6,415)	-	( 6,415)
Experience adjustments	( 20,397)	-	( 20,397)
	<u>( 28,095)</u>	<u>24,973</u>	<u>( 3,122)</u>
Pension fund contribution	-	6,000	6,000
Paid pension	9,620	( 9,620)	-
At December 31	<u>(\$ 595,932)</u>	<u>\$ 522,312</u>	<u>(\$ 73,620)</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 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,	
	2020	2019
Discount rate	0.3%	0.8%
Future salary increases	4.75%	5%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2020 and 2019.

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, 2020				
Effect on present value of defined benefit obligation	\$ 16,617	(\$ 17,201)	(\$ 16,104)	\$ 15,599

	Discount rate		Future salary increases	
	Increase by	Decrease by	Increase by	Decrease by
	0.25%	0.25%	0.25%	0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	\$ 16,562	(\$ 17,221)	(\$ 16,154)	\$ 15,635

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, 2020, 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	\$	272,184
2~5 years		108,918
5~10 years		191,135
Over 10 years		35,077
	\$	<u>607,314</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, 2020 and 2019 were \$290,735 and \$259,176, respectively.

(16) Provision

	2020	2019
At January 1	\$ 1,075,809	\$ 999,868
Changes in provision	-	102,181
Effect of exchange rate	( 57,103)	( 26,240)
At December 31	<u>\$ 1,018,706</u>	<u>\$ 1,075,809</u>

As of December 31, 2020, provisions were estimated for possible infringement litigations.

(17) Share capital

- A. As of December 31, 2020, 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.

	2020	2019
At January 1	508,095	508,095
Employees' compensation transferred to common shares	2,589	-
At December 31	<u>510,684</u>	<u>508,095</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 Competence 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, 2020, the outstanding GDRs were 390 thousand units, or 1,561 thousand shares of common stock, representing 0.31% of the Company's total common stocks.

(18) 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.

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 shares	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>
2019				
	Share premium	Change in associates accounted for under equity method	Others	Total
At January 1	\$ 3,196,250	\$ 40,208	\$ 201	\$ 3,236,659
Change in associates accounted for under equity method	-	8,064	-	8,064
Cash from capital surplus	( 508,095)	-	-	( 508,095)
Cash dividends returned	-	-	226	226
At December 31	<u>\$ 2,688,155</u>	<u>\$ 48,272</u>	<u>\$ 427</u>	<u>\$ 2,736,854</u>

(19) 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. 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 over 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 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 10, 2020 and June 12, 2019. Details are summarised below:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 674,907	\$ -	\$ 435,077	\$ -
(Reversal of) special reserve	217,036	-	( 600,443)	-
Cash dividends	4,596,164	9.00	3,048,573	6.00
Total	<u>\$ 5,488,107</u>	<u>\$ 9.00</u>	<u>\$ 2,883,207</u>	<u>\$ 6.00</u>

- E. On April 24, 2020, the Board of Directors of the Company proposed to distribute cash dividends from capital surplus to shareholders in the amount of \$1,021,370 (\$2 per share). The aforementioned cash dividends of distribution of 2019 earnings and cash dividends from capital surplus have been resolved by the Board of Directors on April 24, 2020.
- F. On June 12, 2019, the stockholders resolved during their meeting to distribute \$508,095 by cash (\$1 per share) from capital surplus.



(20) Other equity items

	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>

	2019		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 272,153	\$ 129,811	\$ 401,964
Revaluation:			
–Group	227,352	-	227,352
–Associates	4,390	-	4,390
Reclassified to retained earnings	41,212	-	41,212
Currency translation differences:			
–Group	-	( 891,954)	( 891,954)
At December 31	<u>\$ 545,107</u>	<u>(\$ 762,143)</u>	<u>(\$ 217,036)</u>

(21) Operating revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from contracts with customers	<u>\$ 77,759,470</u>	<u>\$ 60,744,006</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, 2020</u>	<u>Integrated circuit products</u>	<u>Others</u>	<u>Total</u>
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>
 <u>Year ended December 31, 2019</u>	 <u>Integrated circuit products</u>	 <u>Others</u>	 <u>Total</u>
Revenue from external customer contracts	<u>\$ 60,623,210</u>	<u>\$ 120,796</u>	<u>\$ 60,744,006</u>
Timing of revenue recognition			
At a point in time	<u>\$ 60,623,210</u>	<u>\$ 120,796</u>	<u>\$ 60,744,006</u>

#### B. Contract liabilities

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities –			
advance sales receipts	<u>\$ 336,254</u>	<u>\$ 104,974</u>	<u>\$ 148,696</u>

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

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Contract liabilities – advance sales receipts	<u>\$ 98,318</u>	<u>\$ 136,590</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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Refund liabilities – current	<u>\$ 7,386,910</u>	<u>\$ 5,368,247</u>

#### (22) Interest income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Interest income from bank deposits	<u>\$ 833,821</u>	<u>\$ 1,277,211</u>

#### (23) Other income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Dividend income	\$ 24,877	\$ 30,150
Grant income	60,635	44,434
Other income	91,453	60,984
	<u>\$ 176,965</u>	<u>\$ 135,568</u>

(24) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Losses on disposal of property, plant and equipment	\$ 1,501	(\$ 157)
Gains on disposal of investments	466	-
Net currency exchange losses	( 206,408)	( 125,351)
Gains on financial assets at fair value through profit or loss	231,470	5,764
Impairment loss of intangible assets	( 140,854)	( 148,086)
Other impairment loss	-	( 41,397)
Other income (losses)	4,497	( 14,458)
	<u>(\$ 109,328)</u>	<u>(\$ 323,685)</u>

(25) Finance costs

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense		
Bank borrowings	\$ 124,983	\$ 136,339
Lease liabilities	28,913	23,915
	<u>\$ 153,896</u>	<u>\$ 160,254</u>

(26) Expenses by nature

	Year ended December 31, 2020	Year ended December 31, 2019
Employee benefit expenses	\$ 17,418,281	\$ 13,777,223
Depreciation	\$ 841,711	\$ 700,806
Amortisation	\$ 1,142,222	\$ 1,019,785

(27) Employee benefit expenses

	Year ended December 31, 2020	Year ended December 31, 2019
Wages and salaries	\$ 16,381,081	\$ 12,900,156
Labor and health insurance fees	505,515	440,945
Pension costs	292,944	262,707
Other personnel expenses	238,741	173,415
Total	<u>\$ 17,418,281</u>	<u>\$ 13,777,223</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 total number of directors. The resolution should be reported to the shareholders during the shareholders' meeting.

- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$2,586,317 and \$2,097,424, respectively; directors' remuneration was accrued at \$90,000 and \$119,828, respectively. The amounts were estimated as operating cost or operating expense in accordance with the Company's Articles of incorporation.

Employees' compensation was \$2,097,424, and directors' remuneration was \$119,828 for 2019. Employees' compensation and directors' remuneration of 2019 as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2019 financial statements. Employees' compensation of 2019 will be distributed in the form of shares amounting to 2,589 thousand shares.

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.

(28) Income tax

A. Income tax expense

	Year ended December 31, 2020	Year ended December 31, 2019
Current income tax:		
Current income tax on profit for the year	\$ 625,190	\$ 396,097
Tax on undistributed retained earnings	63,048	74,745
Prior year income tax overestimation	( 121,055)	( 19,067)
Total current income tax	<u>567,183</u>	<u>451,775</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 4,564)	( 6,278)
Income tax expense	<u>\$ 562,619</u>	<u>\$ 445,497</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2020	Year ended December 31, 2019
Income tax calculated based on income before tax	\$ 1,873,197	\$ 1,453,137
Expenses disallowed by tax regulation and effects from tax-exempt income	( 1,252,571)	( 1,063,318)
Prior year income tax over estimation	( 121,055)	( 19,067)
Tax on undistributed retained earnings	<u>63,048</u>	<u>74,745</u>
Income tax expense	<u>\$ 562,619</u>	<u>\$ 445,497</u>

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

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>

Year ended December 31, 2019			
	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	\$ 78,472	\$ 35,691	\$ 114,163
Deferred income tax liabilities:			
-Temporary differences:			
Unrealised exchange gain	( 22,310)	( 29,413)	( 51,723)
	<u>\$ 56,162</u>	<u>\$ 6,278</u>	<u>\$ 62,440</u>

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	\$ 1,256,642	\$ 1,108,747

E. As of December 31, 2020, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	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 ordinary shareholders of the parent	\$ 8,793,477	510,126	\$ 17.24
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,793,477	510,126	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,418	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 8,793,477	519,544	\$ 16.93
	Year ended December 31, 2019		
	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 ordinary shareholders of the parent	\$ 6,790,283	508,095	\$ 13.36
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,790,283	508,095	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	8,926	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 6,790,283	517,021	\$ 13.13

(30) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of property, plant and equipment	\$ 1,728,078	\$ 749,975
Add: Opening balance of payable on equipment	113,350	110,401
Less: Ending balance of payable on equipment	( 58,959)	( 113,350)
Cash paid during the period	<u>\$ 1,782,469</u>	<u>\$ 747,026</u>

	Year ended December 31, 2020	Year ended December 31, 2019
Purchase of intangible assets	\$ 1,404,378	\$ 1,444,186
Add: Opening balance of payable on software and intellectual property	725,345	684,438
Less: Ending balance of payable on software and intellectual property	( 1,152,591)	( 725,345)
Cash paid during the period	<u>\$ 977,132</u>	<u>\$ 1,403,279</u>

(31) Changes in liabilities from financing activities

	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 exchange	( 19,176)	-	3,340	( 15,836)
Changes in other non-cash items	-	-	349,933	349,933
At December 31, 2020	<u>\$ 11,456,690</u>	<u>\$ 1,251</u>	<u>\$ 1,377,257</u>	<u>\$ 12,835,198</u>

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-total
At January 1, 2019	\$ 14,526,311	\$ 4,887	\$ 1,048,079	\$ 15,579,277
Changes in cash flow from financing activities	4,439,731	( 1,437)	( 76,732)	4,361,562
Interest paid	-	-	( 23,915)	( 23,915)
Interest of lease liabilities	-	-	23,915	23,915
Impact of changes in foreign exchange	-	-	-	-
Changes in other non-cash items	-	-	141,328	141,328
At December 31, 2019	<u>\$ 18,966,042</u>	<u>\$ 3,450</u>	<u>\$ 1,112,675</u>	<u>\$ 20,082,167</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

Names of related parties	Relationship with the Company
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

	Year ended December 31, 2020	Year ended December 31, 2019
Sales of goods:		
G.M.I Technology Inc.	\$ 12,212,600	\$ 11,392,557
Others	377,047	280,803
	<u>\$ 12,589,647</u>	<u>\$ 11,673,360</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

	Year ended December 31, 2020	Year ended December 31, 2019
Greatek Electronics Inc.	\$ 1,253,860	\$ 1,322,403
Others	45	-
	<u>\$ 1,253,905</u>	<u>\$ 1,322,403</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, 2020	December 31, 2019
Accounts receivable:		
G.M.I Technology Inc.	\$ 2,753,359	\$ 2,142,256
Other	59,040	54,461
	<u>\$ 2,812,399</u>	<u>\$ 2,196,717</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

	December 31, 2020	December 31, 2019
Accounts payable:		
Greatek Electronics Inc.	\$ 340,187	\$ 329,514
Others	45	-
	<u>\$ 340,232</u>	<u>\$ 329,514</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:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Amount	Ending balance	Amount	Ending balance
Other related parties-				
Sales commissions	\$ 471,394	\$ 94,808	\$ 444,257	\$ 87,293
Cash dividends revenue	(\$ 14,381)	\$ -	(\$ 16,698)	\$ -
Technical royalty revenue	(\$ 8,406)	\$ -	(\$ 4,430)	\$ -

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

#### (4) Key management compensation

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term employee benefits	\$ 137,298	\$ 120,242
Post-employment benefits	2,721	2,697
Total	<u>\$ 140,019</u>	<u>\$ 122,939</u>

#### 8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purposes
Time deposits (shown in financial assets at amortised cost non-current)	\$ 30,821	\$ 34,307	Guarantee for the importation customs duties of materials
"	48,836	35,170	Guarantee for leasing land and office in science park
	<u>\$ 79,657</u>	<u>\$ 69,477</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 and United States District Court of Delaware against the Company's IC products. The case are still pending, and the Company is unable to comment on the outcome of the cases.
- B. In 2020, KONINKLIJKE PHILIPS N.V. and PHILIPS NORTH AMERICA LLC brought actions for patent infringement in United States International Trade Commission and United States District Court of Delaware against the Company's IC products. The cases are still pending, and the Company is unable to comment on the outcome of the cases.

### (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.

( Blank )

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</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>\$ 1,080,657</u>	<u>\$ 74,012</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 2,619,331</u>	<u>\$ 1,859,478</u>
Financial assets at amortised cost/		
Receivables		
Cash and cash equivalents	\$ 7,296,360	\$ 5,727,911
Financial assets at amortised cost	35,410,003	39,627,531
Accounts receivable (including related parties)	13,653,068	10,450,728
Other receivables	301,431	768,699
Refundable deposits	50,127	32,384
	<u>\$ 56,710,989</u>	<u>\$ 56,607,253</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 11,456,690	\$ 18,966,042
Notes payable	28,653	3,276
Accounts payable (including related parties)	10,960,286	7,771,238
Other payable (including related parties)	14,760,261	10,833,461
Guarantee deposits received	1,251	3,450
Other financial liabilities	7,386,910	5,368,247
	<u>\$ 44,594,051</u>	<u>\$ 42,945,714</u>
Lease liability	<u>\$ 1,377,257</u>	<u>\$ 1,112,675</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 the 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, 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
December 31, 2019			
	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	\$ 325,970	30.106	\$ 9,813,647
<u>Non-monetary items</u>			
USD:NTD	1,285,500	30.106	38,701,252
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	399,168	30.106	12,017,352

The exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$206,408 and \$125,351, respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

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)	-
Year ended December 31, 2019			
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%	\$ 98,136	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	387,103
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 120,174)	-

#### Price risk

- 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, 2020 and 2019 would have increased/decreased by \$108,066 and \$7,401, 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 \$261,933 and \$185,948, 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 amortised 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 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 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 forecastability of semiconductor industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the provision matrix are 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, 2020</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	<u>\$ 13,471,549</u>	<u>\$ 276,445</u>	<u>\$ 434</u>	<u>\$ 13,748,428</u>
Loss allowance	<u>\$ 92,162</u>	<u>\$ 2,764</u>	<u>\$ 434</u>	<u>\$ 95,360</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, 2019</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	<u>\$ 10,153,312</u>	<u>\$ 376,367</u>	<u>\$ 656</u>	<u>\$ 10,530,335</u>
Loss allowance	<u>\$ 75,187</u>	<u>\$ 3,764</u>	<u>\$ 656</u>	<u>\$ 79,607</u>

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

	<u>2020</u>
	<u>Loss allowance for accounts receivable</u>
At January 1	\$ 79,607
Provision for impairment loss	15,753
At December 31	<u>\$ 95,360</u>
	<u>2019</u>
	<u>Loss allowance for accounts receivable</u>
At January 1	\$ 58,172
Provision for impairment loss	21,332
Effect of exchange rate	103
At December 31	<u>\$ 79,607</u>

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

December 31, 2020				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	<u>\$ 35,410,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,410,003</u>
December 31, 2019				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	<u>\$ 39,627,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,627,531</u>

The Group's financial assets at amortised 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, 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 liability	123,951	338,279	1,393,936
Guarantee deposits received	-	-	1,251
Other financial liabilities	7,386,910	-	-

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 18,983,466	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	7,771,238	-	-
Other payables (including related parties)	10,833,461	-	-
Lease liability	107,586	354,895	982,688
Guarantee deposits received	-	-	3,450
Other financial liabilities	5,368,247	-	-

- 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, 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>
December 31, 2019	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	\$ 74,012	\$ -	\$ -	\$ 74,012
Financial assets at fair value through other comprehensive income				
Equity securities	505,615	-	1,353,863	1,859,478
Total	<u>\$ 579,627</u>	<u>\$ -</u>	<u>\$ 1,353,863</u>	<u>\$ 1,933,490</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, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
	<u>Non-derivative equity instrument</u>	<u>Non-derivative equity instrument</u>
At January 1	\$ 1,353,863	\$ 1,058,137
Gains recognized in other comprehensive income	747,687	314,672
Effect of exchange rate	( 70,070)	( 18,946)
At December 31	<u>\$ 2,031,480</u>	<u>\$ 1,353,863</u>

F. For the years ended December 31, 2020 and 2019, 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 categorised 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, 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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Unlisted shares	\$ 115,580	Market comparable companies	Price to book ratio multiple	3.58	The higher the multiple, the higher the fair value
"	19,791	Net asset value	Not applicable	-	Not applicable
Private equity fund investment	1,218,492	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, 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)

			December 31, 2019			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable	Unfavourable	Favourable	Unfavourable
			Change	change	Change	change
Financial assets	Input	Change				
Equity instrument	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 1,581	(\$ 1,581)

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

The Company's significant subsidiary, Realtek Singapore Private Limited, was located in Singapore. As a result of the COVID-19 outbreak, the local government implemented prevention measures against COVID-19 starting from April 2020. Under these measures, residents were not allowed to leave their homes and unessential establishments were closed, and this subsidiary had adjusted its employees' work shifts accordingly. The prevention measures have been relaxed since June 2020. As of December 31, 2020, 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: Please refer to table 4.
- 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 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

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 7.

(4) Major shareholders information

As of December 31, 2020, the Company had no shareholders who hold the Company's shares over 5% (including 5%).

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) Revenue information by category

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, 2020	Year ended December 31, 2019
Revenue from ICs	\$ 77,588,285	\$ 60,623,210
Others	171,185	120,796
Total	<u>\$ 77,759,470</u>	<u>\$ 60,744,006</u>

(6) Revenue information by geographic area

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 56,425,368	\$ 7,231,964	\$ 40,845,708	\$ 5,804,262
Asia	21,334,102	847,660	19,898,298	921,103
Others	-	128,535	-	155,400
Total	<u>\$ 77,759,470</u>	<u>\$ 8,208,159</u>	<u>\$ 60,744,006</u>	<u>\$ 6,880,765</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, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Segment	Revenue	Segment
Customer B	\$ 16,074,247	The whole group	\$ 13,368,262	The whole group
Customer D	14,175,131	"	10,014,670	"
Customer A	12,212,600	"	11,392,557	"

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2020

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 December 31, 2020 (Note 3)	Balance at December 31, 2020	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			
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	Other receivables-related parties	Y	\$ 57,016	\$ 57,016	\$ -	-	Short-term financing	\$ -	Operations	-	None	-	\$ 2,945,908	\$ 11,783,632	None
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Other receivables-related parties	Y	855,240	855,240	570,160	-	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Bluocean Inc.	Other receivables-related parties	Y	1,710,480	1,710,480	-	-	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables-related parties	Y	1,710,480	1,710,480	-	-	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables-related parties	Y	833,748	833,748	11,403	0.20	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	1,710,480	1,710,480	57,016	0.20	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
1	Leading Enterprises Limited	Bluocean Inc.	Other receivables-related parties	Y	1,710,480	1,710,480	1,045,959	0.20	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	5,701,600	5,701,600	5,696,286	0.20	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
2	Amber Universal Inc.	Bluocean Inc.	Other receivables-related parties	Y	1,425,400	1,425,400	552,770	0.20	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
3	Cortina Access, Inc.	Leading Enterprises Limited	Other receivables-related parties	Y	855,240	855,240	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None



REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2020

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 December 31, 2020 (Note 3)	Balance at December 31, 2020	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
													Item	Value	Limit on loans granted to a single party		
4	Realtek Investment Singapore Private Limited	Realtek Singapore Private Limited	Other receivables-related parties	Y	\$ 2,850,800	\$ 2,850,800	\$ 1,148,872	0.20	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 11,783,632	\$ 11,783,632	None
5	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	Other receivables-related parties	Y	57,016	57,016	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
5	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	Other receivables-related parties	Y	855,240	855,240	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
6	Realsil Microelectronics Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	Other receivables-related parties	Y	348,736	348,736	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
6	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	Other receivables-related parties	Y	348,736	348,736	56,670	4.35	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
7	Cortina Network systems Shanghai Co., Ltd.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	Other receivables-related parties	Y	130,776	130,776	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	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 auditors.

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 auditors.

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 auditors.

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, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 2

Party being endorsed/guaranteed			Relationship with the endorser/guarantor (Note 2)	Limited on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount as of December 31, 2020 (Note 4)		Outstanding endorsement/guarantee amount at December 31, 2020 (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 to the party in Mainland China (Note 7)		Footnote
Number (Note 1)	Endorser/guarantor	Company name			\$	\$	\$			\$	10%		20%	3%	3%	2%	
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	2	\$ 14,729,541	\$ 2,945,908	\$ 2,945,908	\$ -	\$ -	-	-	10%	\$ 14,729,541	Y	N		N	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	2	14,729,541	5,891,816	5,891,816	-	-	-	-	20%	14,729,541	Y	N		N	
0	Realtek Semiconductor Corporation	Realsil Microelectronics Corp.	2	14,729,541	883,772	883,772	-	-	-	-	3%	14,729,541	Y	N		Y	
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	2	14,729,541	883,772	883,772	14,173	-	-	-	3%	14,729,541	Y	N		Y	
1	Leading Enterprises Limited	Realsil Microelectronics Corp.	2	14,729,541	570,160	570,160	-	-	-	-	2%	14,729,541	N	N		Y	
2	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	2	14,729,541	570,160	570,160	-	-	-	-	2%	14,729,541	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 endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(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 if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning 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 AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2020

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of December 31, 2020			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	1,623,501	\$ 124,360	2.04%	\$ 124,360
Realtek Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	114,758	5.34%	114,758
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	23,124,000	471,828	3.03%	471,828
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	114,758	5.34%	114,758
Leading Enterprises Limited	Fortentia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8,623,301	92,340	6.89%	92,340
Leading Enterprises Limited	Starix Technology, Inc.- Preferred stock	None	Financial assets at fair value through other comprehensive income	5,000,000	17,105	-	17,105
Leading Enterprises Limited	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9,000,000	935,921	12.49%	935,921
Amber Universal Inc.	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4,726,836	491,549	6.56%	491,549
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336,346	15,859	-	15,859
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	174,255	2.88%	174,255
Hung-wei Venture Capital Co., Ltd.	Greatek Electronic Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	5,823,602	326,121	1.05%	326,121
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	16,355	0.33%	16,355
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	22,737	12.17%	22,737
Realtil Microelectronics Corp.	Cuam Money Fund	None	Financial assets at fair value through profit or loss	40,067,489	174,660	-	174,660
Realtil Microelectronics Corp.	Harvest Money Fund	None	Financial assets at fair value through profit or loss	44,021,178	191,895	-	191,895

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2020							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 (%)	
Realtil Microelectronics Corp.	Xin Chen Money Fund	None	Financial assets at fair value through profit or loss	5,030,836	\$ 21,931	0.00%	21,931
Realtil Microelectronics Corp.	Guang-Fa Demand Policy Loan Fund	None	Financial assets at fair value through profit or loss	10,001,547	43,598	-	43,598
Realtil Microelectronics Corp.	Guang-Da Monetary Fund	None	Financial assets at fair value through profit or loss	10,001,624	43,599	-	43,599
Realtil Microelectronics Corp.	Southern Cash Fund	None	Financial assets at fair value through profit or loss	30,000,000	130,775	-	130,775
Realtil Microelectronics Corp.	Guang-Fa Monetary Fund	None	Financial assets at fair value through profit or loss	10,001,829	43,600	-	43,600
Realtek Semiconductor (Shen Zhen) Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	8,022,717	34,972	-	34,972
Realtek Semiconductor (Shen Zhen) Corp.	Cash Appreciation Currency Fund	None	Financial assets at fair value through profit or loss	6,236,826	27,187	-	27,187
Cortina Network Systems Shanghai Co., Ltd.	Step by step Gold Fund	None	Financial assets at fair value through profit or loss	12,400,000	54,132	-	54,132
Cortina Network Systems Shanghai Co., Ltd.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	3,600,000	15,693	-	15,693
Bluocean 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  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship		Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer		Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
						with the counterparty	Relationship		Relationship	acquirer					
Realtek Semiconductor Corporation	Property in Zhongshan District, Taipei City	April 1, 2020 (entered into the contract and paid the first payment)	\$699,100	Paid \$699,100 based on the contract	Huaku Development Co., Ltd.	None		-				\$ -	Negotiated with the counterparty based on the appraisal report issued by CCIS Real Estate Joint Appraisers Firm and resolved by the Board of Directors	Owner-occupied office	None

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, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable/payable			Footnote		
Purchase/seller	Counterparty	Relationship with the counterparty	Purchase (sales)	Amount	Percentage of total purchase (sales)	Credit term	Unit price	Credit term		Balance	Percentage of total notes/accounts receivable (payable)
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	(Sales)	(\$ 7,375,829)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	\$ 1,751,860	13%	
Realtek Semiconductor Corporation	Actions Semiconductor Co., Ltd.	Other related parties	(Sales)	( 164,556)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	15,289	0%	
Realtek Semiconductor Corporation	C-Media Electronics Inc.	Other related parties	(Sales)	( 200,693)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	43,751	0%	
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	( 4,537,246)	(6%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	890,128	7%	
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	(Sales)	( 261,579)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	111,371	1%	
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	1,033,517	3%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 253,691)	3%	
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	202,096	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 86,496)	1%	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Overdue receivables			Amount collected subsequent to the balance sheet date		Allowance for doubtful accounts
				Turnover rate	Amount	Action taken	balance sheet date		
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	\$ 1,751,860	5.04	\$ -	-	\$ 800,691	\$ -	17,695
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	890,128	4.99	-	-	430,759	-	-
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	111,371	2.81	-	-	111,371	-	-

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2020

Table 7

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
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	1	Other receivables	\$ 46,380	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Technical service fees	2,026,553	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Other payables	638,579	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Technical service fees	400,935	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Other payables	147,101	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Technical service fees	204,759	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Other payables	12,976	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	3	Technical service fees	104,761	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
1	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	3	Other payables	30,381	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.
						Percentage of consolidated total operating revenues or
						0.06%
						2.61%
						0.82%
						0.52%
						0.19%
						0.26%
						0.02%
						0.13%
						0.04%



**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Transaction				Percentage of consolidated total operating revenues or
	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount
1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Technical service fees	\$ 112,793
1	Realtek Singapore Private Limited	Realtek Semiconductor (Japan) Corp.	3	Technical service fees	62,503
1	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	3	Other receivables	46,380

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 to consolidated total assets for balance sheet accounts and based on accumulated 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 December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Initial investment amount			Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020			Investment income (loss) recognised by the Company for the year ended December 31, 2020			Footnote
Investor	Main business activities	Investee	Location	Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value	December 31, 2020	December 31, 2020	December 31, 2020	
Realtek Semiconductor Corporation	Investment holdings	Leading Enterprises Limited	British Virgin Islands	\$ 14,080,956	\$ 15,005,734	34,630	100%	\$ 13,239,425	\$ 671,282	\$ 671,282		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Amber Universal Inc.	British Virgin Islands	4,487,621	4,739,146	41,432	100%	3,367,376	51,962	51,962		Subsidiary
Realtek Semiconductor Corporation	ICs manufacturing, design, research, development, sales, and marketing	Realtek Singapore Private Limited	Singapore	4,076,101	2,408,480	89,856,425	100%	11,149,584	5,879,387	5,334,833		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Blueocean Inc.	Cayman Islands	3,137,305	3,313,165	110,050,000	100%	3,369,936	76,184	76,184		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Talent Eagle Enterprise Inc.	Cayman Islands	3,252,763	3,435,095	114,100,000	100%	2,162,386	( 295,459)	( 295,459)		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Realtek Investment Singapore Private Limited	Singapore	5,701,600	6,021,200	200,000,000	100%	6,275,015	130,511	130,511		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Realsun Investments Co., Ltd.	Taiwan	280,000	280,000	28,000,000	100%	619,510	5,145	5,145		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Hung-wei Venture Capital Co., Ltd.	Taiwan	250,000	250,000	25,000,000	100%	632,946	150,791	150,791		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Realtek Investments Co., Ltd.	Taiwan	293,930	293,930	29,392,985	100%	290,236	( 7,428)	( 7,428)		Subsidiary
Realtek Semiconductor Corporation	ICs manufacturing, design, research, development, sales, and marketing	Realsun Technology Corporation	Taiwan	5,000	5,000	500,000	100%	5,118	57	57		Subsidiary
Realtek Semiconductor Corporation	Manufacturing and installation of computer equipment and wholesale, retail and related services of electronic materials and information/software	Bobbing Inc.	Taiwan	19,189	19,189	1,918,910	66.67%	19,330	146	97		Subsidiary
Realtek Semiconductor Corporation	Investment holdings	Technology Partner V Venture Capital Corporation	Taiwan	66,657	66,657	-	-	255	( 746)	( 11,188)		Investments accounted for under equity method
Realtek Semiconductor Corporation	Research and development, design, manufacturing, sales and other services of electronic components, information/software and integrated circuits	Estinet Technologies Incorporation	Taiwan	110,000	110,000	2,000,000	6.68%	9,158	( 60,277)	( 7,209)		Investments accounted for under equity method

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the year December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Investor			Initial investment amount			Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended		Investment income (loss) recognised by the Company for the year ended		Footnote
			Balance as at December 31, 2020	Balance as at December 31, 2019		Number of shares	Ownership (%)	Book value	December 31, 2020	December 31, 2020	December 31, 2020		
Main business activities			\$	\$				\$	(\$)	(\$)	(\$)		
Investor	Investee	Location											
Realtek Investments Co., Ltd.	Imorich Venture Capital Corp.	Taiwan				20,000,000	37.38%	14,741	32,943	12,583			
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	5,530	5,542		400	100%	4,037	104	104			
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	1,847,318	1,950,869		300,000	100%	7,663	58	58			
Leading Enterprises Limited	Realtek Singapore Private Limited	Singapore	-	1,257,578		-	-	-	5,879,387	561,423			
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Hong Kong	5,516	5,799		-	100%	1,082	21	21			
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	805,351	850,495		2,825,000	100%	1,570,047	121,713	121,713			
Realtek Singapore Private Limited	Cortina Access Inc.	U.S.A	1,164,438	1,229,710		16,892	100%	858,662	21,968	21,968			
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	Taiwan	57,016	60,212		21,130,000	100%	48,580	791	791			
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	Vietnam	114,032	30,106		4,000,000	100%	86,270	17,359	17,359			
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	U.S.A	1,482,416	1,204,240		52,000,000	100%	22,012	418,782	418,782			
Bluocean Inc.	Realtek Semiconductor (Malaysia) Sdn. Bhd.	Malaysia	74,144	-		10,450,000	100%	64,914	9,150	9,150			

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, 2020 to December 31, 2020, 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, 2020

Table 9

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in Capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020			Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note2)	Book value of investment in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Reinforced to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020						
		\$	(2)	\$	\$	\$	\$	\$	100%	\$	\$	\$	
Cortina Network Systems Shanghai Co., Ltd.	R&D and technical support	102,629	(2)	102,629	-	-	102,629	2,338	100%	2,338	98,002	-	
Realtek Microelectronics Corp.	R&D and technical support	798,224	(2)	798,224	-	-	798,224	111,152	100%	111,152	1,566,220	-	
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	142,540	(2)	142,540	-	-	142,540	13,415	100%	13,415	270,612	-	
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	114,428	(2)	114,428	-	-	114,428	137	100%	137	86,108	-	
Suzhou PanKore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	43,592	(2)	-	43,592	-	43,592	17,915	100%	17,915	25,370	-	

Company name	December 31, 2020	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.	\$ 102,629	\$ 102,629	\$ 17,675,449
Realtek Microelectronics Corp.	798,224	798,224	
Realtek Semiconductor (Shen Zhen) Corp.	142,540	142,540	
RayMX Microelectronics Corp.	114,428	114,428	
Suzhou PanKore Integrated Circuit Technology Co. Ltd.	43,592	43,592	

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, 2020 column was recorded based on the financial statements prepared by the company.

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, 2020 to December 31, 2020, 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

PWCR20000257

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, 2020 and 2019, 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, 2020 and 2019, 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 (ROC GAAS). Our responsibilities under those standards are further described in the *auditor's 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 2020 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 2020 parent company only financial statements are stated as follows:

### ***Valuation of inventories***

#### Description

Refer to Note 4(13) 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\$642,359 thousand and NT\$6,938,839 thousand, constituting 0.92% and 10.29% of total assets as of December 31, 2020 and 2019, respectively. Comprehensive income amounted to NT\$196,125 thousand and NT\$151,087 thousand, constituting 2.64% and 2.46% of total comprehensive income for the years ended December 31, 2020 and 2019, 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 ROC GAAS 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 ROC GAAS, 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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Lin, Yu-Kuan

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Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

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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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, 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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,630,448	7	\$ 3,333,828	5
1110	Financial assets at fair value through					
	profit or loss - current		124,360	-	28,736	-
1170	Accounts receivable, net	6(2)	7,587,080	11	6,588,225	10
1180	Accounts receivable, net - related	6(2) and 7				
	parties		1,810,900	2	1,227,255	2
1200	Other receivables		3,828	-	20,417	-
1210	Other receivables - related parties	7	685,224	1	5,729,653	8
130X	Inventories, net	6(3)	6,029,557	9	5,820,326	9
1410	Prepayments		376,511	-	205,329	-
11XX	Total current assets		21,247,908	30	22,953,769	34
Non-current assets						
1535	Financial assets at amortised cost -	8				
	non-current		75,293	-	64,885	-
1550	Investments accounted for under	6(4)				
	equity method		41,140,275	59	38,503,441	57
1600	Property, plant and equipment	6(5)	4,027,004	6	3,019,258	5
1755	Right-of-use assets	6(6)	1,390,104	2	1,091,607	2
1780	Intangible assets	6(7)	1,955,629	3	1,652,722	2
1840	Deferred income tax assets	6(22)	169,876	-	114,163	-
1900	Other non-current assets		34,805	-	46,151	-
15XX	Total non-current assets		48,792,986	70	44,492,227	66
1XXX	Total assets		\$ 70,040,894	100	\$ 67,445,996	100

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 11,456,690	16	\$ 18,604,770	28
2130	Contract liabilities - current	6(15)	163,080	-	67,853	-
2150	Notes payable		3,276	-	3,276	-
2170	Accounts payable		7,609,092	11	5,659,518	8
2180	Accounts payable - related parties	7	253,691	-	313,185	-
2200	Other payables	6(9)	13,403,670	19	9,929,669	15
2220	Other payables - related parties	7	60,784	-	55,690	-
2230	Current income tax liabilities		1,063,516	2	820,495	1
2280	Lease liabilities - current		35,944	-	30,417	-
2300	Other current liabilities	6(15)	5,240,048	8	3,831,860	6
21XX	Total current liabilities		39,289,791	56	39,316,733	58
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	102,872	-	51,723	-
2580	Lease liabilities - non-current		1,089,030	2	781,678	2
2600	Other non-current liabilities	6(10)	100,120	-	76,877	-
25XX	Total non-current liabilities		1,292,022	2	910,278	2
2XXX	Total liabilities		40,581,813	58	40,227,011	60
Equity						
	Share capital	6(11)				
3110	Common shares		5,106,849	7	5,080,955	7
	Capital surplus	6(12)				
3200	Capital surplus		2,122,008	3	2,736,854	4
	Retained earnings	6(13)				
3310	Legal reserve		5,577,083	8	4,902,176	7
3320	Special reserve		217,036	-	-	-
3350	Undistributed earnings		17,992,154	26	14,716,036	22
	Other equity	6(14)				
3400	Other equity interest		( 1,556,049)	( 2)	( 217,036)	-
3XXX	Total equity		29,459,081	42	27,218,985	40
3X2X	Total liabilities and equity		\$ 70,040,894	100	\$ 67,445,996	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, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

		Year ended December 31			
Items	Notes	2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(15) and 7	\$ 56,426,751	100	\$ 40,845,708	100
5000 Operating costs	6(3) and 7	( 33,889,501)	( 60)	( 24,643,053)	( 60)
5900 Gross profit		<u>22,537,250</u>	<u>40</u>	<u>16,202,655</u>	<u>40</u>
5910 Unrealized profit from sales		( 1,271)	-	( 3,327)	-
5920 Realized profit on from sales		-	-	3,327	-
Operating expenses	6(20)(21) and 7				
6100 Selling expenses		( 2,306,323)	( 4)	( 1,887,715)	( 5)
6200 General and administrative expenses		( 1,680,835)	( 3)	( 760,391)	( 2)
6300 Research and development expenses		( 15,250,126)	( 27)	( 12,212,926)	( 30)
6450 Expected credit losses	12(2)	( 15,753)	-	( 25,618)	-
6000 Total operating expenses		( 19,253,037)	( 34)	( 14,886,650)	( 37)
6900 Operating income		<u>3,282,942</u>	<u>6</u>	<u>1,316,005</u>	<u>3</u>
Non-operating income and expenses					
7100 Interest income	6(16)	52,103	-	118,442	-
7010 Other income	6(17) and 7	67,522	-	75,949	-
7020 Other gains and losses	6(18)	( 12,797)	-	( 191,745)	-
7050 Finance costs	6(19)	( 137,127)	( 1)	( 144,100)	-
7070 Share of profit of associates and joint ventures accounted for under equity method	6(4)	<u>6,100,834</u>	<u>11</u>	<u>6,053,732</u>	<u>15</u>
7000 Total non-operating income and expenses		<u>6,070,535</u>	<u>10</u>	<u>5,912,278</u>	<u>15</u>
7900 Profit before income tax, net		<u>9,353,477</u>	<u>16</u>	<u>7,228,283</u>	<u>18</u>
7950 Income tax expense	6(22)	( 560,000)	( 1)	( 438,000)	( 1)
8200 Net income for the year		<u>\$ 8,793,477</u>	<u>15</u>	<u>\$ 6,790,283</u>	<u>17</u>
<b>Other comprehensive (loss) 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(14)	<u>839,802</u>	<u>2</u>	<u>231,742</u>	-
8310 Total other comprehensive loss that will not be reclassified to loss		<u>810,550</u>	<u>2</u>	<u>231,742</u>	-
<b>Components of other comprehensive (loss) income that will be reclassified to loss or profit</b>					
8380 Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(14)	( 2,178,815)	( 4)	( 891,954)	( 2)
8360 Total other comprehensive loss that will be reclassified to profit or loss		( 2,178,815)	( 4)	( 891,954)	( 2)
8300 Other comprehensive loss ,net		( \$ 1,368,265)	( 2)	( \$ 660,212)	( 2)
8500 Total comprehensive income for the year		<u>\$ 7,425,212</u>	<u>13</u>	<u>\$ 6,130,071</u>	<u>15</u>
<b>Earnings Per Share (in dollars)</b>					
9750 Basic earnings per share	6(23)	\$ 17.24		\$ 13.36	
9850 Diluted earnings per share	6(23)	\$ 16.93		\$ 13.13	

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 YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	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 equity
2019								
Balance at January 1, 2019	\$ 5,080,955	\$ 3,236,659	\$ 4,467,099	\$ 600,443	\$ 10,850,172	\$ 129,811	\$ 272,153	\$ 24,637,292
Net income for the year	-	-	-	-	6,790,283	-	-	6,790,283
Other comprehensive income (loss) for the year	-	-	-	-	-	( 891,954 )	231,742	( 660,212 )
Total comprehensive income (loss)	-	-	-	-	6,790,283	( 891,954 )	231,742	6,130,071
Distribution of 2018 earnings								
Legal reserve	-	-	435,077	-	( 435,077 )	-	-	-
Special reserve	-	-	-	( 600,443 )	600,443	-	-	-
Cash dividends	-	-	-	-	( 3,048,573 )	-	-	( 3,048,573 )
Cash dividend from capital surplus	-	-	-	-	-	-	-	( 508,095 )
Changes in equity of associates accounted for under equity method	-	( 508,095 )	-	-	-	-	-	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	8,064	-	-	-	-	-	8,064
Cash dividends returned	-	-	-	-	( 41,212 )	-	41,212	-
Balance at December 31, 2019	\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	( \$ 762,143 )	\$ 545,107	\$ 27,218,985
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) for the year	-	-	-	-	( 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	-	-	674,907	-	( 674,907 )	-	-	-
Special reserve	-	-	-	217,036	( 217,036 )	-	-	-
Cash dividends	-	-	-	-	( 4,596,164 )	-	-	( 4,596,164 )
Employees' compensation transferred to common shares	25,894	393,591	-	-	-	-	-	419,485
Cash from capital surplus	-	( 1,021,370 )	-	-	-	-	-	( 1,021,370 )
Changes in equity of associates accounted for under equity method	-	12,763	-	-	-	-	-	12,763
Cash dividends returned	-	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

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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 9,353,477	\$ 7,228,283
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation	6(20)	694,924	562,805
Amortization	6(20)	1,098,919	948,008
Expected credit losses	12(2)	15,753	25,618
Interest expense	6(19)	137,127	144,100
Interest income	6(16)	( 52,103 )	( 118,442 )
Dividend income	6(17)	( 411 )	( 406 )
(Gain)loss on financial assets at fair value	6(18)		
through profit or loss		( 95,624 )	325
Share of gain of associates and joint ventures	6(4)		
accounted for under equity method		( 6,100,834 )	( 6,053,732 )
Gain on disposal of property, plant and	6(18)		
equipment		( 1,700 )	( 92 )
Gain on disposal of investments	6(18)	( 466 )	-
Impairment loss	6(17)	-	41,397
Unrealized profit from sales		1,271	-
Other intangible assets transferred to expenses		-	526
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		( 1,008,712 )	( 2,304,342 )
Accounts receivable, net - related parties		( 589,540 )	( 195,427 )
Other receivables		11,442	27,106
Other receivables, - related parties		47,165	( 2,420 )
Inventories		( 209,231 )	( 1,723,679 )
Prepayments		( 171,182 )	( 55,394 )
Changes in operating liabilities			
Contract liabilities - current		95,227	( 42,911 )
Notes payable		-	( 5,381 )
Accounts payable		1,949,574	1,866,242
Accounts payable - related parties		( 59,494 )	84,906
Other payables		3,526,463	3,019,851
Other payables - related parties		5,094	17,407
Provisions - non-current		-	( 519,016 )
Other current liabilities		1,408,188	1,249,950
Accrued pension obligations		( 3,790 )	( 2,470 )

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
Cash inflow generated from operations		\$ 10,051,537	\$ 4,192,812
Receipt of interest		57,250	113,560
Receipt of dividends		411	406
Interest paid		( 143,121 )	( 146,526 )
Income taxes paid		( 321,381 )	( 201,871 )
Net cash flows from operating activities		<u>9,644,696</u>	<u>3,958,381</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at amortised cost		( 10,408 )	( 64,885 )
Proceeds from disposal of financial assets at amortised cost		-	61,401
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	939
Decrease (increase) in other receivables - related parties		4,997,264	( 3,038,904 )
Acquisition of investments accounted for under equity method		( 3,515,687 )	-
Proceeds from capital reduction of investee accounted for under equity method	6(4)	20,684	17,908
Proceeds from disposal of investments accounted for under equity method		466	-
Cash dividends from investments accounted for under equity method		5,631,482	2,750,826
Acquisition of property, plant and equipment	6(24)	( 1,707,418 )	( 682,325 )
Proceeds from disposal of property, plant and equipment		1,700	92
Acquisition of intangible assets	6(24)	( 974,580 )	( 1,399,800 )
Acquisition of right-of-use assets		-	( 286,276 )
Increase in refundable deposits		( 18,639 )	( 1,722 )
Increase (Decrease) in other non-current assets		<u>29,985</u>	<u>( 29,985 )</u>
Net cash flows from (used in) investing activities		<u>4,454,849</u>	<u>( 2,672,731 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings		205,377,996	147,831,650
Decrease in short-term borrowings		( 212,526,076 )	( 143,753,191 )
Repayment of principal portion of lease liabilities	6(25)	( 35,261 )	( 25,723 )
Guarantee deposits returned	6(25)	( 2,220 )	( 1,481 )
Cash dividends paid		( 5,617,534 )	( 3,556,668 )
Cash dividends returned		<u>170</u>	<u>226</u>
Net cash flows (used in) from financing activities		<u>( 12,802,925 )</u>	<u>494,813</u>
Net increase in cash and cash equivalents		1,296,620	1,780,463
Cash and cash equivalents at beginning of year		<u>3,333,828</u>	<u>1,553,365</u>
Cash and cash equivalents at end of year		<u>\$ 4,630,448</u>	<u>\$ 3,333,828</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  
DECEMBER 31, 2020 AND 2019

(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 19, 2021.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 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 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

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 3, 'Reference to the conceptual framework'	January 1, 2022
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
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 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.

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 each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and 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 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; otherwise they are classified as non-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.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-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.

(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 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(8) 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.

(9) 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.

(10) 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.

(11) Derecognition of financial assets

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

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) 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.

(14) Investments accounted for under equity method / subsidiaries and 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

consolidated statement of comprehensive income. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(15) 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.

(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 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.

(17) 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 lives are stated at cost. Intangible assets acquired in a business combination are recognized at fair value at acquisition date. The amortisation amounts of parent company only acquired intangible assets were amortised on a straight-line basis over their estimated useful lives of 2-5 years.

(18) 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.

(19) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred.

(20) 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.

(21) 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.

(22) Provisions

Provisions are recognized when the Company 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.

(23) 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.

## (24) 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 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 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.

(25) 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.

(26) Dividends

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

(27) 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.

#### (28) 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, 2020, the carrying amount of inventories was \$6,029,557.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 806	\$ 654
Checking accounts and demand deposits	4,629,642	1,827,874
Time deposits	-	1,505,300
	<u>\$ 4,630,448</u>	<u>\$ 3,333,828</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, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 7,664,148	\$ 6,655,435
Accounts receivable – related parties	1,829,192	1,239,652
Less: Allowance for bad debts	( 95,360)	( 79,607)
	<u>\$ 9,397,980</u>	<u>\$ 7,815,480</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 9,274,060	\$ 7,518,066
Up to 30 days	212,397	376,364
31 to 90 days	6,449	1
Over 90 days	434	656
	<u>\$ 9,493,340</u>	<u>\$ 7,895,087</u>

The above aging analysis is based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable arose from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$5,341,329.

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, 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>
December 31, 2019			
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 825,412	(\$ 26,448)	\$ 798,964
Work in process	3,731,699	( 312,273)	3,419,426
Finished goods	1,986,572	( 384,636)	1,601,936
Total	<u>\$ 6,543,683</u>	<u>(\$ 723,357)</u>	<u>\$ 5,820,326</u>

Operating costs incurred on inventories for the years ended December 31, 2020 and 2019 were as follows:

	Years ended December 31,	
	2020	2019
Cost of inventories sold and others	\$ 33,389,503	\$ 24,356,841
Loss on market value decline and obsolete and slow-moving inventory	292,451	140,378
Loss on scrap inventory	207,547	145,834
	<u>\$ 33,889,501</u>	<u>\$ 24,643,053</u>

(4) Investments accounted for under equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries:		
Leading Enterprises Limited	\$ 13,239,425	\$ 11,151,040
Amber Universal Inc.	3,367,376	3,312,175
Realtek Singapore Private Limited	11,149,584	10,370,572
Realtek Investment Singapore Private Limited	6,275,015	6,494,453
Talent Eagle Enterprise Inc.	2,162,386	2,585,499
Bluocean Inc.	3,369,936	3,479,391
Realsun Investments Co., Ltd.	619,510	354,481
Hung-wei Venture Capital Co., Ltd.	632,946	418,438
Realking Investments Co., Ltd.	290,236	286,939
Realsun Technology Corporation	5,118	5,107
Bobitag Inc.	19,330	19,398
Associates:		
Technology Partner V Venture Capital Corporation	255	22,247
5V Technologies, Taiwan Ltd.	-	-
Estinet Technologies Incorporation	9,158	3,701
	<u>\$ 41,140,275</u>	<u>\$ 38,503,441</u>

- A. Details of the Company's subsidiaries are provided in Note 4(3) in the Company's 2020 consolidated financial statements.
- B. The gain on Investments accounted for under equity method amounted to \$6,100,834 and \$6,053,732 for the years ended December 31, 2020 and 2019, respectively.
- C. In February 2020, the Company sold all shares of 5V Technologies, Taiwan Ltd. and the gain on disposal of investments amounted to \$466.
- D. 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 was still in the process of liquidation as of December 31, 2020.
- E. Certain investments mentioned above have been impaired, and the Company recognized impairment loss amounting to \$41,397 for the year ended December 31, 2019.

## (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, 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>							
Opening net book amount	\$ -	\$ 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)
Closing net book amount	<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>
	<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, 2019</u>							
Cost	\$ -	\$ 2,574,744	\$ 3,694,106	\$ 1,899,377	\$ 188,464	\$ 696,142	\$ 9,052,833
Accumulated depreciation and impairment	-	( 878,259)	( 3,435,978)	( 1,250,013)	( 116,837)	( 507,990)	( 6,189,077)
	<u>\$ -</u>	<u>\$ 1,696,485</u>	<u>\$ 258,128</u>	<u>\$ 649,364</u>	<u>\$ 71,627</u>	<u>\$ 188,152</u>	<u>\$ 2,863,756</u>
<u>2019</u>							
Opening net book amount	\$ -	\$ 1,696,485	\$ 258,128	\$ 649,364	\$ 71,627	\$ 188,152	\$ 2,863,756
Additions	-	-	145,879	391,153	45,469	102,773	685,274
Reclassifications	-	-	27,167	-	-	( 27,167)	-
Depreciation	-	( 92,881)	( 73,035)	( 286,431)	( 23,226)	( 54,199)	( 529,772)
Closing net book amount	<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>At December 31, 2019</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>

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 and buildings. 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, 2020	December 31, 2019
Land	\$ 1,377,739	\$ 1,062,048
Buildings	12,365	29,559
	<u>\$ 1,390,104</u>	<u>\$ 1,091,607</u>
	Depreciation	
	Year ended December 31, 2020	Year ended December 31, 2019
Land	\$ 26,367	\$ 20,502
Buildings	23,276	12,531
	<u>\$ 49,643</u>	<u>\$ 33,033</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$348,140 and \$392,519, respectively.

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

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 18,916	\$ 12,651

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were \$54,177 and \$38,374, respectively.



(7) Intangible assets

	<u>Computer software</u>	<u>Intellectual property</u>	<u>Others</u>	<u>Total</u>
<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>				
Opening net book amount	\$ 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)
Closing net book amount	<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>
	<u>Computer software</u>	<u>Intellectual property</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 3,220,861	\$ 3,713,979	\$ 3,548	\$ 6,938,388
Accumulated amortisation and impairment	( 2,725,336)	( 3,052,503)	-	( 5,777,839)
	<u>\$ 495,525</u>	<u>\$ 661,476</u>	<u>\$ 3,548</u>	<u>\$ 1,160,549</u>
<u>2019</u>				
Opening net book amount	\$ 495,525	\$ 661,476	\$ 3,548	\$ 1,160,549
Additions	844,689	596,018	-	1,440,707
Reclassifications	1,800	-	( 2,326)	( 526)
Amortisation	( 568,635)	( 379,373)	-	( 948,008)
Closing net book amount	<u>\$ 773,379</u>	<u>\$ 878,121</u>	<u>\$ 1,222</u>	<u>\$ 1,652,722</u>
<u>At December 31, 2019</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>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2020	2019
Operating costs	\$ 3,968	\$ 4,107
Operating expenses	1,094,951	943,901
	<u>\$ 1,098,919</u>	<u>\$ 948,008</u>

(8) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 11,456,690</u>	057%~0.60%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 18,604,770</u>	0.71%~1.91%	None

Interest expense recognized in profit or loss amounted to \$118,211 and \$131,449 for the years ended December 31, 2020 and 2019, respectively.

(9) Other payables

	December 31, 2020	December 31, 2019
Accrued salaries	\$ 4,675,282	\$ 3,574,723
Payable for employees' compensation	6,145,446	3,978,614
Other accrued expenses	1,236,747	1,374,970
Payables on equipment	58,959	113,350
Payables on software and intellectual property	1,152,591	725,345
Others	134,645	162,667
	<u>\$ 13,403,670</u>	<u>\$ 9,929,669</u>

(10) 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, 2020	December 31, 2019
Present value of defined benefit obligations	(\$ 600,923)	(\$ 595,932)
Fair value of plan assets	501,842	522,312
Net liability in the balance sheet	(\$ 99,081)	73,620

(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, 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)
Year ended December 31, 2019			
At January 1	(\$ 568,382)	\$ 495,415	(\$ 72,967)
Current service cost	( 2,709)	-	( 2,709)
Interest (expense) income	( 6,366)	5,544	( 822)
	( 577,457)	500,959	( 76,498)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	24,973	24,973
Change in demographic assumptions	( 1,283)	-	( 1,283)
Change in financial assumptions	( 6,415)	-	( 6,415)
Experience adjustments	( 20,397)	-	( 20,397)
	( 28,095)	24,973	( 3,122)
Pension fund contribution	-	6,000	6,000
Paid pension	9,620	( 9,620)	-
At December 31	(\$ 595,932)	\$ 522,312	(\$ 73,620)

(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,	
	2020	2019
Discount rate	0.3%	0.8%
Future salary increases	4.75%	5%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2020 and 2019.

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%
December 31, 2020				
Effect on present value of defined benefit obligation	\$ 16,617	(\$ 17,201)	(\$ 16,104)	\$ 15,599
	Discount rate		Future salary increases	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	\$ 16,562	(\$ 17,221)	(\$ 16,154)	\$ 15,635

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, 2020, 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	\$	272,184
2~5 years		108,918
5~10 years		191,135
Over 10 years		35,077
	\$	<u>607,314</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, 2020 and 2019 were \$272,845 and \$244,680, respectively.

(11) Share capital

A. As of December 31, 2020, 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	
	2020	2019
At January 1	508,095	508,095
Employees' compensation transferred to common stock	2,589	-
At December 31	<u>510,684</u>	<u>508,095</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 Competence 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, 2020, the outstanding GDRs were 390 thousand units, or 1,561 thousand shares of common stock, representing 0.31% of the Company’s total common stocks.

(12) 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.

	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 shares	393,591	-	-	393,591
Change in associates accounted for under equity method	-	12,763	-	12,763
Cash dividends distribution 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>
	2019			
	Share premium	Change in associates accounted for under equity method	Others	Total
At January 1	\$ 3,196,250	\$ 40,208	\$ 201	\$ 3,236,659
Change in associates accounted for under equity method	-	8,064	-	8,064
Cash dividends distribution from capital surplus	( 508,095)	-	-	( 508,095)
Cash dividends returned	-	-	226	226
At December 31	<u>\$ 2,688,155</u>	<u>\$ 48,272</u>	<u>\$ 427</u>	<u>\$ 2,736,854</u>

(13) 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 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

appropriations of earnings shall be resolved by shareholders if earnings are distributed by issuing new shares, or the appropriations of earnings shall be resolved by the Board of Directors, if earnings are distributed in the form of cash. The Company should consider factors of finance, business and operations to appropriate distributable earnings for the period, and appropriate all or partial reserve in accordance with regulations and 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, Items 5 and Article 241, Item 2, the resolution, for all or partial of distributed 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 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 2019 and 2018 earnings had been resolved at the stockholders' meeting on June 10, 2020 and June 12, 2019, respectively. Details are summarised below:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 674,907	\$ -	\$ 435,077	\$ -
(Reversal of) Special reserve	217,036	-	( 600,443)	-
Cash dividends	4,596,164	9.00	3,048,573	6.00
	<u>\$ 5,488,107</u>	<u>\$ 9.00</u>	<u>\$ 2,883,207</u>	<u>\$ 6.00</u>

- E. On April 24, 2020, the board of directors resolved during their meeting to distribute cash dividends from capital surplus to shareholders in the amount of \$1,021,370 (\$2 per share). The aforementioned cash dividends of distribution of 2019 earnings and cash dividends from capital surplus have been resolved by the Board of Directors on April 24, 2020.
- F. On June 12, 2019, the stockholders resolved during their meeting to distribute \$508,095 by cash (\$1 per share) from capital surplus.

(14) Other equity items

	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>

	2019		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 272,153	\$ 129,811	\$ 401,964
Revaluation			
–Group	227,352	-	227,352
–Associates	4,390	-	4,390
Reclassified to retained earnings	41,212	-	41,212
Currency translation differences:			
–Group	-	( 891,954)	( 891,954)
At December 31	<u>\$ 545,107</u>	<u>(\$ 762,143)</u>	<u>(\$ 217,036)</u>

(15) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 56,426,751</u>	<u>\$ 40,845,708</u>



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, 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
Year ended December 31, 2019	Integrated circuit products	Others	Total
Revenue from external customer contracts	\$ 40,729,445	\$ 116,263	\$ 40,845,708
Timing of revenue recognition			
At a point in time	\$ 40,729,445	\$ 116,263	\$ 40,845,708

B. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
– advance sales receipts	\$ 163,080	\$ 67,853	\$ 110,764

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

	Years ended December 31,	
	2020	2019
Contract liabilities – advance sales receipts	\$ 49,080	\$ 100,804

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, 2020	December 31, 2019
Refund liabilities – current	\$ 5,240,048	\$ 3,831,860

(16) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 23,356	\$ 42,689
Other interest income	28,747	75,753
	\$ 52,103	\$ 118,442

(17) Other income

	Years ended December 31,	
	2020	2019
Rent income	\$ 4,571	\$ 12,865
Dividend income	411	406
Grant income	60,635	44,434
Other income	1,905	18,244
	<u>\$ 67,522</u>	<u>\$ 75,949</u>

(18) Other gains and losses

	Years ended December 31,	
	2020	2019
Gains on disposal of property, plant and equipment	\$ 1,700	\$ 92
Gains on disposal of investment	466	-
Net currency exchanges losses	( 105,455)	( 145,314)
Gains (Losses) on financial assets at fair value through profit or loss	95,624	( 325)
Impairment loss of investments accounted for under equity method	-	( 41,397)
Other losses	( 5,132)	( 4,801)
	<u>(\$ 12,797)</u>	<u>(\$ 191,745)</u>

(19) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense		
Bank borrowings	\$ 118,211	\$ 131,449
Lease liabilities	18,916	12,651
	<u>\$ 137,127</u>	<u>\$ 144,100</u>

(20) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expenses	\$ 14,433,363	\$ 11,303,979
Depreciation	\$ 694,924	\$ 562,805
Amortisation	\$ 1,098,919	\$ 948,008

(21) Employee benefit expenses

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 13,445,450	\$ 10,471,633
Labor and health insurance fees	474,118	410,720
Pension costs	275,054	248,211
Other personnel expenses	238,741	173,415
	<u>\$ 14,433,363</u>	<u>\$ 11,303,979</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, 2020 and 2019, employees' compensation was accrued at \$2,586,317 and \$2,097,424, respectively; directors' remuneration was accrued at \$90,000 and \$119,828, respectively. The amounts were estimated as operating cost or operating expense in accordance with the Company's Articles of Incorporation.

Employees' compensation was \$2,097,424, and directors' remuneration was \$119,828 for 2019. Employees' compensation and directors' remuneration for 2019 as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2019 financial statements. Employees' compensation of 2019 will be distributed in the form of shares amounting to 2,589 thousand shares.

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.

(22) Income tax

A. Income tax expense

	Years ended December 31,	
	2020	2019
Current income tax:		
Current income tax on profits for the year	\$ 622,571	\$ 388,600
Tax on undistributed retained earnings	63,048	74,745
Prior year income tax over estimation	( 121,055)	( 19,067)
Total current income tax	<u>564,564</u>	<u>444,278</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 4,564)	( 6,278)
Income tax expense	<u>\$ 560,000</u>	<u>\$ 438,000</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Income tax calculated based on income before tax	\$ 1,870,696	\$ 1,445,657
Expenses disallowed by tax regulation and effects from tax-exempt income	( 1,252,689)	( 1,063,335)
Prior year income tax over estimation	( 121,055)	( 19,067)
Tax on undistributed retained earnings	<u>63,048</u>	<u>74,745</u>
Income tax expense	<u>\$ 560,000</u>	<u>\$ 438,000</u>

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

	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>

Year ended December 31, 2019			
	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	\$ 78,472	\$ 35,691	\$ 114,163
Deferred income tax liabilities:			
-Temporary differences:			
Unrealised exchange gain	( 22,310)	( 29,413)	( 51,723)
	<u>\$ 56,162</u>	<u>\$ 6,278</u>	<u>\$ 62,440</u>

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 1,256,642</u>	<u>\$ 1,108,747</u>

E. As of December 31, 2020, the Company's income tax returns until 2018 have been assessed and approved by the Tax Authority.

(23) Earnings per share

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 ordinary shareholders	<u>\$ 8,793,477</u>	<u>510,126</u>	<u>\$ 17.24</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 8,793,477	510,126	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	9,418	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 8,793,477</u>	<u>519,544</u>	<u>\$ 16.93</u>

	Year ended December 31, 2019		
	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 ordinary shareholders	<u>\$ 6,790,283</u>	<u>508,095</u>	<u>\$ 13.36</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 6,790,283	508,095	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>8,926</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 6,790,283</u>	<u>517,021</u>	<u>\$ 13.13</u>

(24) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 1,653,027	\$ 685,274
Add: Opening balance of payable on equipment	113,350	110,401
Less: Ending balance of payable on equipment	( 58,959)	( 113,350)
Cash paid during the year	<u>\$ 1,707,418</u>	<u>\$ 682,325</u>
	Years ended December 31,	
	2020	2019
Purchase of intangible assets	\$ 1,401,826	\$ 1,440,707
Add: Opening balance of payable on software and intellectual property	725,345	684,438
Less: Ending balance of payable on software and intellectual property	( 1,152,591)	( 725,345)
Cash paid during the year	<u>\$ 974,580</u>	<u>\$ 1,399,800</u>

(25) Changes in liabilities from financing activities

	Short-term borrowings	Refundable 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>
	Short-term borrowings	Refundable deposits received	Lease liabilities	Liabilities from financing activities-total
At January 1, 2019	\$ 14,526,311	\$ 4,739	\$ 732,121	\$ 15,263,171
Changes in cash flow from financing activities	4,078,459	( 1,481)	( 25,723)	4,051,255
Interest paid	-	-	( 12,651)	( 12,651)
Interest on lease liabilities	-	-	12,651	12,651
Changes in other non-cash items	-	-	105,697	105,697
At December 31, 2019	<u>\$ 18,604,770</u>	<u>\$ 3,258</u>	<u>\$ 812,095</u>	<u>\$ 19,420,123</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
Cortina Systems Taiwan Limited	Sub-subsubsidiary
RayMX Microelectronics Corp.	Sub-subsubsidiary
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,	
	2020	2019
Sales of goods:		
G.M.I Technology Inc.	\$ 7,375,829	\$ 5,996,976
Others	365,249	269,079
	<u>\$ 7,741,078</u>	<u>\$ 6,266,055</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,	
	2020	2019
Greatek Electronics Inc.	<u>\$ 1,033,517</u>	<u>\$ 1,024,163</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, 2020	December 31, 2019
Accounts receivable:		
G.M.I Technology Inc.	\$ 1,751,860	\$ 1,172,793
Others	59,040	54,462
	<u>\$ 1,810,900</u>	<u>\$ 1,227,255</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, 2020	December 31, 2019
Accounts payable:		
Greatek Electronics Inc.	<u>\$ 253,691</u>	<u>\$ 313,185</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,			
	2020		2019	
	Amount	Ending balance	Amount	Ending balance
Other related parties-				
Sales commissions	\$ 286,704	\$ 60,784	\$ 227,843	\$ 55,690
Technical royalty revenue	(\$ 8,406)	\$ -	(\$ 4,430)	\$ -
Cash dividend income	(\$ 411)	\$ -	(\$ 406)	\$ -
Subsidiaries and sub-subsidiaries-				
Interest income	(\$ 28,747)	(\$ 20)	(\$ 70,752)	(\$ 44,587)
Other income	\$ -	(\$ 46,380)	\$ -	(\$ 48,980)
Cash dividend income	(\$ 5,631,482)	\$ -	(\$ 2,750,826)	\$ -
Rent income	(\$ 1,922)	(\$ 245)	(\$ 1,922)	(\$ 243)

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

F. Acquisition of financial assets:

			Year ended December 31, 202	
	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Consideration</u>
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
				<u>\$ 3,515,687</u>

G. Loans to related parties :

(a) Outstanding balance:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
Leading Enterprises Limited	\$ -	\$ 1,806,360
Talent Eagle Enterprise Inc.	57,016	1,737,116
Bluocean Inc.	-	1,490,247
Amber Universal Inc.	11,403	602,120
Realtek Singpoe Private Limited	570,160	-
	<u>\$ 638,579</u>	<u>\$ 5,635,843</u>

(b) Interest income

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 28,747</u>	<u>\$ 70,752</u>

The loans to subsidiaries are repayable monthly within one year, and carry interest at 0.2% and 1.8% for the years ended December 31, 2020 and 2019, respectively.

H. Endorsements and guarantees provided to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	<u>\$ 10,605,268</u>	<u>\$ 9,798,836</u>

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 137,298	\$ 120,242
Post-employment benefits	2,721	2,697
Total	<u>\$ 140,019</u>	<u>\$ 122,939</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purposes</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposits (shown in financial assets at amortised cost - non-current)	\$ 30,821	\$ 34,307	Guarantee for the importation customs duties of materials
"	44,472	30,578	Guarantee for leasing land and office in Science Park
	<u>\$ 75,293</u>	<u>\$ 64,885</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 and United States District Court of Delaware against the Company's IC products. The cases are still pending, and the Company is unable to comment on the outcome of the cases.

B. In 2020, KONINKLIJKE PHILIPS N.V. and PHILIPS NORTH AMERICA LLC brought actions for patent infringement in United States International Trade Commission and United States District Court of Delaware against the Company's IC products. The cases are still pending, and the Company is unable to comment on the outcome of the cases.

(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, 2020</u>	<u>December 31, 2019</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	\$ 124,360	\$ 28,736
Financial assets at amortised cost/Receivables		
Cash and cash equivalents	\$ 4,630,448	\$ 3,333,828
Financial assets at amortised cost	75,293	64,885
Accounts receivable (including related parties)	9,397,980	7,815,480
Other receivables (including related parties)	689,052	5,750,070
Refundable deposits	34,805	16,166
	<u>\$ 14,827,578</u>	<u>\$ 16,980,429</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 11,456,690	\$ 18,604,770
Notes payable	3,276	3,276
Accounts payable (including related parties)	7,862,783	5,972,703
Other payable (including related parties)	13,464,454	9,985,359
Guarantee deposits received	1,038	3,258
Other financial liability	5,240,048	3,831,860
	<u>\$ 38,028,289</u>	<u>\$ 38,401,226</u>
Lease liability	<u>\$ 1,124,974</u>	<u>\$ 812,095</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 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, 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
December 31, 2019			
	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	\$ 549,291	30.106	\$ 16,536,969
<u>Non-monetary items</u>			
USD:NTD	1,285,500	30.106	38,701,252
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	348,135	30.106	10,480,953

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, 2020 and 2019, amounted to \$105,454 and \$145,314, respectively. Analysis of foreign currency market risk arising from significant foreign exchange variation:

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%	\$ 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)	-
Year ended December 31, 2019			
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%	\$ 165,370	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	387,013
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 104,810)	-

#### 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 domestic listed and unlisted stocks. 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, 2020 and 2019 would have decreased/increased by \$12,436 and \$2,874, 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, 2020 and 2019, 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, 2020</u>				
Expected loss rate	0-1%	0-1%	100%	
Total book value	\$ 9,274,060	\$ 218,846	\$ 434	\$ 9,493,340
Loss allowance	<u>\$ 92,162</u>	<u>\$ 2,764</u>	<u>\$ 434</u>	<u>\$ 95,360</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, 2019</u>				
Expected loss rate	0-1%	0-1%	100%	
Total book value	\$ 7,518,066	\$ 376,365	\$ 656	\$ 7,895,087
Loss allowance	<u>\$ 75,187</u>	<u>\$ 3,764</u>	<u>\$ 656</u>	<u>\$ 79,607</u>

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

	<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>
	<u>2019</u>
	<u>Loss allowance for accounts receivable</u>
At January 1	\$ 53,989
Provision for impairment	25,618
At December 31	<u>\$ 79,607</u>

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



December 31, 2020				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 75,293	\$ -	\$ -	\$ 75,293
December 31, 2019				
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 64,885	\$ -	\$ -	\$ 64,885

The financial assets at measured cost are bank time deposits with original maturity more than three months, and there is no major material 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, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 11,456,691	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	7,862,783	-	-
Other payables (including related parties)	13,414,454	-	-
Lease liability	54,804	153,111	1,366,224
Guarantee deposits received	-	-	1,038
Other financial liabilities	5,240,048	-	-

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 18,621,514	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	5,972,703	-	-
Other payables (including related parties)	9,985,359	-	-
Lease liability	40,860	125,645	934,269
Guarantee deposits received	-	-	3,258
Other financial liabilities	3,831,860	-	-

- 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, 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>
December 31, 2019	<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>\$ 28,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,736</u>

(b) The instruments the Company used market quoted prices as their fair values (that is, Level1), and the listed company shares used closing price.

C. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

D. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	<u>Non-derivative</u>	<u>Non-derivative</u>
	<u>equity instrument</u>	<u>equity instrument</u>
At January 1	\$ -	\$ 936
Current sale	-	( 936)
At December 31	<u>\$ -</u>	<u>\$ -</u>

E. For the years ended December 31, 2020 and 2019, 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: Please refer to table 4.
- 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 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- 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 7.

#### (4) Major shareholders information

As of December 31, 2020, 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, 2020

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	Collateral			Limit on loans granted to a single party	Ceiling on total loans granted (Note 2)	Footnote
					December 31, 2020 (Note 3)	Balance at December 31, 2020						Allowance for doubtful accounts	Item	Value			
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	Other receivables-related parties	Y	\$ 57,016	\$ 57,016	\$ -	-	Short-term financing	\$ -	Operations	\$ -	None	\$ -	2,945,908	\$ 11,783,632	None
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Other receivables-related parties	Y	855,240	855,240	570,160	-	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Bluocean Inc.	Other receivables-related parties	Y	1,710,480	1,710,480	-	-	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables-related parties	Y	1,710,480	1,710,480	-	-	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables-related parties	Y	833,748	833,748	11,403	0.20	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	1,710,480	1,710,480	57,016	0.20	Short-term financing	-	Operations	-	None	-	2,945,908	11,783,632	None
1	Leading Enterprises Limited	Bluocean Inc.	Other receivables-related parties	Y	1,710,480	1,710,480	1,045,959	0.20	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	5,701,600	5,701,600	5,696,286	0.20	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
2	Amber Universal Inc.	Bluocean Inc.	Other receivables-related parties	Y	1,425,400	1,425,400	552,770	0.20	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
3	Cortina Access, Inc.	Leading Enterprises Limited	Other receivables-related parties	Y	855,240	855,240	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None

REALTEK SEMICONDUCTOR CORPORATION

Loans to others

For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

Maximum outstanding balance during the year ended					Collateral												
No (Note 1)	Creditor	Borrower	General ledger account	Is a related party	December 31, 2020 (Note 3)	Balance at December 31, 2020	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			
4	Realtek Investment Singapore Private Limited	Realtek Singapore Private Limited	Other receivables-related parties	Y	\$ 2,850,800	\$ 2,850,800	\$ 1,148,872	0.20	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 11,783,632	\$ 11,783,632	None
5	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	Other receivables-related parties	Y	57,016	57,016	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
5	Realtek Singapore Private Limited	Realtek Microelectronics Corp.	Other receivables-related parties	Y	855,240	855,240	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
6	Realtek Microelectronics Corp.	RayMX Microelectronics Corp.	Other receivables-related parties	Y	348,736	348,736	56,670	4.35	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
6	Realtek Microelectronics Corp.	Suzhou Pankore Integrated Circuit Technology Co. Ltd	Other receivables-related parties	Y	348,736	348,736	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	None
7	Corinna Network Systems Shanghai Co., Ltd.	Suzhou Pankore Integrated Circuit Technology Co. Ltd	Other receivables-related parties	Y	130,776	130,776	-	-	Short-term financing	-	Operations	-	None	-	11,783,632	11,783,632	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, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 2

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limited on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (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	Company name							endorsement/ guarantee amount to the endorser/ guarantor company	asset value of the endorser/ guarantor company					
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Realtek Singapore Private Limited	2	\$ 14,729,541	\$ 2,945,908	\$ 2,945,908	\$ -	\$ -	10%		\$ 14,729,541	Y	N	N	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Leading Enterprises Limited	2	14,729,541	5,891,816	5,891,816	-	-	20%		14,729,541	Y	N	N	
0	Realtek Semiconductor Corporation	Realisil Microelectronics Corp.	Realisil Microelectronics Corp.	2	14,729,541	883,772	883,772	-	-	3%		14,729,541	Y	N	Y	
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	RayMX Microelectronics Corp.	2	14,729,541	883,772	883,772	14,713	-	3%		14,729,541	Y	N	Y	
1	Leading Enterprises Limited	Realisil Microelectronics Corp.	Realisil Microelectronics Corp.	2	14,729,541	570,160	570,160	-	-	2%		14,729,541	N	N	Y	
2	Realisil Microelectronics Corp.	RayMX Microelectronics Corp.	RayMX Microelectronics Corp.	2	14,729,541	570,160	570,160	-	-	2%		14,729,541	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 parent 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 authorized 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, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 3

As of December 31, 2020

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of December 31, 2020			Footnote (Note 4)
				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	1,623,501	\$ 124,360	2.04%	\$ 124,360
Realtek Investment Co., Ltd.	Compal broadband networks Inc. - Common	None	Financial assets at fair value through other comprehensive income	3,575,000	114,758	5.34%	114,758
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	23,124,000	471,828	3.03%	471,828
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common	None	Financial assets at fair value through other comprehensive income	3,575,000	114,758	5.34%	114,758
Leading Enterprises Limited	Fortemedia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8,623,301	92,340	6.89%	92,340
Leading Enterprises Limited	Starix Technology, Inc.-Preferred stock	None	Financial assets at fair value through other comprehensive income	5,000,000	17,105	-	17,105
Leading Enterprises Limited	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9,000,000	935,921	12.49%	935,921
Amber Universal Inc.	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4,726,836	491,549	6.56%	491,549
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336,346	15,859	-	15,859
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	174,255	2.88%	174,255
Hung-wei Venture Capital Co., Ltd.	Greatek Electroninc Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	5,823,602	326,121	1.05%	326,121
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	16,355	0.33%	16,355
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	22,737	12.17%	22,737
Realist Microelectronics Corp.	Guam Money Fund	None	Financial assets at fair value through profit or loss	40,067,489	174,660	-	174,660
Realist Microelectronics Corp.	Harvest Money Fund	None	Financial assets at fair value through profit or loss	44,021,178	191,895	-	191,895
Realist Microelectronics Corp.	Xin Chen Money Fund	None	Financial assets at fair value through profit or loss	5,030,836	21,931	-	21,931



REALTEK SEMICONDUCTOR CORPORATION

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2020

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	Number of shares	Book value (Note 3)		Fair value	Footnote (Note 4)
						Ownership (%)		
Realtek Microelectronics Corp.	Guang-Fa Demand Policy Loan Fund	None	Financial assets at fair value through profit or loss	10,001,547	\$	43,598	\$	43,598
Realtek Microelectronics Corp.	Guang-Da Monetary Fund	None	Financial assets at fair value through profit or loss	10,001,624		43,599		43,599
Realtek Microelectronics Corp.	Southern Cash Fund	None	Financial assets at fair value through profit or loss	30,000,000		130,775		130,775
Realtek Microelectronics Corp.	Guang-Fa Monetary Fund	None	Financial assets at fair value through profit or loss	10,001,829		43,600		43,600
Realtek Semiconductor (Shen Zhen) Corp.	Tian Tianjin Stable Fund	None	Financial assets at fair value through profit or loss	8,022,717		34,972		34,972
Realtek Semiconductor (Shen Zhen) Corp.	Cash Appreciation Currency Fund	None	Financial assets at fair value through profit or loss	6,236,826		27,187		27,187
Cortina Network Systems Shanghai Co. Ltd.	Step by step Gold Fund	None	Financial assets at fair value through profit or loss	12,400,000		54,132		54,132
Cortina Network Systems Shanghai Co. Ltd.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	3,600,000		15,693		15,693
Bluocean 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

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	
												Other commitments	Other commitments
Realtek Semiconductor Corporation	Property in Zhongshan District, Taipei City	April 1, 2020 (entered into the contract and paid the first payment)	\$699,100	Paid \$699,100 based on the contract	Huaku Development Co., Ltd.	None	-	-	-	\$-	Negotiated with the counterparty based on the appraisal report issued by CCIS Real Estate Joint Appraisers Firm and resolved by the Board of Directors	Owner-occupied office	None

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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, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchase/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchase (sales)	Amount	Percentage of total purchase (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	(Sales)	(\$ 7,375,829)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	\$ 1,751,860	13%	
Realtek Semiconductor Corporation	Actions Semiconductor Co., Ltd.	Other related parties	(Sales)	( 164,556)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	15,289	0%	
Realtek Semiconductor Corporation	C-Media Electronics Inc.	Other related parties	(Sales)	( 200,693)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	43,751	0%	
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	( 4,537,246)	(6%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	890,128	7%	
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	(Sales)	( 261,579)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	111,371	1%	
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	1,033,517	3%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 253,691)	3%	
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	202,096	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 86,496)	1%	

REALTEK SEMICONDUCTOR CORPORATION

Receivables from related parties reaching NT\$100 million 0r 20% of paid-in capital or more

December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	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	\$ 1,751,860	5.04	\$ -	-	\$ 800,691	\$ 17,695
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	890,128	4.99	-	-	430,759	-
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	111,371	2.81	-	-	111,371	-

REALTEK SEMICONDUCTOR CORPORATION  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Number (Note 1)		Transaction			Relationship (Note 2)		Percentage of consolidated total operating revenues or total assets (Note 3)		
		Company name	Counterparty	General ledger account	Amount	Transaction terms			
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	1	Other receivables	\$ 46,380	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.06%		
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Technical service fees	2,026,553	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	2.61%		
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Other payables	638,579	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.82%		
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Technical service fees	400,935	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.52%		
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Other payables	147,101	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.19%		
1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Technical service fees	204,759	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	Cortina Access, Inc.	3	Other payables	12,976	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	Cortina Network Systems Shanghai Co. Ltd.	3	Technical service fees	104,761	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	Cortina Network Systems Shanghai Co. Ltd.	3	Other payables	30,381	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%		

REALTEK SEMICONDUCTOR CORPORATION

Significant inter-company transactions during the reporting period

For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 7

Transaction		Relationship				Percentage of consolidated total operating revenues or total assets (Note 3)	
Number (Note 1)	Company name	Counterparty	(Note 2)	General ledger account	Amount	Transaction terms	
1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Technical service fees	\$ 112,793	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.15%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Japan) Corp.	3	Technical service fees	62,503	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.08%
1	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	3	Other receivables	46,380	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.06%

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 to consolidated total assets for balance sheet accounts and based on accumulated 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

Information on investees

For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Initial investment amount				Shares held as at December 31, 2020				Net profit (loss) of the investee for the year ended December 31, 2020		Investment income (loss) recognised by the Company for the year ended December 31, 2020		Footnote
Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value	December 31, 2020	December 31, 2020	2020					
Main business activities		Location	Investee									
Realtek Semiconductor Corporation	Leading Enterprises Limited	British Virgin Islands	Investment holdings	\$ 14,080,956	\$ 15,005,734	34,630	100%	\$ 13,239,425	\$ 671,282	\$ 671,282	Subsidiary	
	Amber Universal Inc.	British Virgin Islands	Investment holdings	4,487,621	4,739,146	41,432	100%	3,367,376	51,962	51,962	Subsidiary	
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	4,076,101	2,408,480	89,856,425	100%	11,149,584	5,879,387	5,334,833	Subsidiary	
Realtek Semiconductor Corporation	Bluccean Inc.	Cayman Islands	Investment holdings	3,137,305	3,313,165	110,050,000	100%	3,369,936	76,184	76,184	Subsidiary	
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Cayman Islands	Investment holdings	3,252,763	3,435,095	11,410,000	100%	2,162,386	(295,459)	(295,459)	Subsidiary	
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	Singapore	Investment holdings	5,701,600	6,021,200	200,000,000	100%	6,275,015	130,511	130,511	Subsidiary	
Realtek Semiconductor Corporation	Realsun Investments Co., Ltd.	Taiwan	Investment holdings	280,000	280,000	28,000,000	100%	619,510	5,145	5,145	Subsidiary	
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Taiwan	Investment holdings	250,000	250,000	25,000,000	100%	632,946	150,791	150,791	Subsidiary	
Realtek Semiconductor Corporation	Realtek Investments Co., Ltd.	Taiwan	Investment holdings	293,930	293,930	29,392,985	100%	290,236	(7,428)	(7,428)	Subsidiary	
Realtek Semiconductor Corporation	Realsun Technology Corporation	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	5,000	5,000	500,000	100%	5,118	57	57	Subsidiary	
Realtek Semiconductor Corporation	Bobbing 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%	19,330	146	97	Subsidiary	
Realtek Semiconductor Corporation	Technology Partner V Venture Capital Corporation	Taiwan	Investment holdings	66,657	66,657	4,178,509	-	255	(746)	(11,188)	Investments accounted for under equity method	
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	6.68%	9,158	(60,277)	(7,209)	Investments accounted for under equity method	

REALTEK SEMICONDUCTOR CORPORATION

Information on investees

For the year ended December 31, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019		Number of shares	Ownership (%)	Book value			
Realtek Investments Co., Ltd.	Innorch Venture Capital Corp.	Taiwan	Venture capital activities	\$ 200,000	\$ 200,000		20,000,000	37.38%	\$ 147,441	(\$ 32,943)	12,583	Investments accounted for under equity method
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	ICs design, sales, and consultancy	5,530	5,542		400	100%	4,037	( 104)	104	Sub-Subsidiary
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	Investment holdings	1,847,318	1,950,869		300,000	100%	7,663	( 58)	58	Sub-Subsidiary
Leading Enterprises Limited	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and support	-	1,257,578		0	-	-	5,879,387	561,423	Sub-Subsidiary
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Hong Kong	Information services and technical support	5,516	5,799		-	100%	1,082	( 21)	21	Sub-Subsidiary
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	Investment holdings	805,351	850,495		2,825,000	100%	1,570,047	( 121,713)	121,713	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Access Inc.	U.S.A	R&D and information services	1,164,438	1,229,710		16,892	100%	858,662	21,968	21,968	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	Taiwan	R&D and technical support	57,016	60,212		21,130,000	100%	48,580	791	791	Sub-Subsidiary
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	Vietnam	R&D and technical support	114,032	30,106		4,000,000	100%	86,270	( 17,359)	17,359	Sub-Subsidiary
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	U.S.A	R&D and information services	1,482,416	1,204,240		52,000,000	100%	22,012	( 418,782)	418,782	Sub-Subsidiary
Bluocean Inc.	Realtek Semiconductor (Malaysia) Limited	Malaysia	R&D and information services	74,144	-		10,450,000	100%	64,914	( 9,150)	9,150	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, 2020 to December 31, 2020, 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, 2020

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 9

Investee in Mainland China	Main business activities	Paid-in Capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)(C)		Book value of investment in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
Cortina Network Systems Shanghai Co., Ltd.	R&D and technical support	\$ 102,629	(2)	\$ 102,629	\$ -	\$ -	\$ 102,629	\$ 2,338	100%	\$ 2,338	\$ -	\$ 98,002	\$ -	-
Realsil Microelectronics Corp.	R&D and technical support	798,224	(2)	798,224	-	-	798,224	111,152	100%	111,152	1,566,220	-	-	-
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	142,540	(2)	142,540	-	-	142,540	13,415	100%	13,415	270,612	-	-	-
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	114,428	(2)	114,428	-	-	114,428	137	100%	137	86,108	-	-	-
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	43,592	(2)	-	43,592	-	43,592	( 17,915)	100%	( 17,915)	25,370	-	-	-

Company name	December 31, 2020	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.	\$ 102,629	\$ 102,629	\$ 17,675,449	
Realsil Microelectronics Corp.	798,224	798,224		
Realtek Semiconductor (Shan Zhen) Corp.	142,540	142,540		
RayMX Microelectronics Corp.	114,428	114,428		
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	43,592	43,592		

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, 2020 column, except for the financial statements of Cortina Network Systems Shanghai Co. Ltd. were audited by other independent accountants, the remaining financial statements were audited by the independent accountants 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, 2020 to December 31, 2020, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.