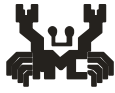


Stock Code: 2379



Realtek Semiconductor Corp.

2019 Annual Shareholders' Meeting

Meeting Handbook

(Translation)

Date: June 12, 2019

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Realtek Semiconductor Corp.
2019 Annual Shareholders' Meeting Procedure

1. Meeting Commencement Announced
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion Items
6. Extraordinary Motions
7. Adjournment

Realtek Semiconductor Corp. 2019 Annual Shareholders' Meeting Agenda

1. Time: 9:00 a.m., June 12, 2019 (Wednesday)
2. Place: No.1, Industry East 2nd Road, Science-Based Industrial Park, HsinChu Science Park Life Hub, Bach Conference Room
3. Chairman: Yeh, Nan-Horng, Chairman
4. Chairman's Address
5. Report Items
 - (1) Business report of 2018
 - (2) Audit Committee's review report
 - (3) To report 2018 employees' compensation and directors' remuneration
6. Ratification Items
 - (1) 2018 business report and financial statements
 - (2) Distribution of 2018 retained earnings
7. Discussion Items
 - (1) Cash distribution from capital surplus
 - (2) To revise the Articles of Incorporation
 - (3) To revise the "Procedures for Financial Derivatives Transactions"
 - (4) To revise the "Procedures for Acquisition or Disposal of Assets"
 - (5) Release the Directors from non-competition restrictions
8. Extraordinary Motions
9. Adjournment

Remark: Except for the proposals without objection from any shareholder after solicitation by the chairman are deemed approval, the chairman shall decide a vote to be held on individual proposal, or on whole or part of the proposals at the same time before extraordinary motions with the ballots to be counted separately for each proposal of the above ratification items and discussion items.

Report Items

Report 1: Business report of 2018

Explanation: Please refer to page 3-5 of this handbook for the business report.

Business Report

Dear Shareholders, Ladies and Gentlemen:

1. 2018 Operating Results

Realtek reported another record year in 2018. The full-year consolidated revenues were NTD45.8 billion, a 9.9% growth from the previous year. Gross profit was NTD20.5 billion, up 14.3% from the year before. Net profit after tax was NTD4.35 billion, a 28.3% year-over-year increase. Earnings per share (EPS) was NTD8.57. According to IC Insights, 2018 global semiconductor market revenue exceeded US\$500 (US\$514 billion), a 16% growth over 2017. In that, memory was the largest segment by product type and grew the strongest. Excluding memory, the 2018 semiconductor market grew a modest 8%. In spite of the uncertainty in the semiconductor industry due to ever-changing international relations and trade disputes, Realtek, with all hands working closely together, delivered a 10.9% year-over-year revenue growth in US dollars in 2018, which was above the 8% growth average of non-memory companies, and above the 7.4% growth average of global fabless IC design companies. Realtek ranks 12th in 2018 among global fabless IC design companies, moving up one place compared with 2017.

Realtek always strives for innovation momentum and technology leadership. Among the top 100 domestic corporate patent applications released by the Taiwan Intellectual Property Office in 2018, Realtek ranks 8th with 195 invention patent applications. In terms of product roadmap, Realtek proffers continual updates to current product specifications, and develops products with differentiating features that add value for our customers. The ubiquitous needs of connectivity in a wide spectrum of applications match perfectly the vision of Realtek to enable a connected world. Such synergy feeds the growth momentum of Realtek IC solutions. Throughout 2018 we introduced several highly competitive products that received accolades from the market and press. For example, the Realtek multi-mic far-field speech recognition enhanced single-chip solution (ALC5520) first received the Best Choice Golden Award at Computex Taipei 2018, and then won the Innovative Product Award from the Taiwan Hsinchu Science Park Administration. Additionally, the Bluetooth 5.0 Low Energy System-on-a-Chip (RTL8762C) and the Highly Integrated, Ultra-Low-Power Wi-Fi IP Camera SOC (RTL8715A) received respectively, the IC & Component Category Award and the IoT Applications Category Award at Computex Taipei 2018.

Besides providing the most competitive products to the market, Realtek cares about social issues, contributes corporate technological expertise, and undertakes corporate social responsibility missions. Building on the collaborative work on the AirBox Project with Taipei City Government involving the industry, government, academia, and city's residents in 2016, Realtek continued to focus on air quality issues and actively pushed forward the Taipei Lungshan Temple Incense Reduction Program. The Program was a success after Realtek joined forces with the Lungshan Temple, Taiwan Lung Foundation, and Institute of Occupational Medicine and Industrial Hygiene at the National Taiwan University College of Public Health. The result was a very impressive contribution to the protection of the environment that was recognized by the Asia Responsible Enterprise Award (AREA) organization, and given the 2018 Health Promotion Award.

2. 2019 Business Plan

After two years of impressive growth, many analysts expect 2019 to be flat for the global semiconductor industry, excluding memory. The forecast appears to be predicated on both the trade dispute between China and US as well as the slowdown of hitherto high growth segments such as smartphones and crypto mining. Nonetheless, the ramping up of 5G deployment and the proliferation of artificial intelligence applications seem to be breathing new life into the semiconductor industry and demanding even more and faster connectivity. To this end, Realtek plans to introduce a series of highly competitive connectivity solutions for connecting machines, as well as connecting machines and humans. In the automotive market, an increasing number of automotive OEMs in Europe, America, Japan, Korea, and China are choosing automotive Ethernet to be the in-vehicle network backbone for their new models of cars. Shipments by Realtek are expected to pick up gradually in 2019 with the expansion of our customer base. At the same time, we are developing a new generation of 100/1000BASE-T1 dual-mode PHY and multiport automotive Ethernet switches. To meet the demands for increasing LAN (Local Area Network) speed for commercial and gaming PC needs, Realtek introduced the world's first 2.5GBASE-T Ethernet single-chip controller in 2018. In wireless LAN (WLAN), while enjoying revenue growth from the ongoing migration of 802.11n to 802.11ac, Realtek is developing a new generation of 802.11ax products to provide customers with a complete portfolio of WLAN solutions. In IoT, Realtek leads the market with the announcement of a highly-Integrated, ultra-low-power Wi-Fi IP camera SoC ideal for various portable camera market opportunities.

In Bluetooth, Realtek strives to satisfy various Bluetooth applications with different solutions, including Bluetooth transceivers, low-power Bluetooth single chip, and Bluetooth codec single chip. The latter is becoming the solution of choice for True Wireless Stereo earphones, which have been picking up market momentum since the second half of 2018. Optical networks are enjoying growth in many emerging markets, led by China. Realtek is expanding her optical network solutions in all markets with good results. In response to the market need for greater bandwidth, Realtek is developing a new generation of single-chip 10G PON gateway controllers,

which may start contributing to business in 2019. In computer peripherals, Realtek, in addition to deepening its roots in the PC markets, is entering the earphone market and winning projects at several commercial and gaming earphone brands. To address the needs of mobile phone users to have USB Type-C audio earphones and converters, Realtek is rolling out a series of high-performance, low-power USB2.0 audio codec products. With respect to IP camera SoCs, Realtek is bringing into the market a new generation of highly-integrated IP camera SoCs in 2019 to meet the needs of the surveillance and security industry. In multimedia, the overall market for TVs and monitors remains flat, however new opportunities will come with the demand for higher resolution, higher refresh rate, better picture quality, and richer display connectivity. Realtek will introduce a new generation of high-end 4K smart networked LCD TV SoCs, as well as a new generation of integrated high resolution 4K2K/QHD monitor controllers with USB Type-C interface, thereby fueling business growth.

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

Looking to the future, Realtek will continue to cultivate our core competency, strengthen our competitiveness, and energize our product strategy. Through our strength in high-integration and low-power design, we position ourselves to be the best partner to our customers, provide the best solutions to the market, and deliver the most user-friendly, best price-performance connectivity products to end users in tomorrow's world of Internet of Things, Internet of Vehicles, and Artificial Intelligence. Despite the general conservative view of the semiconductor market in 2019, coupled with uncertainty in the macro economy, Realtek remains cautiously optimistic that it can capture growth opportunities in this highly challenging and competitive environment to continue reaching new heights and creating greater value for our shareholders.

Thank you for your ongoing care and support. We hope that you will continue to stay with us on this exciting journey to a better future.

Chairman: Yeh, Nan-Horng

President: Chiu, Sun-Chien

Controller: Chang, Jr-Neng

Report 2: Audit Committee's review report

Explanation: Please refer to page 6 of this handbook for the Audit Committee's review report.

Audit Committee's review report

The Company's 2018 business report, financial statements and distribution of retained earnings have been prepared by the Board of Directors. The financial statements also have been audited by Pricewaterhouse Coopers' with the opinion that they present fairly the Company's financial position, operating performance, and cash flows. The Audit Committee has reviewed the business report, financial statements, and distribution of retained earnings, and found no irregularities. We hereby according to Securities and Exchange Act and Company Act submit this report.

To 2019 Annual Shareholders' Meeting.

Realtek Semiconductor Corp.

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

March 21, 2019

Report 3: To report 2018 employees' compensation and directors' remuneration

Explanation:

1. According to Article 18 of the Articles of Incorporation of the Company, if gained profits within a fiscal year, the Company shall allocate at a maximum of 3% of the profits as directors' remuneration, and allocate no less than 1% of the profits as employees' compensation.
2. 2018 employees' compensation and directors' remuneration :

Unit: NT dollars

Item	Amount	Profit Ratio
Employees' compensation	1,151,674,037	19.63 %
Directors' remuneration	76,778,269	1.31 %

Note: Employees' compensation and directors' remuneration amount are consistent with the 2018 annual estimated expenses.

3. The aforementioned compensation and remuneration are distributed in cash.

Ratification Items

Proposal 1

Proposed by the Board of Directors

Subject: 2018 business report and financial statements. Approval is respectfully requested.

Explanation: The 2018 annual financial statements have been audited by Pricewaterhouse Coopers' and the business report was approved by the Board of Directors. For the business report, independent auditors' report and financial statement, please refer to pages 3-5, page 14-26, Attachment 1, and page 27-38, Attachment 2, of this handbook.

Resolution:

Proposal 2

Proposed by the Board of Directors

Subject: Distribution of 2018 retained earnings. Approval is respectfully requested.

Explanation: The distribution of 2018 retained earnings was approved by the Board of Directors.

Realtek Semiconductor Corporation Distribution of retained earnings 2018

Unit: NT dollars

Item	Amount
Unappropriated retained earnings of previous years	6,472,071,452
Add: adjustment of IFRS adoption	103,141,426
Unappropriated retained earnings of previous years after IFRS adjustment	6,575,212,878
Less: loss on re-measurement of defined benefit plans recorded as retained earnings	(75,809,330)
Add: 2018 net income after tax	4,350,768,584
Less: Legal reserve	(435,076,858)
Add: Reversal of Special reserve	600,442,994
Unappropriated retained earnings available for distribution	11,015,538,268
Distribution items:	
Dividend to common shareholders (Cash dividend is NT\$6 per share)	(3,048,572,784)
Unappropriated retained earnings after distribution	7,966,965,484

1. The cash dividend to common shareholders for proposal of distribution of retained earnings is NT\$3,048,572,784. According to the shares held by each shareholder in the shareholders' register on cash dividend record date, the cash dividend to common shareholders is NT\$6 per share. The cash dividend to each shareholder is rounded down to one dollar (under one dollar is rounded down). The rounded down amounts are recognized as the Company's other income.
2. The Chairman is authorized to determine the cash dividend record date and payment date upon the distribution of 2018 retained earnings approved by shareholders' meeting.
3. Due to the changes of outstanding shares caused by the Company's subsequent events such as shares' buyback, transfer or cancellation of treasury stocks or others, the cash dividend per share might be affected. The Chairman is authorized to adjust the distribution amount.
4. According to No. 871941343 official letter issued by Ministry of Finance on April 30, 1998, distribution of retained earnings shall be used in specific identification method. The first priority of distribution of retained earnings is 2018 profit, then the following sequence adopted in last-in first-out method are the previous year's part before 2018 if insufficiency based on the principles of the Company's profit distribution.

Chairman: Yeh, Nan-Horng

President: Chiu, Sun-Chien

Controller: Chang, Jr-Neng

Resolution:

Discussion Items

Proposal 1

Proposed by the Board of Directors

Subject: Cash distribution from capital surplus. Approval is respectfully requested.

Explanation:

1. Pursuant to the Article 241 of the Company Act, the cash distribution from the capital surplus in excess of par value is NT\$ 508,095,464. According to the shares held by each shareholder in the shareholders' register on cash distribution record date, the cash distribution to common shareholders is NT\$1 per share.
2. The cash distribution to each shareholder is rounded down to one dollar (under one dollar is rounded down). The rounded down amounts are recognized as the Company's other income.
3. The Chairman is authorized to determine the cash distribution record date and payment date upon the proposal of cash distribution from capital surplus approved by shareholders' meeting.
4. Due to the changes of outstanding shares caused by the Company's subsequent events such as shares' buyback, transfer or cancellation of treasury stocks or others, the cash distribution per share might be affected. The Chairman is authorized to adjust the distribution amount from capital surplus.

Resolution:

Proposal 2

Proposed by the Board of Directors

Subject: To revise the Articles of Incorporation. Approval is respectfully requested.

Explanation:

1. According to Article 240 Paragraph 5 and Article 241 Paragraph 2 of the Company Act, and the practice demand, the Company hereby proposes to amend part of the "Articles of Incorporation".
2. The comparison table illustrating the original and amended texts of the "Articles of Incorporation" is available on page 39-40, Attachment 3 of this handbook.

Resolution:

Proposal 3

Proposed by the Board of Directors

Subject: To revise the "Procedures for Financial Derivatives Transactions". Approval is respectfully requested.

Explanation:

1. In order to conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission, the Company hereby proposes to amend the "Procedures for Financial Derivatives Transactions".
2. The comparison table illustrating the original and amended texts of the "Procedures for Financial Derivatives Transactions" is available on page 41, Attachemnt 4 of this handbook.

Resolution:

Proposal 4

Proposed by the Board of Directors

Subject: To revise the "Procedures for Acquisition or Disposal of Assets". Approval is respectfully requested.

Explanation:

1. In order to conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission, the Company hereby proposes to amend the "Procedures for Acquisition or Disposal of Assets".
2. The comparison table illustrating the original and amended texts of the "Procedures for Acquisition or Disposal of Assets" is available on page 42-57, Attachemnt 5 of this handbook.

Resolution:

Proposal 5

Proposed by the Board of Directors

Subject: Release the Directors from non-competition restrictions. Approval is respectfully requested.

Explanation:

1. Pursuant to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Since directors of the Company engages in the investment in or operation of another company whose scope of business is the same or similar to that of the Company and serves as a director of that company, the Company hereby in accordance with the Company Act requests the shareholders' meeting to approve the release from following non-competition restriction.

Title	Name	Concurrent Position of another Company
Director	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	Director of Enable Educational Technology Co., Ltd.
Independent Director	Chen, Fu-Yen	Chairman of Eland Technologies Co., Ltd.

Resolution:

Remark: Except for the proposals without objection from any shareholder after solicitation by the chairman are deemed approval, the chairman shall decide a vote to be held on individual proposal, or on whole or part of the proposals at the same time before extraordinary motions with the ballots to be counted separately for each proposal of the above ratification items and discussion items.

Extraordinary Motions

Adjournment

Attachment

Attachment 1: Independent Auditors' Report and 2018 Consolidated Financial Statements

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000297

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 its subsidiaries (the “Group”) as at December 31, 2018 and 2017, 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 independent accountants (please refer to the *Other matters* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Independent Accountant’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of the other independent accountants, 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Evaluation of inventories

Description

Refer to Note 4(14) of the consolidated financial statements for inventory evaluation policies, Note 5(2) for uncertainty of accounting estimates and assumptions of inventory evaluation and Note 6(6) for the details of inventories.

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

How our audit addressed the matter

We performed the following key 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 and the consistency with comparative period(s).
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.

Audit of cash in banks

Description

Refer to Note 4(6) of the consolidated financial statements for accounting policies and Note 6(1) for the details of cash and cash equivalents.

The amount of the Group's cash and cash equivalents is significant to the consolidated financial statements, and the nature and usage of those cash and cash equivalents varies. The cash in banks are deposited with various domestic and foreign financial institutions and have high inherent risk. It is also subject to judgement as to whether certain deposits fulfill the criteria of short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Thus, audit of cash in bank was considered as one of the key audit matters.

How our audit addressed the matter

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

1. Obtained detailed listings of cash in banks. Sent confirmation letters to all financial institutions and reviewed special terms and agreements in order to ensure the existence and rights and obligations of cash in banks.
2. Obtained an understanding of procedures for preparation and review of bank reconciliations, including validating unusual reconciling items.
3. Performed physical count of petty cash and time deposits, including validating whether time deposits fulfill the criteria of 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.
4. Sampled and validated significant cash transactions from bank accounts frequently used, including obtaining an understanding of the purposes of those bank accounts and vouching related supporting documents.

Other matter – Reference to audits of other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method. Those financial statements were audited by other independent accountants, 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 using the equity method were based solely on the reports of other independent accountants. Total assets of those consolidated subsidiaries amounted to NT\$6,207,867 thousand and NT\$6,689,960 thousand, constituting 10.66% and 12.79% of the consolidated total assets as of December 31, 2018 and 2017, respectively, and total operating revenues of NT\$0 thousand and NT\$0 thousand, both constituting 0% of the consolidated total operating revenues for the years then ended.

Furthermore, according to the reports of other independent accountants, comprehensive losses of those investments accounted for under the equity method amounted to NT\$41,330 thousand and NT\$41,729 thousand, respectively, and balances of these investments as of December 31, 2018 and 2017 amounted to NT\$261,628 thousand and NT\$281,002 thousand, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Realtek Semiconductor Corporation as at and for the years ended December 31, 2018 and 2017.

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

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

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

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

Independent accountant’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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Hsueh, Seou-Hung

For and on behalf PricewaterhouseCoopers, Taiwan

March 21, 2019

Li, Tien-Yi

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,309,651	7	\$ 9,594,356	18
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		1,321,103	2	675,891	1
1136	Financial assets at amortised cost	6(4) and 8				
	- current		31,286,209	54	-	-
1147	Investment in debt instruments	12(4)				
	without active market - current		-	-	24,370,143	47
1170	Accounts receivable, net	6(5)	5,647,722	10	3,087,958	6
1180	Accounts receivable, net - related	6(5) and 7				
	parties		1,772,071	3	1,094,853	2
1200	Other receivables		657,190	1	435,109	1
130X	Inventories, net	6(6)	5,862,005	10	5,468,167	10
1410	Prepayments		297,327	1	269,909	1
1470	Other current assets		-	-	96,154	-
11XX	Total current assets		51,153,278	88	45,092,540	86
Non-current assets						
1517	Financial assets at fair value	6(3)				
	through other comprehensive					
	income - non-current		1,651,072	3	-	-
1523	Available-for-sale financial assets	12(4)				
	- non-current		-	-	717,745	1
1543	Financial assets carried at cost	12(4)				
	- non-current		-	-	811,496	2
1550	Investments accounted for under	6(7)				
	the equity method		261,628	-	281,002	1
1600	Property, plant and equipment,	6(8)				
	net		3,316,578	6	3,162,949	6
1760	Real estate investment, net	6(9)	54,868	-	60,254	-
1780	Intangible assets	6(10)	1,686,249	3	2,078,355	4
1840	Deferred income tax assets	6(26)	78,472	-	65,551	-
1900	Other non-current assets	6(11)	50,169	-	41,021	-
15XX	Total non-current assets		7,099,036	12	7,218,373	14
1XXX	Total assets		\$ 58,252,314	100	\$ 52,310,913	100

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 14,526,311	25	\$ 18,052,624	34
2130	Contract liabilities - current	6(20)	148,696	-	-	-
2150	Notes payable		8,657	-	8,631	-
2170	Accounts payable		5,635,986	10	4,577,341	9
2180	Accounts payable - related parties	7	249,869	1	291,755	-
2200	Other payables	6(13)	7,542,208	13	6,094,786	12
2220	Other payables - related parties	7	69,047	-	39,924	-
2230	Current income tax liabilities		601,614	1	342,557	1
2300	Other current liabilities	6(20)	3,719,866	6	113,043	-
21XX	Total current liabilities		32,502,254	56	29,520,661	56
Non-current liabilities						
2550	Provisions - non-current	6(15)	999,868	2	901,430	2
2570	Deferred income tax liabilities		22,310	-	21,749	-
2600	Other non-current liabilities	6(14)	80,983	-	7,961	-
25XX	Total non-current liabilities		1,103,161	2	931,140	2
2XXX	Total liabilities		33,605,415	58	30,451,801	58
Equity						
Share capital						
3110	Common shares	6(16)	5,080,955	9	5,065,062	10
Capital surplus						
3200	Capital surplus	6(17)	3,236,659	5	3,558,856	7
Retained earnings						
3310	Legal reserve	6(18)	4,467,099	8	4,127,884	8
3320	Special reserve		600,443	1	-	-
3350	Undistributed earnings		10,850,172	19	9,698,159	19
Other equity						
3400	Other equity interest	6(19)	401,964	-	(600,443)	(2)
31XX	Equity attributable to owners of the parent company		24,637,292	42	21,849,518	42
36XX	Non-controlling interest		9,607	-	9,594	-
3XXX	Total equity		24,646,899	42	21,859,112	42
3X2X	Total liabilities and equity		\$ 58,252,314	100	\$ 52,310,913	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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7	\$ 45,805,746	100	\$ 41,688,021	100
5000 Operating costs	6(6) and 7	(25,344,876)	(55)	(23,784,599)	(57)
5950 Gross profit		20,460,870	45	17,903,422	43
Operating expenses	6(24)(25) and 7				
6100 Selling expenses		(2,464,470)	(6)	(2,142,029)	(5)
6200 General and administrative expenses		(1,263,689)	(3)	(1,118,403)	(3)
6300 Research and development expenses		(12,969,972)	(28)	(11,444,977)	(27)
6450 Expected credit gains	12(2)	1,721	-	-	-
6000 Total operating expenses		(16,696,410)	(37)	(14,705,409)	(35)
6500 Other income and expenses - net	6(9)	6,298	-	6,224	-
6900 Operating income		3,770,758	8	3,204,237	8
Non-operating income and expenses					
7010 Other income	6(21)	1,128,673	2	869,141	2
7020 Other gains and losses	6(22)	(58,536)	-	(251,337)	(1)
7050 Finance costs	6(23)	(140,387)	-	(154,769)	-
7060 Share of profit of associates and joint ventures accounted for under equity method	6(7)	(43,307)	-	(40,919)	-
7000 Total non-operating income and expenses		886,443	2	422,116	1
7900 Profit before income tax, net		4,657,201	10	3,626,353	9
7950 Income tax expense	6(26)	(306,420)	(1)	(234,193)	(1)
8200 Net income for the year		\$ 4,350,781	9	\$ 3,392,160	8

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2018		2017	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income, net	6(19)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans		(\$ 75,809)	-	\$ -	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		(165,659)	-	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		1,977	-	-	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(239,491)	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operation		942,974	2	(2,111,302)	(5)
8362	Unrealised gain on valuation of available-for-sale financial assets		-	-	110,120	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		-	-	(810)	-
8360	Total components of other comprehensive income that will be reclassified to profit or loss		942,974	2	(2,001,992)	(5)
8300	Other comprehensive income (loss), net		\$ 703,483	2	(\$ 2,001,992)	(5)
8500	Total comprehensive income for the year		\$ 5,054,264	11	\$ 1,390,168	3
	Profit attributable to:					
8610	Equity holders of the parent company		\$ 4,350,768	9	\$ 3,392,153	8
8620	Non-controlling interest		13	-	7	-
	Profit for the year		\$ 4,350,781	9	\$ 3,392,160	8
	Total comprehensive income:					
8710	Equity holders of the parent company		\$ 5,054,251	11	\$ 1,390,161	3
8720	Non-controlling interest		13	-	7	-
	Total comprehensive income for the year		\$ 5,054,264	11	\$ 1,390,168	3
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(27)	\$ 8.57		\$ 6.71	
9850	Diluted earnings per share	6(27)	\$ 8.40		\$ 6.57	

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												

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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,657,201	\$ 3,626,353
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	544,084	493,822
Amortization	6(24)	994,852	1,060,853
Expected credit gains	12(2)	(1,721)	-
Provision for doubtful accounts		-	19,424
Interest expense	6(23)	140,387	154,769
Interest income	6(21)	(989,290)	(722,436)
Dividend income	6(21)	(32,942)	(20,571)
Loss (gain) on financial assets at fair value through profit or loss	6(22)	19,240	(18,142)
Share of loss of associates and joint ventures accounted for using equity method	6(7)	43,307	40,919
Gain on disposal of property, plant and equipment	6(22)	(133)	(12,633)
Gain on disposal of available-for-sale financial assets	6(22)	-	(15,879)
Other intangible assets transferred expenses		7,698	18,203
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(583,466)	(141,600)
Accounts receivable, net		23,602	(41,266)
Accounts receivable, net - related parties		(495,111)	(466,189)
Other receivables, net		(25,846)	(28,412)
Inventories		(349,516)	(1,015,543)
Prepayments		(27,418)	(171,634)
Changes in operating liabilities			
Notes payable		26	3,862
Accounts payable		1,058,645	1,397
Accounts payable - related parties		(41,886)	22,381
Other payables		1,514,253	511,416
Other payables - related parties		29,123	(7,622)
Contract liabilities - current		45,527	-
Provisions - non-current	6(15)	98,438	56,025
Advance receipts		6,203	29,833
Other current liabilities		939,774	(653)
Accrued pension obligations		(2,507)	(3,427)

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
Cash inflow generated from operations		\$ 7,572,524	\$ 3,373,250
Receipt of interest		793,055	725,848
Interest paid		(138,521)	(152,595)
Income taxes paid		(66,250)	(208,619)
Receipt of dividend		32,942	20,571
Net cash flows from operating activities		<u>8,193,750</u>	<u>3,758,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		-	27,188
Acquisition of investments in debt instrument without active market		-	(24,348,243)
Acquisition of amortised cost of a financial asset		(6,946,509)	-
Proceeds from disposal of amortised cost of a financial asset		30,254	-
Proceeds from disposal of held-to-maturity financial assets		-	261,301
Acquisition of financial assets at fair value through comprehensive income		(28,000)	(221,000)
Acquisition of investments accounted for using equity method		-	(6,699)
Proceeds from capital reduction of financial assets at cost		-	6,622
Proceeds from capital reduction of investee accounted for using the equity method	6(7)	-	14,923
Acquisition of property, plant and equipment	6(28)	(629,854)	(476,144)
Proceeds from disposal of property, plant and equipment		276	14,440
Acquisition of intangible assets	6(28)	(592,220)	(937,494)
Increase in refundable deposits		(11,072)	(281)
Decrease in other current assets		-	687,435
Decrease in other non-current assets		1,924	-
Net cash flows used in investing activities		<u>(8,175,201)</u>	<u>(24,977,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings	6(29)	(3,526,313)	(2,398,609)
Guarantee deposits received	6(29)	(278)	(851)
Cash dividends paid		(2,794,525)	(2,524,756)
Cash dividends returned		201	-
Net cash flows used in financing activities		<u>(6,320,915)</u>	<u>(4,924,216)</u>
Effect of exchange rate		<u>1,017,661</u>	<u>(2,136,176)</u>
Net decrease in cash and cash equivalents		(5,284,705)	(28,279,889)
Cash and cash equivalents at beginning of year		<u>9,594,356</u>	<u>37,874,245</u>
Cash and cash equivalents at end of year		<u>\$ 4,309,651</u>	<u>\$ 9,594,356</u>

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000389

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Realtek Semiconductor Corporation (the “Company”) as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to the *Other matters* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Independent Accountant’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of the other independent accountants, 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Evaluation of inventories

Description

Refer to Note 4(13) of the parent company only financial statements for inventory evaluation policies, Note 5(2) for uncertainty of accounting estimates and assumptions of inventory evaluation and Note 6(3) for the details of inventories.

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

How our audit addressed the matter

We performed the following key 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 and the consistency with comparative period(s).
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.

Audit of cash in banks

Description

Refer to Note 4(5) of the parent company only financial statements for accounting policies and Note 6(1) for the details of cash and cash equivalents.

The amount of the Company's cash and cash equivalents is significant to the parent company only financial statements, and the nature and usage of those cash and cash equivalents varies. The cash in banks are deposited with various domestic and financial institutions and have high inherent risk. It is also subject to judgement as to whether certain deposits fulfill the criteria of short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Thus, audit of cash in bank was considered as one of the key audit matters.

How our audit addressed the matter

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

1. Obtained detailed listings of cash in banks. Sent confirmation letters to all financial institutions and reviewed special terms and agreements in order to ensure the existence and rights and obligations of cash in banks.
2. Obtained an understanding of procedures for preparation and review of bank reconciliations, including validating unusual reconciling items.
3. Performed physical count of petty cash and time deposits, including validating whether time deposits fulfill the criteria of 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.
4. Sampled and validated significant cash transactions from bank accounts frequently used, including obtaining an understanding of the purposes of those bank accounts and vouching related supporting documents.

Other matter – Reference to audits of other independent accountants

We did not audit the financial statements of certain investments accounted for using the equity method. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants. Investments accounted for using equity method amounted to NT\$6,900,458 thousand and NT\$6,619,491 thousand as of December 31, 2018 and 2017, constituting 12.78% and 13.10% of total assets, respectively. Comprehensive income amounted to NT\$108,408 thousand and NT\$79,436 thousand, for the years ended December 31, 2018 and 2017, respectively.

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

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company’s financial reporting process.

Independent accountant’s responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Hsueh, Seou-Hung

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2019

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2018		December 31, 2017			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,553,365	3	\$	735,254	1
1110	Financial assets at fair value							
	through profit or loss - current			29,061	-		-	-
1136	Financial assets at amortised cost	8						
	- current			61,401	-		-	-
1170	Accounts receivable, net	6(2)		4,307,547	8		2,789,923	6
1180	Accounts receivable - related parties	6(2) and 7(3)		1,033,782	2		941,236	2
1200	Other receivables			42,641	-		18,735	-
1210	Other receivables - related parties	7		2,688,329	5		3,439,082	7
130X	Inventories, net	6(3)		4,096,647	8		4,324,420	9
1410	Prepayments			149,935	-		247,142	-
1470	Other current assets	8		-	-		91,655	-
11XX	Current Assets			13,962,708	26		12,587,447	25
Non-current assets								
1517	Financial assets at fair value							
	through other comprehensive income – non-current			936	-		-	-
1523	Available-for-sale financial assets							
	- non-current			-	-		40,344	-
1543	Financial assets carried at cost							
	- non-current			-	-		6,575	-
1550	Investments accounted for under equity method	6(4)		35,911,991	67		33,631,364	67
1600	Property, plant and equipment	6(5)		2,863,756	5		2,679,455	5
1780	Intangible assets	6(6)		1,160,549	2		1,495,547	3
1840	Deferred income tax assets	6(21)		78,472	-		65,551	-
1900	Other non-current assets			14,444	-		6,456	-
15XX	Non-current assets			40,030,148	74		37,925,292	75
1XXX	Total assets		\$	53,992,856	100	\$	50,512,739	100

(Continued)

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(7)	\$ 14,526,311	27	\$ 18,052,624	36
2130	Contract liabilities - current	6(15)	110,764	-	-	-
2150	Notes payable		8,657	-	8,631	-
2170	Accounts payable		3,793,276	7	3,783,139	7
2180	Accounts payable - related parties	7	228,279	-	282,667	1
2200	Other payables	6(8)	6,867,842	13	5,624,505	11
2220	Other payables - related parties	7	38,283	-	32,156	-
2230	Current income tax liabilities		578,088	1	326,648	1
2300	Other current liabilities	6(15)	2,581,910	5	88,847	-
21XX	Current Liabilities		28,733,410	53	28,199,217	56
Non-current liabilities						
2550	Provisions for liabilities	6(10)				
	- non-current		519,016	1	434,425	1
2570	Deferred income tax liabilities	6(21)	22,310	-	21,749	-
2600	Other non-current liabilities	6(9)	80,828	-	7,830	-
25XX	Non-current liabilities		622,154	1	464,004	1
2XXX	Total Liabilities		29,355,564	54	28,663,221	57
Equity						
Share capital		6(11)				
3110	Share capital - common stock		5,080,955	10	5,065,062	10
Capital surplus		6(12)				
3200	Capital surplus		3,236,659	6	3,558,856	7
Retained earnings		6(13)				
3310	Legal reserve		4,467,099	8	4,127,884	8
3320	Special reserve		600,443	1	-	-
3350	Undistributed earnings		10,850,172	20	9,698,159	19
Other equity		6(14)				
3400	Other equity interest		401,964	1	(600,443)	(1)
3XXX	Total equity		24,637,292	46	21,849,518	43
3X2X	Total liabilities and equity		\$ 53,992,856	100	\$ 50,512,739	100

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

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2018		2017	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(15) and 7	\$ 32,194,291	100	\$ 30,043,540	100
5000	Operating costs	6(3)	(18,906,196)	(59)	(17,875,296)	(59)
5900	Gross profit		<u>13,288,095</u>	<u>41</u>	<u>12,168,244</u>	<u>41</u>
	Operating expenses	6(19)(20) and 7				
6100	Selling expenses		(1,646,985)	(5)	(1,514,098)	(5)
6200	General and administrative expenses		(991,577)	(3)	(866,053)	(3)
6300	Research and development expenses		(9,955,350)	(31)	(8,889,291)	(30)
6450	Expected credit gains	12(2)	<u>5,803</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses		<u>(12,588,109)</u>	<u>(39)</u>	<u>(11,269,442)</u>	<u>(38)</u>
6900	Operating income		<u>699,986</u>	<u>2</u>	<u>898,802</u>	<u>3</u>
	Non-operating income and expenses					
7010	Other income	6(16) and 7	112,353	1	107,449	-
7020	Other gains and losses	6(17)	(1,992)	-	(431,101)	(1)
7050	Finance costs	6(18)	(140,170)	-	(147,941)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(4)	<u>3,968,591</u>	<u>12</u>	<u>3,174,944</u>	<u>11</u>
7000	Total non-operating income and expenses		<u>3,938,782</u>	<u>13</u>	<u>2,703,351</u>	<u>9</u>
7900	Profit before income tax, net		<u>4,638,768</u>	<u>15</u>	<u>3,602,153</u>	<u>12</u>
7950	Income tax expense	6(21)	(288,000)	(1)	(210,000)	(1)
8200	Net income for the year		<u>\$ 4,350,768</u>	<u>14</u>	<u>\$ 3,392,153</u>	<u>11</u>
	Other comprehensive income	6(14)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans		(\$ 75,809)	-	\$ -	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		(138)	-	-	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(163,544)	(1)	-	-
			<u>(239,491)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8362	Other comprehensive income, before tax, available-for-sale financial assets		-	-	(3,247)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		<u>942,974</u>	<u>3</u>	<u>(1,998,745)</u>	<u>(6)</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>942,974</u>	<u>3</u>	<u>(2,001,992)</u>	<u>(6)</u>
8300	Other comprehensive income (loss) for the year		<u>\$ 703,483</u>	<u>2</u>	<u>(\$ 2,001,992)</u>	<u>(6)</u>
8500	Total comprehensive income for the year		<u>\$ 5,054,251</u>	<u>16</u>	<u>\$ 1,390,161</u>	<u>5</u>
	Earnings Per Share (in dollars)	6(22)				
9750	Basic earnings per share		<u>\$ 8.57</u>		<u>\$ 6.71</u>	
9850	Diluted earnings per share		<u>\$ 8.40</u>		<u>\$ 6.57</u>	

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

Realtek Semiconductor Corporation
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Retained earnings				Other equity interest				
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available- for-sale financial assets	Total equity
<u>2017</u>										
Balance at January 1, 2017		\$ 5,049,513	\$ 3,910,428	\$ 3,823,896	\$ -	\$ 8,629,799	\$ 1,298,139	\$ -	\$ 103,410	\$ 22,815,185
Net income for the year		-	-	-	-	3,392,153	-	-	-	3,392,153
Other comprehensive income (loss)	6(14)	-	-	-	-	-	(2,111,302)	-	109,310	(2,001,992)
Total comprehensive income		-	-	-	-	3,392,153	(2,111,302)	-	109,310	1,390,161
Distribution of 2016 earnings										
Legal reserve		-	-	303,988	-	(303,988)	-	-	-	-
Cash dividends	6(13)	-	-	-	-	(2,019,805)	-	-	-	(2,019,805)
Employees' compensation transferred to common stock		15,549	145,386	-	-	-	-	-	-	160,935
Cash dividends from capital surplus	6(12)	-	(504,951)	-	-	-	-	-	-	(504,951)
Changes in equity of associates accounted for using equity method	6(12)	-	7,993	-	-	-	-	-	-	7,993
Balance at December 31, 2017		\$ 5,065,062	\$ 3,558,856	\$ 4,127,884	\$ -	\$ 9,698,159	(\$ 813,163)	\$ -	\$ 212,720	\$ 21,849,518
<u>2018</u>										
Balance at January 1, 2018		\$ 5,065,062	\$ 3,558,856	\$ 4,127,884	\$ -	\$ 9,698,159	(\$ 813,163)	\$ -	\$ 212,720	\$ 21,849,518
Modified retrospective approach adjustment	6(14)	-	-	-	-	103,142	-	435,835	(212,720)	326,257
Balance at January 1, after adjustments		5,065,062	3,558,856	4,127,884	-	9,801,301	(813,163)	435,835	-	22,175,775
Net income for the year		-	-	-	-	4,350,768	-	-	-	4,350,768
Other comprehensive income (loss)	6(14)	-	-	-	-	(75,809)	942,974	(163,682)	-	703,483
Total comprehensive income		-	-	-	-	4,274,959	942,974	(163,682)	-	5,054,251
Distribution of 2017 earnings										
Legal reserve		-	-	339,215	-	(339,215)	-	-	-	-
Special reserve		-	-	-	600,443	(600,443)	-	-	-	-
Cash dividends	6(13)	-	-	-	-	(2,286,430)	-	-	-	(2,286,430)
Employees' compensation transferred to common stock		15,893	163,692	-	-	-	-	-	-	179,585
Cash dividends from capital surplus	6(12)	-	(508,095)	-	-	-	-	-	-	(508,095)
Changes in equity of associates accounted for using equity method	6(12)	-	22,005	-	-	-	-	-	-	22,005
Cash dividends returned		-	201	-	-	-	-	-	-	201
Balance at December 31, 2018		\$ 5,080,955	\$ 3,236,659	\$ 4,467,099	\$ 600,443	\$ 10,850,172	\$ 129,811	\$ 272,153	\$ -	\$ 24,637,292

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

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,638,768	\$ 3,602,153
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(19)	470,049	422,595
Amortization	6(19)	943,734	1,007,187
Expected credit gains	12(2)	(5,803)	-
Provision for doubtful accounts		-	19,424
Interest expense	6(18)	140,170	147,941
Interest income	6(16)	(66,668)	(44,065)
Dividend income	6(16)	(812)	(406)
Loss on financial assets at fair value through profit or loss	6(17)	11,283	-
Share of loss of associates and joint ventures accounted for using equity method	6(4)	(3,968,591)	(3,174,944)
Gain on disposal of property, plant and equipment	6(17)	-	(14,269)
Other intangible assets transferred to expenses		7,698	18,203
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		527,028	(906,911)
Accounts receivable, net - related parties		53,312	(673,854)
Other receivables, net		(23,639)	(12,170)
Other receivables, net - related parties		(67,713)	1,957,128
Inventories		227,773	(1,120,140)
Prepayments		97,207	(40,855)
Changes in operating liabilities			
Contract liabilities-current		21,541	-
Notes payable		26	3,862
Accounts payable		10,137	504,642
Accounts payable - related parties		(54,388)	109,405
Other payables		1,310,009	324,700
Other payables - related parties		6,126	11,724
Provisions - non-current	6(10)	84,591	94,060
Other current liabilities		397,579	30,688
Accrued pension obligations		(2,507)	(3,427)

(Continued)

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
Cash inflow generated from operations		\$ 4,756,910	\$ 2,262,671
Receipt of interest		66,401	47,477
Interest paid		(138,304)	(145,767)
Income taxes paid		(48,920)	(193,046)
Receipt of dividend		812	406
Net cash flows from operating activities		<u>4,636,899</u>	<u>1,971,741</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of amortised cost of a financial asset		30,254	-
Acquisition of investments accounted for using equity method		-	(8,427,063)
Proceeds from capital reduction of financial assets at cost		-	6,622
Proceeds from capital reduction of investee accounted for using the equity method	6(4)	-	14,923
Acquisition of cash dividends from investments accounted for using equity method	7	5,436,741	15,165
Acquisition of property, plant and equipment	6(23)	(578,076)	(406,706)
Proceeds from disposal of property, plant and equipment		-	14,269
Acquisition of intangible assets	6(23)	(581,659)	(879,239)
(Increase) decrease in other receivables, net - related parties		(1,797,119)	3,265,621
Increase in refundable deposits		(7,988)	(100)
Increase in other current assets		-	(36,240)
Net cash flows from (used in) investing activities		<u>2,502,153</u>	<u>(6,432,748)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(24)	(3,526,313)	2,857,624
Guarantee deposits received	6(24)	(304)	(862)
Cash dividends paid	6(13)	(2,794,525)	(2,524,756)
Cash dividends returned		201	-
Net cash flows (used in) from financing activities		<u>(6,320,941)</u>	<u>332,006</u>
Net increase (decrease) in cash and cash equivalents		818,111	(4,129,001)
Cash and cash equivalents at beginning of year		735,254	4,864,255
Cash and cash equivalents at end of year		<u>\$ 1,553,365</u>	<u>\$ 735,254</u>

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

Attachment 3: Comparison table illustrating the original and amended texts of the Articles of Incorporation

Amended Version	Original Version	Reason
<p>Article 18</p> <p>If gained profits within a fiscal year, the Company shall allocate at a maximum of 3% of the profits as directors' remuneration, and allocate no less than 1% of the profits as employees' compensation. However, in case of the accumulated losses, certain profits shall first be reserved to cover the accumulated losses, and then allocate employees' compensation and directors' remuneration according to the proportion in the preceding paragraph. The distribution of employees' compensation in the preceding paragraph shall be in cash or in stock, and shall be resolved with a consent of a majority of the directors present at a meeting attended by over two-thirds of the total directors. The distribution of director's remuneration and employee' compensation shall be reported to the shareholders meeting.</p> <p>The employees entitled to receive employees' compensation may include the employees of subsidiaries of the Company meeting certain specific requirements. The requirements are determined by the board of directors or its authorized person.</p> <p>The Company belongs to the integrated circuit design industry and is in the growth phase of the enterprise life cycle. After considering the long-term business development of the Company, matching future investment fund requirements, and the long-term financial planning of the Company, if there are profits at the end of fiscal year, the Company shall first offset the accumulated losses with profits after tax, and then shall contribute 10% of profit as legal reserve, unless the accumulated legal reserve has reached the amount of the Company's total capital, and contribute or reverse special reserve in accordance with relevant laws</p>	<p>Article 18</p> <p>If gained profits within a fiscal year, the Company shall allocate at a maximum of 3% of the profits as directors' remuneration, and allocate no less than 1% of the profits as employees' compensation. However, in case of the accumulated losses, certain profits shall first be reserved to cover the accumulated losses, and then allocate employees' compensation and directors' remuneration according to the proportion in the preceding paragraph. The distribution of employees' compensation in the preceding paragraph shall be in cash or in stock, and shall be resolved with a consent of a majority of the directors present at a meeting attended by over two-thirds of the total directors. The distribution of director's remuneration and employee' compensation shall be reported to the shareholders meeting.</p> <p>The employees entitled to receive employees' compensation may include the employees of subsidiaries of the Company meeting certain specific requirements. The requirements are determined by the board of directors or its authorized person.</p> <p>The Company belongs to the integrated circuit design industry and is in the growth phase of the enterprise life cycle. After considering the long-term business development of the Company, matching future investment fund requirements, and the long-term financial planning of the Company, if there are profits at the end of fiscal year, the Company shall first offset the accumulated losses with profits after tax, and then shall contribute 10% of profit as legal reserve, unless the accumulated legal reserve has reached the amount of the Company's total capital, and contribute or reverse special reserve in accordance with relevant laws</p>	<p>According to Article 240 and 241 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital reserve may be paid in cash after a resolution by the board of directors.</p>

Amended Version	Original Version	Reason
<p>or regulation by the competent authority. If there are net profits remained, the remaining net profits and the retained earnings from previous years shall be distributed as shareholders' dividend <u>after the distribution proposal is prepared by the board of directors. In case the distribution is in the form of issuing new shares, the distribution proposal shall be approved at a shareholders meeting. In case the distribution is in the form of cash, the distribution proposal is authorized to be approved by the board of directors.</u> After considering financial, business and operational factors, the Company may distribute the whole of distributable earnings of the current year, and may also distribute whole or part of the reserves in accordance with the law or the regulation by the competent authority.</p> <p>When distributing dividends, the main consideration is the Company's future expansion of operating scale and requirement of cash flow. The cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year.</p> <p><u>According to Article 240, Paragraph 5, and Article 241, Paragraph 2 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders meeting.</u></p>	<p>or regulation by the competent authority. If there are net profits remained, the remaining net profits and the retained earnings from previous years shall be distributed as shareholders' dividend after the distribution proposal prepared by the board of directors is approved at a shareholders meeting. After considering financial, business and operational factors, the Company may distribute the whole of distributable earnings of the current year, and may also distribute whole or part of the reserves in accordance with the law or the regulation by the competent authority. When distributing dividends, the main consideration is the Company's future expansion of operating scale and requirement of cash flow. The cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year.</p>	
<p>Article 20</p> <p>The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; (omitted) 31st amended on Jun. 5, 2018; <u>32nd amended on Jun. 12, 2019.</u></p>	<p>Article 20</p> <p>The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; (omitted) 31st amended on Jun. 5, 2018.</p>	<p>To add amendment date.</p>

Attachment 4: Comparison table illustrating the original and amended texts of the "Procedures for Financial Derivatives Transactions"

Amended Version	Original Version	Reason
<p>Article 1. Trading principles and strategies</p> <p>(1) Trading types</p> <p>1. "Derivative products" are defined as follows: forward contracts, options contracts, swap contracts, futures contracts, leverage contracts, and compound contracts combining the above products, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p>	<p>Article 1. Trading principles and strategies</p> <p>(1) Trading types</p> <p>1. "Derivative products" are defined as follows: forward contracts, options contracts, swap contracts, futures contracts, leverage contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p>	<p>To conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission</p>

Attachment 5: Comparison table illustrating the original and amended texts of the "Procedures for Acquisition or Disposal of Assets"

Amended Version	Original Version	Reason
<p>Article 2: The scope of the assets</p> <ol style="list-style-type: none"> Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. Real property (<u>including land, houses and buildings, investment property, and construction enterprise inventory</u>) and equipment. Memberships. Patents, copyrights, trademarks, franchise rights, and other intangible assets. <u>Right-of-use assets.</u> Derivatives. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. Other major assets. 	<p>Article 2: The scope of the assets</p> <ol style="list-style-type: none"> Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. Real property (including land, houses and buildings, investment property, right-of-use land, and construction enterprise inventory) and equipment. Memberships. Patents, copyrights, trademarks, franchise rights, and other intangible assets. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). Derivatives. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. Other major assets. 	<p>To conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission, and delete the claims of financial institutions</p>
<p>Article 3: Appraisal procedures</p> <p>The means of price determination and supporting reference materials:</p> <ol style="list-style-type: none"> For acquisition or disposal of the derivatives or the securities through the Centralized Trading Market or GreTai Securities Market ("GTSM") of the Republic of China shall be priced based on the trading price at that time. For the securities not obtained or disposed through the Centralized Trading Market or GTSM, the prices shall be determined after taking into account the net worth per share, profitability, potential of future development and with reference to the trading prices at that time; or to be determined after taking account the interest rate prevalent in the market, interest rate on face of the bonds as well as the debtors' creditability. For acquisition or disposal of real estate <u>or right-of-use assets thereof</u>, the transaction price shall reference the 	<p>Article 3: Appraisal procedures</p> <p>The means of price determination and supporting reference materials:</p> <ol style="list-style-type: none"> For acquisition or disposal of the derivatives or the securities through the Centralized Trading Market or GreTai Securities Market ("GTSM") of the Republic of China shall be priced based on the trading price at that time. For the securities not obtained or disposed through the Centralized Trading Market or GTSM, the prices shall be determined after taking into account the net worth per share, profitability, potential of future development and with reference to the trading prices at that time; or to be determined after taking account the interest rate prevalent in the market, interest rate on face of the bonds as well as the debtors' creditability. For acquisition or disposal of real estate, the transaction price shall reference the publicly announced value, appraised 	<p>To conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission and add the appraisal procedures of the quipment, intangible assets, use rights assets, memberships, derivatives.</p>

Amended Version	Original Version	Reason
<p>publicly announced value, appraised price, and actual transaction price in neighboring areas to determine conditions and price.</p> <p><u>4. The prices of equipment or right-of-use assets thereof, intangible assets or right-of-use assets thereof and memberships acquired or disposed shall be determined through any manner among price competition, price negotiation or market price.</u></p>	<p>price, and actual transaction price in neighboring areas to determine conditions and price.</p>	
<p>Article 4: Operating procedures for handling acquisition and disposal of assets</p> <p>1. The executive unit shall evaluate the reasons for acquisition and disposal of assets, the subjects, the counterpart of the transaction, the transfer pricing, the conditions of payment and the reference basis for the price, and submit it to the related responsible department for the ruling. The relevant matters are subject to the internal control system of the company.</p> <p>2. The Company's investment in the long and short-term securities shall be executed by General Manager's Office and Finance Department. Investment in real property, <u>equipment</u>, memberships, intangible assets <u>and right-of-use assets</u> shall be executed by the user department and related responsible department. The acquisition or disposal of derivatives is assessed and executed by the Finance Department. The responsible person of the assets acquired or disposed mentioned in Article 2 is Task Force appointed by the General Manager.</p> <p>3. The Company and its subsidiaries may further invest in acquirement of real property <u>or right-of-use assets thereof</u> or securities not for business operation needs within The investment of the Company and the subsidiaries for non-business real estate and right-of-use assets or securities shall be no more than 100% of the Company's total assets as audited and certified by certified public accountant.</p> <p>4. The Company shall acquire or dispose the assets mentioned in Article 2, and shall execute the verification according to the approval form established by the Company.</p>	<p>Article 4: Operating procedures for handling acquisition and disposal of assets</p> <p>1. The executive unit shall evaluate the reasons for acquisition and disposal of assets, the subjects, the counterpart of the transaction, the transfer pricing, the conditions of payment and the reference basis for the price, and submit it to the related responsible department for the ruling. The relevant matters are subject to the internal control system of the company.</p> <p>2. The Company's investment in the long and short-term securities shall be executed by General Manager's Office and Finance Department. Investment in real property and other fixed assets, memberships, intangible assets shall be executed by the user department and related responsible department. The acquisition or disposal of derivatives is assessed and executed by the Finance Department. The responsible person of the assets acquired or disposed mentioned in Article 2 is Task Force appointed by the General Manager.</p> <p>3. The Company and its subsidiaries may further invest in acquirement of real property or securities not for business operation needs within The investment of the Company and the subsidiaries for non-business real estate and right-of-use assets or securities shall be no more than 100% of the Company's total assets as audited and certified by certified public accountant.</p> <p>4. The Company shall acquire or dispose the assets mentioned in Article 2, and shall execute the verification according to the approval form established by the Company.</p>	<p>To conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission and delete the claims of financial institutions</p>

Amended Version	Original Version	Reason
The Procedures shall be approved by the Audit Committee, the Board of Directors. If it is necessary to report to the Board of Directors, the Procedures shall be approved by the Audit Committee and then report to the Board of Directors.	The Procedures shall be approved by the Audit Committee, the Board of Directors. If it is necessary to report to the Board of Directors, the Procedures shall be approved by the Audit Committee and then report to the Board of Directors.	
<p>Article 5: Standards of public announcement and declaration</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4. Where equipment <u>or right-of-use assets thereof</u> for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, <u>and the transaction amount reaches NT\$500 million or more.</u> 5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing 	<p>Article 5: Standards of public announcement and declaration</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4. Where equipment for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: <ol style="list-style-type: none"> A. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more. B. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more. 	To conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission

Amended Version	Original Version	Reason
<p>units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of <u>domestic</u> government bonds.</p> <p>B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or right-of-use assets thereof</u> within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. A public company shall compile monthly reports on the status of derivatives trading</p>	<p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of government bonds.</p> <p>B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of any individual transaction.</p> <p>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>	

Amended Version	Original Version	Reason
<p>engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>A public company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>A public company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	
<p>Article 7: In acquiring or disposing of real property, equipment, <u>or right-of-use assets thereof</u> where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the</p>	<p>Article 7: In acquiring or disposing of real property, equipment, where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1</p>	<p>To conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission</p>

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<p>transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
<p>Article 8: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.</p> <p>Where the Company acquires or disposes of securities or memberships or intangible</p>	<p>Article 8: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.</p> <p>Where the Company acquires or disposes of securities or memberships or intangible</p>	<p>To conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission</p>

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assets <u>or right-of-use assets thereof</u> and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).	assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).	and make textual amendment
Article <u>9</u> : The calculation of the transaction amounts referred to in the preceding two articles shall be done in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	Article 8-1: The calculation of the transaction amounts referred to in the preceding two articles shall be done in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.	To change the serial number of the article
Article <u>10</u> : Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.	Article 9: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.	To change the serial number of the article and make textual amendment
Article <u>11</u> : Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall meet the following requirements:</u> <u>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity</u>	Article 10: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of this Company or the other party of the transaction.	To change the serial number of the article, make textual amendment, and conform to the letter (No. 1070341072) dated November 26, 2018 issued by

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<p><u>Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime.</u> <u>However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p>2.<u>May not be a related party or de facto related party of any party to the transaction.</u></p> <p>3.<u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p>1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p>2.<u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p>3.<u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p>4.<u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		Financial Supervisory Commission
Article 12: When the Company engages in	Article 11: When the Company engages in	To change

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<p>any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 9 herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p>	<p>any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8-1 herein.</p> <p>When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p>	<p>the serial number of the article and adjust the citation of the second paragraph</p>
<p>Article 13: When the Company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a transaction counterparty. 3. With respect to the acquisition of real property <u>or right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in 	<p>Article 12: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a transaction counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17. 4. The date and price at which the related 	<p>To change the serial number of the article and conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission</p>

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<p>accordance with Article 16 and Article 17.</p> <p>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 31, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and the subsidiaries, <u>or between the subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital</u>, the Company's board of directors authorized the chairman to have the decisions within NT\$500 million subsequently submitted to and ratified by the next board of directors meeting:</p> <p>1. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u></p> <p>2. <u>Acquisition or disposal of real property right-of-use assets held for business use.</u></p> <p>Article 14: The Company that acquires real property <u>or right-of-use assets thereof</u> from a related party shall evaluate the reasonableness of the transaction costs in accordance with the provisions of Article 16 of Regulations Governing the Acquisition and Disposal of Assets by Public</p>	<p>party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 31, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and the subsidiaries, the Company's board of directors authorized the chairman to have the decisions within NT\$500 million subsequently submitted to and ratified by the next board of directors meeting.</p> <p>Article 13: The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs in accordance with the provisions of Article 15 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>	<p>To change the serial number of the article and conform to the letter (No. 1070341072)</p>

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<p>Companies.</p> <p>Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall also engage a CPA to check the appraisal and render a specific opinion:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. 4. <u>The real property right-of-use assets for business use are acquired by the Company with the subsidiaries, or by the subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u> 	<p>Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall also engage a CPA to check the appraisal and render a specific opinion:</p> <ol style="list-style-type: none"> 1. The related party acquired the real property through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. 	<p>dated November 26, 2018 issued by Financial Supervisory Commission</p>
<p>Article <u>15</u>: Where the Company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Independent directors of the audit committee shall comply with Article 218 	<p>Article 14: Where the Company acquires real property from a related party and the results of appraisals are uniformly lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 2. Independent directors of the audit committee shall comply with Article 218 of the Company Act. 	<p>To change the serial number of the article and conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission</p>

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<p>of the Company Act.</p> <p>3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	
<p>Article <u>16</u>: The Company's financial derivatives transactions shall be in compliance with the Company's "Policies and Procedures for Financial Derivatives Transactions" and shall pay attention to the matters of risk management and auditing to implement the internal control system.</p>	<p>Article 15: The Company's financial derivatives transactions shall be in compliance with the Company's "Policies and Procedures for Financial Derivatives Transactions" and shall pay attention to the matters of risk management and auditing to implement the internal control system.</p>	To change the serial number of the article
<p>Article <u>17</u>: The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued</p>	<p>Article 16: The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued</p>	To change the serial number of the article

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<p>shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p> <p>The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>	<p>shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</p> <p>The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>	
<p>Article 18: The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p>	<p>Article 17: The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p>	<p>To change the serial number of the article and conform to the letter (No. 1070341072) dated November 26, 2018 issued by Financial Supervisory Commission</p>

Amended Version	Original Version	Reason
<p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:</p> <p>Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of <u>the preceding two paragraphs</u>.</p>	<p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:</p> <p>Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of per paragraph 3 and 4 hereof.</p>	
Article 19: The Companies participating in a	Article 18: The Companies participating in a	To change

Amended Version	Original Version	Reason
<p>merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:</p> <ol style="list-style-type: none"> 1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities. 2. An action, such as a disposal of major assets, that affects the company's financial operations. 3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price. 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock. 5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares. 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed. <p>The contract for participation by The Company in a merger, demerger, acquisition, or of shares shall specify the relevant matters in accordance with the provisions to safeguard the rights and interests of the participating companies.</p>	<p>merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:</p> <ol style="list-style-type: none"> 1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities. 2. An action, such as a disposal of major assets, that affects the company's financial operations. 3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price. 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock. 5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares. 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed. <p>The contract for participation by The Company in a merger, demerger, acquisition, or of shares shall specify the relevant matters in accordance with the provisions to safeguard the rights and interests of the participating companies.</p>	<p>the serial number of the article</p>
<p>Article <u>20</u>: The subsidiaries' procedures for handling acquisition or disposal of assets:</p> <ol style="list-style-type: none"> 1. The Company's subsidiaries shall implement their acquisition and disposal of assets in accordance with <u>their respective "Procedures for Acquisition or Disposal of Assets"</u>. 2. When a subsidiary of the Company acquires or disposes of assets that require public announcement as the standards of this procedure and said subsidiary is not a domestic public company, the Company 	<p>Article 19: The subsidiaries' procedures for handling acquisition or disposal of assets:</p> <ol style="list-style-type: none"> 1. The Company's subsidiaries shall implement their acquisition and disposal of assets in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". 2. When a subsidiary of the Company acquires or disposes of assets that require public announcement as the standards of this procedure and said subsidiary is not a domestic public company, the Company 	<p>To change the serial number of the article, amend the instructions of procedures, and conform to the letter (No. 1070341072)</p>

Amended Version	Original Version	Reason
<p>shall proceed with the relevant public announcement and report for the subsidiary.</p> <p>The criteria of the announcement and report applied to a subsidiary of the Company, such as “paid-in capital” or “the total assets”, is based on the paid-in capital or total assets of the Company.</p> <p>3. If the subsidiary is not a domestic public company, such procedures shall be approved by the subsidiaries’ Boards of Directors the same applies when the procedures are amended.</p>	<p>shall proceed with the relevant public announcement and report for the subsidiary.</p> <p>The criteria of the announcement and report applied to a subsidiary of the Company, such as “20% of paid-in capital” or “10 % of the total assets”, is based on the paid-in capital or total assets of the Company.</p> <p>3. If the subsidiary is not a domestic public company, such procedures shall be approved by the subsidiaries’ Boards of Directors; the same applies when the procedures are amended.</p>	<p>dated November 26, 2018 issued by Financial Supervisory Commission</p>
<p>Article <u>21</u>: The relevant personnel of the Company shall follow the provisions of this procedure in handling matters related to the acquisition or disposal of assets. In case of a breach of the fore-mentioned Guidelines or Procedures, the Company’s personnel in execution unit will be subject to penalty depending on the circumstances.</p>	<p>Article 20: The relevant personnel of the Company shall follow the provisions of this procedure in handling matters related to the acquisition or disposal of assets. In case of a breach of the fore-mentioned Guidelines or Procedures, the Company’s personnel in execution unit will be subject to penalty depending on the circumstances.</p>	<p>To change the serial number of the article</p>
<p>Article <u>22</u>: The Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders’ Meeting; the same applies when the procedures are amended.</p> <p>When the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>Article 21: The Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders’ Meeting; the same applies when the procedures are amended.</p> <p>When the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p>The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>To change the serial number of the article</p>

Appendix

Appendix 1

Realtek Semiconductor Corporation Articles of Incorporation (Translation)

I. General Provisions

- Article 1 The Company shall be incorporated under the Company Act as a company limited by shares named “Realtek Semiconductor Corp.”.
- Article 2 The scope of business of the Company shall be as follows:
1. CC01080 Electronic Parts and Components Manufacturing
 2. I501010 Product Designing
 3. F401010 International Trade
 4. I301010 Service of information software.
 5. I301020 Data Processing Services
 6. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing (Radio transmitters, radio transceivers, radio receivers, industrial, scientific, medical radiation machines, and other machines with radio radiant energy only)
 7. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import (Radio transmitters, radio transceivers, radio receivers, industrial, scientific, medical radiation machines, and other machines with radio radiant energy only)
- (1) Researching, developing, producing, manufacturing, and selling various integrated circuits.
- (2) Providing application design, testing, maintenance and technical consulting services of the software and hardware for various integrated circuit products.
- (3) Researching, developing and selling various intellectual property
- (4) Also engaged in trading business in relation to the business of the Company.
- Article 3 The Company is headquartered in Hsinchu Science-Based Industrial Park, Taiwan, Republic of China, and when necessary, upon approval of the Board of Directors and the competent authorities, may establish branch offices within or outside the territory of the Republic of China.
- Article 4 Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.
- (1) The Company's domestic and foreign investment transactions shall be resolved by the board of directors, and are not subject to the restriction of Article 13 of the Company Act.
- (2) The Company upon approval of the Board of Directors may provide endorsement and guarantee to others.

II. Shares

- Article 5 The authorized capital of the Company is NT\$8,900,000,000, divided into 890,000,000 common shares, and may be paid-up in installments. Among the above capital, a total of NT\$800,000,000, divided into 80,000,000 shares at par

value NT\$10 each share, is reserved for issuing employee stock warrants, and may be issued in installments in accordance with the resolution of the Board of Directors.

- Article 5-1 To issue employee stock warrants with the exercise price lower than the closing price of the Company stocks as of the issuing date, the Company is required to obtain the consent of a majority of the shareholders present who represent two-thirds or more of the total number of outstanding shares. The Company is allowed to register multiple issues over a period of 1 year from the date of the shareholders meeting resolution.
- Article 5-2 To transfer treasury shares to employees at less than the average actual share repurchase price, the Company is required to obtain the consent of a majority of the shareholders present who represent two-thirds or more of the total number of outstanding shares at the most recent shareholders meeting.
- Article 6 The share certificates of the Company shall be all name-bearing share certificates, which shall be signed or sealed by three or more directors of the Company, and issued after duly authentication pursuant to the law. The Company's shareholder services follow the Regulations Governing the Administration of Shareholder Services of Public Companies issued by the competent authority. The Company may be exempted from printing share certificates if the shares are registered with the centralized securities depository enterprise.

III. Shareholders Meetings

- Article 7 Registration of stock transfer shall be suspended within sixty days prior to any general shareholders meeting, thirty days prior to any special shareholders meeting, or within five days prior to the record date for distributing dividends, bonuses, or other benefits.
- Article 8 Shareholders meetings of the Company are of two types, general meeting and special meeting. General meeting shall be convened once a year within six months of the end of a fiscal year, and shareholders shall be notified thirty days prior to the scheduled meeting date. Special meeting shall be convened whenever necessary, and shareholders shall be notified fifteen days prior to the scheduled meeting date.
- Article 9 In case the shareholder is unable to attend the Shareholders meeting, the shareholder may appoint a proxy to attend the meeting by presenting a proxy document with signature or seal and stating therein the scope of power authorized to the proxy. Unless otherwise provided in the relevant regulation, the shareholders' appointment of proxies to attend the meeting shall follow the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies issued by the Competent Authority. The voting rights at a shareholders meeting may be exercised by way of electronic means. A shareholder exercising voting rights at a shareholders meeting by way of electronic means shall be deemed to have attended the said shareholders meeting in person. The related matters are handled in accordance with the relevant regulation.
- Article 10 Each share is entitled to one voting right, unless otherwise provided in the Company Act.
- Article 11 Unless otherwise provided in the Company Act, the resolutions at a shareholders

meeting shall be adopted by a majority of the shareholders present who represent half or more of the total number of outstanding shares.

The resolution of the proposal at a shareholders meeting shall be decided by the chairman by way of voting or solicitation. Except for the proposals without objection from any shareholder after solicitation by the chairman are deemed approval, the chairman shall decide that a vote to be held on whole or part of the proposals at the same time before extraordinary motions with the ballots to be counted separately for each proposal.

IV. Directors

- Article 12 The number of directors of the Company shall be between seven (7) to thirteen (9), and the board of directors is authorized to determine the number of directors. In the board, the number of independent directors shall be no less than three (3). Directors shall be elected by adopting a candidate nomination system. The election of independent directors and non-independent directors shall be held together, provided the elected number of independent directors and non-independent directors shall be calculated separately. The professional qualifications, restrictions on shareholdings and concurrent office held, method of nomination and election, and other matters for compliance with respect to independent directors shall be in accordance with relevant regulation by the Competent Authority. Directors are elected from among the nominees listed in the roster of director candidates at a shareholders meeting. The term of office for directors is three (3) years and the directors are eligible for re-election.
- Article 12-1 The Company is allowed to purchase liability insurance for directors and managers. The board of directors is authorized to decide the insurance coverage.
- Article 13 The board of directors shall be formed by directors. The directors shall elect from among themselves a chairman by a majority approval in a meeting attended by over two-thirds of the directors. A vice chairman may be elected depending on the demand of business.
- The chairman internally presides over the shareholders meeting and the board of directors, and externally represents the Company.
- Meetings of the Board of Directors shall be convened by the Chairman. However, the first meeting after the re-election of directors shall be convened in accordance with the article 203 of the Company Act. Notice of the meeting shall be delivered in writing, by email, or by fax with the proposed agenda specified. The chairman presides over the board of directors. In case the chairman is on leave or cannot exercise his duty, the vice chairman shall act on his behalf. In case of no vice chairman elected or the vice chairman is on leave or cannot exercise his duty as well, the chairman shall designate one of the directors to act on his behalf. In case of no designation, the board shall elect from among directors as the acting chairman. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.
- Article 13-1 The Company forms an Audit Committee, consisting of all independent directors. The number, term of office, powers, rules of procedure for meetings of the audit committee, and resources to be provided by the Company when the audit committee exercises its powers, shall be in accordance with the Company's audit committee charter.

- Article 14 The duties and responsibilities of the Board of Directors shall be as follows:
1. Review the following matters raised by the general manager:
 - 1-1. The Company's operating principles, and medium and long-term development plans.
 - 1-2. Annual budget and implementation supervision.
 - 1-3. Annual report and final statements.
 - 1-4. Capital increase and decrease plan.
 - 1-5. Important contracts with others.
 - 1-6. Company charters and important business rules.
 - 1-7. Branch establishment, reorganization or withdrawal.
 - 1-8. Major capital expenditure plan.
 - 1-9. Other matters issued for review.
 2. Review of distribution of earnings or offset of losses.
 3. Review of the Company's articles of incorporation or amendments.
 4. Appointment and dismissal of general manager, financial supervisor, and audit supervisor.
 5. Implementation of the resolution of the shareholders meeting.
 6. Convening of the shareholders meeting and business report at the shareholders meeting.
 7. Other businesses that should be handled in accordance with the laws.
- Article 15 Directors shall attend the meeting of the Board in person. In case that a director is unable to attend a board meeting, he/she may appoint one of the other directors as his/her proxy to attend the meeting. A director may accept the appointment to act as the proxy referred to in the preceding paragraph of one other director only.
- Article 15-1 The directors' remuneration is authorized to be decided by the board of directors based on the directors' degree of involvement and contribution to the Company's business operation, as well as on usual level of the industry.

V. Managers

- Article 16 The Company shall appoint general manager, whose appointment, discharge, and remuneration shall be in accordance with the provisions in Article 29 of the Company Act.

VI. Accounting

- Article 17 The Company's fiscal year shall be from January 1 to December 31 of each calendar year. At the end of each fiscal year, the board of directors shall have the following documents prepared and submitted to the shareholders meeting for approval.
1. Business report
 2. Financial statements
 3. Proposal for distribution of earning or offset of losses
- Article 18 If gained profits within a fiscal year, the Company shall allocate at a maximum of 3% of the profits as directors' remuneration, and allocate no less than 1% of the profits as employees' compensation. However, in case of the accumulated losses, certain profits shall first be reserved to cover the accumulated losses, and then allocate employees' compensation and directors' remuneration according to the proportion in the preceding paragraph.
- The distribution of employees' compensation in the preceding paragraph shall be

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

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

The Company belongs to the integrated circuit design industry and is in the growth phase of the enterprise life cycle. After considering the long-term business development of the Company, matching future investment fund requirements, and the long-term financial planning of the Company, if there are profits at the end of fiscal year, the Company shall first offset the accumulated losses with profits after tax, and then shall contribute 10% of profit as legal reserve, unless the accumulated legal reserve has reached the amount of the Company's total capital, and contribute or reverse special reserve in accordance with relevant laws or regulation by the competent authority. If there are net profits remained, the remaining net profits and the retained earnings from previous years shall be distributed as shareholders' dividend after the distribution proposal prepared by the board of directors is approved at a shareholders meeting. After considering financial, business and operational factors, the Company may distribute the whole of distributable earnings of the current year, and may also distribute whole or part of the reserves in accordance with the law or the regulation by the competent authority.

When distributing dividends, the main consideration is the Company's future expansion of operating scale and requirement of cash flow. The cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year.

VII. Supplementary Provisions

- Article 19 For matters not provided herein, provisions in the Company Act shall govern.
- Article 20 The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; 2nd amended on Oct. 7, 1989; 3rd amended on Dec. 5, 1990; 4th amended on Jun. 26, 1991; 5th amended on Jun. 27, 1992; 6th amended on Jun. 26, 1993; 7th amended on Apr. 2, 1994; 8th amended on May 20, 1995; 9th amended on May 4, 1996; 10th amended on Jan. 21, 1997; 11th amended on May 5, 1997; 12th amended on May 19, 1998; 13th amended on Apr. 30, 1999; 14th amended on Jun. 9, 2000; 15th amended on May 30, 2001; 16th amended on Jun. 3, 2002; 17th amended on Jun. 9, 2003; 18th amended on Jun. 1, 2004; 19th amended on Jun. 13, 2005; 20th amended on Jun. 12, 2006; 21st amended on Jun. 11, 2007; 22nd amended on Jun. 13, 2008; 23rd amended on Jun. 10, 2009; 24th amended on Jun. 15, 2010; 25th amended on Jun. 15, 2011; 26th amended on Jun. 12, 2012; 27th amended on Jun. 21, 2013; 28th amended on Jun. 24, 2014; 29th amended on Jun. 7, 2016; 30th amended on Jun. 8, 2017; 31st amended on Jun. 5, 2018.

Appendix 2

Realtek Semiconductor Corporation Rules of Procedures for Shareholders Meeting (Translation)

- Article 1 The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
- Article 2 Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.
Attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronic means.
- Article 3 Attendance and voting at shareholders meetings shall be calculated based on numbers of shares.
With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
When the Company holds a shareholders meeting, the shareholders may exercise voting rights by electronic or correspondence means. Shareholders who exercise his/her votes by way of electronic means shall be in accordance with the Company Act, Securities and Exchange Act, and Regulations Governing the Administration of Shareholder Services of Public Companies, to exercise voting rights on the electronic voting platform designated by the Company. Shareholders exercising voting rights by electronic means will be deemed to have attended the meeting in person.
Shareholder who are not able to attend the shareholders meeting in person may appoint a proxy to attend the meeting by providing the proxy form issued by this Company and stating the scope of the proxy's authorization.
A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Corporation before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
After a proxy form has been delivered to this Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
After a shareholder has exercised voting rights by electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after

that time, the voting rights already exercised by electronic means shall prevail. When a shareholder has exercised voting rights both by electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Article 4 Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 5 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the directors shall select from among themselves one person to serve as chair.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 6 The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

Article 7 The Company shall make completed audio and video recording of the proceedings of the shareholders meeting. The recorded materials of the preceding paragraph shall be retained for at least 1 year.

Article 8 The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made.

If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 9 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chairman may not declare the meeting adjourned prior to completion of

deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chairman declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. After adjournment, shareholders are not allowed to elect another chairman to continue the meeting at the original place or another place.

Article 10 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman and the shareholder that has the floor. The chairman shall stop any violation.

Article 11 Attending shareholders' enquiries on the matters set out in the agenda shall be made after all the reported matters have been read or reported by the chairman or his designated person. Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.

Article 12 When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

Article 13 After an attending shareholder has spoken, the chairman may respond in person or direct relevant personnel to respond.

Article 14 The chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders. When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairman may announce the discussion closed and call for a vote.

Article 15 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairman, provided that all monitoring personnel shall be shareholders of the Company. Immediately after vote counting has been completed, the results of the voting shall be announced on-site at the meeting and be recorded.

The ballot of voting at the shareholders meeting shall be deemed void if one of the following conditions are found by all of the vote monitoring personnel:

- (1) The Ballot was not prepared or issued by the company.
- (2) No meaning is marked on the ballot or the ballot in the ballot box is not for the designated motion.
- (3) The ballot is not placed in the ballot box.
- (4) The ballot is not recognizable due to damaged or handwriting blurred.
- (5) The ballot has been altered or written with other characters or symbols.

(6) Both for and against are marked on the ballot.

If there is a dispute from shareholders on the voting process, the vote counting method, the validity of the votes, etc., the chairman shall make a determination.

Article 16 When a meeting is in progress, the chairman may announce a break based on time considerations.

Article 17 Except as otherwise provided in the Company Act and in the articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. The resolution of the shareholders meeting shall be decided by the chairman by way of voting or solicitation. Except for the proposals without objection from any shareholders after solicitation by the chairman are deemed approval, the chairman shall decide that a vote to be held on whole or part of the proposals at the same time before extraordinary motions with the ballots to be counted separately for each proposal.

If no objection from any shareholders after solicitation by the chairman, the resolution shall be deemed approval with the same effect as the resolution by voting.

Article 18 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

The discussion and voting order of the shareholders' proposals in the extraordinary motions shall be determined by the chairman. Those belonging to the same type of motions shall be merged by the chairman.

Article 19 The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or arm band. At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chairman may prevent the shareholder from so doing. When a shareholder violates the rules of procedure and defies the chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 20 When a meeting is in progress, if a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

Article 21 These Rules shall be implemented after adoption by shareholders meetings. Amendments based on demand of these Rules are authorized to the board of directors.

Appendix 3

Shareholding of Directors

Record date: April 14, 2019

Position	Name	Date Elected	Shares	Shareholding Ratio (%)
Chairman	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Hong	2018.06.05	22,146,604	4.36%
Vice Chairman	Forehead International Co., Ltd. Representative: Chiu, Sun-Chien	2018.06.05	6,184,359	1.22%
Director	Forehead International Co., Ltd. Representative: Chern, Kuo-Jong	2018.06.05	6,184,359	1.22%
Director	Sonnen Limited Representative: Yeh, Po-Len	2018.06.05	66,000	0.01%
Director	Sonnen Limited Representative: Huang, Yung-Fang	2018.06.05	66,000	0.01%
Director	Ni, Shu-Ching	2018.06.05	6,308,389	1.24%
Independent Director	Chen, Fu-Yen	2018.06.05	0	0
Independent Director	Wang, Chun-Hsiung	2018.06.05	0	0
Independent Director	Ou Yang, Wen-Han	2018.06.05	563,688	0.11%
Total			35,269,040	

Total shares issued as of April 14, 2019: 508,095,464 common shares

Note : The Company's Directors are required by the law to hold in the aggregate not less than 16,259,054 shares. As of April 14, 2019, the shareholdings of all Directors (not including Independent Directors) were 34,705,352 shares.