

**REALTEK SEMICONDUCTOR CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021
(Stock code: 2379)**

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000267

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Realtek Semiconductor Corporation and subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context

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

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Evaluation of inventories

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

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

(including investments accounted for under equity method amounting to NT\$170,671 thousand and NT\$191,377 thousand) of those companies amounted to NT\$845,913 thousand and NT\$1,220,840 thousand, constituting 0.74% and 1.21% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and total operating revenues both NT\$0 thousand, both constituting 0% of the consolidated total operating revenues for the years then ended. Furthermore, according to the reports of other auditors, comprehensive losses of those investments accounted for under equity method amounted to NT\$20,723 thousand and NT\$12,113 thousand, constituting (0.10%) and (0.07%) of comprehensive incomes for the years then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Realtek Semiconductor Corporation as at and for the years ended December 31, 2022 and 2021.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

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

transactions and events in a manner that achieves fair presentation.

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

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

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

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

Li, Tien-Yi

Cheng, Ya-Huei

For and on behalf PricewaterhouseCoopers, Taiwan

February 24, 2023

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

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 13,754,035	12	\$ 7,197,351	7
1110	Financial assets at fair value through profit or loss - current	6(2)	1,563,287	1	1,952,647	2
1136	Financial assets at amortised cost - current	6(4)	41,595,837	37	43,740,876	43
1170	Accounts receivable, net	6(5)	9,418,440	8	12,796,821	13
1180	Accounts receivable, net - related parties	6(5) and 7	2,594,245	2	3,192,184	3
1200	Other receivables		488,769	-	156,928	-
130X	Inventories, net	6(6)	25,552,543	23	16,548,712	16
1410	Prepayments		524,525	1	659,883	1
11XX	Total current assets		95,491,681	84	86,245,402	85
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	358,145	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	3,099,759	3	3,644,878	4
1535	Financial assets at amortised cost - non-current	6(4) and 8	618,481	1	80,101	
1550	Investments accounted for under equity method	6(7)	170,671	-	191,377	-
1600	Property, plant and equipment	6(8)	7,556,636	7	6,302,938	6
1755	Right-of-use assets	6(9)	1,537,328	1	1,587,910	2
1760	Investment property	6(10)	38,416	-	41,641	-
1780	Intangible assets	6(11)	2,413,195	2	2,231,694	2
1840	Deferred income tax assets	6(28)	132,978	-	171,321	-
1900	Other non-current assets		2,283,237	2	734,651	1
15XX	Total non-current assets		18,208,846	16	14,986,511	15
1XXX	Total assets		\$ 113,700,527	100	\$ 101,231,913	100

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REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			Notes	AMOUNT	%	AMOUNT
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 13,737,994	12	\$ 13,342,100	13
2130	Contract liabilities - current	6(21)	117,752	-	211,100	-
2150	Notes payable		-	-	3,276	-
2170	Accounts payable		10,340,079	9	11,105,568	11
2180	Accounts payable - related parties	7	156,296	-	334,413	-
2200	Other payables	6(13)	27,684,495	25	24,645,141	24
2220	Other payables - related parties	7	90,401	-	101,253	-
2230	Current income tax liabilities		1,379,985	1	1,458,340	2
2280	Lease liabilities - current		78,446	-	80,315	-
2300	Other current liabilities	6(21)	8,959,279	8	7,539,417	8
21XX	Total current liabilities		62,544,727	55	58,820,923	58
Non-current liabilities						
2540	Long-term borrowings	6(14)	1,713,316	2	1,002,799	1
2550	Provisions - non-current	6(16)	1,287,710	1	989,475	1
2570	Deferred income tax liabilities	6(28)	62,725	-	103,512	-
2580	Lease liabilities - non-current		1,223,185	1	1,252,390	2
2600	Other non-current liabilities	6(15)	105,914	-	110,490	-
25XX	Total non-current liabilities		4,392,850	4	3,458,666	4
2XXX	Total liabilities		66,937,577	59	62,279,589	62
Equity						
	Share capital	6(17)				
3110	Common shares		5,128,636	5	5,106,849	5
	Capital surplus	6(18)				
3200	Capital surplus		1,045,147	1	1,101,079	1
	Retained earnings	6(19)				
3310	Legal reserve		7,262,359	6	5,577,083	5
3320	Special reserve		1,776,089	2	1,556,049	2
3350	Undistributed earnings		28,854,826	25	27,377,681	27
	Other equity	6(20)				
3400	Other equity interest		2,686,175	2	(1,776,090)	(2)
31XX	Equity attributable to holders of the parent company		46,753,232	41	38,942,651	38
36XX	Non-controlling interest		9,718	-	9,673	-
3XXX	Total equity		46,762,950	41	38,952,324	38
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		\$ 113,700,527	100	\$ 101,231,913	100

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7	\$ 111,789,791	100	\$ 105,504,286	100
5000	Operating costs	6(6) and 7	(57,154,955)	(51)	(52,315,883)	(49)
5950	Gross profit		<u>54,634,836</u>	<u>49</u>	<u>53,188,403</u>	<u>51</u>
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(4,724,569)	(4)	(4,477,084)	(4)
6200	General and administrative expenses		(4,138,151)	(4)	(3,433,308)	(3)
6300	Research and development expenses		(30,081,533)	(27)	(27,949,765)	(27)
6450	Expected credit gains (losses)	12(2)	<u>33,415</u>	<u>-</u>	<u>(3,350)</u>	<u>-</u>
6000	Total operating expenses		<u>(38,910,838)</u>	<u>(35)</u>	<u>(35,863,507)</u>	<u>(34)</u>
6900	Operating income		<u>15,723,998</u>	<u>14</u>	<u>17,324,896</u>	<u>17</u>
	Non-operating income and expenses					
7100	Interest income	6(22)	950,676	1	326,399	-
7010	Other income	6(23)	388,919	-	213,427	-
7020	Other gains and losses	6(24)	96,732	-	(171,247)	-
7050	Finance costs	6(25)	(217,743)	-	(106,640)	-
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	<u>(20,723)</u>	<u>-</u>	<u>(12,113)</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>1,197,861</u>	<u>1</u>	<u>249,826</u>	<u>-</u>
7900	Profit before income tax, net		<u>16,921,859</u>	<u>15</u>	<u>17,574,722</u>	<u>17</u>
7950	Income tax expense	6(28)	<u>(717,715)</u>	<u>(1)</u>	<u>(721,911)</u>	<u>(1)</u>
8200	Net income for the year		<u>\$ 16,204,144</u>	<u>14</u>	<u>\$ 16,852,811</u>	<u>16</u>
	Other comprehensive income (losses), net	6(20)				
	Components of other comprehensive income (losses) that will not be reclassified to profit or loss					
8316	Unrealised (losses) income from investments in equity instruments measured at fair value through other comprehensive income	6(3)	<u>(\$ 988,964)</u>	<u>(1)</u>	<u>\$ 995,872</u>	<u>1</u>
	Components of other comprehensive income (losses) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		<u>5,451,229</u>	<u>5</u>	<u>(1,215,913)</u>	<u>(1)</u>
8300	Other comprehensive income(losses), net		<u>\$ 4,462,265</u>	<u>4</u>	<u>(\$ 220,041)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 20,666,409</u>	<u>18</u>	<u>\$ 16,632,770</u>	<u>16</u>
	Net income attributable to:					
8610	Equity holders of the parent company		<u>\$ 16,204,052</u>	<u>14</u>	<u>\$ 16,852,759</u>	<u>16</u>
8620	Non-controlling interest		<u>92</u>	<u>-</u>	<u>52</u>	<u>-</u>
	Net income for the year		<u>\$ 16,204,144</u>	<u>14</u>	<u>\$ 16,852,811</u>	<u>16</u>
	Comprehensive income attributable to:					
8710	Equity holders of the parent company		<u>\$ 20,666,317</u>	<u>18</u>	<u>\$ 16,632,718</u>	<u>16</u>
8720	Non-controlling interest		<u>92</u>	<u>-</u>	<u>52</u>	<u>-</u>
	Total comprehensive income for the year		<u>\$ 20,666,409</u>	<u>18</u>	<u>\$ 16,632,770</u>	<u>16</u>
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(29)	<u>\$ 31.62</u>		<u>\$ 33.00</u>	
9850	Diluted earnings per share	6(29)	<u>\$ 30.48</u>		<u>\$ 32.38</u>	

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent company										
		Retained earnings					Other equity interest					
							Unrealised income (losses) from financial assets measured at fair value through other comprehensive income					
							Financial statements translation differences of foreign operations					
Notes	Common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings				Total	Non-controlling interest	Total equity	
<u>2021</u>												
Balance at January 1, 2021		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958)	\$ 1,384,909	\$ 29,459,081	\$ 9,665	\$ 29,468,746	
Net income for the year		-	-	-	-	16,852,759	-	-	16,852,759	52	16,852,811	
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	(1,215,913)	995,872	(220,041)	-	(220,041)	
Total comprehensive income (loss)		-	-	-	-	16,852,759	(1,215,913)	995,872	16,632,718	52	16,632,770	
Distribution of 2020 earnings												
Special reserve	6(19)	-	-	-	1,339,013	(1,339,013)	-	-	-	-	-	
Cash dividends	6(19)	-	-	-	-	(6,128,219)	-	-	(6,128,219)	-	(6,128,219)	
Cash from capital surplus	6(19)	-	(1,021,370)	-	-	-	-	-	(1,021,370)	-	(1,021,370)	
Changes in equity of associates accounted for under equity method	6(18)	-	226	-	-	-	-	-	226	-	226	
Cash dividends returned	6(18)	-	215	-	-	-	-	-	215	-	215	
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(44)	(44)	
Balance at December 31, 2021		\$ 5,106,849	\$ 1,101,079	\$ 5,577,083	\$ 1,556,049	\$ 27,377,681	(\$ 4,156,871)	\$ 2,380,781	\$ 38,942,651	\$ 9,673	\$ 38,952,324	
<u>2022</u>												
Balance at January 1, 2022		\$ 5,106,849	\$ 1,101,079	\$ 5,577,083	\$ 1,556,049	\$ 27,377,681	(\$ 4,156,871)	\$ 2,380,781	\$ 38,942,651	\$ 9,673	\$ 38,952,324	
Net income for the period		-	-	-	-	16,204,052	-	-	16,204,052	92	16,204,144	
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	5,451,229	(988,964)	4,462,265	-	4,462,265	
Total comprehensive income (loss)		-	-	-	-	16,204,052	5,451,229	(988,964)	20,666,317	92	20,666,409	
Distribution of 2021 earnings												
Legal reserve	6(19)	-	-	1,685,276	-	(1,685,276)	-	-	-	-	-	
Special reserve	6(19)	-	-	-	220,040	(220,040)	-	-	-	-	-	
Cash dividends	6(19)	-	-	-	-	(12,821,591)	-	-	(12,821,591)	-	(12,821,591)	
Employees' compensation transferred to common shares	6(17)(18)	21,787	969,551	-	-	-	-	-	991,338	-	991,338	
Cash from capital surplus	6(19)	-	(1,025,727)	-	-	-	-	-	(1,025,727)	-	(1,025,727)	
Cash dividends returned	6(18)	-	244	-	-	-	-	-	244	-	244	
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(47)	(47)	
Balance at December 31, 2022		\$ 5,128,636	\$ 1,045,147	\$ 7,262,359	\$ 1,776,089	\$ 28,854,826	\$ 1,294,358	\$ 1,391,817	\$ 46,753,232	\$ 9,718	\$ 46,762,950	

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 16,921,859	\$ 17,574,722
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(26)	1,176,920	998,212
Amortization	6(11)(26)	1,627,409	1,302,659
Expected credit (gains) losses	12(2)	(33,415)	3,350
Interest expense	6(25)	217,743	106,640
Interest income	6(22)	(950,676)	(326,399)
Dividend income	6(23)	(60,741)	(43,713)
Losses(gains) on financial assets at fair value through profit or loss	6(2)(24)	180,983	(114,364)
Share of loss of associates and joint ventures accounted for under equity method	6(7)	20,723	12,113
(Gains)losses on disposal of property, plant and equipment	6(24)	(1,132)	196
Loss on disposal of investments	6(24)	-	145
Gains arising from lease modifications	6(24)	(24)	(236)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		220,475	(757,626)
Accounts receivable, net		3,404,506	(1,959,432)
Accounts receivable, net - related parties		605,229	(379,855)
Other receivables		(139,755)	(5,057)
Inventories		(9,003,831)	(7,925,735)
Prepayments		135,358	(132,809)
Changes in operating liabilities			
Contract liabilities - current		(93,348)	(125,154)
Notes payable		(3,276)	(25,377)
Accounts payable		(765,489)	485,514
Accounts payable - related parties		(178,117)	(5,819)
Other payables		4,350,517	9,458,090
Other payables - related parties		(10,851)	6,445
Other current liabilities		1,419,864	137,929
Provisions - non-current		185,080	-
Accrued pension obligations		(4,277)	(4,610)

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REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
Cash inflow generated from operations		\$ 19,221,734	\$ 18,279,829
Interest received		758,590	475,959
Dividends received		60,741	43,713
Interest paid		(214,712)	(103,261)
Income tax paid		(768,184)	(344,311)
Net cash flows from operating activities		<u>19,058,169</u>	<u>18,351,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss - non-current		(370,244)	-
Acquisition of financial assets at fair value through other comprehensive income		(228,910)	(85,922)
Acquisition of financial assets at amortised cost		(92,296,234)	(62,836,686)
Proceeds from disposal of financial assets at amortised cost		98,487,508	53,308,799
Acquisition of investments accounted for under equity method		-	(45,000)
Proceeds from disposal of investments accounted for under equity method		-	110
Acquisition of property, plant and equipment	6(30)	(2,680,469)	(2,510,168)
Proceeds from disposal of property, plant and equipment		1,353	200
Acquisition of intangible assets	6(30)	(1,959,501)	(1,178,805)
Increase in refundable deposits		(1,457,055)	(684,728)
Increase in other non-current assets		(91,531)	(604)
Net cash flows used in investing activities		<u>(595,083)</u>	<u>(14,032,804)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(31)	167,983,101	155,016,591
Decrease in short-term borrowings	6(31)	(167,587,207)	(153,131,181)
Increase in long-term borrowings	6(31)	711,110	1,017,360
Repayment of principal portion of lease liabilities	6(31)	(97,150)	(90,779)
(Decrease)increase in guarantee deposits		(892)	197
Cash from capital surplus and cash dividends		(13,847,318)	(7,149,589)
Cash dividends returned		244	215
Net cash flows used in financing activities		<u>(12,838,112)</u>	<u>(4,337,186)</u>
Effect of exchange rate		<u>931,710</u>	<u>(80,948)</u>
Net increase (decrease) in cash and cash equivalents		6,556,684	(99,009)
Cash and cash equivalents at beginning of year		7,197,351	7,296,360
Cash and cash equivalents at end of year		<u>\$ 13,754,035</u>	<u>\$ 7,197,351</u>

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(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 Park since October 28, 1989. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in the research, development, design, testing, and sales of ICs and application software for these products.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 24, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by FSC and became effective from 2022 are as follows:

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

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

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

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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, interpretations and amendments have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International

Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

(3) Basis of consolidation

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

Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Realtek Semiconductor Corporation	Leading Enterprises Limited	Investment holdings	-	100%	Note 1
Realtek Semiconductor Corporation	Amber Universal Inc.	"	100%	100%	
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	100%	100%	
Realtek Semiconductor Corporation	Bluocean Inc.	Investment holdings	-	100%	Note 1
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	"	-	100%	Note 1
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	"	100%	100%	
Realtek Semiconductor Corporation	Realsun Investment Co., Ltd.	"	100%	100%	
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	"	100%	100%	
Realtek Semiconductor Corporation	Realking Investments Co., Ltd.	"	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Realtek Semiconductor Corporation	Realsun Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	100%	100%	
Realtek Semiconductor Corporation	Bobitag Inc.	Manufacture and installation of computer equipment and wholesale, retail and related service of electronic materials and information / software	67%	67%	
Realtek Semiconductor Corporation	AICONNX Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	100%	100%	
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Information collection and technical support	100%	100%	
Leading Enterprises Limited	Circon Universal Inc.	Investment holdings	100%	100%	
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Information services and technical support	100%	100%	
Amber Universal Inc.	Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	100%	100%	
Empsonic Enterprises Inc.	Realsil Microelectronics Corp.	//	100%	100%	
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	//	100%	100%	
Realtek Singapore Private Limited	Cortina Access Inc.	//	100%	100%	
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	//	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	R&D and technical support	100%	100%	
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Investment holdings	100%	100%	
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	R&D and technical support	100%	100%	
Realtek Singapore Private Limited	RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	19%	19%	
Realtek Singapore Private Limited	Leading Enterprises Limited	Investment holdings	100%	-	Note 1
Realtek Singapore Private Limited	Bluocean Inc.	//	100%	-	Note 1
Realtek Singapore Private Limited	Talent Eagle Enterprise Inc.	//	100%	-	Note 1
Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	81%	81%	
Realsil Microelectronics Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	//	80%	80%	
Realtek Semiconductor (Shen Zhen) Corp.	Suzhou PanKore Integrated Circuit Technology Co. Ltd.	//	20%	20%	
Bluocean Inc.	Realtek Semiconductor (Malaysia) Sdn. Bhd.	R&D and technical support	100%	100%	
Bluocean Inc.	Realtek Korea Inc.	//	100%	-	Note 2

Note 1: Due to reorganisation, the Company sold all equity interests in its three wholly-owned subsidiaries, Leading Enterprises Limited, BluOcean Inc. and Talent Eagle Enterprises Inc., to Realtek Singapore Private Limited through share exchanges.

Note 2: Realtek Korea Inc. was established on January 17, 2022.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

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

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

Otherwise, they are classified as non-current assets.

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

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

Otherwise, they are classified as non-current liabilities.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. Financial assets at amortized cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs.

The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

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

(10) Accounts receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

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

(14) Investments accounted for under equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of the fixed assets are as follows: buildings - 10~55 years and other fixed assets - 3~5 years.

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

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

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

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

(17) Investment property

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

(18) Intangible assets

- A. Computer software

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

B. Goodwill

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

C. Other intangible assets

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

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

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

(23) Provisions

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

on the balance sheet date.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

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

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

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

(26) Share capital

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

(27) Dividends

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

(28) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells various integrated circuit related products. Sales are recognized when control of the products has transferred, being when the products are

delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) Revenue from these sales is recognized based on the price specified in the contract. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Services revenue

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

(29) Government grants

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

(30) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As at December 31, 2022, the carrying amount of inventories was \$25,552,543.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 837	\$ 910
Checking accounts and demand deposits	10,001,264	7,113,048
Time deposits	3,751,934	83,393
	<u>\$ 13,754,035</u>	<u>\$ 7,197,351</u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 159,902	\$ 358,892
Beneficiary certificates	1,403,385	1,593,755
	<u>1,563,287</u>	<u>1,952,647</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 305,145	\$ -
Hybrid instruments	53,000	-
	<u>358,145</u>	<u>-</u>
	<u>\$ 1,921,432</u>	<u>\$ 1,952,647</u>

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

	Year ended December 31, 2022	Year ended December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	(\$ 198,989)	\$ 102,751
Beneficiary certificates	18,006	11,613
	(\$ 180,983)	\$ 114,364

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

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Listed stocks	\$ 718,427	\$ 788,460
Emerging stocks	28,771	36,046
Unlisted stocks	2,352,561	2,820,372
	\$ 3,099,759	\$ 3,644,878

- A. The Group has elected to classify equity instruments investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$3,099,759 and \$3,644,878 on December 31, 2022 and 2021, respectively.

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

	Year ended December 31, 2022	Year ended December 31, 2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 988,964)	\$ 995,872

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

(4) Financial assets at amortized cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits	\$ 41,595,837	\$ 43,740,876
Non-current items:		
Corporate bonds	\$ 532,574	\$ -
Time deposits	85,907	80,101
	<u>\$ 618,481</u>	<u>\$ 80,101</u>

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

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

The counterparties of the Group's investments in time deposits were financial institutions who have good credit quality, so it expects that the probability of counterparty default is remote.

(5) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 9,472,662	\$ 12,877,169
Accounts receivable - related parties	2,605,318	3,210,546
Less: Allowance for bad debts	(65,295)	(98,710)
	<u>\$ 12,012,685</u>	<u>\$ 15,989,005</u>

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

	December 31, 2022	December 31, 2021
Not past due	\$ 12,034,050	\$ 15,874,298
Up to 30 days	43,893	210,889
31 to 90 days	-	2,067
Over 90 days	37	461
	<u>\$ 12,077,980</u>	<u>\$ 16,087,715</u>

The above aging analysis is based on past due date.

B. As at December 31, 2022 and 2021, accounts receivable were all from contracts with customers. And as at January 1, 2021, the balance of receivables from contracts with customers amounted to \$13,748,428.

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

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

(6) Inventories

December 31, 2022			
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 9,483,560	(\$ 1,024,725)	\$ 8,458,835
Work in process	8,905,516	(948,334)	7,957,182
Finished goods	10,319,326	(1,182,800)	9,136,526
	<u>\$ 28,708,402</u>	<u>(\$ 3,155,859)</u>	<u>\$ 25,552,543</u>
December 31, 2021			
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	\$ 4,585,329	(\$ 364,729)	\$ 4,220,600
Work in process	4,946,701	(265,853)	4,680,848
Finished goods	8,131,233	(483,969)	7,647,264
	<u>\$ 17,663,263</u>	<u>(\$ 1,114,551)</u>	<u>\$ 16,548,712</u>

Operating costs incurred on inventories for the years ended December 31, 2022 and 2021 were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of inventories sold and others	\$ 54,942,909	\$ 51,952,047
Inventory loss on decline in (gain on reversal of) market value, obsolete and slow-moving inventories	1,986,470 (30,051)
Loss on scrap inventory	225,576	393,887
	<u>\$ 57,154,955</u>	<u>\$ 52,315,883</u>

(7) Investments accounted for under equity method

	December 31, 2022	December 31, 2021
Estinet Technologies Incorporation	\$ 2,276	\$ 5,081
Innorich Venture Capital Corp.	135,808	142,619
Starmems Semiconductor Corp.	32,587	43,677
	<u>\$ 170,671</u>	<u>\$ 191,377</u>

- A. The loss on investments accounted for under equity method amounted to \$20,723 and \$12,113 for the years ended December 31, 2022 and 2021, respectively.
- B. Starmems Semiconductor Corp. was incorporated in April 2021. The Group's investment in the investee amounted to \$45,000.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Test equipment	Office equipment	Others	Total
<u>At January 1, 2022</u>							
Cost	\$ 489,370	\$ 3,466,696	\$ 4,185,792	\$ 3,926,851	\$ 492,603	\$ 2,477,232	\$ 15,038,544
Accumulated depreciation and impairment	-	(1,517,259)	(3,546,371)	(2,638,725)	(255,610)	(777,641)	(8,735,606)
	<u>\$ 489,370</u>	<u>\$ 1,949,437</u>	<u>\$ 639,421</u>	<u>\$ 1,288,126</u>	<u>\$ 236,993</u>	<u>\$ 1,699,591</u>	<u>\$ 6,302,938</u>
<u>2022</u>							
At January 1	\$ 489,370	\$ 1,949,437	\$ 639,421	\$ 1,288,126	\$ 236,993	\$ 1,699,591	\$ 6,302,938
Additions	-	47,562	125,763	729,752	45,270	1,333,812	2,282,159
Disposals	-	(57)	-	(41)	(123)	-	(221)
Reclassifications	-	-	172,492	2,891	-	(175,577)	(194)
Depreciation	-	(130,636)	(169,607)	(580,087)	(63,891)	(122,385)	(1,066,606)
Net exchange difference	-	28,822	(8,401)	12,889	805	4,445	38,560
At December 31	<u>\$ 489,370</u>	<u>\$ 1,895,128</u>	<u>\$ 759,668</u>	<u>\$ 1,453,530</u>	<u>\$ 219,054</u>	<u>\$ 2,739,886</u>	<u>\$ 7,556,636</u>
<u>At December 31, 2022</u>							
Cost	\$ 489,370	\$ 3,083,025	\$ 1,292,529	\$ 3,414,364	\$ 434,731	\$ 3,085,480	\$ 11,799,499
Accumulated depreciation and impairment	-	(1,187,897)	(532,861)	(1,960,834)	(215,677)	(345,594)	(4,242,863)
	<u>\$ 489,370</u>	<u>\$ 1,895,128</u>	<u>\$ 759,668</u>	<u>\$ 1,453,530</u>	<u>\$ 219,054</u>	<u>\$ 2,739,886</u>	<u>\$ 7,556,636</u>
	Land	Buildings	Machinery	Test equipment	Office equipment	Others	Total
<u>At January 1, 2021</u>							
Cost	\$ 387,280	\$ 3,414,624	\$ 3,838,068	\$ 3,290,307	\$ 333,113	\$ 1,111,004	\$ 12,374,396
Accumulated depreciation and impairment	-	(1,413,842)	(3,429,011)	(2,195,086)	(207,520)	(680,405)	(7,925,864)
	<u>\$ 387,280</u>	<u>\$ 2,000,782</u>	<u>\$ 409,057</u>	<u>\$ 1,095,221</u>	<u>\$ 125,593</u>	<u>\$ 430,599</u>	<u>\$ 4,448,532</u>
<u>2021</u>							
At January 1	\$ 387,280	\$ 2,000,782	\$ 409,057	\$ 1,095,221	\$ 125,593	\$ 430,599	\$ 4,448,532
Additions	-	16,140	356,412	686,676	161,590	1,514,187	2,735,005
Disposals	-	(146)	-	(10)	(167)	(73)	(396)
Reclassifications	102,090	42,767	-	-	-	(144,857)	-
Depreciation	-	(114,392)	(126,350)	(493,922)	(50,054)	(99,321)	(884,039)
Net exchange difference	-	4,286	302	161	31	(944)	3,836
At December 31	<u>\$ 489,370</u>	<u>\$ 1,949,437</u>	<u>\$ 639,421</u>	<u>\$ 1,288,126</u>	<u>\$ 236,993</u>	<u>\$ 1,699,591</u>	<u>\$ 6,302,938</u>
<u>At December 31, 2021</u>							
Cost	\$ 489,370	\$ 3,466,696	\$ 4,185,792	\$ 3,926,851	\$ 492,603	\$ 2,477,232	\$ 15,038,544
Accumulated depreciation and impairment	-	(1,517,259)	(3,546,371)	(2,638,725)	(255,610)	(777,641)	(8,735,606)
	<u>\$ 489,370</u>	<u>\$ 1,949,437</u>	<u>\$ 639,421</u>	<u>\$ 1,288,126</u>	<u>\$ 236,993</u>	<u>\$ 1,699,591</u>	<u>\$ 6,302,938</u>

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

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

(9) Leasing arrangements — lessee

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

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

	Carrying amount	
	December 31, 2022	December 31, 2021
Land	\$ 1,354,240	\$ 1,370,790
Buildings	182,939	215,177
Transportation equipment	149	1,943
	<u>\$ 1,537,328</u>	<u>\$ 1,587,910</u>

	Depreciation	
	Year ended December 31, 2022	Year ended December 31, 2021
Land	\$ 28,153	\$ 27,376
Buildings	76,443	81,295
Transportation equipment	1,794	1,644
	<u>\$ 106,390</u>	<u>\$ 110,315</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$69,238 and \$57,016, respectively.

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

	Year ended December 31, 2022	Year ended December 31, 2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 27,680</u>	<u>\$ 28,590</u>

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$124,830 and \$119,369, respectively.

(10) Investment property

	Buildings	
	2022	2021
<u>At January 1</u>		
Cost	\$ 81,152	\$ 81,499
Accumulated depreciation and impairment	(39,511)	(35,809)
	<u>\$ 41,641</u>	<u>\$ 45,690</u>
<u>At January 1</u>	\$ 41,641	\$ 45,690
Depreciation	(3,924)	(3,858)
Net exchange difference	699	(191)
At December 31	<u>\$ 38,416</u>	<u>\$ 41,641</u>
<u>At December 31</u>		
Cost	\$ 82,504	\$ 81,152
Accumulated depreciation and impairment	(44,088)	(39,511)
	<u>\$ 38,416</u>	<u>\$ 41,641</u>

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

	Year ended December 31, 2022	Year ended December 31, 2021
Rental income from the lease of the investment property	\$ <u>2,274</u>	\$ <u>2,231</u>
Operating expenses arising from the investment property that generated rental income during the year	\$ <u>3,924</u>	\$ <u>3,858</u>

B. The Group's investment property is located in Mainland China. The fair value is based on valuation information from Information Centre of Real Estate in local governments in Mainland China and is adjusted and classified as level 3 accordingly. As at December 31, 2022 and 2021, the fair values were \$133,060 and \$130,525, respectively.

(11) Intangible assets

	Computer software	Intellectual property	Goodwill	Others	Total
<u>At January 1, 2022</u>					
Cost	\$ 5,639,381	\$ 5,805,930	\$ 639,561	\$ 281,520	\$ 12,366,392
Accumulated amortisation and impairment	(4,737,026)	(4,517,428)	(639,561)	(240,683)	(10,134,698)
	<u>\$ 902,355</u>	<u>\$ 1,288,502</u>	<u>\$ -</u>	<u>\$ 40,837</u>	<u>\$ 2,231,694</u>
<u>2022</u>					
At January 1	\$ 902,355	\$ 1,288,502	\$ -	\$ 40,837	\$ 2,231,694
Additions	1,459,084	308,554	-	38,240	1,805,878
Amortisation	(962,714)	(642,764)	-	(21,931)	(1,627,409)
Net exchange difference	252	645	-	2,135	3,032
At December 31	<u>\$ 1,398,977</u>	<u>\$ 954,937</u>	<u>\$ -</u>	<u>\$ 59,281</u>	<u>\$ 2,413,195</u>
<u>At December 31, 2022</u>					
Cost	\$ 7,099,807	\$ 6,117,679	\$ 639,561	\$ 348,766	\$ 14,205,813
Accumulated amortisation and impairment	(5,700,830)	(5,162,742)	(639,561)	(289,485)	(11,792,618)
	<u>\$ 1,398,977</u>	<u>\$ 954,937</u>	<u>\$ -</u>	<u>\$ 59,281</u>	<u>\$ 2,413,195</u>

	Computer software	Intellectual property	Goodwill	Others	Total
<u>At January 1, 2021</u>					
Cost	\$ 5,088,065	\$ 4,900,421	\$ 639,561	\$ 275,206	\$ 10,903,253
Accumulated amortisation and impairment	(3,987,796)	(3,981,733)	(639,561)	(226,839)	(8,835,929)
	<u>\$ 1,100,269</u>	<u>\$ 918,688</u>	<u>\$ -</u>	<u>\$ 48,367</u>	<u>\$ 2,067,324</u>
<u>2021</u>					
At January 1	\$ 1,100,269	\$ 918,688	\$ -	\$ 48,367	\$ 2,067,324
Additions	551,638	906,330	-	14,176	1,472,144
Amortisation	(749,514)	(532,557)	-	(20,588)	(1,302,659)
Net exchange difference	(38)	(3,959)	-	(1,118)	(5,115)
At December 31	<u>\$ 902,355</u>	<u>\$ 1,288,502</u>	<u>\$ -</u>	<u>\$ 40,837</u>	<u>\$ 2,231,694</u>
<u>At December 31, 2021</u>					
Cost	\$ 5,639,381	\$ 5,805,930	\$ 639,561	\$ 281,520	\$ 12,366,392
Accumulated amortisation and impairment	(4,737,026)	(4,517,428)	(639,561)	(240,683)	(10,134,698)
	<u>\$ 902,355</u>	<u>\$ 1,288,502</u>	<u>\$ -</u>	<u>\$ 40,837</u>	<u>\$ 2,231,694</u>

Details of amortization on intangible assets are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Operating costs	\$ 2,615	\$ 1,374
Operating expenses	1,624,794	1,301,285
	<u>\$ 1,627,409</u>	<u>\$ 1,302,659</u>

(12) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 13,737,994</u>	1.18%~2.3%	None
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 13,342,100</u>	0.42%~0.57%	None

Interest expense of bank borrowings recognized in profit or loss amounted to \$190,063 and \$78,050 for the years ended December 31, 2022 and 2021, respectively.

(13) Other payables

	December 31, 2022	December 31, 2021
Accrued salaries and bonus	\$ 11,366,632	\$ 9,641,868
Payable for employees' compensation	12,002,603	11,117,412
Other accrued expenses	2,531,844	1,927,958
Payables on equipment	114,514	283,796
Payables on software and intellectual property	1,292,307	1,445,930
Others	376,595	228,177
	<u>\$ 27,684,495</u>	<u>\$ 24,645,141</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period	Repayment term	Interest rate range	Collateral	December 31, 2022
Loan for Accelerated Investment by Domestic Corporations (Note)	2021/11/8 ~2027/12/15	Repayable in instalment over the agreed period	0.925% ~ 1.125%	None	<u>\$ 1,713,316</u>
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	0.30%	None	<u>\$ 1,002,799</u>

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

(15) Pension

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

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	(\$ 624,489)	(\$ 628,846)
Fair value of plan assets	<u>533,997</u>	<u>534,371</u>
Net defined benefit liability	<u>(\$ 90,492)</u>	<u>(\$ 94,475)</u>

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

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(628,846)	534,371	(94,475)
Current service cost	(1,136)	-	(1,136)
Interest (expense) income	(4,641)	3,760	(881)
	(634,623)	538,131	(96,492)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,418)	(1,418)
Change in financial assumptions	38,312	-	38,312
Experience adjustments	(36,894)	-	(36,894)
	1,418	(1,418)	-
Pension fund contribution	-	6,000	6,000
Paid pension	8,716	(8,716)	-
At December 31	(\$ 624,489)	\$ 533,997	(\$ 90,492)
	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(600,923)	501,842	(99,081)
Current service cost	(1,079)	-	(1,079)
Interest (expense) income	(2,056)	1,741	(315)
	(604,058)	503,583	(100,475)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	35,943	35,943
Change in demographic assumptions	(34,449)	-	(34,449)
Change in financial assumptions	29,040	-	29,040
Experience adjustments	(30,534)	-	(30,534)
	(35,943)	35,943	-
Pension fund contribution	-	6,000	6,000
Paid pension	11,155	(11,155)	-
At December 31	(\$ 628,846)	\$ 534,371	(\$ 94,475)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in

domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

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

	Year ended December 31, 2022	Year ended December 31, 2021
Discount rate	1.40%	0.75%
Future salary increases	4.75%	4.75%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

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

	Discount rate		Future salary increases	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ 14,986	(\$ 15,511)	(\$ 14,672)	\$ 14,260
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	\$ 16,290	(\$ 16,894)	(\$ 15,888)	\$ 15,415

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, 2023 amount to \$6,000.
- (g) As at December 31, 2022, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 340,419
2-5 year(s)	147,204
5-10 years	162,984
	<u>\$ 650,607</u>

- B. (a) Effective July 1, 2005, the Company and domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”),

covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Employees may receive the payment of the pension every month or on a lump-sum basis depending on the accumulated earnings in the personal pension account.

- (b) The Company's mainland China subsidiaries, Realsil Microelectronics Corp., Realtek Semiconductor (Shen Zhen) Corp., Cortina Network Systems (Shanghai) Co., Ltd., RayMX Microelectronics Corp. and Suzhou PanKore Integrated Circuit Technology Co. Ltd. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Monthly contributions to an independent fund are administered by the government. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$393,147 and \$330,437, respectively.

(16) Provision

	2022	2021
At January 1	\$ 989,475	\$ 1,018,706
Increase in provision	185,080	-
Effect of exchange rate	113,155	(29,231)
At December 31	<u>\$ 1,287,710</u>	<u>\$ 989,475</u>

As at December 31, 2022, provisions were estimated for potential infringement litigations.

(17) Share capital

- A. As at December 31, 2022, the Company's authority capital was \$8,900,000, consisting of 890 million shares of common stock (including 80 million shares reserved for employee stock options), and the paid-in capital was \$5,128,636 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2022	2021
At January 1	510,684	510,684
Employees' compensation transferred to common shares	2,179	-
At December 31	<u>512,863</u>	<u>510,684</u>

- B. On March 18, 2022, the Company's Board of Directors resolved to distribute employees' compensation in the form of stocks amounting to \$991,338. The Company issued 2,179 thousand shares based on the closing price of the Company's share at the previous day of the Board

meeting resolution at 455 NT dollar, which was approved by the competent authority, and the record date of issuance of new shares was March 30, 2022. The registration for the distribution of employees' compensation was completed on April 13, 2022.

- C. On January 24, 2002, the Company increased its new common stock and sold its old common stock by issuing 13,924 thousand units of GDRs for cash. Each GDR unit represents 4 common stocks, so the total common stocks issued were 55,694 thousand shares. The Company's GDRs are traded in the Luxembourg Stock Exchange. As at December 31, 2022, the outstanding GDRs were 311 thousand units, or 1,244 thousand shares of common stock, representing 0.24% of the Company's total common stocks.

(18) Capital surplus

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

	2022			
	Change in equity of associates accounted for under			
	Share premium	equity method	Others	Total
At January 1	\$ 1,039,006	\$ 61,261	\$ 812	\$ 1,101,079
Employees' compensation transferred to common shares	969,551	-	-	969,551
Cash from capital surplus	(1,025,727)	-	-	(1,025,727)
Cash dividends returned	-	-	244	244
At December 31	<u>\$ 982,830</u>	<u>\$ 61,261</u>	<u>\$ 1,056</u>	<u>\$ 1,045,147</u>
	2021			
	Change in equity of associates accounted for under			
	Share premium	equity method	Others	Total
At January 1	\$ 2,060,376	\$ 61,035	\$ 597	\$ 2,122,008
Cash from capital surplus	(1,021,370)	-	-	(1,021,370)
Changes in equity of associates accounted for under equity method	-	226	-	226
Cash dividends returned	-	-	215	215
At December 31	<u>\$ 1,039,006</u>	<u>\$ 61,261</u>	<u>\$ 812</u>	<u>\$ 1,101,079</u>

(19) Retained earnings

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

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

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriation of 2021 and 2020 earnings had been resolved at the shareholders' meeting on June 8, 2022 and August 9, 2021. Details are summarized below:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 1,685,276	\$ -	\$ -	\$ -
Special reserve	220,040	-	1,339,013	-
Cash dividends	12,821,591	25.00	6,128,219	12.00
Total	<u>\$ 14,726,907</u>	<u>\$ 25.00</u>	<u>\$ 7,467,232</u>	<u>\$ 12.00</u>

E. On April 22, 2022, the Board of Directors of the Company proposed to distribute cash dividends from capital surplus to shareholders in the amount of \$1,025,727 (2 NT dollar per share).

F. On April 23, 2021, the Board of Directors of the Company proposed to distribute cash dividends from capital surplus to shareholders in the amount of \$1,021,370 (2 NT dollar per share).

(20) Other equity items

	2022		
	Unrealised gains (losses) on valuation	Currency translation difference	Total
At January 1	\$ 2,380,781	(\$ 4,156,871)	(\$ 1,776,090)
Revaluation:			
–Group	(988,964)	-	(988,964)
Currency translation differences:			
–Group	-	5,451,229	5,451,229
At December 31	<u>\$ 1,391,817</u>	<u>\$ 1,294,358</u>	<u>\$ 2,686,175</u>
	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>

(21) Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from contracts with customers	<u>\$ 111,789,791</u>	<u>\$ 105,504,286</u>

A. Disaggregation of revenue from contracts with customers

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

<u>Year ended December 31, 2022</u>	<u>Integrated circuit products</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 111,560,194</u>	<u>\$ 229,597</u>	<u>\$ 111,789,791</u>
Timing of revenue recognition			
At a point in time	<u>\$ 111,560,194</u>	<u>\$ 229,597</u>	<u>\$ 111,789,791</u>
<u>Year ended December 31, 2021</u>	<u>Integrated circuit products</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 105,374,969</u>	<u>\$ 129,317</u>	<u>\$ 105,504,286</u>
Timing of revenue recognition			
At a point in time	<u>\$ 105,374,969</u>	<u>\$ 129,317</u>	<u>\$ 105,504,286</u>

B. Contract liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities -advance			
sales receipts	<u>\$ 117,752</u>	<u>\$ 211,100</u>	<u>\$ 336,254</u>

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

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Contract liabilities – advance sales receipts	<u>\$ 191,160</u>	<u>\$ 269,069</u>

C. Refund liabilities (shown in other current liabilities)

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

The following refund liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refund liabilities – current	<u>\$ 8,932,366</u>	<u>\$ 7,521,493</u>

(22) Interest income

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Interest income from bank deposits	<u>\$ 950,676</u>	<u>\$ 326,399</u>

(23) Other income

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Dividend income	\$ 60,741	\$ 43,713
Grant income	97,243	53,621
Other income	230,935	116,093
	<u>\$ 388,919</u>	<u>\$ 213,427</u>

(24) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Gains (losses) on disposal of property, plant and equipment	\$ 1,132	(\$ 196)
Losses on disposal of investments	-	(145)
Gains arising from lease modifications	24	236
Net currency exchange gains (losses)	304,092	(109,466)
(Losses) gains on financial assets at fair value through profit or loss	(180,983)	114,364
Other losses	(27,533)	(176,040)
	<u>\$ 96,732</u>	<u>(\$ 171,247)</u>

(25) Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense		
Bank borrowings	\$ 190,063	\$ 78,050
Lease liabilities	27,680	28,590
	<u>\$ 217,743</u>	<u>\$ 106,640</u>

(26) Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit expenses	\$ 29,155,537	\$ 27,465,041
Depreciation	1,176,920	998,212
Amortisation	1,627,409	1,302,659

(27) Employee benefit expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 27,606,128	\$ 26,163,019
Labor and health insurance fees	817,557	662,438
Pension costs	395,164	331,831
Other personnel expenses	336,688	307,753
Total	<u>\$ 29,155,537</u>	<u>\$ 27,465,041</u>

A. In accordance with the Company's Articles of Incorporation, the Company shall appropriate no higher than 3% for directors' remuneration and no less than 1% for employees' compensation, if the Company generates profit. If the Company has accumulated deficit, earnings should be reserved to cover losses before the appropriation of directors' remuneration and employees' compensation.

Aforementioned employees' compensation could be distributed by cash or stocks. Specifics

of the compensation are to be determined by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors. The resolution should be reported to the shareholders during the shareholders' meeting.

- B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$4,765,898 and \$4,956,694, respectively; directors' remuneration were accrued at \$120,000 and \$130,000, respectively. The amounts were estimated as operating cost or operating expense in accordance with the Company's Articles of Incorporation.

On March 18, 2022, the employees' compensation of \$4,956,694 and directors' remuneration of \$130,000 for 2021 resolved at the meeting of the Board of Directors agreed with those amounts recognized in the 2021 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.

(28) Income tax

A. Income tax expense

	Year ended December 31, 2022	Year ended December 31, 2021
Current income tax:		
Current income tax on profit for the year	\$ 969,312	\$ 934,395
Tax on undistributed earnings	106,293	64,850
Prior year income tax overestimation	(355,446)	(276,529)
Total current income tax	<u>720,159</u>	<u>722,716</u>
Deferred income tax:		
Origination and reversal of temporary differences	(2,444)	(805)
Income tax expense	<u>\$ 717,715</u>	<u>\$ 721,911</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2022	Year ended December 31, 2021
Income tax calculated based on income before tax	\$ 3,413,672	\$ 3,528,450
Expenses disallowed by tax regulation and effects from tax-exempt income	(2,446,804)	(2,594,860)
Prior year income tax overestimation	(355,446)	(276,529)
Tax on undistributed earnings	106,293	64,850
Income tax expense	<u>\$ 717,715</u>	<u>\$ 721,911</u>

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

	2022		
	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	\$ 171,321	(\$ 38,343)	\$ 132,978
Deferred income tax liabilities:			
— Temporary differences:			
Unrealised exchange gain	(103,512)	40,787	(62,725)
Total	<u>\$ 67,809</u>	<u>\$ 2,444</u>	<u>\$ 70,253</u>
	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)
Total	<u>\$ 67,004</u>	<u>\$ 805</u>	<u>\$ 67,809</u>

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

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 2,179,722</u>	<u>\$ 1,414,597</u>

E. As at December 31, 2022, the Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

Year ended December 31, 2022			
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent company	<u>\$16,204,052</u>	<u>512,410</u>	<u>\$ 31.62</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent company	\$16,204,052	512,410	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	<u>-</u>	<u>19,175</u>	
Profit attributable to common shareholders of the parent company plus assumed conversion of all dilutive potential common shares	<u>\$16,204,052</u>	<u>531,585</u>	<u>\$ 30.48</u>
Year ended December 31, 2021			
	Amount after tax	Weighted average number of common shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent company	<u>\$16,852,759</u>	<u>510,684</u>	<u>\$ 33.00</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent company	\$16,852,759	510,684	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	<u>-</u>	<u>9,726</u>	
Profit attributable to common shareholders of the parent company plus assumed conversion of all dilutive potential common shares	<u>\$16,852,759</u>	<u>520,410</u>	<u>\$ 32.38</u>

(30) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of property, plant and equipment	\$ 2,282,159	\$ 2,735,005
Add: Opening balance of payable on equipment	283,796	58,959
Less: Ending balance of payable on equipment	114,514	(283,796)
Cash paid during the year	<u>\$ 2,680,469</u>	<u>\$ 2,510,168</u>
	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of intangible assets	\$ 1,805,878	\$ 1,472,144
Add: Opening balance of payable on software and intellectual property	1,445,930	1,152,591
Less: Ending balance of payable on software and intellectual property	(1,292,307)	(1,445,930)
Cash paid during the year	<u>\$ 1,959,501</u>	<u>\$ 1,178,805</u>

(31) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposits	Lease liabilities	Long-term borrowings	Liabilities from financing activities-total
At January 1, 2022	\$ 13,342,100	\$ 1,448	\$ 1,332,705	\$ 1,002,799	\$ 15,679,052
Changes in cash flow from financing activities	395,894	(892)	(97,150)	711,110	1,008,962
Interest paid	-	-	(27,680)	-	(27,680)
Interest of lease liabilities	-	-	27,680	-	27,680
Impact of changes in foreign exchange	-	-	(1,156)	-	(1,156)
Changes in other non-cash items	-	-	67,232	(593)	66,639
At December 31, 2022	<u>\$ 13,737,994</u>	<u>\$ 556</u>	<u>\$ 1,301,631</u>	<u>\$ 1,713,316</u>	<u>\$ 16,753,497</u>
	Short-term borrowings	Guarantee deposits	Lease liabilities	Long-term borrowings	Liabilities from financing activities-total
At January 1, 2021	\$ 11,456,690	\$ 1,251	\$ 1,377,257	\$ -	\$ 12,835,198
Changes in cash flow from financing activities	1,885,410	197	(90,779)	1,017,360	2,812,188
Interest paid	-	-	(28,590)	-	(28,590)
Interest of lease liabilities	-	-	28,590	-	28,590
Impact of changes in foreign exchange	-	-	(3,056)	-	(3,056)
Changes in other non-cash items	-	-	49,283	(14,561)	34,722
At December 31, 2021	<u>\$ 13,342,100</u>	<u>\$ 1,448</u>	<u>\$ 1,332,705</u>	<u>\$ 1,002,799</u>	<u>\$ 15,679,052</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate controlling party of the Group is the Company.

(2) Names of related parties and relationship

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

(3) Significant related party transactions and balances

A. Operating revenue

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Sales of goods:		
G.M.I Technology Inc.	\$ 16,520,851	\$ 16,083,737
Others	395,667	623,758
	<u>\$ 16,916,518</u>	<u>\$ 16,707,495</u>

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

B. Processing cost

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Greatek Electronics Inc.	\$ 1,057,117	\$ 1,339,141
Others	10,598	8,413
	<u>\$ 1,067,715</u>	<u>\$ 1,347,554</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, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
G.M.I Technology Inc.	\$ 2,548,128	\$ 3,146,078
Other	46,117	46,106
	<u>\$ 2,594,245</u>	<u>\$ 3,192,184</u>

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

D. Payables to related parties

	December 31, 2022	December 31, 2021
Accounts payable:		
Greatek Electronics Inc.	\$ 156,225	\$ 333,380
Others	71	1,033
	<u>\$ 156,296</u>	<u>\$ 334,413</u>

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

E. Other transactions and other payables (receivables):

	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	Ending balance	Amount	Ending balance
Other related parties-				
Sales commissions	\$ 722,091	\$ 90,401	\$ 633,550	\$ 101,253
Cash dividends revenue	(\$ 30,114)	\$ -	(\$ 21,761)	\$ -
Technical royalty revenue	(\$ 14,291)	\$ -	(\$ 31,451)	\$ -
Other	\$ -	\$ -	\$ 327	\$ -

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

(4) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 564,883	\$ 248,487
Post-employment benefits	3,875	3,103
Total	<u>\$ 568,758</u>	<u>\$ 251,590</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purposes
	December 31, 2022	December 31, 2021	
Time deposits (shown in financial assets at amortised cost non-current)	\$ 31,348	\$ 31,048	Guarantee for the importation customs duties of materials
"	54,559	49,053	Guarantee for leasing land and office in science park
	<u>\$ 85,907</u>	<u>\$ 80,101</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 March 23, 2022, ITC issued the final 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. Due to the Plaintiff/ Complainant’s withdrawal of its patent infringement complaints, the patent infringement cases have been terminated.
- 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.
- E. Advanced Micro Devices, Inc./ ATI Technologies ULC brought an action for patent infringement in United States International Trade Commission (“ITC”) and United States District Court for the Eastern 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.
- F. American Patent LLC brought an action for patent infringement in United States District Court for the Eastern District of Texas against the Company’s IC products. The case is still pending, and the Company is unable to reliably determine the outcome of the case.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 1,921,432</u>	<u>\$ 1,952,647</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 3,099,759</u>	<u>\$ 3,644,878</u>
Financial assets at amortised cost/		
Receivables		
Cash and cash equivalents	\$ 13,754,035	\$ 7,197,351
Financial assets at amortised cost	42,214,318	43,820,977
Accounts receivable (including related parties)	12,012,685	15,989,005
Other receivables	488,769	156,928
Refundable deposits	2,191,910	734,855
	<u>\$ 70,661,717</u>	<u>\$ 67,899,116</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 13,737,994	\$ 13,342,100
Notes payable	-	3,276
Accounts payable (including related parties)	10,496,375	11,439,981
Other payables (including related parties)	27,774,896	24,746,394
Long-term borrowings	1,713,316	1,002,799
Guarantee deposits	556	1,448
Other financial liabilities	8,932,366	7,521,493
	<u>\$ 62,655,503</u>	<u>\$ 58,057,491</u>
Lease liabilities	<u>\$ 1,301,631</u>	<u>\$ 1,332,705</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 246,929	30.708	\$ 7,582,696
<u>Non-monetary items</u>			
USD:NTD	1,881,393	30.708	57,773,816
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	354,424	30.708	10,883,652

December 31, 2021			
(Foreign currency: functional currency)	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 371,907	27.690	\$ 10,298,105
<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

The exchange gains (losses), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$304,092 and (\$109,466), respectively.

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

Year ended December 31, 2022			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on	Effect on other
		profit or loss	comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 75,827	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	577,738
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(108,837)	-

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

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$192,143 and \$195,265, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$309,976 and \$364,488, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group has no material interest rate risk.

(b) Credit risk

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

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

As at December 31, 2022, and 2021, the provision matrix are as follows:

	Not past due	1~90 days past due	Over 90 days past due	Total
<u>At December 31, 2022</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	\$ 12,034,050	\$ 43,893	\$ 37	\$ 12,077,980
Loss allowance	\$ 64,819	\$ 439	\$ 37	\$ 65,295
	Not past due	1~90 days past due	Over 90 days past due	Total
<u>At December 31, 2021</u>				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	\$ 15,874,298	\$ 212,956	\$ 461	\$ 16,087,715
Loss allowance	\$ 96,119	\$ 2,130	\$ 461	\$ 98,710

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

	2022
	Loss allowance for accounts receivable
At January 1	\$ 98,710
Reversal of impairment loss	(33,415)
At December 31	<u>\$ 65,295</u>
	2021
	Loss allowance for accounts receivable
At January 1	\$ 95,360
Provision for impairment loss	3,350
At December 31	<u>\$ 98,710</u>

- x. For investments in debt instruments to the Group at amortised cost, the credit rating levels are presented below:

	December 31, 2022			
		Lifetime		
		Significant increase in credit risk	Impairment of credit	
	12 months			Total
Financial assets at amortised cost				
Group 1	\$ 41,681,744	\$ -	\$ -	\$ 41,681,744
Group 2	532,574	-	-	532,574
	<u>\$ 42,214,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,214,318</u>
	December 31, 2021			
		Lifetime		
		Significant increase in credit risk	Impairment of credit	
	12 months			Total
Financial assets at amortised cost				
Group 1	<u>\$ 43,820,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,820,977</u>

Group 1: Time deposits with original maturity over three months deposited in financial institutions having good credit quality.

Group 2: Standard Poor's, Fitch's, or Moody's rating of A-level.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors forecasts of the Group's liquidity requirements

to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

- ii. Group finance invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2022			
Short-term borrowings	\$ 13,737,994	\$ -	\$ -
Accounts payable (including related parties)	10,496,375	-	-
Other payables (including related parties)	27,774,896	-	-
Lease liabilities	120,508	307,758	1,305,338
Long-term borrowings	-	1,728,470	-
Guarantee deposits	-	-	556
Other financial liabilities	8,932,366	-	-

Non-derivative financial liabilities:

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

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

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(10).

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

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

December 31, 2022	<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	\$ 1,868,432	\$ -	\$ -	\$ 1,868,432
Hybrid instrument	-	-	53,000	53,000
Financial assets at fair value through other comprehensive income				
Equity securities	747,198	-	2,352,561	3,099,759
Total	<u>\$ 2,615,630</u>	<u>\$ -</u>	<u>\$ 2,405,561</u>	<u>\$ 5,021,191</u>
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	\$ 1,952,647	\$ -	\$ -	\$ 1,952,647
Financial assets at fair value through other comprehensive income				
Equity securities	824,506	-	2,820,372	3,644,878
Total	<u>\$ 2,777,153</u>	<u>\$ -</u>	<u>\$ 2,820,372</u>	<u>\$ 5,597,525</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

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

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

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022	2021
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	\$ 2,820,372	\$ 2,031,480
Received in the period	53,000	-
(Losses) gains recognized in other comprehensive income	(467,811)	788,892
At December 31	\$ 2,405,561	\$ 2,820,372

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

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

adjustments to the fair value.

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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 118,812	Market comparable companies	Price to book ratio multiple	3.18	The higher the multiple, the higher the fair value
"	40,408	Net asset value	Not applicable	-	Not applicable
Private equity fund investment	2,193,341	Net asset value	Not applicable	-	Not applicable
Hybrid instrument					
Convertible notes	53,000	Binomial Model	Not applicable	-	Not applicable
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 106,304	Market comparable companies	Price to book ratio multiple	15.33	The higher the multiple, the higher the fair value
"	30,270	Net assetvalue	Not applicable	-	Not applicable
Private equity fund investment	2,683,798	Net assetvalue	Not applicable	-	Not applicable

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

			December 31, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable change	Favourable Change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 1,519	(\$ 1,519)
			December 31, 2021			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable change	Favourable Change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	± 1%	\$ -	\$ -	\$ 7,283	(\$ 7,283)

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

In response to the COVID-19 pandemic, the Company adjusted the working pattern of its employees, enhanced cleaning and disinfection and other measures to comply with the government regulations. As at December 31, 2022, the Group assessed that the epidemic had no significant impact on the overall operating activities and financial statements.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

(4) Major shareholders information

As at December 31, 2022, the Company had no shareholders who hold over 5% (including 5%) of the Company's shares.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

(4) Reconciliation for segment profit (loss)

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

(5) Information on products and services

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

Breakdown of the revenue from all sources are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from ICs	\$ 111,560,194	\$ 105,374,969
Others	229,597	129,317
Total	<u>\$ 111,789,791</u>	<u>\$ 105,504,286</u>

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 48,934,459	\$ 10,914,084	\$ 48,015,150	\$ 9,397,141
Asia	61,794,824	643,800	56,984,374	670,167
Others	1,060,508	79,018	504,762	96,671
Total	<u>\$ 111,789,791</u>	<u>\$ 11,636,902</u>	<u>\$ 105,504,286</u>	<u>\$ 10,163,979</u>

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

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Revenue	Segment	Revenue	Segment
Customer B	\$ 23,180,512	The whole group	\$ 24,336,918	The whole group
Customer D	25,425,420	"	22,895,750	"
Customer A	16,520,851	"	16,083,737	"

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES																	
Loans to others																	
For the year ended December 31, 2022																	
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, 2022 (Note 3)	Balance at December 31, 2022	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	\$ 100,000	\$ 100,000	\$ 70,000	2.00	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 4,675,323	\$ 18,701,293	None
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	Other receivables-related parties	Y	61,416	61,416	-	-	Short-term financing	-	Operations	-	None	-	4,675,323	18,701,293	None
0	Realtek Semiconductor Corporation	AICONNX Technology Corp.	Other receivables-related parties	Y	300,000	300,000	-	-	Short-term financing	-	Operations	-	None	-	4,675,323	18,701,293	None
0	Realtek Semiconductor Corporation	Bluecean Inc.	Other receivables-related parties	Y	2,149,560	2,149,560	-	-	Short-term financing	-	Operations	-	None	-	4,675,323	18,701,293	None
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	2,456,640	2,456,640	-	-	Short-term financing	-	Operations	-	None	-	4,675,323	18,701,293	None
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables-related parties	Y	3,070,800	3,070,800	1,197,612	4.30	Short-term financing	-	Operations	-	None	-	4,675,323	18,701,293	None
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables-related parties	Y	3,070,800	3,070,800	2,487,348	4.30	Short-term financing	-	Operations	-	None	-	4,675,323	18,701,293	None
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	1,842,480	1,842,480	1,777,993	4.30	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
2	Amber Universal Inc.	Blueocean Inc.	Other receivables-related parties	Y	1,535,400	1,535,400	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
2	Amber Universal Inc.	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	3,078,800	3,078,800	138,186	4.30	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
3	Cortina Access, Inc.	Leading Enterprises Limited	Other receivables-related parties	Y	921,240	921,240	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None

No (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount	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
					December 31, 2022 (Note 3)	December 31, 2022	drawn down (Note 4)						Item	Value			
4	Realtek Singapore Private Limited	Leading Enterprises Limited	Other receivables-related parties	Y	\$ 3,070,800	\$ 3,070,800	\$ 1,375,718	4.30	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 18,701,293	18,701,293	None
4	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	Other receivables-related parties	Y	61,416	61,416	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
4	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	Other receivables-related parties	Y	921,240	921,240	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
4	Realtek Singapore Private Limited	Bluocean Inc.	Other receivables-related parties	Y	3,070,800	3,070,800	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
4	Realtek Singapore Private Limited	Amber Universal Inc.	Other receivables-related parties	Y	3,070,800	3,070,800	15,354	4.30	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
4	Realtek Singapore Private Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	3,070,800	3,070,800	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
5	Realsil Microelectronics Corp.	Suzhou Pankore Integrated Circuit Technology Co. Ltd	Other receivables-related parties	Y	353,400	353,400	143,790	4.35	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
5	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	Other receivables-related parties	Y	353,400	353,400	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None
6	Cortina Network Systems (Shanghai) Co., Ltd.	Suzhou Pankore Integrated Circuit Technology Co. Ltd	Other receivables-related parties	Y	132,525	132,525	-	-	Short-term financing	-	Operations	-	None	-	18,701,293	18,701,293	None

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

(1) The Company is ‘0’.

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

Note 2: The Company’s “Procedures for Provision of Loans” are as follows:

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

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

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

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

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

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

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limited on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ amount as at December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amont 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	\$ 23,376,616	\$ 4,675,323	\$ 4,675,323	\$ -	\$ -	10%	\$ 23,376,616	Y	N	N	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited			2	23,376,616	9,350,646	9,350,646	-	-	20%	23,376,616	Y	N	N	
0	Realtek Semiconductor Corporation	Realsil Microelectronics Corp.			2	23,376,616	1,402,597	1,402,597	-	-	3%	23,376,616	Y	N	Y	
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.			2	23,376,616	1,402,597	1,402,597	-	-	3%	23,376,616	Y	N	Y	
0	Realtek Semiconductor Corporation	AICONNX Technology Corp.			2	23,376,616	935,065	935,065	-	-	2%	23,376,616	Y	N	N	
1	Leading Enterprises Limited	Realsil Microelectronics Corp.			2	23,376,616	614,160	614,160	-	-	1%	23,376,616	N	N	Y	
2	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.			2	23,376,616	614,160	614,160	-	-	1%	23,376,616	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 auditors, 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 auditors.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as at 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 AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2022

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 at December 31, 2022				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	\$ 57, 533	1. 63%	\$ 57, 533	
Realtek Semiconductor Corporation	Nuheara Ltd - Convertible notes	None	Financial assets at fair value through profit or loss	-	53, 000	-	53, 000	
Realtek Semiconductor Corporation	Nuheara Ltd - Common stock	None	Financial assets at fair value through other comprehensive income	14, 166, 667	61, 455	11. 85%	61, 455	
Realking Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	3, 575, 000	90, 984	5. 26%	90, 984	
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	66, 817, 958	554, 000	3. 03%	554, 000	
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	3, 575, 000	90, 984	5. 26%	90, 984	
Leading Enterprises Limited	Fortemedia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8, 837, 301	100, 387	6. 89%	100, 387	
Leading Enterprises Limited	Starix Technology, Inc.-Preferred stock	None	Financial assets at fair value through other comprehensive income	5, 000, 000	18, 425	-	18, 425	
Leading Enterprises Limited	Octtasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9, 000, 000	1, 074, 834	12. 49%	1, 074, 834	
Leading Enterprises Limited	Apple Inc. - Corporate bond	None	Financial assets at amortised cost	-	268, 228	-	268, 228	
Leading Enterprises Limited	Qualcomm Inc. - Corporate bond	None	Financial assets at amortised cost	-	264, 346	-	264, 346	
Amber Universal Inc.	Octtasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4, 726, 836	564, 507	6. 56%	564, 507	
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336, 346	14, 093	-	14, 093	
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	102, 369	2. 89%	102, 369	
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	280, 989	1. 02%	280, 989	
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	28, 771	0. 37%	28, 771	
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	40, 408	10. 77%	40, 408	
Blueocean Inc.	CyWeeMotion Group Limited	None	Financial assets at fair value through other comprehensive income	8, 422, 256	-	7. 01%	-	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2022

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 at December 31, 2022				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
Blueocean Inc.	Eargo, Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8,383,279	\$ 143,983	2.02%	\$ 143,983	
Talent Eagle Enterprise Inc.	Eargo, Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	2,092,504	35,939	0.50%	35,939	
Realsil Microelectronics Corp.	Cuam Money Fund	None	Financial assets at fair value through profit or loss	63,163,125	278,732	–	278,732	
Realsil Microelectronics Corp.	JIA SHI Monetary Fund	None	Financial assets at fair value through profit or loss	15,160,700	66,903	–	66,903	
Realsil Microelectronics Corp.	BOC Cash Fund	None	Financial assets at fair value through profit or loss	33,837,841	149,323	–	149,323	
Realsil Microelectronics Corp.	Guang-Fa Currency Fund	None	Financial assets at fair value through profit or loss	98,744,567	434,571	–	434,571	
Realsil Microelectronics Corp.	WAN JIA Monetary Fund	None	Financial assets at fair value through profit or loss	10,147,702	44,781	–	44,781	
Realsil Microelectronics Corp.	Guang-Fa Demand Policy Loan Fund	None	Financial assets at fair value through profit or loss	5,019,551	22,151	–	22,151	
Realsil Microelectronics Corp.	Jian-Xin Monetary Fund	None	Financial assets at fair value through profit or loss	10,038,360	44,298	–	44,298	
Realsil Microelectronics Corp.	Pu-Yin Monetary Fund	None	Financial assets at fair value through profit or loss	5,015,764	22,134	–	22,134	
Realtek Semiconductor (Shen Zhen) Corp.	Capital Increase Monetary Fund A	None	Financial assets at fair value through profit or loss	9,884,954	43,621	–	43,621	
Realtek Semiconductor (Shen Zhen) Corp.	Capital Increase Monetary Fund B	None	Financial assets at fair value through profit or loss	10,119,498	44,656	–	44,656	
Realtek Semiconductor (Shen Zhen) Corp.	Ri-Ri-Xin Fund	None	Financial assets at fair value through profit or loss	26,045,755	114,937	–	114,937	
Cortina Network Systems (Shanghai) Co. Ltd.	Step by step Gold Fund	None	Financial assets at fair value through profit or loss	16,100,000	71,048	–	71,048	
Cortina Network Systems (Shanghai) Co. Ltd.	Cuam Money Fund	None	Financial assets at fair value through profit or loss	10,003,500	44,144	–	44,144	
Cortina Network Systems (Shanghai) Co. Ltd.	JIA SHI Monetary Fund	None	Financial assets at fair value through profit or loss	5,004,932	22,086	–	22,086	
Realtek Investment Singapore Private Limited	Bond funds	None	Financial assets at fair value through profit or loss	–	305,145	–	305,145	

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 instruments’.

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 for the marketable securities not measured at fair value.

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions				
			Transaction						Notes/accounts receivable(payable)		
Purchase/seller	Counterparty	Relationship with the counterparty	Purchase (sales)	Percentage of total purchase			Unit price	Credit term	Percentage of total notes/accounts		Footnote
				Amount	(sales)	Credit term			Balance	receivable (payable)	
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	(Sales)	(\$ 9,142,682)	(8%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	\$ 1,048,725	9%	
Realtek Semiconductor Corporation	Actions Semiconductor Co., Ltd.	Other related parties	(Sales)	(53,120)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	-	0%	
Realtek Semiconductor Corporation	C-Media Electronics Inc.	Other related parties	(Sales)	(337,353)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	46,131	0%	
RayMX Microelectronics Corp.	G.M.I Technology Inc.	Other related parties	(Sales)	(97,058)	0%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	21,130	0%	
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	(7,281,111)	(7%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	1,478,273	12%	
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	694,922	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	(90,031)	1%	
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	350,704	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	(64,824)	0%	

Table 4

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	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	\$ 1,048,725	6.50	\$ -	-	\$ 691,384	\$ 10,593
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	1,478,273	5.17	-	-	727,379	-

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		
					Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	1	Other receivables	\$ 49,959	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%
0	Realtek Semiconductor Corporation	Realtek Korea Inc.	1	Technical service fees	132,850	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.12%
0	Realtek Semiconductor Corporation	Realtek Korea Inc.	1	Other payables	18,801	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.02%
0	Realtek Semiconductor Corporation	Ubilinx Technology Inc.	1	Technical service fees	623,576	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.56%
0	Realtek Semiconductor Corporation	Ubilinx Technology Inc.	1	Other payables	169,841	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.15%
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Technical service fees	2,812,029	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	2.52%
1	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Prepaid account	73,699	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.06%
1	Realtek Singapore Private Limited	Realtek Semiconductor(Shen Zhen) Corp.	3	Technical service fees	628,378	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.56%
1	Realtek Singapore Private Limited	Realtek Semiconductor(Shen Zhen) Corp.	3	Other payables	41,456	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 Access, Inc.	3	Technical service fees	245,414	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.22%
1	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Other payables	14,724	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	151,947	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 Network Systems (Shanghai) Co. Ltd.	3	Other payables	40,600	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	186,317	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.17%
1	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Other payables	7,537	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	67,041	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.06%
1	Realtek Singapore Private Limited	Realtek Viet Nam Co. Ltd.	3	Technical service fees	36,193	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.03%
1	Realtek Singapore Private Limited	Realtek Semiconductor (Malaysia) Sdn. Bhd.	3	Technical service fees	15,674	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	RayMX Microelectronics Corp.	3	Other receivables	49,959	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 AND SUBSIDIARIES

Information on investees
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2022						
Investor	Investee	Location	Main business activities	Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote	
Realtek Semiconductor Corporation	Leading Enterprises Limited	British Virgin Islands	Investment holdings	\$ -	\$ 13,676,922	-	-	\$ -	(\$ 76,336)	(\$ 136,075)	Subsidiary	
Realtek Semiconductor Corporation	Amber Universal Inc.	British Virgin Islands	Investment holdings	4,833,896	4,358,823	41,432	100%	3,735,840	69,393	69,393	Subsidiary	
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	4,357,007	3,928,798	116,059,638	100%	47,105,531	15,285,229	15,286,889	Subsidiary	
Realtek Semiconductor Corporation	Bluocean Inc.	Cayman Islands	Investment holdings	-	3,047,285	-	-	-	(33,218)	(39,716)	Subsidiary	
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Cayman Islands	Investment holdings	-	3,159,429	-	-	-	(27,379)	6,459	Subsidiary	
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	Singapore	Investment holdings	6,141,600	5,538,000	200,000,000	100%	6,925,958	117,565	117,565	Subsidiary	
Realtek Semiconductor Corporation	Realsun Investments Co., Ltd.	Taiwan	Investment holdings	280,000	280,000	28,000,000	100%	691,262	16,284	16,284	Subsidiary	
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Taiwan	Investment holdings	250,000	250,000	25,000,000	100%	422,217	(85,095)	(85,095)	Subsidiary	
Realtek Semiconductor Corporation	Realking Investments Co., Ltd.	Taiwan	Investment holdings	293,930	293,930	29,392,985	100%	259,432	(5,547)	(5,547)	Subsidiary	
Realtek Semiconductor Corporation	Realsun Technology Corporation	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	5,000	5,000	500,000	100%	5,030	(37)	(37)	Subsidiary	
Realtek Semiconductor Corporation	Bobitag Inc.	Taiwan	Manufacturing and installation of computer equipment and wholesasle, retail and related services of electronic materials and information/software	19,189	19,189	1,918,910	66.67%	19,436	276	184	Subsidiary	
Realtek Semiconductor Corporation	AICONNX Technology Corporation	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	20,000	20,000	2,000,000	100%	(5,269)	(22,073)	(20,948)	Subsidiary	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2022						
Investor	Investee	Location	Main business activities	Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	Net profit (loss)	Investment income	Footnote	
									of the investee for the year ended December 31, 2022	(loss) recognised by the Company for the year ended December 31, 2022		
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%	\$ 2,276	(\$ 47,721)	(\$ 2,822)	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%	135,808	(13,674)	(6,811)	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	10,000	1,000,000	10%	7,242	(24,645)	(2,465)	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	23,000	2,300,000	23%	16,655	(24,645)	(5,668)	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	12,000	1,200,000	12%	8,690	(24,645)	(2,957)	Investments accounted for under equity method	
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	Information collection and technical support	4,627	4,812	400	100%	1,971	(176)	(176)	Sub-Subsidiary	
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	Investment holdings	9,212	8,307	300,000	100%	7,950	45	45	Sub-Subsidiary	
Amber Universal Inc.	Realtek Semiconductor (Hong Kong) Limited	Hong Kong	Information services and technical support	5,901	5,326	-	100%	1,121	(23)	(23)	Sub-Subsidiary	
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	Investment holdings	867,501	782,243	2,825,000	100%	2,138,374	138,531	138,531	Sub-Subsidiary	
Realtek Singapore Private Limited	Cortina Access Inc.	U.S.A	R&D and technical support	1,254,299	1,131,026	16,892	100%	926,727	17,389	17,389	Sub-Subsidiary	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees
For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount	Shares held as at December 31, 2022						
										Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
Investor	Investee	Location	Main business activities	Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2022		
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	Taiwan	R&D and technical support	\$ 61,416	\$ 55,380	21,130,000	100%	\$ 75,126	\$ 23,963	\$ 23,963	Sub-Subsidiary
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	Vietnam	R&D and technical support	122,832	110,760	4,000,000	100%	85,185	2,421	2,421	Sub-Subsidiary
Realtek Singapore Private Limited	Leading Enterprises Limited	British Virgin Islands	Investment holdings	15,167,602	-	34,630	100%	14,287,695	(76,336)	59,739	Sub-Subsidiary
Realtek Singapore Private Limited	Bluocean Inc.	Cayman Islands	Investment holdings	3,379,415	-	110,050,000	100%	3,506,802	(33,218)	6,498	Sub-Subsidiary
Realtek Singapore Private Limited	Talent Eagle Enterprise Inc.	Cayman Islands	Investment holdings	3,503,783	-	114,100,000	100%	2,377,010	(27,379)	(33,838)	Sub-Subsidiary
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	U.S.A	R&D and technical support	1,842,480	1,661,400	60,000,000	100%	296,291	14,021	14,021	Sub-Subsidiary
Bluocean Inc.	Realtek Semiconductor (Malaysia) Sdn.Bhd.	Malaysia	R&D and technical support	72,519	69,275	10,450,000	100%	67,368	2,327	2,327	Sub-Subsidiary
Bluocean Inc.	Realtek Korea Inc.	Korea	R&D and technical support	48,177	-	200,000	100%	54,047	5,624	5,624	Sub-Subsidiary

Note : The amount of foreign currencies denominated in New Taiwan dollars in this table, which relates to income and expenses which were re-translated at the average exchange rate from January 1, 2022 to December 31, 2022, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2022

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, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note2)	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Cortina Network Systems (Shanghai) Co., Ltd.	R&D and technical support	\$ 110,549	(2)	\$ 110,549	\$ -	\$ -	\$ 110,549	\$ 10,346	100%	\$ 10,346	\$ 112,605	\$ -	
Realsil Microelectronics Corp.	R&D and technical support	859,824	(2)	859,824	-	-	859,824	146,081	100%	146,081	2,133,820	-	
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	153,540	(2)	153,540	-	-	153,540	21,793	100%	21,793	311,475	-	
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	115,838	(2)	115,838	-	-	115,838	(21,114)	100% (21,114)	382,720	-	
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	ICs manufacturing, design, research, development, sales, and marketing	44,129	(2)	44,129	-	-	44,129	(83,656)	100% (83,656) (141,859)	-	
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	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.	\$ 110,549	\$ 110,549	\$ 28,051,940										
Realsil Microelectronics Corp.	859,824	859,824											
Realtek Semiconductor (Shan Zhen) Corp.	153,540	153,540											
RayMX Microelectronics Corp.	115,838	115,838											
Suzhou Pankore Integrated Circuit Technology Co. Ltd.	44,129	44,129											

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, 2022 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 relates to income and expenses which were re-translated at the average exchange rate from January 1, 2022 to December 31, 2022, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.