

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020
(Stock code: 2379)

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.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000205

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(11) of the parent company only financial statements for inventory valuation policies, Note 5(2) for uncertainty of accounting estimates and assumptions of inventory valuation and Note 6(3) for the details of inventories.

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for under equity method. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other auditors. Investments accounted for under equity method amounted to NT\$763,850 thousand and NT\$642,359 thousand, constituting 0.83% and 0.92% of total assets as of December 31, 2021 and 2020, respectively. Comprehensive income amounted to NT\$236,416 thousand and NT\$196,125 thousand, constituting 1.42% and 2.64% of total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

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

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

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

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

Cheng, Ya-Huei

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2022

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,874,335	3	\$ 4,630,448	7
1110	Financial assets at fair value through profit or loss - current		129,129	-	124,360	-
1170	Accounts receivable, net	6(2)	7,908,657	9	7,587,080	11
1180	Accounts receivable, net - related parties	6(2) and 7	1,809,669	2	1,810,900	2
1200	Other receivables		8,161	-	3,828	-
1210	Other receivables - related parties	7	7,534,133	8	685,224	1
130X	Inventories, net	6(3)	11,800,895	13	6,029,557	9
1410	Prepayments		486,118	-	376,511	-
11XX	Total current assets		<u>32,551,097</u>	<u>35</u>	<u>21,247,908</u>	<u>30</u>
Non-current assets						
1535	Financial assets at amortised cost - non-current	8	75,858	-	75,293	-
1550	Investments accounted for under equity method	6(4)	48,827,097	53	41,140,275	59
1600	Property, plant and equipment	6(5)	5,891,478	7	4,027,004	6
1755	Right-of-use assets	6(6)	1,357,716	2	1,390,104	2
1780	Intangible assets	6(7)	2,143,811	2	1,955,629	3
1840	Deferred income tax assets	6(23)	171,321	-	169,876	-
1900	Other non-current assets		719,802	1	34,805	-
15XX	Total non-current assets		<u>59,187,083</u>	<u>65</u>	<u>48,792,986</u>	<u>70</u>
1XXX	Total assets		<u>\$ 91,738,180</u>	<u>100</u>	<u>\$ 70,040,894</u>	<u>100</u>

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REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 13,342,100	15	\$ 11,456,690	16
2130	Contract liabilities - current	6(16)	84,259	-	163,080	-
2150	Notes payable		3,276	-	3,276	-
2170	Accounts payable		7,349,443	8	7,609,092	11
2180	Accounts payable - related parties	7	236,973	-	253,691	-
2200	Other payables	6(9)	22,905,637	25	13,403,670	19
2220	Other payables - related parties	7	63,954	-	60,784	-
2230	Current income tax liabilities		1,443,630	2	1,063,516	2
2280	Lease liabilities - current		26,419	-	35,944	-
2300	Other current liabilities	6(16)	5,044,464	5	5,240,048	8
21XX	Total current liabilities		<u>50,500,155</u>	<u>55</u>	<u>39,289,791</u>	<u>56</u>
Non-current liabilities						
2540	Long-term borrowings	6(10)	1,002,799	1	-	-
2570	Deferred income tax liabilities	6(23)	103,512	-	102,872	-
2580	Lease liabilities - non-current		1,078,976	2	1,089,030	2
2600	Other non-current liabilities	6(11)	110,087	-	100,120	-
25XX	Total non-current liabilities		<u>2,295,374</u>	<u>3</u>	<u>1,292,022</u>	<u>2</u>
2XXX	Total liabilities		<u>52,795,529</u>	<u>58</u>	<u>40,581,813</u>	<u>58</u>
Equity						
Share capital		6(12)				
3110	Common shares		5,106,849	5	5,106,849	7
Capital surplus		6(13)				
3200	Capital surplus		1,101,079	1	2,122,008	3
Retained earnings		6(14)				
3310	Legal reserve		5,577,083	6	5,577,083	8
3320	Special reserve		1,556,049	2	217,036	-
3350	Undistributed earnings		27,377,681	30	17,992,154	26
Other equity		6(15)				
3400	Other equity interest		(1,776,090)	(2)	(1,556,049)	(2)
3XXX	Total equity		<u>38,942,651</u>	<u>42</u>	<u>29,459,081</u>	<u>42</u>
Significant contingent liabilities and unrecognized contract commitments		9				
3X2X	Total liabilities and equity		<u>\$ 91,738,180</u>	<u>100</u>	<u>\$ 70,040,894</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

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

Items	Notes	Year ended December 31				
		2021		2020		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(16) and 7	\$ 68,352,652	100	\$ 56,426,751	100
5000	Operating costs	6(3) and 7	(35,369,895)	(52)	(33,889,501)	(60)
5900	Gross profit		32,982,757	48	22,537,250	40
5910	Unrealized profit from sales		-	-	(1,271)	-
5950	Net operating margin		32,982,757	48	22,535,979	40
	Operating expenses	6(21)(22) and 7				
6100	Selling expenses		(2,968,243)	(4)	(2,306,323)	(4)
6200	General and administrative expenses		(2,808,054)	(4)	(1,680,835)	(3)
6300	Research and development expenses		(23,003,371)	(34)	(15,250,126)	(27)
6450	Expected credit losses	12(2)	(3,350)	-	(15,753)	-
6000	Total operating expenses		(28,783,018)	(42)	(19,253,037)	(34)
6900	Operating income		4,199,739	6	3,282,942	6
	Non-operating income and expenses					
7100	Interest income	6(17)	27,803	-	52,103	-
7010	Other income	6(18) and 7	66,543	-	67,522	-
7020	Other gains and losses	6(19)	(205,702)	(1)	(12,797)	-
7050	Finance costs	6(20)	(94,875)	-	(137,127)	(1)
7070	Share of profit of associates and joint ventures accounted for under equity method	6(4)				
			13,564,251	20	6,100,834	11
7000	Total non-operating income and expenses		13,358,020	19	6,070,535	10
7900	Profit before income tax, net		17,557,759	25	9,353,477	16
7950	Income tax expense	6(23)	(705,000)	(1)	(560,000)	(1)
8200	Net income for the year		<u>\$ 16,852,759</u>	<u>24</u>	<u>\$ 8,793,477</u>	<u>15</u>
	Other comprehensive income, net					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans		\$ -	-	(\$ 29,252)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(15)				
			995,872	2	839,802	2
8310	Total other comprehensive income that will not be reclassified to profit or loss		995,872	2	810,550	2
	Components of other comprehensive (loss) income that will be reclassified to profit or loss					
8380	Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(15)	(1,215,913)	(2)	(2,178,815)	(4)
8300	Other comprehensive loss, net		<u>(\$ 220,041)</u>	<u>-</u>	<u>(\$ 1,368,265)</u>	<u>(2)</u>
8500	Total comprehensive income for the year		<u>\$ 16,632,718</u>	<u>24</u>	<u>\$ 7,425,212</u>	<u>13</u>
	Earnings Per Share (in dollars)	6(24)				
9750	Basic earnings per share		\$ 33.00		\$ 17.24	
9850	Diluted earnings per share	6(24)	\$ 32.38		\$ 16.93	

The accompanying notes are an integral part of these parent company only financial statements.

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other equity interest		Total equity	
		Common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations		Unrealised gains from financial assets measured at fair value through other comprehensive income
2020									
Balance at January 1, 2020		\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	(\$ 762,143)	\$ 545,107	\$ 27,218,985
Net income for the year		-	-	-	-	8,793,477	-	-	8,793,477
Other comprehensive income (loss)	6(11)(15)	-	-	-	-	(29,252)	(2,178,815)	839,802	(1,368,265)
Total comprehensive income (loss)		-	-	-	-	8,764,225	(2,178,815)	839,802	7,425,212
Distribution of 2019 earnings									
Legal reserve	6(14)	-	-	674,907	-	(674,907)	-	-	-
Special reserve	6(14)	-	-	-	217,036	(217,036)	-	-	-
Cash dividends	6(14)	-	-	-	-	(4,596,164)	-	-	(4,596,164)
Employees' compensation transferred to common shares	6(12)(13)	25,894	393,591	-	-	-	-	-	419,485
Cash from capital surplus	6(13)	-	(1,021,370)	-	-	-	-	-	(1,021,370)
Changes in equity of associates accounted for under equity method	6(13)	-	12,763	-	-	-	-	-	12,763
Cash dividends returned	6(13)	-	170	-	-	-	-	-	170
Balance at December 31, 2020		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958)	\$ 1,384,909	\$ 29,459,081
2021									
Balance at January 1, 2021		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958)	\$ 1,384,909	\$ 29,459,081
Net income for the year		-	-	-	-	16,852,759	-	-	16,852,759
Other comprehensive income (loss)	6(15)	-	-	-	-	-	(1,215,913)	995,872	(220,041)
Total comprehensive income (loss)		-	-	-	-	16,852,759	(1,215,913)	995,872	16,632,718
Distribution of 2020 earnings									
Special reserve	6(14)	-	-	-	1,339,013	(1,339,013)	-	-	-
Cash dividends	6(14)	-	-	-	-	(6,128,219)	-	-	(6,128,219)
Cash from capital surplus	6(13)	-	(1,021,370)	-	-	-	-	-	(1,021,370)
Changes in equity of associates accounted for under equity method	6(13)	-	226	-	-	-	-	-	226
Cash dividends returned	6(13)	-	215	-	-	-	-	-	215
Balance at December 31, 2021		\$ 5,106,849	\$ 1,101,079	\$ 5,577,083	\$ 1,556,049	\$ 27,377,681	(\$ 4,156,871)	\$ 2,380,781	\$ 38,942,651

The accompanying notes are an integral part of these parent company only financial statements.

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

	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 17,557,759	\$ 9,353,477
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(21)	833,678	694,924
Amortization	6(21)	1,272,531	1,098,919
Expected credit losses	12(2)	3,350	15,753
Interest expense	6(20)	94,875	137,127
Interest income	6(17)	(27,803)	(52,103)
Dividend income	6(18)	(1,434)	(411)
Gains on financial assets at fair value through profit or loss	6(19)	(47,244)	(95,624)
Share of gain of associates and joint ventures accounted for under equity method	6(4)	(13,564,251)	(6,100,834)
Gain on disposal of property, plant and equipment	6(19)	(200)	(1,700)
(Gains) losses on disposal of investments	6(19)	145	(466)
Unrealized profit from sales		-	1,271
Gains arising from lease modifications	6(19)	(236)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		42,475	-
Accounts receivable, net		(324,856)	(1,008,712)
Accounts receivable, net - related parties		1,160	(589,540)
Other receivables		(4,354)	11,442
Other receivables, - related parties		(16,956)	47,165
Inventories		(5,771,338)	(209,231)
Prepayments		(109,607)	(171,182)
Changes in operating liabilities			
Contract liabilities - current		(78,821)	95,227
Accounts payable		(259,649)	1,949,574
Accounts payable - related parties		(16,718)	(59,494)
Other payables		8,980,596	3,526,463
Other payables - related parties		3,170	5,094
Other current liabilities		(195,584)	1,408,188
Accrued pension obligations		(4,606)	(3,790)

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

	Notes	2021	2020
Cash inflow generated from operations		\$ 8,366,082	\$ 10,051,537
Interest received		27,824	57,250
Dividends received		5,670,493	5,631,893
Interest paid		(91,496)	(143,121)
Income taxes paid		(325,663)	(321,381)
Net cash flows from operating activities		<u>13,647,240</u>	<u>15,276,178</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(627)	(10,408)
Proceeds from disposal of financial assets at amortised cost		62	-
Increase in other receivables, - related parties		(10,323,895)	(7,787,942)
Decrease in other receivables, - related parties		3,500,242	12,785,206
Acquisition of investments accounted for under equity method		(20,000)	(3,515,687)
Proceeds from capital reduction of investee accounted for under equity method	6(4)	-	20,684
Proceeds from disposal of investments accounted for under equity method		110	466
Acquisition of property, plant and equipment	6(25)	(2,425,189)	(1,707,418)
Proceeds from disposal of property, plant and equipment		200	1,700
Acquisition of intangible assets	6(25)	(1,167,374)	(974,580)
Increase in refundable deposits		(684,997)	(18,639)
Decrease in other non-current assets		-	29,985
Net cash flows used in investing activities		<u>(11,121,468)</u>	<u>(1,176,633)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(26)	155,016,591	205,377,996
Decrease in short-term borrowings	6(26)	(153,131,181)	(212,526,076)
Increase in long-term borrowings	6(26)	1,017,360	-
Repayment of principal portion of lease liabilities	6(26)	(35,293)	(35,261)
Increase (decrease) in guarantee deposits		12	(2,220)
Cash from capital surplus and cash dividends		(7,149,589)	(5,617,534)
Cash dividends returned		215	170
Net cash flows used in financing activities		<u>(4,281,885)</u>	<u>(12,802,925)</u>
Net (decrease) increase in cash and cash equivalents		(1,756,113)	1,296,620
Cash and cash equivalents at beginning of year		4,630,448	3,333,828
Cash and cash equivalents at end of year		<u>\$ 2,874,335</u>	<u>\$ 4,630,448</u>

The accompanying notes are an integral part of these parent company only financial statements.

REALTEK SEMICONDUCTOR CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

<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 IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

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

- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

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

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

Otherwise they are classified as non-current assets.

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

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

Otherwise they are classified as non-current liabilities.

(5) Cash equivalents

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

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

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

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

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

(8) Accounts receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Investments accounted for under equity method / associates

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains or losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies

adopted by the Company.

- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the parent company only financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if

appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of the fixed assets are as follows: buildings - 10~55 years and other fixed assets - 3~5 years.

(14) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Fixed payments, less any lease incentives receivable.

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

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

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Intangible assets

A. Computer software

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

B. Other intangible assets

Separately acquired intangible assets with a finite useful life are stated at cost, net of accumulated amortisation and accumulated impairment. Intangible assets acquired in a business combination are recognized at fair value at acquisition date. The amortisation amounts of separately and parent company only acquired intangible assets were amortised on a straight-line basis over their estimated useful lives of 2-5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons

for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(17) Borrowings

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

(18) Notes and accounts payable

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

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

(19) Derecognition of financial liabilities

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pension

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension

liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

C. Employees' compensation and directors' remuneration

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

(21) Income tax

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

research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Share capital

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

(23) Dividends

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

(24) Revenue recognition

A. Sales of goods

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

B. Services revenue

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

(25) Government grants

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2021, the carrying amount of inventories was \$11,800,895.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 706	\$ 806
Checking accounts and demand deposits	<u>2,873,629</u>	<u>4,629,642</u>
	<u>\$ 2,874,335</u>	<u>\$ 4,630,448</u>

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

(2) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 7,989,004	\$ 7,664,148
Accounts receivable – related parties	1,828,032	1,829,192
Less: Allowance for bad debts	<u>(98,710)</u>	<u>(95,360)</u>
	<u>\$ 9,718,326</u>	<u>\$ 9,397,980</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 9,733,237	\$ 9,274,060
Up to 30 days	81,271	212,397
31 to 90 days	2,067	6,449
Over 90 days	461	434
	<u>\$ 9,817,036</u>	<u>\$ 9,493,340</u>

The above aging analysis is based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable arose from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$7,815,480.

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

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

(3) Inventories

	<u>December 31, 2021</u>		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 689,396	(\$ 5,657)	\$ 683,739
Work in process	6,256,802	(436,512)	5,820,290
Finished goods	5,637,324	(340,458)	5,296,866
Total	<u>\$ 12,583,522</u>	<u>(\$ 782,627)</u>	<u>\$ 11,800,895</u>
	<u>December 31, 2020</u>		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 843,416	(\$ 20,128)	\$ 823,288
Work in process	4,542,905	(598,262)	3,944,643
Finished goods	1,659,044	(397,418)	1,261,626
Total	<u>\$ 7,045,365</u>	<u>(\$ 1,015,808)</u>	<u>\$ 6,029,557</u>

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cost of inventories sold and others	\$ 35,229,040	\$ 33,389,503
(Gain on reversal of) loss on decline in market value, obsolete and slow-moving Inventory	(233,181)	292,451
Loss on scrap inventory	374,036	207,547
	<u>\$ 35,369,895</u>	<u>\$ 33,889,501</u>

(4) Investments accounted for under equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Leading Enterprises Limited	\$ 13,271,128	\$ 13,239,425
Amber Universal Inc.	3,495,793	3,367,376
Realtek Singapore Private Limited	18,474,782	11,149,584
Realtek Investment Singapore Private Limited	6,138,099	6,275,015
Talent Eagle Enterprise Inc.	2,190,704	2,162,386
Bluocean Inc.	3,281,950	3,369,936
Realsun Investments Co., Ltd.	880,497	619,510
Hung-wei Venture Capital Co., Ltd.	758,769	632,946
Realking Investments Co., Ltd.	285,893	290,236
Realsun Technology Corporation	5,074	5,118
Bobitag Inc.	19,347	19,330
AICONNX Technology Corporation	19,980	-
Associates:		
Technology Partner V Venture Capital Corporation	-	255
Estinet Technologies Incorporation	5,081	9,158
	<u>\$ 48,827,097</u>	<u>\$ 41,140,275</u>

- A. Details of the Company's subsidiaries are provided in Note 4(3) in the Company's 2021 consolidated financial statements.
- B. The gain on investments accounted for under equity method amounted to \$13,564,251 and \$6,100,834 for the years ended December 31, 2021 and 2020, respectively.
- C. The Company received the proceeds of \$20,684 from the capital reduction carried out by Technology Partner V Venture Capital Corporation in July 2020. The investee was dissolved on September 21, 2020 and the process of liquidation was completed as at July 20, 2021.
- D. AICONNX Technology Corporation was incorporated on December 20, 2021. The Company's investment in the investee amounted to \$20,000.

(5) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>							
Cost	\$ 387,280	\$ 2,758,801	\$ 3,800,466	\$ 2,904,416	\$ 278,569	\$ 1,034,223	\$ 11,163,755
Accumulated depreciation and impairment	-	(1,050,324)	(3,401,211)	(1,889,965)	(167,599)	(627,652)	(7,136,751)
	<u>\$ 387,280</u>	<u>\$ 1,708,477</u>	<u>\$ 399,255</u>	<u>\$ 1,014,451</u>	<u>\$ 110,970</u>	<u>\$ 406,571</u>	<u>\$ 4,027,004</u>
<u>2021</u>							
At January 1	\$ 387,280	\$ 1,708,477	\$ 399,255	\$ 1,014,451	\$ 110,970	\$ 406,571	\$ 4,027,004
Additions	-	14,108	353,207	612,924	155,783	1,514,004	2,650,026
Reclassifications	102,090	42,767	-	-	-	(144,857)	-
Depreciation	-	(82,851)	(123,845)	(445,699)	(42,666)	(90,491)	(785,552)
At December 31	<u>\$ 489,370</u>	<u>\$ 1,682,501</u>	<u>\$ 628,617</u>	<u>\$ 1,181,676</u>	<u>\$ 224,087</u>	<u>\$ 1,685,227</u>	<u>\$ 5,891,478</u>
<u>At December 31, 2021</u>							
Cost	\$ 489,370	\$ 2,815,676	\$ 4,145,587	\$ 3,476,211	\$ 434,352	\$ 2,403,370	\$ 13,764,566
Accumulated depreciation and impairment	-	(1,133,175)	(3,516,970)	(2,294,535)	(210,265)	(718,143)	(7,873,088)
	<u>\$ 489,370</u>	<u>\$ 1,682,501</u>	<u>\$ 628,617</u>	<u>\$ 1,181,676</u>	<u>\$ 224,087</u>	<u>\$ 1,685,227</u>	<u>\$ 5,891,478</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>							
Cost	\$ -	\$ 2,574,744	\$ 3,863,302	\$ 2,281,360	\$ 233,933	\$ 772,540	\$ 9,725,879
Accumulated depreciation and impairment	-	(971,140)	(3,505,163)	(1,527,274)	(140,063)	(562,981)	(6,706,621)
	<u>\$ -</u>	<u>\$ 1,603,604</u>	<u>\$ 358,139</u>	<u>\$ 754,086</u>	<u>\$ 93,870</u>	<u>\$ 209,559</u>	<u>\$ 3,019,258</u>
<u>2020</u>							
At January 1	\$ -	\$ 1,603,604	\$ 358,139	\$ 754,086	\$ 93,870	\$ 209,559	\$ 3,019,258
Additions	387,280	160,674	131,306	637,467	44,636	291,664	1,653,027
Reclassifications	-	23,383	(5)	-	-	(23,378)	-
Depreciation	-	(79,184)	(90,185)	(377,102)	(27,536)	(71,274)	(645,281)
At December 31	<u>\$ 387,280</u>	<u>\$ 1,708,477</u>	<u>\$ 399,255</u>	<u>\$ 1,014,451</u>	<u>\$ 110,970</u>	<u>\$ 406,571</u>	<u>\$ 4,027,004</u>
<u>At December 31, 2020</u>							
Cost	\$ 387,280	\$ 2,758,801	\$ 3,800,466	\$ 2,904,416	\$ 278,569	\$ 1,034,223	\$ 11,163,755
Accumulated depreciation and impairment	-	(1,050,324)	(3,401,211)	(1,889,965)	(167,599)	(627,652)	(7,136,751)
	<u>\$ 387,280</u>	<u>\$ 1,708,477</u>	<u>\$ 399,255</u>	<u>\$ 1,014,451</u>	<u>\$ 110,970</u>	<u>\$ 406,571</u>	<u>\$ 4,027,004</u>

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

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

(6) Leasing arrangements – lessee

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

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

	Carrying amount	
	December 31, 2021	December 31, 2020
Land	\$ 1,350,829	\$ 1,377,739
Buildings	4,944	12,365
Transportation equipment	1,943	-
	<u>\$ 1,357,716</u>	<u>\$ 1,390,104</u>

	Depreciation	
	Years ended December 31,	
	2021	2020
Land	\$ 26,910	\$ 26,367
Buildings	19,572	23,276
Transportation equipment	1,644	-
	<u>\$ 48,126</u>	<u>\$ 49,643</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$23,235 and \$348,140, respectively.

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

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 18,924</u>	<u>\$ 18,916</u>

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$54,217 space and \$54,177, respectively.

(7) Intangible assets

	<u>Computer software</u>	<u>Intellectual property</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 5,071,405	\$ 4,707,768	\$ 1,222	\$ 9,780,395
Accumulated amortisation and impairment	(3,975,903)	(3,848,863)	-	(7,824,766)
	<u>\$ 1,095,502</u>	<u>\$ 858,905</u>	<u>\$ 1,222</u>	<u>\$ 1,955,629</u>
<u>2021</u>				
At January 1	\$ 1,095,502	\$ 858,905	\$ 1,222	\$ 1,955,629
Additions	540,208	906,329	14,176	1,460,713
Amortisation	(746,081)	(526,450)	-	(1,272,531)
At December 31	<u>\$ 889,629</u>	<u>\$ 1,238,784</u>	<u>\$ 15,398</u>	<u>\$ 2,143,811</u>
<u>At December 31, 2021</u>				
Cost	\$ 5,611,613	\$ 5,614,097	\$ 15,398	\$ 11,241,108
Accumulated amortisation and impairment	(4,721,984)	(4,375,313)	-	(9,097,297)
	<u>\$ 889,629</u>	<u>\$ 1,238,784</u>	<u>\$ 15,398</u>	<u>\$ 2,143,811</u>
	<u>Computer software</u>	<u>Intellectual property</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 4,067,350	\$ 4,309,997	\$ 1,222	\$ 8,378,569
Accumulated amortisation and impairment	(3,293,971)	(3,431,876)	-	(6,725,847)
	<u>\$ 773,379</u>	<u>\$ 878,121</u>	<u>\$ 1,222</u>	<u>\$ 1,652,722</u>
<u>2020</u>				
At January 1	\$ 773,379	\$ 878,121	\$ 1,222	\$ 1,652,722
Additions	1,004,055	397,771	-	1,401,826
Amortisation	(681,932)	(416,987)	-	(1,098,919)
At December 31	<u>\$ 1,095,502</u>	<u>\$ 858,905</u>	<u>\$ 1,222</u>	<u>\$ 1,955,629</u>
<u>At December 31, 2020</u>				
Cost	\$ 5,071,405	\$ 4,707,768	\$ 1,222	\$ 9,780,395
Accumulated amortisation and impairment	(3,975,903)	(3,848,863)	-	(7,824,766)
	<u>\$ 1,095,502</u>	<u>\$ 858,905</u>	<u>\$ 1,222</u>	<u>\$ 1,955,629</u>

Details of amortisation on intangible assets are as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 1,374	\$ 3,968
Operating expenses	<u>1,271,157</u>	<u>1,094,951</u>
	<u>\$ 1,272,531</u>	<u>\$ 1,098,919</u>

(8) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>13,342,100</u>	0.42%~0.57%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>11,456,690</u>	0.57%~0.60%	None

The Interest expense of long-term and short-term borrowing recognized in profit or loss amounted to \$75,951 and \$118,211 for the years ended December 31, 2021 and 2020, respectively.

(9) Other payables

	December 31, 2021	December 31, 2020
Accrued salaries and bonus	\$ 8,499,995	\$ 4,675,282
Payable for employees' compensation	11,117,373	6,145,446
Other accrued expenses	1,373,848	1,236,747
Payables on equipment	283,796	58,959
Payables on software and intellectual property	1,445,930	1,152,591
Others	184,695	134,645
	<u>\$ 22,905,637</u>	<u>\$ 13,403,670</u>

(10) Long-term borrowings

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

There were no such transactions on December 31, 2020.

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

(11) Pension

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional

year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

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

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

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

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

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

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

	Years ended December 31,	
	2021	2020
Discount rate	<u>0.75%</u>	<u>0.3%</u>
Future salary increases	<u>4.75%</u>	<u>4.75%</u>

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

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

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

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$6,000.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

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

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$307,768 and \$272,845, respectively.

(12) Share capital

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

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

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

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

(13) Capital surplus

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

	2021			
	Change in associates accounted for under			
	<u>Share premium</u>	<u>equity method</u>	<u>Others</u>	<u>Total</u>
At January 1	\$ 2,060,376	\$ 61,035	\$ 597	\$ 2,122,008
Change in associates accounted for under equity method	-	226	-	226
Cash from capital surplus	(1,021,370)	-	-	(1,021,370)
Cash dividends returned	-	-	215	215
At December 31	<u>\$ 1,039,006</u>	<u>\$ 61,261</u>	<u>\$ 812</u>	<u>\$ 1,101,079</u>

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

(14) Retained earnings

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

The Company's dividend policy takes into consideration the Company's future expansion plans and future cash flows. In accordance with the Company's dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

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

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to

the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of 2020 and 2019 earnings had been resolved at the shareholders' meeting on August 9, 2021 and June 10, 2020, respectively. Details are summarised below:

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

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

(15) Other equity items

	2021		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 1,384,909	(\$ 2,940,958)	(\$ 1,556,049)
Revaluation			
–Group	995,872	-	995,872
Currency translation differences:			
–Group	-	(1,215,913)	(1,215,913)
At December 31	<u>\$ 2,380,781</u>	<u>(\$ 4,156,871)</u>	<u>(\$ 1,776,090)</u>
	2020		
	Unrealised gains on valuation	Currency translation difference	Total
At January 1	\$ 545,107	(\$ 762,143)	(\$ 217,036)
Revaluation			
–Group	829,923	-	829,923
–Associates	9,879	-	9,879
Currency translation differences:			
–Group	-	(2,178,815)	(2,178,815)
At December 31	<u>\$ 1,384,909</u>	<u>(\$ 2,940,958)</u>	<u>(\$ 1,556,049)</u>

(16) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 68,352,652</u>	<u>\$ 56,426,751</u>

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2021	Integrated	Others	Total
	circuit products		
Revenue from external customer contracts	<u>\$ 68,225,415</u>	<u>\$ 127,237</u>	<u>\$ 68,352,652</u>
Timing of revenue recognition			
At a point in time	<u>\$ 68,225,415</u>	<u>\$ 127,237</u>	<u>\$ 68,352,652</u>

Year ended December 31, 2020	Integrated	Others	Total
	circuit products		
Revenue from external customer contracts	<u>\$ 56,311,636</u>	<u>\$ 115,115</u>	<u>\$ 56,426,751</u>
Timing of revenue recognition			
At a point in time	<u>\$ 56,311,636</u>	<u>\$ 115,115</u>	<u>\$ 56,426,751</u>

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
– advance sales receipts	<u>\$ 84,259</u>	<u>\$ 163,080</u>	<u>\$ 67,853</u>

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

	Years ended December 31,	
	2021	2020
Contract liabilities – advance sales receipts	<u>\$ 130,391</u>	<u>\$ 49,080</u>

C. Refund liabilities (shown in other current liabilities)

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

	December 31, 2021	December 31, 2020
Refund liabilities – current	<u>\$ 5,044,386</u>	<u>\$ 5,240,048</u>

(17) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 4,621	\$ 23,356
Other interest income	23,182	28,747
	<u>\$ 27,803</u>	<u>\$ 52,103</u>

(18) Other income

	Years ended December 31,	
	2021	2020
Rent income	\$ 4,226	\$ 4,571
Dividend income	1,434	411
Grant income	53,621	60,635
Other income	7,262	1,905
	<u>\$ 66,543</u>	<u>\$ 67,522</u>

(19) Other gains and losses

	Years ended December 31,	
	2021	2020
Gains on disposal of property, plant and equipment	\$ 200	\$ 1,700
(Losses)gains on disposal of investment	(145)	466
Net currency exchanges losses	(76,404)	(105,455)
Gains on financial assets at fair value through profit or loss	47,244	95,624
Other losses	(176,833)	(5,132)
Gains arising from lease modifications	236	-
	<u>(\$ 205,702)</u>	<u>(\$ 12,797)</u>

(20) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense		
Bank borrowings	\$ 75,951	\$ 118,211
Lease liabilities	18,924	18,916
	<u>\$ 94,875</u>	<u>\$ 137,127</u>

(21) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expenses	\$ 23,378,582	\$ 14,433,363
Depreciation	\$ 833,678	\$ 694,924
Amortisation	\$ 1,272,531	\$ 1,098,919

(22) Employee benefit expenses

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 22,176,909	\$ 13,445,450
Labor and health insurance fees	627,431	474,118
Pension costs	309,162	275,054
Other personnel expenses	265,080	238,741
	<u>\$ 23,378,582</u>	<u>\$ 14,433,363</u>

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

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

Employees' cash compensation was \$2,586,317, and directors' remuneration was \$90,000 for 2020. Employees' compensation and directors' remuneration for 2020 as resolved at the meeting of the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

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

(23) Income tax

A. Income tax expense

	Years ended December 31,	
	2021	2020
Current income tax:		
Current income tax on profits for the year	\$ 917,484	\$ 622,571
Tax on undistributed earnings	64,850	63,048
Prior year income tax overestimation	(276,529)	(121,055)
Total current income tax	<u>705,805</u>	<u>564,564</u>
Deferred income tax:		
Origination and reversal of temporary differences	(805)	(4,564)
Income tax expense	<u>\$ 705,000</u>	<u>\$ 560,000</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Income tax calculated based on income before tax	\$ 3,511,552	\$ 1,870,696
Expenses disallowed by tax regulation and effects from tax-exempt income	(2,594,873)	(1,252,689)
Prior year income tax overestimation	(276,529)	(121,055)
Tax on undistributed earnings	64,850	63,048
Income tax expense	<u>\$ 705,000</u>	<u>\$ 560,000</u>

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

	Year ended December 31, 2021		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets:			
-Temporary differences:			
Unrealised loss on market price decline and obsolete and slow-moving inventories and others	\$ 169,876	\$ 1,445	\$ 171,321
Deferred income tax liabilities:			
-Temporary differences:			
Unrealised exchange gain	(102,872)	(640)	(103,512)
	<u>\$ 67,004</u>	<u>\$ 805</u>	<u>\$ 67,809</u>

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

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

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

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

(24) Earnings per share

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

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

(25) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 2,650,026	\$ 1,653,027
Add: Opening balance of payable on equipment	58,959	113,350
Less: Ending balance of payable on equipment	(283,796)	(58,959)
Cash paid during the year	<u>\$ 2,425,189</u>	<u>\$ 1,707,418</u>
	Years ended December 31,	
	2021	2020
Purchase of intangible assets	\$ 1,460,713	\$ 1,401,826
Add: Opening balance of payable on software and intellectual property	1,152,591	725,345
Less: Ending balance of payable on software and intellectual property	(1,445,930)	(1,152,591)
Cash paid during the year	<u>\$ 1,167,374</u>	<u>\$ 974,580</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Long-term borrowings	Liabilities from financing activities-total
At January 1, 2021	\$ 11,456,690	\$ 1,038	\$ 1,124,974	\$ -	\$ 12,582,702
Changes in cash flow from financing activities	1,885,410	12	(35,293)	1,017,360	2,867,489
Interest paid	-	-	(18,924)	-	(18,924)
Interest on lease liabilities	-	-	18,924	-	18,924
Changes in other non-cash items	-	-	15,714	(14,561)	1,153
At December 31, 2021	<u>\$ 13,342,100</u>	<u>\$ 1,050</u>	<u>\$ 1,105,395</u>	<u>\$ 1,002,799</u>	<u>\$ 15,451,344</u>

	Short-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-total
At January 1, 2020	\$ 18,604,770	\$ 3,258	\$ 812,095	\$ 19,420,123
Changes in cash flow from financing activities	(7,148,080)	(2,220)	(35,261)	(7,185,561)
Interest paid	-	-	(18,916)	(18,916)
Interest on lease liabilities	-	-	18,916	18,916
Changes in other non-cash items	-	-	348,140	348,140
At December 31, 2020	<u>\$ 11,456,690</u>	<u>\$ 1,038</u>	<u>\$ 1,124,974</u>	<u>\$ 12,582,702</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Leading Enterprises Limited	Subsidiary
Realtek Singapore Private Limited	Subsidiary
Bluocean Inc.	Subsidiary
Talent Eagle Enterprise Inc.	Subsidiary
Amber Universal Inc.	Subsidiary
AICONNX Technology Corporation Equity	Subsidiary
Cortina Systems Taiwan Limited	Sub-subsidiary
RayMX Microelectronics Corp.	Sub-subsidiary
G.M.I Technology Inc.	Other related party
Actions Semiconductor Co., Ltd.	Other related party
C-Media Electronics Inc.	Other related party
Greatek Electronics Inc.	Other related party
EmBestor Technology Inc.	Other related party

Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2021	2020
Sales of goods:		
G.M.I Technology Inc.	\$ 9,690,767	\$ 7,375,829
Others	604,767	365,249
	<u>\$ 10,295,534</u>	<u>\$ 7,741,078</u>

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

B. Processing cost

	Years ended December 31,	
	2021	2020
Greatek Electronics Inc.	<u>\$ 1,009,689</u>	<u>\$ 1,033,517</u>

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

C. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
G.M.I Technology Inc.	\$ 1,763,556	\$ 1,751,860
Others	46,113	59,040
	<u>\$ 1,809,669</u>	<u>\$ 1,810,900</u>

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

D. Payables to related parties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Greatek Electronics Inc.	\$ 235,939	\$ 253,691
Other	1,034	-
	<u>\$ 236,973</u>	<u>\$ 253,691</u>

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

E. Other transactions and other (receivables) payables:

	Years ended December 31,			
	2021		2020	
	Amount	Ending balance	Amount	Ending balance
Other related parties-				
Sales commissions	\$ 396,355	\$ 63,954	\$ 286,704	\$ 60,784
Technical royalty revenue	(\$ 31,451)	\$ -	(\$ 8,406)	\$ -
Cash dividend income	(\$ 1,434)	\$ -	(\$ 411)	\$ -
Subsidiaries and sub-subsidiaries-				
Interest income	(\$ 23,182)	(\$ 18,285)	(\$ 28,747)	(\$ 20)
Other income	\$ -	(\$ 53,368)	\$ -	(\$ 46,380)
Cash dividend income	(\$ 5,669,060)	\$ -	(\$ 5,631,482)	\$ -
Rent income	(\$ 1,922)	(\$ 248)	(\$ 1,922)	(\$ 245)

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

F. Acquisition of financial assets:

	Accounts	No. of shares	Objects	Year ended December 31, 2021	
				Consideration	
AICONNX Technology Corporation	Investments accounted for under equity method	2,000,000	AICONNX Technology Corporation equity (Investment Establishment)	\$	20,000
	Accounts	No. of shares	Objects	Year ended December 31, 2020	
Leading Enterprises Limited	Investments accounted for under equity method	9,856,425	Realtek Singapore Private Limited equity	\$	1,780,187
Leading Enterprises Limited	Investments accounted for under equity method	60,000	Leading Enterprises Limited equity (increased common stock)		1,735,500
				\$	3,515,687

G. Loans to related parties :

(a) Outstanding balance:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
Leading Enterprises Limited	\$ 2,422,875	\$ -
Talent Eagle Enterprise Inc.	1,661,400	57,016
Bluocean Inc.	1,661,400	-
Amber Universal Inc.	1,629,557	11,403
Realtek Singapore Private Limited	-	570,160
Hung-wei Venture Capital Co., Ltd.	87,000	-
	<u>\$ 7,462,232</u>	<u>\$ 638,579</u>

(b) Interest income

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ 23,182</u>	<u>\$ 28,747</u>

The loans to subsidiaries are repayable monthly within one year, and carry interest at 0.58% and 0.2% for the years ended December 31, 2021 and 2020, respectively.

H. Endorsements and guarantees provided to related parties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 14,339,165</u>	<u>\$ 10,605,268</u>

(2) Key management compensation

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

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purposes</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Time deposits (shown in financial assets at amortised cost - non-current)	\$ 31,048	\$ 30,821	Guarantee for the importation customs duties of materials
"	44,810	44,472	Guarantee for leasing land and office in Science Park
	<u>\$ 75,858</u>	<u>\$ 75,293</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

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

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 129,129	\$ 124,360
Financial assets at amortised cost/Receivables		
Cash and cash equivalents	\$ 2,874,335	\$ 4,630,448
Financial assets at amortised cost	75,858	75,293
Accounts receivable (including related parties)	9,718,326	9,397,980
Other receivables (including related parties)	7,542,294	689,052
Refundable deposits	719,802	34,805
	<u>\$ 20,930,615</u>	<u>\$ 14,827,578</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 13,342,100	\$ 11,456,690
Notes payable	3,276	3,276
Accounts payable (including related parties)	7,586,416	7,862,783
Other payable (including related parties)	22,969,591	13,464,454
Long-term borrowings	1,002,799	-
Guarantee deposits received	1,050	1,038
Other financial liability	5,044,386	5,240,048
	<u>\$ 49,949,618</u>	<u>\$ 38,028,289</u>
Lease liability	<u>\$ 1,105,395</u>	<u>\$ 1,124,974</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require the Company to manage its foreign exchange

risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company finance.

- iii. The Company's businesses involve some functional currency operations (the Company's and certain subsidiaries' functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 721,980	27.690	\$ 19,991,626
<u>Non-monetary items</u>			
USD:NTD	1,692,376	27.690	46,861,891
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	458,477	27.690	12,695,228
December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 445,489	28.508	\$ 12,700,000
<u>Non-monetary items</u>			
USD:NTD	1,387,989	28.508	39,568,790
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	468,326	28.508	13,351,038

The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$76,404 and \$105,455, respectively. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021			
Sensitivity analysis			
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 199,916	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	468,619
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(126,952)	-
December 31, 2020			
Sensitivity analysis			
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 127,000	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	395,688
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(133,510)	-

Price risk

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

comprehensive income.

- ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had decreased/increased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$12,913 and \$12,436, respectively.

Cash flow and fair value interest rate risk

The Company has no material interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the modified approach using provision matrix to estimate expected

credit loss under the provision matrix basis.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

viii. The Company used the forecast ability of semiconductor industry research report to adjust historical and timely information to assess the default possibility of accounts receivable.

On December 31, 2021 and 2020, the provision matrix is as follows:

	<u>Not past due</u>	<u>1~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>At December 31, 2021</u>				
Expected loss rate	0-1%	0-1%	100%	
Total book value	<u>\$ 9,733,237</u>	<u>\$ 83,338</u>	<u>\$ 461</u>	<u>\$ 9,817,036</u>
Loss allowance	<u>\$ 96,119</u>	<u>\$ 2,130</u>	<u>\$ 461</u>	<u>\$ 98,710</u>
	<u>Not past due</u>	<u>1~90 days past due</u>	<u>Over 90 days past due</u>	<u>Total</u>
<u>At December 31, 2020</u>				
Expected loss rate	0-1%	0-1%	100%	
Total book value	<u>\$ 9,274,060</u>	<u>\$ 218,846</u>	<u>\$ 434</u>	<u>\$ 9,493,340</u>
Loss allowance	<u>\$ 92,162</u>	<u>\$ 2,764</u>	<u>\$ 434</u>	<u>\$ 95,360</u>

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

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

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

	December 31, 2021			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 75,858	\$ -	\$ -	\$ 75,858

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

The financial assets at amortized cost are bank time deposits with original maturity more than three months, and there is no significant abnormality in credit risk assessment.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company finance. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Company finance invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2021	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 13,342,100	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	7,586,416	-	-
Other payables (including related parties)	22,969,591	-	-
Lease liability	45,175	162,621	1,328,389
Long-term borrowings	-	1,017,360	-
Guarantee deposits received	-	-	1,050
Other financial liabilities	5,044,386	-	-

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term borrowings	\$ 11,465,691	\$ -	\$ -
Notes payable	3,276	-	-
Accounts payable (including related parties)	7,862,783	-	-
Other payables (including related parties)	13,464,454	-	-
Lease liability	54,804	153,111	1,366,224
Guarantee deposits received	-	-	1,038
Other financial liabilities	5,240,048	-	-

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

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of nature of the assets is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 129,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,129</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 124,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,360</u>

(b) The instruments the Company used market quoted prices as their fair values (that is, Level 1), and the listed company shares used closing price.

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

(4) Major shareholders information

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

14. SEGMENT INFORMATION

None.

REALTEK SEMICONDUCTOR CORPORATION

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021	Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Other receivables-related parties	Y	\$ 300,000	\$ 300,000	\$ 87,000	0.58	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 3,894,265	\$ 15,577,060	None
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	Other receivables-related parties	Y	55,380	55,380	-	-	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Other receivables-related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	1,629,557	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Blueocean Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	1,661,400	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	1,661,400	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables-related parties	Y	2,492,100	2,492,100	2,422,875	0.60	Short-term financing	-	Operations	-	None	-	3,894,265	15,577,060	None
1	Leading Enterprises Limited	Blueocean Inc.	Other receivables-related parties	Y	1,661,400	1,661,400	238,272	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	5,538,000	5,538,000	89,439	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
2	Amber Universal Inc.	Blueocean Inc.	Other receivables-related parties	Y	1,384,500	1,384,500	567,645	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
2	Amber Universal Inc.	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	2,769,000	2,769,000	2,760,693	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
3	Cortina Access, Inc.	Leading Enterprises Limited	Other receivables-related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
4	Realtek Investment Singapore Private Limited	Realtek Singapore Private Limited	Other receivables-related parties	Y	2,769,000	2,769,000	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None

REALTEK SEMICONDUCTOR CORPORATION

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021	Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
5	Realtek Singapore Private Limited	Leading Enterprises Limited	Other receivables-related parties	Y	\$ 2,769,000	\$ 2,769,000	\$ 2,769,000	0.60	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 15,577,060	\$ 15,577,060	None
5	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	Other receivables-related parties	Y	55,380	55,380	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
5	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	Other receivables-related parties	Y	830,700	830,700	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
5	Realtek Singapore Private Limited	Realtek Investment Singapore Private Limited	Other receivables-related parties	Y	2,769,000	2,769,000	663,096	0.60	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
6	Realsil Microelectronics Corp.	Suzhou Pankore Integrated Circuit Technology Co. Ltd	Other receivables-related parties	Y	347,248	347,248	72,922	4.35	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
6	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	Other receivables-related parties	Y	347,248	347,248	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None
7	Cortina Network Systems Shanghai Co., Ltd.	Suzhou Pankore Integrated Circuit Technology Co. Ltd	Other receivables-related parties	Y	130,218	130,218	-	-	Short-term financing	-	Operations	-	None	-	15,577,060	15,577,060	None

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

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Ceiling on total loans granted by the Company to all parties is 40% of the Company's net assets value as per its most recent financial statements.
- (2) Limit on loans to a single party with business transactions is the business transactions occurred between the creditor and borrower in the current year. The business transaction amount is the higher of purchasing and selling during current year on the year of financing.
- (3) For companies needing for short-term financing, the cumulative lending amount may not exceed 40% of the borrowing company's net assets based on its latest financial statements audited or reviewed by independent accountants.

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

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

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

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

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

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

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

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly or indirectly owns more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total endorsements/guarantees granted by the Company and subsidiaries is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants, and limit on endorsements/guarantees to a single party is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing 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
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Realtek Semiconductor Corporation	C-media Electronics Inc. - Common stock	Other related parties	Financial assets at fair value through profit or loss	1,278,501	\$ 129,129	1.60%	\$ 129,129	
Realking Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	111,898	5.34%	111,898	
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	48,736,172	723,290	3.03%	723,290	
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	111,898	5.34%	111,898	
Leading Enterprises Limited	Fortemedia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8,623,301	89,690	6.89%	89,690	
Leading Enterprises Limited	Starix Technology, Inc.-Preferred stock	None	Financial assets at fair value through other comprehensive income	5,000,000	16,614	-	16,614	
Leading Enterprises Limited	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9,000,000	1,285,407	12.49%	1,285,407	
Amber Universal Inc.	Octasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4,726,836	675,101	6.56%	675,101	
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336,346	21,862	-	21,862	
Hung-wei Venture Capital Co., Ltd.	C-media Electronics Inc.- Common stock	Other related parties	Financial assets at fair value through profit or loss	2,274,875	229,763	2.85%	229,763	
Hung-wei Venture Capital Co., Ltd.	Greatek Electroninc Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	5,823,602	454,823	1.02%	454,823	
Hung-wei Venture Capital Co., Ltd.	Subtron technology Co., Ltd - Common stock	None	Financial assets at fair value through other comprehensive income	1,093,968	36,046	0.37%	36,046	
Hung-wei Venture Capital Co., Ltd.	Embestor Technology Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	2,800,000	30,270	10.77%	30,270	

REALTEK SEMICONDUCTOR CORPORATION
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Blueocean Inc.	EARGO, Inc.	None	Financial assets at fair value through other comprehensive income	424,000	\$ 59,877	1.08%	\$ 59,877	
Talent Eagle Enterprise Inc.	EARGO, Inc.	None	Financial assets at fair value through other comprehensive income	199,000	28,102	0.51%	28,102	
Realsil Microelectronics Corp.	Cuam Money Fund	None	Financial assets at fair value through profit or loss	1,015,308	43,472	-	43,472	
Realsil Microelectronics Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	184,600,000	803,223	-	803,223	
Realsil Microelectronics Corp.	Guang-Fa Demand Policy Loan Fund	None	Financial assets at fair value through profit or loss	10,055,163	43,645	-	43,645	
Realsil Microelectronics Corp.	Guang-Fa Currency Class B Fund	None	Financial assets at fair value through profit or loss	39,136,680	169,877	-	169,877	
Realsil Microelectronics Corp.	Jian-Xin Monetary Fund	None	Financial assets at fair value through profit or loss	10,055,543	43,647	-	43,647	
Realsil Microelectronics Corp.	Rui-Xin Monetary Fund	None	Financial assets at fair value through profit or loss	20,000,000	86,812	-	86,812	
Realsil Microelectronics Corp.	Pu-Yin Monetary Fund	None	Financial assets at fair value through profit or loss	30,089,700	130,607	-	130,607	
Realtek Semiconductor (Shen Zhen) Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	20,000,000	87,016	-	87,016	
Realtek Semiconductor (Shen Zhen) Corp.	Tian-Tian-Zeng-Li Monetary Fund	None	Financial assets at fair value through profit or loss	7,620,000	33,979	-	33,979	
Realtek Semiconductor (Shen Zhen) Corp.	Cash Appreciation Currency Fund	None	Financial assets at fair value through profit or loss	9,531,843	41,374	-	41,374	
Cortina Network Systems Shanghai Co. Ltd.	Zhou Zhou Fa Fund	None	Financial assets at fair value through profit or loss	4,657,932	27,198	-	27,198	
Cortina Network Systems Shanghai Co. Ltd.	Step by step Gold Find	None	Financial assets at fair value through profit or loss	19,100,000	82,905	-	82,905	
Blueocean Inc.	CyWeeMotion Group Limited	None	Financial assets at fair value through other comprehensive income	4,800,000	-	6.59%	-	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

REALTEK SEMICONDUCTOR CORPORATION

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

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)	(\$ 9,690,767)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	\$ 1,763,556	11%	
Realtek Semiconductor Corporation	Actions Semiconductor Co., Ltd.	Other related parties	(Sales)	(184,238)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	17,189	0%	
Realtek Semiconductor Corporation	C-Media Electronics Inc.	Other related parties	(Sales)	(420,529)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	28,999	0%	
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	(5,864,928)	(6%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	1,339,319	8%	
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	(Sales)	(487,094)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	43,203	0%	
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	1,009,689	2%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	(235,939)	0%	
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	289,394	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	(97,441)	0%	

Table 4

REALTEK SEMICONDUCTOR CORPORATION
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2021

Table 5

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	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	\$ 1,763,556	5.51	\$ -	-	\$ 833,031	(\$ 17,814)
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	1,339,319	5.26	-	-	454,424	-

REALTEK SEMICONDUCTOR CORPORATION
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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	\$ 45,049	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Technical service fees	2,386,682	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	2.26%
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Other payables	326,742	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.32%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Technical service fees	566,137	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.54%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Other payables	105,776	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.10%
1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Technical service fees	217,181	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.21%
1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Other payables	11,200	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.01%
1	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co. Ltd.	3	Technical service fees	138,457	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.13%
1	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co. Ltd.	3	Other payables	39,249	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%
1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Technical service fees	152,176	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.14%
1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Other payables	13,453	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.01%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Japan) Corp.	3	Technical service fees	69,211	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.07%
1	Realtek Singapore Private Limited	Ubilinx Technology Inc.	3	Technical service fees	514,586	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.49%
1	Realtek Singapore Private Limited	Ubilinx Technology Inc.	3	Other payables	259,448	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.26%
1	Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	3	Technical service fees	10,604	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.01%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Malaysia) SDN. BHD	3	Technical service fees	17,565	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.02%
1	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	3	Other receivables	45,049	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction 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 NTS10 million are disclosed. Transactions of related parties are not further disclosed here.

REALTEK SEMICONDUCTOR CORPORATION

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Realtek Semiconductor Corporation	Leading Enterprises Limited	British Virgin Islands	Investment holdings	\$ 13,676,922	\$ 14,080,956	34,630	100%	\$ 13,271,128	\$ 36,386	\$ 36,386	Subsidiary
Realtek Semiconductor Corporation	Amber Universal Inc.	British Virgin Islands	Investment holdings	4,358,823	4,487,621	41,432	100%	3,495,793	20,550	20,550	Subsidiary
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	3,928,798	4,076,101	89,856,425	100%	18,474,782	13,267,476	13,268,254	Subsidiary
Realtek Semiconductor Corporation	Bluocean Inc.	Cayman Islands	Investment holdings	3,047,285	3,137,305	110,050,000	100%	3,281,950	10,825	10,825	Subsidiary
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Cayman Islands	Investment holdings	3,159,429	3,252,763	114,100,000	100%	2,190,704	85,684	85,684	Subsidiary
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	Singapore	Investment holdings	5,538,000	5,701,600	200,000,000	100%	6,138,099	43,812	43,812	Subsidiary
Realtek Semiconductor Corporation	Realsun Investments Co., Ltd.	Taiwan	Investment holdings	280,000	280,000	28,000,000	100%	880,497	17,017	17,017	Subsidiary
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Taiwan	Investment holdings	250,000	250,000	25,000,000	100%	758,769	80,784	80,784	Subsidiary
Realtek Semiconductor Corporation	Realking Investments Co., Ltd.	Taiwan	Investment holdings	293,930	293,930	29,392,985	100%	285,893	(1,484)	(1,484)	Subsidiary
Realtek Semiconductor Corporation	Realsun Technology Corporation	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	5,000	5,000	500,000	100%	5,074	7	7	Subsidiary
Realtek Semiconductor Corporation	Bobitag Inc.	Taiwan	Manufacturing and installation of computer equipment and wholesales, retail and related services of electronic materials and information/software	19,189	19,189	1,918,910	66.67%	19,347	157	105	Subsidiary
Realtek Semiconductor Corporation	AICONNX Technology Corporation	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	20,000	-	2,000,000	100%	19,980	(20)	(20)	Subsidiary

REALTEK SEMICONDUCTOR CORPORATION

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Realtek Semiconductor Corporation	Estinet Technologies Incorporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	\$ 110,000	\$ 110,000	2,000,000	6.89%	\$ 5,081	\$ (64,411)	\$ (5,968)	Investments accounted for under equity method
Realking Investments Co., Ltd.	Innorich Venture Capital Corp.	Taiwan	Venture capital activities	200,000	200,000	20,000,000	37.38%	142,619	(17,446)	(4,882)	Investments accounted for under equity method
Realking Investments Co., Ltd.	Starmems Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	10,000	-	1,000,000	10%	9,706	(2,940)	(294)	Investments accounted for under equity method
Realsun Investments Co., Ltd.	Starmems Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	23,000	-	2,300,000	23%	22,324	(2,940)	(676)	Investments accounted for under equity method
Hung-wei Venture Capital Co., Ltd.	Starmems Semiconductor Corporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components, information/Software and integrated circuits.	12,000	-	1,200,000	12%	11,647	(2,940)	(353)	Investments accounted for under equity method
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	ICs design, sales, and consultancy	4,812	5,530	400	100%	6,344	4,621	4,621	Sub-Subsidiary
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	Investment holdings	8,307	1,847,318	300,000	100%	7,126	(320)	(320)	Sub-Subsidiary
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Hong Kong	Information services and technical support	5,326	5,516	-	100%	1,034	(12)	(12)	Sub-Subsidiary
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	Investment holdings	782,243	805,351	2,825,000	100%	1,959,141	395,720	395,720	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Access Inc.	U.S.A	R&D and information services	1,131,026	1,164,438	16,892	100%	839,870	26,504	26,504	Sub-Subsidiary

REALTEK SEMICONDUCTOR CORPORATION

Information on investees

For the year ended December 31, 2021

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	Taiwan	R&D and technical support	\$ 55,380	\$ 57,016	21,130,000	100%	\$ 54,730	\$ 5,326	\$ 5,326	Sub-Subsidiary
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	Vietnam	R&D and technical support	110,760	114,032	4,000,000	100%	76,353	(9,916)	(9,916)	Sub-Subsidiary
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	U.S.A	R&D and information services	1,661,400	1,482,416	60,000,000	100%	254,166	54,656	54,656	Sub-Subsidiary
Bluocean Inc.	Realtek Semiconductor (Malaysia) Limited	Malaysia	R&D and information services	69,275	74,144	10,450,000	100%	62,077	1,452	1,452	Sub-Subsidiary

Note : The amount of foreign currencies denominated in New Taiwan dollars in this table, which related to income and expenses were re-translated at the average exchange rate from January 1, 2021 to December 31, 2021, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.

REALTEK SEMICONDUCTOR CORPORATION

Information on investments in Mainland China

For the year ended December 31, 2021

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in Capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note2(2))	Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Cortina Network Systems Shanghai Co., Ltd.	R&D and technical support	\$ 99,684	(2)	\$ 99,684	\$ -	\$ -	\$ 99,684	\$ 6,952	100%	\$ 6,952	\$ 106,099	\$ -	
Realsil Microelectronics Corp.	R&D and technical support	775,320	(2)	775,320	-	-	775,320	396,350	100%	396,350	1,955,657	-	
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	138,450	(2)	138,450	-	-	138,450	15,258	100%	15,258	285,009	-	
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	113,941	(2)	113,941	-	-	113,941	311,601	100%	311,601	397,149	-	
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	43,406	(2)	43,406	-	-	43,406	(82,838)	100%	(82,838)	(57,525)	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
Cortina Network Systems Shanghai Co., Ltd.	\$ 99,684	\$ 99,684	\$ 23,365,591										
Realsil Microelectronics Corp.	775,320	775,320											
Realtek Semiconductor (Shan Zhen) Corp.	138,450	138,450											
RayMX Microelectronics Corp.	113,941	113,941											
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	43,406	43,406											

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column, except for the financial statements of Cortina Network Systems Shanghai Co. Ltd. were audited by other independent auditors, the remaining financial statements were audited by the independent auditors of parent company in Taiwan.

Note 3: The amount of foreign currencies denominated in New Taiwan dollars in this table, which related to income and expenses were re-translated at the average exchange rate from January 1, 2021 to December 31, 2021, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.