

**REALTEK SEMICONDUCTOR CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
SEPTEMBER 30, 2020 AND 2019  
(Stock code : 2379)**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR20000114

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Realtek Semiconductor Corporation and subsidiaries as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of Review***

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

### ***Basis for Qualified Conclusion***

As explained in Notes 4(3) and 6(7), the consolidated financial statements of certain insignificant consolidated subsidiaries, investments accounted for under equity method and the information disclosed in Note 13 were based solely on the reports prepared by the those subsidiaries and investee companies, which were not reviewed by independent accountants. Those statements reflect total assets of NT\$3,522,216 thousand and NT\$3,014,962 thousand, constituting 4.33% and 4.05% of the consolidated total assets, and total liabilities of NT\$904,177 thousand and NT\$707,958 thousand, constituting 1.68%

and 1.48% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively, and total comprehensive income (loss) of NT\$87,423 thousand, NT\$(38,531) thousand, NT\$(220,913) thousand and NT\$(235,857) thousand, constituting 3.76%, (2.07%), (4.06%) and (4.26%) of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively. Furthermore, the investments accounted for under equity method as of September 30, 2020 and 2019 amounted to NT\$157,172 thousand and NT\$234,409 thousand, respectively, and the related investment loss were NT\$8,129 thousand, NT\$3,808 thousand, NT\$29,604 thousand and NT\$16,120 thousand for the three-month and nine-month periods then ended, respectively.

### ***Qualified Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Realtek Semiconductor Corporation and subsidiaries as of September 30, 2020 and 2019, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

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Lin, Yu-Kuan

Cheng, Ya-Huei

For and on behalf PricewaterhouseCoopers, Taiwan

October 30, 2020

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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 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 AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 5,428,155	7	\$ 5,727,911	8	\$ 4,404,208	6
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		418,983	1	74,012	-	326,876	-
1136	Financial assets at amortised	6(4)						
	cost - current		40,815,495	50	39,558,054	54	40,258,529	54
1170	Accounts receivable, net	6(5)	12,359,165	15	8,254,011	11	8,987,105	12
1180	Accounts receivable, net -	6(5) and 7						
	related parties		2,646,010	3	2,196,717	3	2,209,129	3
1200	Other receivables		364,277	-	768,699	1	689,011	1
130X	Inventories, net	6(6)	7,965,548	10	7,391,535	10	7,900,307	11
1410	Prepayments		336,956	-	318,652	1	426,575	-
11XX	<b>Total current assets</b>		<u>70,334,589</u>	<u>86</u>	<u>64,289,591</u>	<u>88</u>	<u>65,201,740</u>	<u>87</u>
<b>Non-current assets</b>								
1517	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - non-current		2,347,603	3	1,859,478	2	1,774,058	2
1535	Financial assets at amortised	6(4) and 8						
	cost - non-current		79,485	-	69,477	-	66,434	-
1550	Investments accounted for	6(7)						
	under equity method		157,172	-	185,972	-	234,409	-
1600	Property, plant and equipment	6(8)	4,359,424	6	3,446,162	5	3,421,313	5
1755	Right-of-use assets	6(9)	1,671,680	2	1,403,245	2	1,043,968	2
1760	Investment property	6(10)	45,774	-	49,136	-	50,541	-
1780	Intangible assets	6(11)	2,188,289	3	1,952,960	3	2,326,095	3
1840	Deferred income tax assets		141,389	-	114,163	-	81,557	-
1900	Other non-current assets		50,946	-	61,646	-	333,302	1
15XX	<b>Total non-current assets</b>		<u>11,041,762</u>	<u>14</u>	<u>9,142,239</u>	<u>12</u>	<u>9,331,677</u>	<u>13</u>
1XXX	<b>Total assets</b>		<u>\$ 81,376,351</u>	<u>100</u>	<u>\$ 73,431,830</u>	<u>100</u>	<u>\$ 74,533,417</u>	<u>100</u>

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
2100	Short-term borrowings	6(12)	\$ 13,550,080	17	\$ 18,966,042	26	\$ 17,900,000	24
2130	Contract liabilities - current	6(20)	317,285	-	104,974	-	109,237	-
2150	Notes payable		29,203	-	3,276	-	4,594	-
2170	Accounts payable		9,684,550	12	7,441,724	10	7,619,700	10
2180	Accounts payable - related parties	7	349,181	-	329,514	1	303,881	1
2200	Other payables	6(13)	19,502,707	24	10,746,168	15	13,671,781	18
2220	Other payables - related parties	7	85,885	-	87,293	-	77,077	-
2230	Current income tax liabilities		898,558	1	828,790	1	716,568	1
2280	Lease liabilities - current		91,054	-	84,328	-	79,977	-
2300	Other current liabilities	6(20)	6,889,319	9	5,378,078	7	5,247,654	7
21XX	<b>Total current liabilities</b>		<u>51,397,822</u>	<u>63</u>	<u>43,970,187</u>	<u>60</u>	<u>45,730,469</u>	<u>61</u>
<b>Non-current liabilities</b>								
2550	Provisions - non-current	6(15)	1,040,789	1	1,075,809	2	1,109,256	2
2570	Deferred income tax liabilities		75,363	-	51,723	-	20,568	-
2580	Lease liabilities - non-current		1,305,378	2	1,028,347	1	955,155	1
2600	Other non-current liabilities		72,036	-	77,080	-	77,706	-
25XX	<b>Total non-current liabilities</b>		<u>2,493,566</u>	<u>3</u>	<u>2,232,959</u>	<u>3</u>	<u>2,162,685</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>53,891,388</u>	<u>66</u>	<u>46,203,146</u>	<u>63</u>	<u>47,893,154</u>	<u>64</u>
<b>Equity</b>								
Share capital								
3110	Common shares	6(16)	5,106,849	6	5,080,955	7	5,080,955	7
Capital surplus								
3200	Capital surplus	6(17)	2,120,746	3	2,736,854	3	2,736,628	4
Retained earnings								
3310	Legal reserve	6(18)	5,577,083	7	4,902,176	7	4,902,176	7
3320	Special reserve		217,036	-	-	-	-	-
3350	Undistributed earnings		15,396,174	19	14,716,036	20	13,072,582	17
Other equity								
3400	Other equity interest	6(19)	(942,574)	(1)	(217,036)	-	838,248	1
31XX	<b>Equity attributable to holders of the parent company</b>		<u>27,475,314</u>	<u>34</u>	<u>27,218,985</u>	<u>37</u>	<u>26,630,589</u>	<u>36</u>
36XX	<b>Non-controlling interest</b>		<u>9,649</u>	<u>-</u>	<u>9,699</u>	<u>-</u>	<u>9,674</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>27,484,963</u>	<u>34</u>	<u>27,228,684</u>	<u>37</u>	<u>26,640,263</u>	<u>36</u>
Significant contingent liabilities and unrecognized contract commitments								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 81,376,351</u>	<u>100</u>	<u>\$ 73,431,830</u>	<u>100</u>	<u>\$ 74,533,417</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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)  
(The statements of comprehensive income are reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 22,408,776	100	\$ 16,043,111	100	\$ 55,674,973	100	\$ 44,059,307	100
5000	Operating costs	6(6) and 7	( 13,142,697)	( 58)	( 9,163,586)	( 57)	( 31,924,978)	( 57)	( 24,802,739)	( 56)
5950	Gross profit		<u>9,266,079</u>	<u>42</u>	<u>6,879,525</u>	<u>43</u>	<u>23,749,995</u>	<u>43</u>	<u>19,256,568</u>	<u>44</u>
	Operating expenses	6(25)(26) and 7								
6100	Selling expenses		( 920,756)	( 4)	( 780,509)	( 5)	( 2,433,613)	( 4)	( 2,169,257)	( 5)
6200	General and administrative expenses		( 547,320)	( 3)	( 411,958)	( 2)	( 1,468,431)	( 3)	( 1,227,502)	( 3)
6300	Research and development expenses		( 5,212,311)	( 23)	( 3,994,770)	( 25)	( 13,827,939)	( 25)	( 11,295,761)	( 25)
6450	Expected credit losses	12(2)	( 15,774)	-	( 19,855)	-	( 31,971)	-	( 23,267)	-
6000	Total operating expenses		( 6,696,161)	( 30)	( 5,207,092)	( 32)	( 17,761,954)	( 32)	( 14,715,787)	( 33)
6900	Operating income		<u>2,569,918</u>	<u>12</u>	<u>1,672,433</u>	<u>11</u>	<u>5,988,041</u>	<u>11</u>	<u>4,540,781</u>	<u>11</u>
	Non-operating income and expenses									
7100	Interest income	6(21)	159,156	1	335,206	2	708,519	1	947,479	2
7010	Other income	6(22)	79,446	-	47,404	-	126,239	-	80,011	-
7020	Other gains and losses	6(23)	( 97,024)	( 1)	36,643	-	( 107,197)	-	36,047	-
7050	Finance costs	6(24)	( 33,518)	-	( 41,072)	-	( 120,653)	-	( 110,881)	-
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	( 8,129)	-	( 3,808)	-	( 29,604)	-	( 16,120)	-
7000	Total non-operating income and expenses		<u>99,931</u>	<u>-</u>	<u>374,373</u>	<u>2</u>	<u>577,304</u>	<u>1</u>	<u>936,536</u>	<u>2</u>
7900	<b>Profit before income tax, net</b>		<u>2,669,849</u>	<u>12</u>	<u>2,046,806</u>	<u>13</u>	<u>6,565,345</u>	<u>12</u>	<u>5,477,317</u>	<u>13</u>
7950	Income tax expense	6(27)	( 160,510)	( 1)	( 124,369)	( 1)	( 397,067)	( 1)	( 330,421)	( 1)
8200	<b>Net income for the period</b>		<u>\$ 2,509,339</u>	<u>11</u>	<u>\$ 1,922,437</u>	<u>12</u>	<u>\$ 6,168,278</u>	<u>11</u>	<u>\$ 5,146,896</u>	<u>12</u>

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**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)  
(The statements of comprehensive income are reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2020		2019		2020		2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Other comprehensive (loss)income, net Components of other comprehensive income that will not be reclassified to profit</b>	6(19)								
8316 Unrealised incomes from investments in equity instruments measured at fair value through other comprehensive income		\$ 467,658	2	\$ 52,009	1	\$ 525,515	1	\$ 109,761	-
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		-	-	132	-	9,879	-	3,717	-
8310 Total components of other comprehensive income that will not be reclassified to profit		<u>467,658</u>	<u>2</u>	<u>52,141</u>	<u>1</u>	<u>535,394</u>	<u>1</u>	<u>113,478</u>	<u>-</u>
<b>Components of other comprehensive (loss)income that will be reclassified to profit or loss</b>									
8361 Cumulative translation differences of foreign operation		( 654,176)	( 3)	( 113,121)	( 1)	( 1,260,932)	( 2)	281,594	1
8360 Total components of other comprehensive (loss)income that will be reclassified to profit or loss		( 654,176)	( 3)	( 113,121)	( 1)	( 1,260,932)	( 2)	281,594	1
8300 <b>Other comprehensive (loss)income, net</b>		<u>( \$ 186,518 )</u>	<u>( 1 )</u>	<u>( \$ 60,980 )</u>	<u>-</u>	<u>( \$ 725,538 )</u>	<u>( 1 )</u>	<u>\$ 395,072</u>	<u>1</u>
8500 <b>Total comprehensive income for the period</b>		<u>\$ 2,322,821</u>	<u>10</u>	<u>\$ 1,861,457</u>	<u>12</u>	<u>\$ 5,442,740</u>	<u>10</u>	<u>\$ 5,541,968</u>	<u>13</u>
Profit attributable to:									
8610 Equity holders of the parent company		\$ 2,509,330	11	\$ 1,922,421	12	\$ 6,168,245	11	\$ 5,146,829	12
8620 Non-controlling interest		9	-	16	-	33	-	67	-
Profit for the period		<u>\$ 2,509,339</u>	<u>11</u>	<u>\$ 1,922,437</u>	<u>12</u>	<u>\$ 6,168,278</u>	<u>11</u>	<u>\$ 5,146,896</u>	<u>12</u>
Comprehensive income									
8710 Equity holders of the parent company		\$ 2,322,812	10	\$ 1,861,441	12	\$ 5,442,707	10	\$ 5,541,901	13
8720 Non-controlling interest		9	-	16	-	33	-	67	-
Total comprehensive income for the period		<u>\$ 2,322,821</u>	<u>10</u>	<u>\$ 1,861,457</u>	<u>12</u>	<u>\$ 5,442,740</u>	<u>10</u>	<u>\$ 5,541,968</u>	<u>13</u>
Earnings per share (in dollars)									
9750 Basic earnings per share	6(28)	\$ 4.91		\$ 3.78		\$ 12.10		\$ 10.13	
9850 Diluted earnings per share	6(28)	\$ 4.89		\$ 3.77		\$ 11.89		\$ 10.01	

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The statements of changes in equity are reviewed, not audited))

	Notes	Equity attributable to owners of the parent							Total	Non-controlling interest	Total equity
		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			
<b><u>Nine-month period ended September 30, 2019</u></b>											
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 period		-	-	-	-	5,146,829	-	-	5,146,829	67	5,146,896
Other comprehensive income for the period	6(19)	-	-	-	-	-	281,594	113,478	395,072	-	395,072
Total comprehensive income		-	-	-	-	5,146,829	281,594	113,478	5,541,901	67	5,541,968
Distribution of 2018 earnings											
Legal reserve	6(18)	-	-	435,077	-	( 435,077 )	-	-	-	-	-
Special reserve	6(18)	-	-	-	( 600,443 )	600,443	-	-	-	-	-
Cash dividends	6(18)	-	-	-	-	( 3,048,573 )	-	-	( 3,048,573 )	-	( 3,048,573 )
Cash from capital surplus	6(17)	-	( 508,095 )	-	-	-	-	-	( 508,095 )	-	( 508,095 )
Changes in equity of associates accounted for under equity method	6(17)	-	8,064	-	-	-	-	-	8,064	-	8,064
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(19)	-	-	-	-	( 41,212 )	-	41,212	-	-	-
Balance at September 30, 2019		\$ 5,080,955	\$ 2,736,628	\$ 4,902,176	\$ -	\$ 13,072,582	\$ 411,405	\$ 426,843	\$ 26,630,589	\$ 9,674	\$ 26,640,263
<b><u>Nine-month period ended September 30, 2020</u></b>											
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 period		-	-	-	-	6,168,245	-	-	6,168,245	33	6,168,278
Other comprehensive income (loss) for the period	6(19)	-	-	-	-	-	( 1,260,932 )	535,394	( 725,538 )	-	( 725,538 )
Total comprehensive income (loss)		-	-	-	-	6,168,245	( 1,260,932 )	535,394	5,442,707	33	5,442,740
Distribution of 2019 earnings											
Legal reserve		-	-	674,907	-	( 674,907 )	-	-	-	-	-
Special reserve	6(18)	-	-	-	217,036	( 217,036 )	-	-	-	-	-
Cash dividends	6(18)	-	-	-	-	( 4,596,164 )	-	-	( 4,596,164 )	-	( 4,596,164 )
Employees' compensation transferred to common shares	6(16)(17)	25,894	393,591	-	-	-	-	-	419,485	-	419,485
Cash from capital surplus	6(17)	-	( 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(17)	-	11,706	-	-	-	-	-	11,706	-	11,706
Cash dividends returned	6(17)	-	( 35 )	-	-	-	-	-	( 35 )	-	( 35 )
Balance at September 30, 2020		\$ 5,106,849	\$ 2,120,746	\$ 5,577,083	\$ 217,036	\$ 15,396,174	( \$ 2,023,075 )	\$ 1,080,501	\$ 27,475,314	\$ 9,649	\$ 27,484,963

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



REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)  
(The statements of cash flows are reviewed, not audited)

	Notes	Nine-month periods ended September 30	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 6,565,345	\$ 5,477,317
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(25)	616,190	516,581
Amortization	6(11)(25)	838,142	751,927
Expected credit losses	12(2)	31,971	23,267
Interest expense	6(24)	120,653	110,881
Interest income	6(21)	( 708,519 )	( 947,479 )
Dividend income	6(22)	( 24,877 )	( 30,150 )
Gain on financial assets at fair value through profit or loss	6(2)(23)	( 92,591 )	( 4,953 )
Share of loss of associates and joint ventures accounted for under equity method	6(7)	29,604	16,120
Loss on disposal of property, plant and equipment	6(23)	126	125
Gain on disposal of investments	6(23)	( 466 )	-
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		( 252,380 )	1,003,148
Accounts receivable, net		( 4,133,790 )	( 3,349,059 )
Accounts receivable, net - related parties		( 452,628 )	( 430,784 )
Other receivables		( 79,295 )	( 60,368 )
Inventories		( 574,013 )	( 2,020,499 )
Prepayments		( 18,272 )	( 129,248 )
Changes in operating liabilities			
Contract liabilities - current		212,311	( 39,843 )
Notes payable		25,927	( 4,063 )
Accounts payable		2,242,826	1,965,012
Accounts payable - related parties		19,667	91,856
Other payables		3,163,720	2,380,901
Other payables - related parties		( 1,407 )	8,030
Other current liabilities		1,511,241	1,529,596
Provisions - non-current		-	105,133
Accrued pension obligations		( 2,845 )	( 1,850 )

(Continued)

**REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The statements of cash flows are reviewed, not audited)

	Notes	Nine-month periods ended September 30	
		2020	2019
Cash inflow generated from operations		\$ 9,036,640	\$ 6,962,124
Receipt of interest		1,192,236	976,026
Receipt of dividend		24,877	30,150
Interest paid		( 126,196 )	( 98,929 )
Income tax paid		( 325,984 )	( 225,162 )
Net cash flows from operating activities		<u>9,801,573</u>	<u>7,644,209</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at amortised cost		( 42,274,169 )	( 40,564,403 )
Proceeds from disposal of financial assets at amortised cost		39,678,590	31,828,528
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(29)	( 1,350,374 )	( 593,605 )
Acquisition of intangible assets	6(29)	( 778,772 )	( 1,200,555 )
Increase in refundable deposits		( 19,073 )	( 1,666 )
Decrease (increase) in other non-current assets		29,773	( 303,494 )
Net cash flows used in investing activities		<u>( 4,692,875 )</u>	<u>( 10,816,348 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings		165,554,217	96,069,590
Decrease in short-term borrowings		( 170,958,419 )	( 92,695,901 )
Repayment of principal portion of lease liabilities	6(30)	( 66,952 )	( 69,181 )
Guarantee deposits returned	6(30)	( 2,199 )	( 1,427 )
Net cash flows (used in) from financing activities		<u>( 5,473,353 )</u>	<u>3,303,081</u>
Effect of exchange rate		64,899	( 36,385 )
Net (decrease) increase in cash and cash equivalents		( 299,756 )	94,557
Cash and cash equivalents at beginning of period		5,727,911	4,309,651
Cash and cash equivalents at end of period		<u>\$ 5,428,155</u>	<u>\$ 4,404,208</u>

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)  
(REVIEWED, NOT AUDITED)

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 reported to the Board of Directors on October 30, 2020.

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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 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
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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2019, except for the compliance statement, basis of preparation, basis of consolidation and interim financial statements apply as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

##### (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 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 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:

Basis for preparation of the consolidated financial statements as of September 30, 2020 is consistent with the 2019 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Realtek Semiconductor Corporation	Leading Enterprises Limited	Investment holdings	100%	100%	100%	
Realtek Semiconductor Corporation	Amber Universal Inc.	"	100%	100%	100%	
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	89%	89%	89%	
Realtek Semiconductor Corporation	Bluocean Inc.	Investment holdings	100%	100%	100%	
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	"	100%	100%	100%	
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	"	100%	100%	100%	
Realtek Semiconductor Corporation	Realsun Investment Co., Ltd.	"	100%	100%	100%	Note 1
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	"	100%	100%	100%	Note 1
Realtek Semiconductor Corporation	Realking Investments Limited	"	100%	100%	100%	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Realtek Semiconductor Corporation	Realsun Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	100%	100%	100%	Note 1
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%	67%	Note 1
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	ICs design, sales and consultancy	100%	100%	100%	Note 1
Leading Enterprises Limited	Circon Universal Inc.	Investment holdings	100%	100%	100%	Note 1
Leading Enterprises Limited	Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	11%	11%	11%	
Amber Universal Inc.	Realtek Semiconductor (HK) Limited	Information services and technical support	100%	100%	100%	Note 1
Amber Universal Inc.	Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	100%	100%	100%	Note 1
Empsonic Enterprises Inc.	Realsil Microelectronics Corp.	"	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Cortina Access Inc.	R&D and information services	100%	100%	100%	Note 1

Ownership (%)

Name of investor	Name of subsidiary	Main business activities	September 30, 2020	December 31, 2019	September 30, 2019	Description
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	R&D and technical support	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	"	100%	100%	100%	Note 1
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	R&D and information services	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Investment holdings	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	R&D and technical support	100%	100%	100%	Note 1
Realtek Singapore Private Limited	RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	19%	29%	29%	Note 1
Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	"	81%	71%	71%	Note 1
Bluocean Inc.	Realtek Semiconductor (Malaysia) SDN. BHD.	R&D and technical support	100%	-	-	Note 1 & Note 2
Realsil Microelectronics Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	80%	-	-	Note 1 & Note 3
Realtek Semiconductor (Shen Zhen) Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	"	20%	-	-	Note 1 & Note 3



Note 1: The financial statements of the entity as of and for the nine-month periods ended September 30, 2020 and 2019 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 2: Realtek Semiconductor (Malaysia) SDN. BHD. was incorporated and registered on June 10, 2020.

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

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) Employee benefits

Pensions - Defined benefit plan

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There have been no significant changes as of September 30, 2020. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 902	\$ 841	\$ 853
Checking accounts and demand deposits	5,111,442	4,221,046	4,345,273
Time deposits	315,811	1,506,024	58,082
	<u>\$ 5,428,155</u>	<u>\$ 5,727,911</u>	<u>\$ 4,404,208</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>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 160,808	\$ 69,001	\$ 68,416
Beneficiary certificates	258,175	5,011	258,460
	<u>\$ 418,983</u>	<u>\$ 74,012</u>	<u>\$ 326,876</u>

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

	<u>For the three-month period ended September 30, 2020</u>	<u>For the three-month period ended September 30, 2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 48,340	\$ 1,949
Beneficiary certificates	182	2,194
	<u>\$ 48,522</u>	<u>\$ 4,143</u>
	<u>For the nine-month period ended September 30, 2020</u>	<u>For the nine-month period ended September 30, 2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 91,807	(\$ 1,364)
Beneficiary certificates	784	6,317
	<u>\$ 92,591</u>	<u>\$ 4,953</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

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 480,011	\$ 492,258	\$ 464,127
Emerging stocks	12,964	13,357	13,007
Unlisted stocks	1,854,628	1,353,863	1,296,924
	<u>\$ 2,347,603</u>	<u>\$ 1,859,478</u>	<u>\$ 1,774,058</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 \$2,347,603, \$1,859,478 and \$1,774,058 on September 30, 2020, December 31, 2019 and September 30, 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:

	<u>For the three-month period ended September 30, 2020</u>	<u>For the three-month period ended September 30, 2019</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ <u>467,658</u>	\$ <u>52,009</u>
Cumulative losses reclassified to retained earnings due to derecognition	\$ <u>-</u>	\$ <u>41,212</u>
	<u>For the nine-month period ended September 30, 2020</u>	<u>For the nine-month period ended September 30, 2019</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ <u>525,515</u>	\$ <u>109,761</u>
Cumulative losses reclassified to retained earnings due to derecognition	\$ <u>-</u>	\$ <u>41,212</u>

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

(4) Financial assets at amortised cost

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Time deposits	\$ <u>40,815,495</u>	\$ <u>39,558,054</u>	\$ <u>40,258,529</u>
Non-current items:			
Time deposits	\$ <u>79,485</u>	\$ <u>69,477</u>	\$ <u>66,434</u>

- 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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable	\$ 12,455,011	\$ 8,321,221	\$ 9,055,733
Accounts receivable - related parties	2,661,742	2,209,114	2,222,043
Less: Allowance for bad debts	( 111,578)	( 79,607)	( 81,542)
	<u>\$ 15,005,175</u>	<u>\$ 10,450,728</u>	<u>\$ 11,196,234</u>

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Not past due	\$ 14,703,751	\$ 10,153,312	\$ 10,849,129
Up to 30 days	262,659	376,366	418,570
31 to 90 days	149,925	1	9,415
Over 90 days	418	656	662
	<u>\$ 15,116,753</u>	<u>\$ 10,530,335</u>	<u>\$ 11,277,776</u>

The above aging analysis is based on past due date.

B. As of September 30, 2020, December 31, 2019 and September 30, 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

	<u>September 30, 2020</u>		
	<u>Cost</u>	<u>Allowance for obsolescence and market value decline</u>	<u>Book value</u>
Raw materials	\$ 894,675	(\$ 31,356)	\$ 863,319
Work in process	6,144,004	( 646,893)	5,497,111
Finished goods	2,382,325	( 777,207)	1,605,118
	<u>\$ 9,421,004</u>	<u>(\$ 1,455,456)</u>	<u>\$ 7,965,548</u>
	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for obsolescence and market value decline</u>	<u>Book value</u>
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>

	September 30, 2019		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 829,997	(\$ 22,572)	\$ 807,425
Work in process	5,010,378	( 399,868)	4,610,510
Finished goods	3,030,018	( 547,646)	2,482,372
	<u>\$ 8,870,393</u>	<u>(\$ 970,086)</u>	<u>\$ 7,900,307</u>

Operating costs incurred on inventories for the three-month and nine-month periods ended September 30, 2020 and 2019 were as follows:

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
	Cost of inventories sold and others	\$ 12,953,264
Loss on market value decline and obsolete and slow-moving inventories	164,683	68,868
Loss on scrap inventory	24,750	22,294
	<u>\$ 13,142,697</u>	<u>\$ 9,163,586</u>
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Cost of inventories sold and others	\$ 31,257,966	\$ 24,474,983
Loss on market value decline and obsolete and slow-moving inventories	621,453	292,877
Loss on scrap inventory	45,559	34,879
	<u>\$ 31,924,978</u>	<u>\$ 24,802,739</u>

(7) Investments accounted for under equity method

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Technology Partner V Venture Capital Corporation	\$ 255	\$ 22,247	\$ 24,926
5V Technologies, Taiwan Ltd.	-	-	7,466
Estinet Technologies Incorporation	9,245	3,701	40,764
Innorich Venture Capital Corp.	147,672	160,024	161,253
	<u>\$ 157,172</u>	<u>\$ 185,972</u>	<u>\$ 234,409</u>

A. The loss on investments accounted for under equity method amounted to \$8,129, \$3,808, \$29,604 and \$16,120 for the three-month and nine-month periods ended September 30, 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 September 30, 2020.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 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	158,076	97,457	600,732	35,705	170,926	1,450,176
Disposals	-	( 2)	-	-	( 123)	( 1)	( 126)
Reclassifications	-	-	-	1,712	-	( 1,712)	-
Depreciation	-	( 80,966)	( 68,168)	( 302,951)	( 23,734)	( 58,000)	( 533,819)
Net exchange difference	-	( 922)	1,851	( 2,011)	( 1,204)	( 683)	( 2,969)
Closing net book amount	<u>\$ 387,280</u>	<u>\$ 1,992,993</u>	<u>\$ 400,836</u>	<u>\$ 1,111,147</u>	<u>\$ 114,645</u>	<u>\$ 352,523</u>	<u>\$ 4,359,424</u>
<u>At September 30, 2020</u>							
Cost	\$ 387,280	\$ 3,373,683	\$ 3,822,259	\$ 3,195,584	\$ 313,732	\$ 1,011,115	\$ 12,103,653
Accumulated depreciation and impairment	-	( 1,380,690)	( 3,421,423)	( 2,084,437)	( 199,087)	( 658,592)	( 7,744,229)
	<u>\$ 387,280</u>	<u>\$ 1,992,993</u>	<u>\$ 400,836</u>	<u>\$ 1,111,147</u>	<u>\$ 114,645</u>	<u>\$ 352,523</u>	<u>\$ 4,359,424</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	\$ -	\$ 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	-	-	100,238	358,035	40,947	63,529	562,749
Disposals	-	( 18)	-	( 8)	( 97)	( 2)	( 125)
Reclassifications	-	-	27,167	-	-	( 27,167)	-
Depreciation	-	( 93,154)	( 55,597)	( 234,067)	( 19,650)	( 45,918)	( 448,386)
Net exchange difference	-	( 8,397)	2,272	( 3,980)	( 149)	751	( 9,503)
Closing net book amount	<u>\$ -</u>	<u>\$ 1,946,652</u>	<u>\$ 343,941</u>	<u>\$ 831,637</u>	<u>\$ 101,511</u>	<u>\$ 197,572</u>	<u>\$ 3,421,313</u>
<u>At September 30, 2019</u>							
Cost	\$ -	\$ 3,228,393	\$ 3,856,726	\$ 2,569,760	\$ 271,495	\$ 788,981	\$ 10,715,355
Accumulated depreciation and impairment	-	( 1,281,741)	( 3,512,785)	( 1,738,123)	( 169,984)	( 591,409)	( 7,294,042)
	<u>\$ -</u>	<u>\$ 1,946,652</u>	<u>\$ 343,941</u>	<u>\$ 831,637</u>	<u>\$ 101,511</u>	<u>\$ 197,572</u>	<u>\$ 3,421,313</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		
	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 1,404,707	\$ 1,082,850	\$ 703,744
Buildings	266,973	320,395	340,224
	<u>\$ 1,671,680</u>	<u>\$ 1,403,245</u>	<u>\$ 1,043,968</u>

	Depreciation	
	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
	Land	\$ 6,842
Buildings	20,266	19,196
	<u>\$ 27,108</u>	<u>\$ 23,940</u>

	Depreciation	
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
	Land	\$ 19,984
Buildings	59,544	50,941
	<u>\$ 79,528</u>	<u>\$ 65,180</u>

C. For the three-month and nine-month periods ended September 30, 2020 and 2019, the additions to right-of-use assets were \$4,183, \$40,907, \$347,619 and \$40,907, respectively.

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

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
	<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	<u>\$ 7,599</u>	<u>\$ 5,940</u>
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
	<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	<u>\$ 21,430</u>	<u>\$ 17,565</u>

E. For the three-month and nine-month periods ended September 30, 2020 and 2019, the Group's total cash outflow for leases were \$31,275, \$24,457, \$88,382 and \$70,098, 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	( 2,843)	( 3,015)
Net exchange difference	( 519)	( 1,312)
Closing net book amount	<u>\$ 45,774</u>	<u>\$ 50,541</u>
<u>At September 30</u>		
Cost	\$ 79,955	\$ 81,517
Accumulated depreciation and impairment	( 34,181)	( 30,976)
	<u>\$ 45,774</u>	<u>\$ 50,541</u>

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

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
	Rental income from the lease of the investment property	<u>\$ 280</u>
Operating expenses arising from the investment property that generated rental income during the period	<u>\$ 946</u>	<u>\$ 987</u>
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Rental income from the lease of the investment property	<u>\$ 841</u>	<u>\$ 1,206</u>
Operating expenses arising from the investment property that generated rental income during the period	<u>\$ 2,843</u>	<u>\$ 3,015</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 September 30, 2020, December 31, 2019 and September 30, 2019, the fair value was \$128,220, \$134,439 and \$135,999, respectively.



(11) Intangible assets

	<u>Computer software</u>	<u>Intellectual property</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
<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	743,517	335,647	-	-	1,079,164
Reclassifications	538	-	-	( 570)	( 32)
Amortisation	( 495,840)	( 320,287)	-	( 22,015)	( 838,142)
Net exchange difference	( 41)	1,172	( 4,787)	( 2,005)	( 5,661)
Closing net book amount	<u>\$ 1,024,394</u>	<u>\$ 966,925</u>	<u>\$ 142,230</u>	<u>\$ 54,740</u>	<u>\$ 2,188,289</u>
<u>At September 30, 2020</u>					
Cost	\$ 4,825,132	\$ 4,834,646	\$ 640,937	\$ 281,145	\$ 10,581,860
Accumulated amortisation and impairment	( 3,800,738)	( 3,867,721)	( 498,707)	( 226,405)	( 8,393,571)
	<u>\$ 1,024,394</u>	<u>\$ 966,925</u>	<u>\$ 142,230</u>	<u>\$ 54,740</u>	<u>\$ 2,188,289</u>
	<u>Computer software</u>	<u>Intellectual property</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
<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	831,751	557,483	-	604	1,389,838
Transfers	1,800	-	-	( 2,326)	( 526)
Amortisation	( 420,920)	( 296,491)	-	( 34,516)	( 751,927)
Net exchange difference	-	( 1,820)	3,018	1,263	2,461
Closing net book amount	<u>\$ 908,345</u>	<u>\$ 1,021,336</u>	<u>\$ 303,175</u>	<u>\$ 93,239</u>	<u>\$ 2,326,095</u>
<u>At September 30, 2019</u>					
Cost	\$ 4,068,266	\$ 4,464,159	\$ 653,796	\$ 300,141	\$ 9,486,362
Accumulated amortisation and impairment	( 3,159,921)	( 3,442,823)	( 350,621)	( 206,902)	( 7,160,267)
	<u>\$ 908,345</u>	<u>\$ 1,021,336</u>	<u>\$ 303,175</u>	<u>\$ 93,239</u>	<u>\$ 2,326,095</u>

Details of amortisation on intangible assets are as follows:

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Operating costs	\$ 1,018	\$ 904
Operating expenses	<u>287,895</u>	<u>273,827</u>
	<u>\$ 288,913</u>	<u>\$ 274,731</u>
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Operating costs	\$ 5,422	\$ 2,964
Operating expenses	<u>832,720</u>	<u>748,963</u>
	<u>\$ 838,142</u>	<u>\$ 751,927</u>

(12) Short-term borrowings

Type of borrowings	September 30, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 13,550,080</u>	0.48%~0.69%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 18,966,042</u>	0.71%~2.64%	None
Type of borrowings	September 30, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 17,900,000</u>	0.60%~0.79%	None

Interest expense recognized in profit or loss amounted to \$25,919, \$35,132, \$99,223 and \$93,316 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

(13) Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Accrued salaries	\$ 5,109,201	\$ 4,041,988	\$ 4,212,593
Payable for dividends and cash from capital surplus	5,617,534	-	3,556,668
Payable for employees' compensation	5,368,937	3,978,638	3,243,726
Other accrued expenses	1,876,600	1,715,223	1,417,455
Payables on equipment	213,152	113,350	79,545
Payables on software and intellectual property	1,025,737	725,345	873,721
Others	291,546	171,624	288,073
	<u>\$ 19,502,707</u>	<u>\$ 10,746,168</u>	<u>\$ 13,671,781</u>

(14) Pension

- A. (a) The Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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 and its domestic subsidiaries 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 and its domestic subsidiaries will make contributions for the deficit by next March.
- (b) The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2020 and 2019 were \$553, \$882, \$1,657 and \$2,648, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to \$6,000.
- B. (a) Effective July 1, 2005, the Company and its 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 three-month and nine-month periods ended September 30, 2020 and 2019 were \$73,444, \$65,677, \$213,493 and \$190,479, respectively.

(15) Provision

	2020	2019
At January 1	\$ 1,075,809	\$ 999,868
Changes in provision	-	105,133
Effect of exchange rate	( 35,020)	4,255
At September 30	<u>\$ 1,040,789</u>	<u>\$ 1,109,256</u>

As of September 30, 2020, provisions were estimated for possible infringement litigations.

(16) Share capital

- A. As of September 30, 2020, the Company's authorised capital was \$8,900,000, consisting of 890 million shares of ordinary stock (including 80 million thousand 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. The beginning balance and closing balance of the number of the Company's ordinary shares outstanding of the period remain the same as in previous two periods.

	Unit : Thousands of shares	
	2020	2019
At January 1	508,095	508,095
Employees' compensation transferred to common shares	2,589	-
At September 30	<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 September 30, 2020, the outstanding GDRs were 332 thousand units, or 1,326 thousand shares of common stock, representing 0.26% of the Company's total common stocks.

(17) 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
Cash from capital surplus	( 1,021,370)	-	-	( 1,021,370)
Change in associates accounted for under equity method	-	11,706	-	11,706
Cash dividends returned	-	-	( 35)	( 35)
At September 30	<u>\$ 2,060,376</u>	<u>\$ 59,978</u>	<u>\$ 392</u>	<u>\$ 2,120,746</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)
At September 30	<u>\$ 2,688,155</u>	<u>\$ 48,272</u>	<u>\$ 201</u>	<u>\$ 2,736,628</u>

(18) 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	<u>4,596,164</u>	<u>9.00</u>	<u>3,048,573</u>	<u>6.00</u>
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.

(19) Other equity items

	2020		
	<u>Unrealised gains on valuation</u>	<u>Currency translation difference</u>	<u>Total</u>
At January 1	\$ 545,107	(\$ 762,143)	(\$ 217,036)
Revaluation:			
–Group	525,515	-	525,515
–Associates	9,879	-	9,879
Currency translation differences:			
–Group	-	( 1,260,932)	( 1,260,932)
At September 30	<u>\$ 1,080,501</u>	<u>(\$ 2,023,075)</u>	<u>(\$ 942,574)</u>
	2019		
	<u>Unrealised gains on valuation</u>	<u>Currency translation difference</u>	<u>Total</u>
At January 1	\$ 272,153	\$ 129,811	\$ 401,964
Revaluation:			
–Group	109,761	-	109,761
–Associates	3,717	-	3,717
Reclassified to retained earnings	41,212	-	41,212
Currency translation differences:			
–Group	-	281,594	281,594
At September 30	<u>\$ 426,843</u>	<u>\$ 411,405</u>	<u>\$ 838,248</u>

(20) Operating revenue

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Revenue from contracts with customers	<u>\$ 22,408,776</u>	<u>\$ 16,043,111</u>
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Revenue from contracts with customers	<u>\$ 55,674,973</u>	<u>\$ 44,059,307</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:

	Integrated		
<u>For the three-month period ended September 30, 2020</u>	<u>circuit products</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 22,324,814	\$ 83,962	\$ 22,408,776
Timing of revenue recognition			
At a point in time	<u>\$ 22,324,814</u>	<u>\$ 83,962</u>	<u>\$ 22,408,776</u>
	Integrated		
<u>For the nine-month period ended September 30, 2020</u>	<u>circuit products</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 55,531,740	\$ 143,233	\$ 55,674,973
Timing of revenue recognition			
At a point in time	<u>\$ 55,531,740</u>	<u>\$ 143,233</u>	<u>\$ 55,674,973</u>
	Integrated		
<u>For the three-month period ended September 30, 2019</u>	<u>circuit products</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 16,012,869	\$ 30,242	\$ 16,043,111
Timing of revenue recognition			
At a point in time	<u>\$ 16,012,869</u>	<u>\$ 30,242</u>	<u>\$ 16,043,111</u>
	Integrated		
<u>For the nine-month period ended September 30, 2019</u>	<u>circuit products</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 43,963,093	\$ 96,214	\$ 44,059,307
Timing of revenue recognition			
At a point in time	<u>\$ 43,963,093</u>	<u>\$ 96,214</u>	<u>\$ 44,059,307</u>

B. Contract liabilities

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Contract liabilities –			
advance sales receipts	<u>\$ 317,285</u>	<u>\$ 104,974</u>	<u>\$ 109,237</u>

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

	For the three-month period ended	For the three-month period ended
	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Contract liabilities – advance sales receipts	<u>\$ -</u>	<u>\$ 1,345</u>
	For the nine-month period ended	For the nine-month period ended
	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Contract liabilities – advance sales receipts	<u>\$ 98,318</u>	<u>\$ 137,702</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>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Refund liabilities – current	\$ 6,867,600	\$ 5,368,247	\$ 5,236,443

(21) Interest income

	<u>For the three-month period ended September 30, 2020</u>	<u>For the three-month period ended September 30, 2019</u>
Interest income from bank deposits	\$ 159,156	\$ 335,206
	<u>For the nine-month period ended September 30, 2020</u>	<u>For the nine-month period ended September 30, 2019</u>
Interest income from bank deposits	\$ 708,519	\$ 947,479

(22) Other income

	<u>For the three-month period ended September 30, 2020</u>	<u>For the three-month period ended September 30, 2019</u>
Dividend income	\$ 24,877	\$ 29,767
Other income	54,569	17,637
	<u>\$ 79,446</u>	<u>\$ 47,404</u>
	<u>For the nine-month period ended September 30, 2020</u>	<u>For the nine-month period ended September 30, 2019</u>
Dividend income	\$ 24,877	\$ 30,150
Other income	101,362	49,861
	<u>\$ 126,239</u>	<u>\$ 80,011</u>

(23) Other gains and losses

	<u>For the three-month period ended September 30, 2020</u>	<u>For the three-month period ended September 30, 2019</u>
Losses on disposal of property, plant and equipment	(\$ 41)	(\$ 28)
Net currency exchange (losses) gains	( 147,161)	33,382
Gains on financial assets at fair value through profit or loss	48,522	4,143
Other income (losses)	1,656	( 854)
	<u>(\$ 97,024)</u>	<u>\$ 36,643</u>

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Losses on disposal of property, plant and equipment	(\$ 126)	(\$ 125)
Gains on disposal of investments	466	-
Net currency exchange (losses) gains	( 201,940)	34,150
Gains on financial assets at fair value through profit or loss	92,591	4,953
Other income (losses)	1,812	( 2,931)
	<u>(\$ 107,197)</u>	<u>\$ 36,047</u>

(24) Finance costs

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Interest expense		
Bank borrowings	\$ 25,919	\$ 35,132
Lease liabilities	7,599	5,940
	<u>\$ 33,518</u>	<u>\$ 41,072</u>

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Interest expense		
Bank borrowings	\$ 99,223	\$ 93,316
Lease liabilities	21,430	17,565
	<u>\$ 120,653</u>	<u>\$ 110,881</u>

(25) Expenses by nature

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Employee benefit expenses	\$ 4,690,550	\$ 3,594,483
Depreciation	\$ 213,981	\$ 181,782
Amortisation	\$ 288,913	\$ 274,731

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Employee benefit expenses	\$ 12,446,849	\$ 10,111,374
Depreciation	\$ 616,190	\$ 516,581
Amortisation	\$ 838,142	\$ 751,927

(26) Employee benefit expenses

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Wages and salaries	\$ 4,448,085	\$ 3,387,022
Labor and health insurance fees	117,581	104,695
Pension costs	73,997	66,559
Other personnel expenses	50,887	36,207
Total	<u>\$ 4,690,550</u>	<u>\$ 3,594,483</u>

  

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Wages and salaries	\$ 11,728,608	\$ 9,501,379
Labor and health insurance fees	362,688	321,357
Pension costs	215,150	193,127
Other personnel expenses	140,403	95,511
Total	<u>\$ 12,446,849</u>	<u>\$ 10,111,374</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 over two-thirds of the total number of directors. The resolution should be reported to the shareholders during the shareholders' meeting.

B. For the three-month and nine-month periods ended September 30, 2020 and 2019, employees' compensation was accrued at \$735,906, \$508,252, \$1,809,783 and \$1,359,523, respectively; directors' remuneration was accrued at \$18,408, \$33,884, \$90,000 and \$90,635, respectively. The amounts were estimated as operating cost or operating expense in accordance with the Company's Articles of Association.

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.

(27) Income tax

A. Income tax expense

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Current income tax:		
Current income tax on profit for the period	\$ 159,155	\$ 124,973
Prior year income tax overestimation	1,983	-
Total current income tax	<u>161,138</u>	<u>124,973</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 628)	( 604)
Income tax expense	<u>\$ 160,510</u>	<u>\$ 124,369</u>
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Current income tax:		
Current income tax on profit for the period	\$ 458,660	\$ 279,570
Tax on undistributed surplus earnings	63,048	74,745
Prior year income tax overestimation	( 121,055)	( 19,067)
Total current income tax	<u>400,653</u>	<u>335,248</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 3,586)	( 4,827)
Income tax expense	<u>\$ 397,067</u>	<u>\$ 330,421</u>

B. As of September 30, 2020, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	<u>For the three-month period ended September 30, 2020</u>		
	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	\$ 2,509,330	510,684	\$ 4.91
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,509,330	510,684	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,997	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,509,330	512,681	\$ 4.89
	<u>For the three-month period ended September 30, 2019</u>		
	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	\$ 1,922,421	508,095	\$ 3.78
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,922,421	508,095	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,210	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,922,421	510,305	\$ 3.77

	<u>For the nine-month period ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 6,168,245</u>	<u>509,938</u>	<u>\$ 12.10</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,168,245	509,938	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>8,644</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 6,168,245</u>	<u>518,582</u>	<u>\$ 11.89</u>
	<u>For the nine-month period ended September 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 5,146,829</u>	<u>508,095</u>	<u>\$ 10.13</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,146,829	508,095	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>5,911</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 5,146,829</u>	<u>514,006</u>	<u>\$ 10.01</u>

(29) Supplemental cash flow information

Investing activities with partial cash payments

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Purchase of property, plant and equipment	\$ 1,450,176	\$ 562,749
Add: Opening balance of payable on equipment	113,350	110,401
Less: Ending balance of payable on equipment	( 213,152)	( 79,545)
Cash paid during the period	<u>\$ 1,350,374</u>	<u>\$ 593,605</u>

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Purchase of intangible assets	\$ 1,079,164	\$ 1,389,838
Add: Opening balance of payable on software and intellectual property	725,345	684,438
Less: Ending balance of payable on software and intellectual property	( 1,025,737)	( 873,721)
Cash paid during the period	<u>\$ 778,772</u>	<u>\$ 1,200,555</u>

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Cash dividends declared	\$ 4,596,164	\$ 3,048,573
Cash from capital surplus	1,021,370	508,095
Ending balance of other payables (shown in other payables)	( 5,617,534)	( 3,556,668)
Cash paid during the period	<u>\$ -</u>	<u>\$ -</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Payable for dividends	Liabilities from financing activities-gross
At January 1, 2020	\$ 18,966,042	\$ 3,450	\$ 1,112,675	\$ -	\$ 20,082,167
Changes in cash flow from financing activities	( 5,404,202)	( 2,199)	( 66,952)	-	( 5,473,353)
Interest paid	-	-	( 21,430)	-	( 21,430)
Interest of lease liabilities	-	-	21,430	-	21,430
Impact of changes in foreign exchange	( 11,760)	-	3,090	-	( 8,670)
Changes in other non-cash items	-	-	347,619	5,617,534	5,965,153
At September 30, 2020	<u>\$ 13,550,080</u>	<u>\$ 1,251</u>	<u>\$ 1,396,432</u>	<u>\$ 5,617,534</u>	<u>\$ 20,565,297</u>

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Payable for dividends	Liabilities from financing activities-gross
At January 1, 2019	\$ 14,526,311	\$ 4,887	\$ 1,048,079	\$ -	\$ 15,579,277
Changes in cash flow from financing activities	3,373,689	( 1,427)	( 69,181)	-	3,303,081
Interest paid	-	-	( 917)	-	( 917)
Interest of lease liabilities	-	-	17,565	-	17,565
Impact of changes in foreign exchange	-	-	39,586	-	39,586
Changes in other non-cash items	-	-	-	3,556,668	3,556,668
At September 30, 2019	<u>\$ 17,900,000</u>	<u>\$ 3,460</u>	<u>\$ 1,035,132</u>	<u>\$ 3,556,668</u>	<u>\$ 22,495,260</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent and ultimate controlling party

The ultimate controlling party of the Group is the Company.

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

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

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

#### A. Operating revenue

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Sales of goods:		
G.M.I Technology Inc.	\$ 3,140,146	\$ 2,918,303
Others	114,228	71,691
	<u>\$ 3,254,374</u>	<u>\$ 2,989,994</u>
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Sales of goods:		
G.M.I Technology Inc.	\$ 8,682,936	\$ 7,961,576
Others	242,346	194,656
	<u>\$ 8,925,282</u>	<u>\$ 8,156,232</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

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Greatek Electronics Inc.	\$ 321,525	\$ 297,148
	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Greatek Electronics Inc.	\$ 925,392	\$ 1,005,042

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

C. Receivables from related parties

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable:			
G.M.I Technology Inc.	\$ 2,586,316	\$ 2,142,256	\$ 2,153,214
Other	59,694	54,461	55,915
	<u>\$ 2,646,010</u>	<u>\$ 2,196,717</u>	<u>\$ 2,209,129</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

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts payable:			
Greatek Electronics Inc.	\$ 349,181	\$ 329,514	\$ 303,881

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:

	For the nine-month period ended September 30, 2020		For the nine-month period ended September 30, 2019	
	Amount	Ending balance	Amount	Ending balance
Other related parties-				
Sales commissions	\$ 338,292	\$ 85,885	\$ 313,200	\$ 77,077
Cash dividends revenue	(\$ 14,380)	\$ -	(\$ 16,698)	\$ -
Technical royalty revenue	(\$ 3,573)	\$ -	(\$ 3,464)	\$ -
Other	\$ 712	\$ -	\$ 320	\$ -

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

(4) Key management compensation

	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
Salaries and other short-term employee benefits	\$ 13,541	\$ 13,820
Post-employment benefits	676	693
Total	<u>\$ 14,217</u>	<u>\$ 14,513</u>

  

	For the nine-month period ended September 30, 2020	For the nine-month period ended September 30, 2019
Salaries and other short-term employee benefits	\$ 82,017	\$ 68,662
Post-employment benefits	2,045	2,004
Total	<u>\$ 84,062</u>	<u>\$ 70,666</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purposes
	September 30, 2020	December 31, 2019	September 30, 2019	
Time deposits (shown in financial assets at amortised cost non-current)	\$ 30,578	\$ 34,307	\$ 30,288	Guarantee for customs duties for the importation of materials
"	48,907	35,170	36,146	Guarantee for leasing land and office
	<u>\$ 79,485</u>	<u>\$ 69,477</u>	<u>\$ 66,434</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

The Company acquired a property located in Zhongshan District, Taipei City from Huaku Development Co., Ltd. with the transaction amount of \$699,100. As of September 30, 2020, the unpaid payments amount to \$103,540.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

There have been no significant changes as of September 30, 2020. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2019.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 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	\$ 418,983	\$ 74,012	\$ 326,876
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 2,347,603	\$ 1,859,478	\$ 1,774,058
<u>Financial assets at amortised cost/</u>			
<u>Receivables</u>			
Cash and cash equivalents	\$ 5,428,155	\$ 5,727,911	\$ 4,404,208
Financial assets at amortised cost	40,894,980	39,627,531	40,324,963
Accounts receivable (including related parties)	15,005,175	10,450,728	11,196,234
Other receivables	364,277	768,699	689,011
Refundable deposits	51,457	32,384	30,239
	<u>\$ 61,744,044</u>	<u>\$ 56,607,253</u>	<u>\$ 56,644,655</u>
<u>Financial liabilities</u>			
<u>Financial liabilities at amortised cost</u>			
Short-term borrowings	\$ 13,550,080	\$ 18,966,042	\$ 17,900,000
Notes payable	29,203	3,276	4,594
Accounts payable (including related parties)	10,033,731	7,771,238	7,923,581
Other accounts payable (including related parties)	19,588,592	10,833,461	13,748,858
Guarantee deposits received	1,251	3,450	3,460
Other financial liabilities	6,867,600	5,368,247	5,236,443
	<u>\$ 50,070,457</u>	<u>\$ 42,945,714</u>	<u>\$ 44,816,936</u>
Lease liability	<u>\$ 1,396,432</u>	<u>\$ 1,112,675</u>	<u>\$ 1,035,132</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:

	September 30, 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	\$ 382,056	29.126	\$ 11,127,763
<u>Non-monetary items</u>			
USD:NTD	1,368,632	29.126	39,862,776
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	245,662	29.126	7,155,151

December 31, 2019			
	Foreign currency amount <u>(In thousands)</u>	<u>Exchange rate</u>	Book value (NTD) <u></u>
<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	220,816	30.106	6,647,887
September 30, 2019			
	Foreign currency amount <u>(In thousands)</u>	<u>Exchange rate</u>	Book value (NTD) <u></u>
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 354,544	31.042	\$ 11,005,761
<u>Non-monetary items</u>			
USD:NTD	1,341,501	31.042	41,642,868
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	183,621	31.042	5,699,955

The exchange (loss) gain including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2020 and 2019, amounted to (\$147,161), \$33,382, (\$201,940) and \$34,150, respectively.

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

<u>For the nine-month period ended September 30, 2020</u>			
<u>Sensitivity analysis</u>			
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 111,278	\$ -
CNY:USD	0%	3	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	398,628
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 71,552)	-

<u>For the nine-month period ended September 30, 2019</u>			
<u>Sensitivity analysis</u>			
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 110,058	\$ -
CNY:USD	1%	-	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	416,429
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	( 57,000)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2020 and 2019 would have increased/decreased by \$41,898 and \$32,688, 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 \$234,760 and \$177,406, 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 September 30, 2020, December 31, 2019 and September 30, 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 September 30, 2020</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	\$ 14,703,751	\$ 412,584	\$ 418	\$ 15,116,753
Loss allowance	\$ 107,034	\$ 4,126	\$ 418	\$ 111,578
	<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	\$ 10,153,312	\$ 376,367	\$ 656	\$ 10,530,335
Loss allowance	\$ 75,187	\$ 3,764	\$ 656	\$ 79,607
	<u>Not past due</u>	<u>1~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>At September 30, 2019</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	\$ 10,849,129	\$ 427,985	\$ 662	\$ 11,277,776
Loss allowance	\$ 77,735	\$ 3,145	\$ 662	\$ 81,542



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	31,971
At September 30	<u>\$ 111,578</u>
	<u>2019</u>
	<u>Loss allowance for accounts receivable</u>
At January 1	\$ 58,172
Provision for impairment loss	23,267
Effect of exchange rate	103
At September 30	<u>\$ 81,542</u>

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

	<u>September 30, 2020</u>			
		<u>Lifetime</u>		
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Total</u>
Financial assets at amortised cost	<u>\$ 40,894,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,894,980</u>
	<u>December 31, 2019</u>			
		<u>Lifetime</u>		
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Total</u>
Financial assets at amortised cost	<u>\$ 39,627,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,627,531</u>
	<u>September 30, 2019</u>			
		<u>Lifetime</u>		
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Total</u>
Financial assets at amortised cost	<u>\$ 40,324,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,324,963</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:

September 30, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 13,550,080	\$ -	\$ -
Notes payable	29,203	-	-
Accounts payable (including related parties)	10,033,731	-	-
Other payables (including related parties)	19,588,592	-	-
Lease liability	119,886	357,772	1,407,937
Guarantee deposits received	-	-	1,251
Other financial liabilities	6,867,600	-	-

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 18,966,042	\$ -	\$ -
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	-	-

Non-derivative financial liabilities:

September 30, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 17,900,000	\$ -	\$ -
Notes payable	4,594	-	-
Accounts payable (including related parties)	7,923,581	-	-
Other payables (including related parties)	13,748,858	-	-
Lease liabilities	106,470	363,525	859,277
Guarantee deposits received	-	-	3,460
Other financial liabilities	5,236,443	-	-

- 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:

September 30, 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	\$ 418,983	\$ -	\$ -	\$ 418,983
Financial assets at fair value through other comprehensive income				
Equity securities	<u>492,975</u>	<u>-</u>	<u>1,854,628</u>	<u>2,347,603</u>
Total	<u>\$ 911,958</u>	<u>\$ -</u>	<u>\$ 1,854,628</u>	<u>\$ 2,766,586</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	\$ 74,012	\$ -	\$ -	\$ 74,012
Financial assets at fair value through other comprehensive income				
Equity securities	<u>505,615</u>	<u>-</u>	<u>1,353,863</u>	<u>1,859,478</u>
Total	<u>\$ 579,627</u>	<u>\$ -</u>	<u>\$ 1,353,863</u>	<u>\$ 1,933,490</u>
September 30, 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	\$ 326,876	\$ -	\$ -	\$ 326,876
Financial assets at fair value through other comprehensive income				
Equity securities	<u>477,134</u>	<u>-</u>	<u>1,296,924</u>	<u>1,774,058</u>
Total	<u>\$ 804,010</u>	<u>\$ -</u>	<u>\$ 1,296,924</u>	<u>\$ 2,100,934</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 nine-month periods ended September 30, 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 nine-month periods ended September 30, 2020 and 2019:

	2020		2019	
	Non-derivative equity instrument		Non-derivative equity instrument	
At January 1	\$	1,353,863	\$	1,058,137
Gains recognized in other comprehensive income		500,765		238,787
At September 30	\$	1,854,628	\$	1,296,924

F. For the nine-month periods ended September 30, 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 September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 111,817	Market comparable companies	Price to book ratio multiple	3.17	The higher the multiple, the higher the fair value
"	22,282	Net asset value	Not applicable	-	Not applicable
Private equity fund investment	1,720,529	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 instrument:					
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

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 119,172	Market comparable companies	Price to book ratio multiple	2.90	The higher the multiple, the higher the fair value
"	28,000	The last transaction price of the non-active market	Not applicable	-	Not applicable
Private equity fund investment	1,149,752	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:

		September 30, 2020					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Change	Favourable Change	Unfavourable change	Favourable Change	Unfavourable change
Financial assets							
Equity instrument	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 1,408	(\$ 1,408)	
		December 31, 2019					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Input	Change	Favourable Change	Unfavourable change	Favourable Change	Unfavourable change
Financial assets							
Equity instrument	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 1,581	(\$ 1,581)	

		September 30, 2019				
		<u>Recognized in profit or loss</u>			<u>Recognized in other comprehensive income</u>	
		<u>Favourable</u>	<u>Unfavourable</u>	<u>Favourable</u>	<u>Unfavourable</u>	
		<u>Change</u>	<u>change</u>	<u>Change</u>	<u>change</u>	
	<u>Input</u>	<u>Change</u>				
Financial assets						
	Price to					
Equity instrument	book ratio multiple	± 1%	\$ -	\$ -	\$ 1,435	(\$ 1,435)

(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 September 30, 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 September 30, 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.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the nine-month period ended September 30, 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 nine- month period ended September 30, 2020 (Note 3)	Balance at September 30, 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	Realtek Singapore Private Limited	Other receivables-related parties	Y	\$ 873,780	\$ 873,780	\$ -	-	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 2,747,531	\$ 10,990,125	None
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables-related parties	Y	902,906	902,906	620,384	0.20	Short-term financing	-	Operations	-	None	-	2,747,531	10,990,125	None
0	Realtek Semiconductor Corporation	Bluocean Inc.	Other receivables-related parties	Y	1,747,560	1,747,560	1,671,832	0.20	Short-term financing	-	Operations	-	None	-	2,747,531	10,990,125	None
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	1,747,560	1,747,560	1,470,863	0.20	Short-term financing	-	Operations	-	None	-	2,747,531	10,990,125	None
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables-related parties	Y	1,747,560	1,747,560	567,957	0.20	Short-term financing	-	Operations	-	None	-	2,747,531	10,990,125	None
1	Leading Enterprises Limited	Bluocean Inc.	Other receivables-related parties	Y	1,747,560	1,747,560	1,738,240	0.20	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	None
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	5,825,200	5,825,200	4,829,487	0.20	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	None
2	Amber Universal Inc.	Bluocean Inc.	Other receivables-related parties	Y	1,456,300	1,456,300	1,186,885	0.20	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	None
3	Cortina Access, Inc.	Leading Enterprises Limited	Other receivables-related parties	Y	873,780	873,780	669,898	1.60	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	None

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the nine-month period ended September 30, 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 nine- month period ended September 30, 2020 (Note 3)	Balance at September 30, 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	\$ 2,912,600	\$ 2,912,600	\$ -	-	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 10,990,125	\$ 10,990,125	None
5	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	Other receivables- related parties	Y	873,780	873,780	-	-	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	None
6	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	Other receivables- related parties	Y	342,128	342,128	55,596	4.35	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	None
6	Realsil Microelectronics Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	Other receivables- related parties	Y	342,128	342,128	-	-	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	None
7	Cortina Network systems Shanghai Co., Ltd.	Realsil Microelectronics Corp.	Other receivables- related parties	Y	128,298	128,298	-	-	Short-term financing	-	Operations	-	None	-	10,990,125	10,990,125	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 nine-month period ended September 30, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	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 September 30, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 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
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	2	\$ 13,737,657	\$ 2,747,531	\$ 2,747,531	\$ -	\$ -	10%	\$ 13,737,657	Y	N	N	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	2	13,737,657	5,495,063	5,495,063	-	-	20%	13,737,657	Y	N	N	
0	Realtek Semiconductor Corporation	Realsil Microelectronics Corp.	2	13,737,657	824,259	824,259	-	-	3%	13,737,657	Y	N	Y	
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	2	13,737,657	824,259	824,259	-	-	3%	13,737,657	Y	N	Y	
1	Leading Enterprises Limited	Realsil Microelectronics Corp.	2	13,737,657	549,506	549,506	-	-	2%	13,737,657	N	N	Y	
2	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	2	13,737,657	549,506	549,506	-	-	2%	13,737,657	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)

September 30, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of September 30, 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	\$ 66,969	2.05%	\$ 66,969	
Realking Investment Limited	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	92,235	5.34%	92,235	
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	23,124,000	292,143	3.03%	292,143	
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	92,235	5.34%	92,235	
Leading Enterprises Limited	Fortemedia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8,623,301	94,341	6.89%	94,341	
Leading Enterprises Limited	Starix Technology, Inc.- Preferred stock	None	Financial assets at fair value through other comprehensive income	5,000,000	17,476	-	17,476	
Leading Enterprises Limited	Octtasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9,000,000	936,521	12.49%	936,521	
Amber Universal Inc.	Octtasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4,726,836	491,865	6.56%	491,865	
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336,346	9,603	-	9,603	
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	93,839	2.88%	93,839	
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	285,938	1.05%	285,938	
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	12,964	0.33%	12,964	
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	22,282	12.17%	22,282	
Realsil Microelectronics Corp.	Cuam Money Fund	None	Financial assets at fair value through profit or loss	10,000,000	42,766	-	42,766	
Realsil Microelectronics Corp.	Harvest Money Fund	None	Financial assets at fair value through profit or loss	5,365,452	22,946	-	22,946	
Realsil Microelectronics Corp.	Xin Chen Money Fund	None	Financial assets at fair value through profit or loss	10,012,711	42,819	-	42,819	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

September 30, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of September 30, 2020				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Realtek Semiconductor (Shen Zhen) Corp.	Tian Tianjin Stable Fund	None	Financial assets at fair value through profit or loss	5,891,560	\$ 25,196	-	\$ 25,196	
Realtek Semiconductor (Shen Zhen) Corp.	Tian Tianjin Aggressive Fund	None	Financial assets at fair value through profit or loss	12,803,840	54,757	-	54,757	
Realtek Semiconductor (Shen Zhen) Corp.	Cash Appreciation Currency Fund	None	Financial assets at fair value through profit or loss	6,181,241	26,435	-	26,435	
Cortina Network Systems Shanghai Co., Ltd.	Step by step Gold Fund	None	Financial assets at fair value through profit or loss	3,600,000	15,396	-	15,396	
Cortina Network Systems Shanghai Co., Ltd.	Tian Tianjin Stable Fund	None	Financial assets at fair value through profit or loss	6,514,903	27,860	-	27,860	
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 nine-month period ended September 30, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
						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				
Realtek Semiconductor Corporation	Property in Zhongshan District, Taipei City	April 1, 2020 (entered into the contract and paid the first payment)	\$699,100	Paid \$595,560 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

Table 4

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 nine-month period ended September 30, 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)	(\$ 5,136,453)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	\$ 1,497,720	10%	
Realtek Semiconductor Corporation	Actions Semiconductor Co., Ltd.	Other related parties	(Sales)	( 123,222)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	18,879	0%	
Realtek Semiconductor Corporation	C-Media Electronics Inc.	Other related parties	(Sales)	( 119,124)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	40,815	0%	
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	( 3,409,706)	(6%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	1,013,875	7%	
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	(Sales)	( 136,777)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	74,721	0%	
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	794,658	3%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 276,376)	3%	
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	130,734	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	( 72,805)	(0%)	

Table 5



REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 September 30, 2020

Table 6

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	\$ 1,497,720	5.13	\$ -	-	\$ 648,837	\$ 15,128
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	1,013,875	4.68	-	-	459,510	-

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
For the nine-month period ended September 30, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	1	Other receivables	\$ 47,386	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	1,376,797	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	2.47%
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Other payables	553,394	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.68%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Technical service fees	250,653	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.45%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Other payables	104,854	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 Access, Inc.	3	Technical service fees	142,644	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	33,630	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%
1	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	3	Technical service fees	73,925	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	48,089	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.06%

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the nine-month period ended September 30, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Technical service fees	\$ 72,552	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 Systems Taiwan Limited	3	Other payables	15,900	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	Realtek Semiconductor (Japan) Corp.	3	Technical service fees	48,558	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.09%
1	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	3	Other receivables	47,386	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 AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine-month period ended September 30, 2020	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Realtek Semiconductor Corporation	Leading Enterprises Limited	British Virgin Islands	Investment holdings	\$ 14,517,272	\$ 15,005,734	39,130	100%	\$ 11,608,201	\$ 526,985	\$ 526,985	Subsidiary
Realtek Semiconductor Corporation	Amber Universal Inc.	British Virgin Islands	Investment holdings	4,584,906	4,739,146	41,432	100%	3,391,955	24,626	24,626	Subsidiary
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	2,330,080	2,408,480	80,000,000	89.03%	13,373,424	3,782,418	3,380,226	Subsidiary
Realtek Semiconductor Corporation	Bluocean Inc.	Cayman Islands	Investment holdings	3,205,316	3,313,165	110,050,000	100%	3,437,190	72,828	72,828	Subsidiary
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Cayman Islands	Investment holdings	3,323,277	3,435,095	114,100,000	100%	2,313,357	( 192,491)	( 192,491)	Subsidiary
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	Singapore	Investment holdings	5,825,200	6,021,200	200,000,000	100%	6,388,174	107,913	107,913	Subsidiary
Realtek Semiconductor Corporation	Realsun Investments Co., Ltd.	Taiwan	Investment holdings	280,000	280,000	28,000,000	100%	417,222	5,065	5,065	Subsidiary
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Taiwan	Investment holdings	250,000	250,000	25,000,000	100%	502,196	71,032	71,032	Subsidiary
Realtek Semiconductor Corporation	Realking Investments Limited	Taiwan	Investment holdings	293,930	293,930	29,392,985	100%	267,920	( 7,222)	( 7,222)	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	Bobitag Inc.	Taiwan	Manufacturing and installation of computer equipment and wholesale, retail and related services of electronic materials and information/software	19,189	19,189	1,918,910	66.67%	19,299	100	67	Subsidiary
Realtek Semiconductor Corporation	Technology Partner V Venture Capital Corporation	Taiwan	Investment holdings	66,657	66,657	-	-	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	11.48%	9,245	( 44,181)	( 6,065)	Investments accounted for under equity method

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine-month period ended September 30, 2020	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
Realking Investments Limited	Innorich Venture Capital Corp.	Taiwan	Venture capital activities	\$ 200,000	\$ 200,000	20,000,000	37.38%	\$ 147,672	(\$ 32,943)	(\$ 12,351)	Investments accounted for under equity method
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	ICs deign,sales, and consultancy	5,516	5,542	400	100%	12,856	10,554	10,554	Sub-Subsidiary
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	Investment holdings	1,887,365	1,950,869	64,800,000	100%	7,895	10	10	Sub-Subsidiary
Leading Enterprises Limited	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	1,216,642	1,257,578	9,856,425	10.97%	1,649,448	3,782,418	414,897	Sub-Subsidiary
Amber Universal Inc.	Realtek Semiconductor (HK) Limited	Hong Kong	Information services and technical support	5,637	5,799	-	100%	1,106	( 21)	( 21)	Sub-Subsidiary
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	Investment holdings	822,810	850,495	2,825,000	100%	1,380,755	( 47,200)	( 47,200)	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Access Inc.	U.S.A	R&D and information services	1,189,681	1,229,710	16,892	100%	1,002,490	15,932	15,932	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	Taiwan	R&D and technical support	58,252	60,212	21,130,000	100%	62,828	750	750	Sub-Subsidiary
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	Vietnam	R&D and technical support	116,504	30,106	4,000,000	100%	98,216	( 12,146)	( 12,146)	Sub-Subsidiary
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	U.S.A	R&D and information services	1,456,300	1,204,240	50,000,000	100%	45,590	( 293,210)	( 293,210)	Sub-Subsidiary
Bluocean Inc.	Realtek Semiconductor (Malaysia) SDN. BHD.	Malaysia	R&D and technical support	73,244	-	10,450,000	100%	69,864	( 3,227)	( 3,227)	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 September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Net income of investee for the nine-month period ended September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for nine-month period ended September 30, 2020 (Note2)	Book value of investment in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Cortina Network Systems Shanghai Co., Ltd.	R&D and technical support	\$ 104,854	(2)	\$ 104,854	\$ -	\$ -	\$ 104,854	\$ 1,493	100%	\$ 1,493	\$ 98,737	\$ -	
Realsil Microelectronics Corp.	R&D and technical support	815,528	(2)	815,528	-	-	815,528	( 48,675)	100%	( 48,675)	1,231,216	-	
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	145,630	(2)	145,630	-	-	145,630	( 7,486)	100%	( 7,486)	243,826	-	
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	112,260	(2)	112,260	-	-	112,260	( 88,544)	100%	( 88,544)	( 4,410)	-	
Suzhou PanKore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	4,277	(2)	-	4,277	-	4,277	( 788)	100%	( 788)	3,487	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Investment amount approved by the 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.	\$ 104,854	\$ 104,854	\$ 16,485,188										
Realsil Microelectronics Corp.	815,528	815,528											
Realtek Semiconductor (Shan Zhen) Corp.	145,630	145,630											
RayMX Microelectronics Corp.	112,260	112,260											
Suzhou PanKore Integrated Circuit Technology Co. Ltd.	4,277	4,277											

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 nine-month period ended September 30, 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 September 30, 2020, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.