

Stock Code: 2379



Realtek Semiconductor Corp.

2020 Annual Shareholders' Meeting

Meeting Handbook

(Translation)

Date: June 10, 2020

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Realtek Semiconductor Corp.
2020 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. 2020 Annual Shareholders' Meeting Agenda

1. Time: 9:00 a.m., June 10, 2020 (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 2019
 - (2) Audit Committee's review report
 - (3) To report 2019 employees' compensation and directors' remuneration
 - (4) To report 2019 cash dividends distribution from retained earnings
 - (5) To report cash distribution from capital surplus
6. Ratification Items
 - (1) 2019 business report and financial statements
 - (2) Distribution of 2019 retained earnings
7. Discussion Items
 - (1) To revise the Articles of Incorporation
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 2019

Explanation: Please refer to the following for the business report.

Business Report

Dear Shareholders, Ladies and Gentlemen:

1. 2019 Operating Results

Realtek delivered stellar operating results in 2019. The full-year consolidated revenues were NT\$60.74 billion, a 32.6% growth from the previous year. Gross profit was NT\$26.58 billion, up 29.9% from the year before. Net profit after tax was NT\$6.79 billion, a 56.1% year-over-year increase. Earnings per share (EPS) was NT\$13.36. According to IC Insights, 2019 global semiconductor market revenue was US\$442.3 billion, a decline of 12.3% compared to 2018. Despite the macroeconomic impact of a weak memory market and uncertainties of the US-China trade war, Realtek banked on robust product technology, nimble market strategies, and concerted teamwork to produce excellent results. Realtek had the highest growth rate among the world's top 50 semiconductor companies in 2019.

With global demand for connectivity devices of various types continuing to rise rapidly, IC companies must provide products that offer higher performance, are more integrated, and with lower power consumption. Realtek has accumulated a great deal of technological depth in connectivity and continues to make new advances to maintain its market-leading position. Amongst the 2019 top 100 domestic companies that submitted the most patent applications to Taiwan's Intellectual Property Office, Realtek ranked sixth with 333 innovation patent applications. We incorporate these technological advances into new products that meet market needs and stimulate demand. At COMPUTEX Taipei 2019, Realtek won three major awards, including Best Choice Golden awards for our 8K Video Decoder and Processing IC (RTD2893) and our Bluetooth 5 ANC Smart Headset SoC (RTL8773B), and the Best Choice Category award for our Ultra-Low-Power Versatile IoT Solution (RTL8722DM). Particularly notable was the 8K Video Decoder and Processing IC, which led all COMPUTEX award winners by receiving the Best Choice of the Year award.

2. 2020 Business Plan

After outperforming the market in 2019, for 2020 Realtek will release even more competitive products and strengthen positioning of all product lines in order to maintain market growth and technological leadership. For wireless controllers, Realtek's first generation Wi-Fi 6 (11ax) will begin mass production in 2020 for use in a variety of applications. Optimization of existing 11ac and 11n products will provide more solutions with a higher price-performance ratio, thereby consolidating the current customer base while expanding emerging applications and markets.

For IoT controllers, Realtek has a comprehensive set of single-chip SoCs integrating microcontroller, voice, and/or ISP processors. These are highly integrated, low power consumption products that feature strong security and comprehensive AI functions that can meet the changing needs of our various customer groups. Realtek's IoT products are already well-known and are projected to perform well in 2020 as the market quickly expands.

For Bluetooth peripheral products, Realtek's True Wireless Stereo (TWS) single-chip was a favorite among consumers in 2019 and led market growth. In 2020, a new generation of TWS products with Active Noise Cancellation (ANC) will enable Realtek to maintain its position as the leader in Bluetooth audio, and to expand its market influence by working closely with supply chain and brand partners. Additionally, Realtek's Bluetooth Low Power single-chip solutions are a popular choice for voice remote controllers and wearable applications, and should continue to see growth in 2020.

Regarding Ethernet, mass production of Realtek's new generation of 2.5Gbps Ethernet Controllers for PC applications is already underway. With the upgrade of network infrastructure in countries around the world, it will also stimulate the demand for the new 2.5Gbps Ethernet in various connectivity products.

For switch controllers, in recent years Realtek has been actively developing smart switches. In addition to the research and development of Layer 3 managed switches and higher-speed switches, the 2.5G/5G/10G physical layer technologies are progressing synchronously in Realtek to advance both the depth and breadth of product offerings. In 2020, smart switches will become a primary driver of growth, surpassing unmanaged switches.

In automobile Ethernet products, Realtek is again riding on its technological advantages to lead the world in the release of second-generation products. Its high-port count switch controller, which integrates 100BASE-T1 and 1000BASE-T1 PHYs, is a favorite of European and American automobile OEM manufacturers and tier-1 suppliers. Our switch controllers are on the way to meeting future requirements of new generation automotive in-vehicle network backbones in 2022/2023; we expect this market will be one of the mid-to-long term growth drivers for Realtek.

For TV controllers, in 2019 Realtek products closely matched the needs of the end market to gain the support of customers and achieve steady growth. In 2020, to meet the demand for 8K signal broadcast transmission, Realtek is offering an award-winning 8K TV decoder that does not require changes to the existing TV architecture. Development of this solution has been welcomed by TV customers and resulted in many collaborative design-ins. Besides new 8K products, penetration of the 4K TV market continues, thereby providing further revenue growth opportunity in 2020.

PC product sales grew in 2019 due to extensive commercial PC upgrades and replacements. In 2020, the overall market is expected to be more tepid. Realtek continues, however, to upgrade and optimize its PC codecs, image signal processors, card reader controllers, and Type-C

controllers. At the same time, Realtek is developing non-PC applications based on its success in PC solutions. For example, in the consumer audio electronics market, Realtek's unique low power chip design combined with power-saving software/hardware integrated design, smart audio power amplifiers, and programmable audio DSP are gradually finding their way into leading smartphone and electronic gaming brands. In recent years Realtek has developed highly integrated IP Camera single-chips in response to security and surveillance market demand. Target markets include consumer goods and smart home network monitoring devices. In 2020, Realtek will release a new generation of low power AI IP Camera controller with edge computing and H.264/H.265 encoding capabilities. Together, these products will provide consumers with a wide range of competitive solutions.

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

The global semiconductor industry faced numerous challenges in 2019, including uncertainties due to the US-China trade war, a weak market for memory, and slowed growth for high-end mobile phones and automotive and industrial applications. Before the start of 2020, despite the ongoing trade war, increased demand from 5G and AI was expected to restore growth to the industry. However, the sudden outbreak of COVID-19 epidemic is adding another uncertainty to the economic environment. Throughout, Realtek continued developing key technologies to provide customers with the best connectivity solutions for diverse applications they use. In the future, we will uphold this principle. We will use years of technological experience as well as our agile and flexible management strategies to face up to all challenges and produce greater value for all shareholders. We hope you will continue moving ahead with us on this exciting journey.

Thank you for your care and support!

We wish you a healthy and prosperous future

Chairman: Yeh, Nan-Horng

President: Chiu, Sun-Chien

Controller: Chang, Jr-Neng

Report 2: Audit Committee's review report

Explanation: Please refer to the following for the Audit Committee's review report.

Audit Committee's review report

The Company's 2019 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 2020 Annual Shareholders' Meeting.

Realtek Semiconductor Corp.

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

March 20, 2020

Report 3: To report 2019 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. The Board of Directors resolved the distribution of 2019 employees' compensation and directors' remuneration as follows :

Unit: NT dollars

Item	Amount	Profit Ratio
Employees' compensation	2,097,423,691	22.21 %
Directors' remuneration	119,828,246	1.27 %

Note: Employees' compensation and directors' remuneration amount are consistent with the 2019 annual estimated expenses.

3. Except directors' remuneration is paid in cash, the employees' compensation is paid in cash of NT \$ 1,677,939,109 and in new issued shares of NT\$419,484,582. The numbers of new issued shares are 2,589,411 shares, which are calculated based on the closing price NT\$162 per share of 2020/03/19, prior to the board resolution date. The new issued shares from employees' compensation have the same rights and obligations as the original shares. The employees' entitled to receive employees' compensation may include employees of subsidiary companies who meet certain requirements. The Chairman is authorized by the Board of Directors to determine the capital increase record date and other related matters.

Report 4: To report 2019 cash dividends distribution from retained earnings

Explanation:

1. The Board of Directors resolved that the 2019 cash dividends distribution from retained earnings is NT\$ 4,596,163,875. According to the shares held by each shareholder in the shareholders' register on cash dividend record date, the cash dividends to common shareholders is NT\$9 per share.
2. 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 by the Board of Directors to adjust the distribution.
3. 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.
4. The Chairman is authorized by the Board of Directors to determine the cash dividend record date and payment date. .

Report 5: To report cash distribution from capital surplus

Explanation:

1. The Board of Directors resolved that pursuant to the Article 241 of the Company Act, the cash distribution from the capital surplus in excess of par value is NT\$ 1,021,369,750. 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\$2 per share.
2. 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 by the Board of Directors to adjust the distribution.
3. 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.
4. The Chairman is authorized by the Board of Directors to determine the cash distribution record date and payment date.

Ratification Items

Proposal 1

Proposed by the Board of Directors

Subject: 2019 business report and financial statements. Approval is respectfully requested.

Explanation: The 2019 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 13-26, Attachment 1, and page 27-37, Attachment 2, of this handbook.

Resolution:

Proposal 2

Proposed by the Board of Directors

Subject: Distribution of 2019 retained earnings. Approval is respectfully requested.

Explanation: The distribution of 2019 retained earnings was approved by the Board of Directors.

Realtek Semiconductor Corporation
Distribution of retained earnings
2019

Unit: NT dollars

Item	Amount
2019 Net Income after taxes	6,790,282,678
Minus: Disposal of Equity Instruments measured at fair value through other comprehensive income	(41,212,290)
Minus: Appropriated for Legal Reserve	(674,907,039)
Minus: Appropriated for Special Reserve	(217,036,022)
2019 Earnings Available for Distribution	5,857,127,327
Plus: Previous Year's Unappropriated Earnings	7,966,965,484
Cumulative Earnings Available for Distribution for 2019	13,824,092,811
Items for Distribution:	
Dividends to Shareholders (distributed in cash)	(4,596,163,875)
Unappropriated Retained Earnings	9,227,928,936

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 2019 profit, then the following sequence adopted in last-in first-out method are the previous year's part before 2019 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: To revise the Articles of Incorporation. Approval is respectfully requested.

Explanation:

1. Based on operation 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 38-41, Attachment 3 of this handbook.

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 2019 Consolidated Financial Statements

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000228

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, 2019 and 2018, 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, 2019 and 2018, 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.

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

Existence of cash in banks

Description

Refer to Notes 4(6) and 4(9) of the consolidated financial statements for the accounting policies on cash and cash equivalents and time deposits that do not qualify as cash equivalents. The balance of cash and cash equivalents was NT\$5,727,911 thousand, constituting 8% of the consolidated total assets as of December 31, 2019, as described in Note 6(1) of the consolidated financial statements. Time deposits that do not meet the definition of cash and cash equivalents, which refers to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value are classified as "financial assets at amortised cost - current". The balance of these time deposits amounted to NT\$39,558,054 thousand, constituting 54% of consolidated total assets, refer to Note 6(4) of the consolidated financial statements for the details. The abovementioned assets constituted 62% of the total assets, have a significant impact on the consolidated financial statements, the nature and usage of those bank accounts varies, and the Group transacts with various financial institutions, thus, audit of cash in bank was considered as one of the key audit matters.

How our audit addressed the matter

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

1. Obtained detailed listings of cash in banks. Sent confirmation letters to all financial institutions and reviewed special terms and agreements in order to ensure the existence and rights and obligations of cash in banks.
2. Obtained an understanding of procedures for preparation and review of bank reconciliations, including validating unusual reconciling items.
3. Obtained an understanding of the usage of the bank accounts as well as sampled and validated significant cash transactions to ensure they are operational in nature and there are no significant and unusual transactions.

Evaluation of inventories

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to audits of other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under equity method. Those financial statements were audited by other 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 (including investments accounted for under the equity method amounted to NT\$185,972 thousand and NT\$261,628 thousand) of those consolidated subsidiaries amounted to NT\$5,971,097 thousand and NT\$6,469,495 thousand, constituting 8.13% and 11.11% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total operating revenues were both NT\$0 thousand, both constituting 0% of the consolidated total operating revenues for the years then ended. Furthermore, according to the reports of other independent accountants, comprehensive losses of those investments accounted for under the equity method amounted to NT\$19,443 thousand and NT\$41,330 thousand, constituting 0.32% and 0.82% of comprehensive incomes for the years then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Realtek Semiconductor Corporation as at and for the years ended December 31, 2019 and 2018.

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.

Lin, Yu-Kuan

Tsang, Kwoh-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2020

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 5,727,911	8	\$ 4,309,651	7
1110	Financial assets at fair value through profit or loss - current	6(2)	74,012	-	1,321,103	2
1136	Financial assets at amortised cost - current	6(4) and 8	39,558,054	54	31,286,209	54
1170	Accounts receivable, net	6(5)	8,254,011	11	5,647,722	10
1180	Accounts receivable, net - related parties	6(5) and 7	2,196,717	3	1,772,071	3
1200	Other receivables		768,699	1	657,190	1
130X	Inventories, net	6(6)	7,391,535	10	5,862,005	10
1410	Prepayments		318,652	1	297,327	1
11XX	Total current assets		<u>64,289,591</u>	<u>88</u>	<u>51,153,278</u>	<u>88</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	1,859,478	2	1,651,072	3
1535	Financial assets at amortised cost - non-current	6(4) and 8	69,477	-	-	-
1550	Investments accounted for under equity method	6(7)	185,972	-	261,628	-
1600	Property, plant and equipment	6(8)	3,446,162	5	3,316,578	6
1755	Right-of-use assets	6(9)	1,403,245	2	-	-
1760	Investment property	6(10)	49,136	-	54,868	-
1780	Intangible assets	6(11)	1,952,960	3	1,686,249	3
1840	Deferred income tax assets	6(27)	114,163	-	78,472	-
1900	Other non-current assets		61,646	-	50,169	-
15XX	Total non-current assets		<u>9,142,239</u>	<u>12</u>	<u>7,099,036</u>	<u>12</u>
1XXX	Total assets		<u>\$ 73,431,830</u>	<u>100</u>	<u>\$ 58,252,314</u>	<u>100</u>

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 18,966,042	26	\$ 14,526,311	25
2130	Contract liabilities - current	6(21)	104,974	-	148,696	-
2150	Notes payable		3,276	-	8,657	-
2170	Accounts payable		7,441,724	10	5,635,986	10
2180	Accounts payable - related parties	7	329,514	1	249,869	1
2200	Other payables	6(14)	10,746,168	15	7,542,208	13
2220	Other payables - related parties	7	87,293	-	69,047	-
2230	Current income tax liabilities		828,790	1	601,614	1
2280	Lease liabilities - current		84,328	-	-	-
2300	Other current liabilities	6(21)	5,378,078	7	3,719,866	6
21XX	Total current liabilities		<u>43,970,187</u>	<u>60</u>	<u>32,502,254</u>	<u>56</u>
Non-current liabilities						
2550	Provisions - non-current	6(16)	1,075,809	2	999,868	2
2570	Deferred income tax liabilities	6(27)	51,723	-	22,310	-
2580	Lease liabilities - non-current		1,028,347	1	-	-
2600	Other non-current liabilities		77,080	-	80,983	-
25XX	Total non-current liabilities		<u>2,232,959</u>	<u>3</u>	<u>1,103,161</u>	<u>2</u>
2XXX	Total liabilities		<u>46,203,146</u>	<u>63</u>	<u>33,605,415</u>	<u>58</u>
Equity						
Share capital						
3110	Common shares	6(17)	5,080,955	7	5,080,955	9
Capital surplus						
3200	Capital surplus	6(18)	2,736,854	3	3,236,659	5
Retained earnings						
3310	Legal reserve	6(19)	4,902,176	7	4,467,099	8
3320	Special reserve		-	-	600,443	1
3350	Undistributed earnings		14,716,036	20	10,850,172	19
Other equity						
3400	Other equity interest	6(20)	(217,036)	-	401,964	-
31XX	Equity attributable to holders of the parent company		<u>27,218,985</u>	<u>37</u>	<u>24,637,292</u>	<u>42</u>
36XX	Non-controlling interest		<u>9,699</u>	<u>-</u>	<u>9,607</u>	<u>-</u>
3XXX	Total equity		<u>27,228,684</u>	<u>37</u>	<u>24,646,899</u>	<u>42</u>
3X2X	Total liabilities and equity		<u>\$ 73,431,830</u>	<u>100</u>	<u>\$ 58,252,314</u>	<u>100</u>

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(21) and 7	\$ 60,744,006	100	\$ 45,805,746	100
5000	Operating costs	6(6) and 7	(34,160,690)	(56)	(25,344,876)	(55)
5950	Gross profit		26,583,316	44	20,460,870	45
	Operating expenses	6(25)(26) and 7				
6100	Selling expenses		(2,996,402)	(5)	(2,464,470)	(6)
6200	General and administrative expenses		(1,699,212)	(3)	(1,263,689)	(3)
6300	Research and development expenses		(15,535,505)	(26)	(12,969,972)	(28)
6450	Expected credit gains (losses)	12(2)	(21,332)	-	1,721	-
6000	Total operating expenses		(20,252,451)	(34)	(16,696,410)	(37)
6900	Operating income		6,330,865	10	3,764,460	8
	Non-operating income and expenses					
7010	Other income	6(22)	1,412,779	2	1,134,971	2
7020	Other gains and losses	6(23)	(323,685)	-	(58,536)	-
7050	Finance costs	6(24)	(160,254)	-	(140,387)	-
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	(23,833)	-	(43,307)	-
7000	Total non-operating income and expenses		905,007	2	892,741	2
7900	Profit before income tax, net		7,235,872	12	4,657,201	10
7950	Income tax expense	6(27)	(445,497)	(1)	(306,420)	(1)
8200	Net income for the year		\$ 6,790,375	11	\$ 4,350,781	9

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
Other comprehensive income, net	6(20)				
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 gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	227,352	-	(165,659)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	4,390	-	1,977	-
8310	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>231,742</u>	<u>-</u>	<u>(239,491)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operation	(891,954)	(1)	942,974	2
8360	Total components of other comprehensive (loss) income that will be reclassified to profit or loss	<u>(891,954)</u>	<u>(1)</u>	<u>942,974</u>	<u>2</u>
8300	Other comprehensive (loss) income, net	<u>(\$ 660,212)</u>	<u>(1)</u>	<u>\$ 703,483</u>	<u>2</u>
8500	Total comprehensive income for the year	<u>\$ 6,130,163</u>	<u>10</u>	<u>\$ 5,054,264</u>	<u>11</u>
Profit attributable to:					
8610	Equity holders of the parent company	\$ 6,790,283	11	\$ 4,350,768	9
8620	Non-controlling interest	92	-	13	-
	Profit for the year	<u>\$ 6,790,375</u>	<u>11</u>	<u>\$ 4,350,781</u>	<u>9</u>
Comprehensive income					
8710	Equity holders of the parent company	\$ 6,130,071	10	\$ 5,054,251	11
8720	Non-controlling interest	92	-	13	-
	Total comprehensive income for the year	<u>\$ 6,130,163</u>	<u>10</u>	<u>\$ 5,054,264</u>	<u>11</u>
Earnings per share (in dollars)					
9750	Basic earnings per share	6(28)	\$ 13.36	\$ 8.57	
9850	Diluted earnings per share	6(28)	\$ 13.13	\$ 8.40	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
		Retained Earnings										
Notes	Common shares	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	Unrealized gain on available-for-sale financial assets	Total	Non-controlling interest	Total equity	
2018												
	Balance at January 1, 2018	\$ 5,065,062	\$ 3,558,856	\$ 4,127,884	\$ -	\$ 9,698,159	(\$ 813,163)	\$ -	\$ 212,720	\$ 9,594	\$ 21,859,112	
6(20)	Modified retrospective approach adjustment	-	-	-	-	103,142	-	435,835	(212,720)	-	326,257	
	Balance at 1 January after adjustments	5,065,062	3,558,856	4,127,884	-	9,801,301	(813,163)	435,835	-	9,594	22,185,369	
	Net income for the year	-	-	-	-	4,350,768	-	-	-	13	4,350,781	
6(20)	Other comprehensive income (loss) for the year	-	-	-	-	(75,809)	942,974	(163,682)	-	-	703,483	
	Total comprehensive income (loss)	-	-	-	-	4,274,959	942,974	(163,682)	-	13	5,054,264	
6(19)	Distribution of 2017 earnings	-	-	-	-	-	-	-	-	-	-	
	Legal reserve	-	-	339,215	-	(339,215)	-	-	-	-	-	
	Special reserve	-	-	-	600,443	(600,443)	-	-	-	-	-	
	Cash dividends	-	-	-	-	(2,286,430)	-	-	(2,286,430)	-	(2,286,430)	
6(18)	Employees' compensation transferred to common stock	15,893	163,692	-	-	-	-	-	-	-	179,585	
6(18)	Cash from capital surplus	-	(508,095)	-	-	-	-	-	(508,095)	-	(508,095)	
6(18)	Changes in equity of associates accounted for under equity method	-	22,005	-	-	-	-	-	22,005	-	22,005	
6(18)	Cash dividends returned	-	201	-	-	-	-	-	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	\$ -	\$ 9,607	\$ 24,646,899	
2019												
	Balance at January 1, 2019	\$ 5,080,955	\$ 3,236,659	\$ 4,467,099	\$ 600,443	\$ 10,850,172	\$ 129,811	\$ 272,153	\$ -	\$ 9,607	\$ 24,646,899	
	Net income for the year	-	-	-	-	6,790,283	-	-	-	92	6,790,375	
6(20)	Other comprehensive income (loss) for the year	-	-	-	-	-	(891,954)	231,742	(660,212)	-	(660,212)	
	Total comprehensive income (loss)	-	-	-	-	6,790,283	(891,954)	231,742	-	92	6,130,163	
6(19)	Distribution of 2018 earnings	-	-	-	-	-	-	-	-	-	-	
	Legal reserve	-	-	435,077	-	(435,077)	-	-	-	-	-	
	Special reserve	-	-	-	(600,443)	600,443	-	-	-	-	-	
	Cash dividends	-	-	-	-	(3,048,573)	-	-	(3,048,573)	-	(3,048,573)	
6(18)	Cash from capital surplus	-	(508,095)	-	-	-	-	-	(508,095)	-	(508,095)	
6(18)	Changes in equity of associates accounted for under equity method	-	8,064	-	-	-	-	-	8,064	-	8,064	
6(20)	Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	(41,212)	-	41,212	-	-	-	
6(18)	Cash dividends returned	-	226	-	-	-	-	-	226	-	226	
	Balance at December 31, 2019	\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	(\$ 762,143)	\$ 545,107	\$ -	\$ 9,699	\$ 27,228,684	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 7,235,872	\$ 4,657,201
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(25)	700,806	544,084
Amortization	6(11)(25)	1,019,785	994,852
Expected credit losses (gains)	12(2)	21,332 (	1,721)
Interest expense	6(24)	160,254	140,387
Interest income	6(22)	(1,277,211 ) (	989,290)
Dividend income	6(22)	(30,150 ) (	32,942)
(Gain) loss on financial assets at fair value through profit or loss	6(23)	(5,764)	19,240
Share of loss of associates and joint ventures accounted for under equity method	6(7)	23,833	43,307
Loss (gain) on disposal of property, plant and equipment	6(23)	157 (	133)
Impairment loss	6(23)	189,483	-
Other intangible assets transferred to expenses		526	7,698
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		1,241,327 (	583,466)
Accounts receivable, net		(2,627,248)	23,602
Accounts receivable, net - related parties		(425,122 ) (	495,111)
Other receivables		24,884 (	25,846)
Inventories		(1,529,530 ) (	349,516)
Prepayments		(21,325 ) (	27,418)
Changes in operating liabilities			
Contract liabilities - current		(43,722)	45,527
Notes payable		(5,381)	26
Accounts payable		1,805,738	1,058,645
Accounts payable - related parties		79,645 (	41,886)
Other payables		3,149,058	1,514,253
Other payables - related parties		18,246	29,123
Advance receipts		-	6,203
Other current liabilities		1,671,139	939,774
Provisions - non-current		102,181	98,438
Accrued pension obligations		(2,466 ) (	2,507)

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
Cash inflow generated from operations		\$ 11,476,347	\$ 7,572,524
Receipt of interest		1,140,818	793,055
Receipt of dividend		30,150	32,942
Interest paid		(162,681)	(138,521)
Income tax paid		(233,349)	(66,250)
Net cash flows from operating activities		<u>12,251,285</u>	<u>8,193,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(44,715,715)	(6,946,509)
Proceeds from disposal of financial assets at amortised cost		35,512,063	30,254
Acquisition of financial assets at fair value through other comprehensive income		-	(28,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income		939	-
Proceeds from capital reduction of investee accounted for under equity method	6(7)	17,908	-
Acquisition of property, plant and equipment	6(29)	(747,026)	(629,854)
Proceeds from disposal of property, plant and equipment		92	276
Acquisition of intangible assets	6(29)	(1,403,279)	(592,220)
Acquisition of right-of-use assets		(286,276)	-
Increase in refundable deposits		(3,811)	(11,072)
(Increase) decrease in other non-current assets		(7,666)	1,924
Net cash flows used in investing activities		<u>(11,632,771)</u>	<u>(8,175,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		148,524,088	146,563,258
Decrease in short-term borrowings		(144,084,357)	(150,089,571)
Repayment of principal portion of lease liabilities	6(30)	(76,732)	-
Guarantee deposits returned	6(30)	(1,437)	(278)
Cash dividends paid	6(19)	(3,556,668)	(2,794,525)
Cash dividends returned		226	201
Net cash flows from (used in) financing activities		<u>805,120</u>	<u>(6,320,915)</u>
Effect of exchange rate		(5,374)	1,017,661
Net increase (decrease) in cash and cash equivalents		1,418,260	(5,284,705)
Cash and cash equivalents at beginning of year		4,309,651	9,594,356
Cash and cash equivalents at end of year		<u>\$ 5,727,911</u>	<u>\$ 4,309,651</u>

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000226

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, 2019 and 2018, 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 matter* section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the 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 reports 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.

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

Valuation of inventories

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to audits of other independent accountants

We did not audit the financial statements of certain investments accounted for under equity method. Those financial statements were audited by other independent accountants whose reports 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 under equity method amounted to NT\$6,938,839 thousand and NT\$6,900,458 thousand, constituting 10.29% and 12.78% of total assets as of December 31, 2019 and 2018, respectively. Comprehensive income amounted to NT\$151,087 thousand and NT\$108,408 thousand, constituting 2.46% and 2.14% of total comprehensive income for the years ended December 31, 2019 and 2018, 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 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.

Lin, Yu-Kuan

Tsang, Kwoh-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2020

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,333,828	5	\$ 1,553,365	3
1110	Financial assets at fair value through profit or loss - current		28,736	-	29,061	-
1136	Financial assets at amortised cost - current	8	-	-	61,401	-
1170	Accounts receivable, net	6(2)	6,588,225	10	4,307,547	8
1180	Accounts receivable, net - related parties	6(2) and 7	1,227,255	2	1,033,782	2
1200	Other receivables		20,417	-	42,641	-
1210	Other receivables - related parties	7	5,729,653	8	2,688,329	5
130X	Inventories, net	6(3)	5,820,326	9	4,096,647	8
1410	Prepayments		205,329	-	149,935	-
11XX	Total current assets		<u>22,953,769</u>	<u>34</u>	<u>13,962,708</u>	<u>26</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current		-	-	936	-
1535	Financial assets at amortised cost - non-current	8	64,885	-	-	-
1550	Investments accounted for under equity method	6(4)	38,503,441	57	35,911,991	67
1600	Property, plant and equipment	6(5)	3,019,258	5	2,863,756	5
1755	Right-of-use assets	6(6)	1,091,607	2	-	-
1780	Intangible assets	6(7)	1,652,722	2	1,160,549	2
1840	Deferred income tax assets	6(21)	114,163	-	78,472	-
1900	Other non-current assets		46,151	-	14,444	-
15XX	Total non-current assets		<u>44,492,227</u>	<u>66</u>	<u>40,030,148</u>	<u>74</u>
1XXX	Total assets		<u>\$ 67,445,996</u>	<u>100</u>	<u>\$ 53,992,856</u>	<u>100</u>

(Continued)

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 18,604,770	28	\$ 14,526,311	27
2130	Contract liabilities - current	6(15)	67,853	-	110,764	-
2150	Notes payable		3,276	-	8,657	-
2170	Accounts payable		5,659,518	8	3,793,276	7
2180	Accounts payable - related parties	7	313,185	-	228,279	-
2200	Other payables	6(9)	9,929,669	15	6,867,842	13
2220	Other payables - related parties	7	55,690	-	38,283	-
2230	Current income tax liabilities		820,495	1	578,088	1
2280	Lease liabilities - current		30,417	-	-	-
2300	Other current liabilities	6(15)	3,831,860	6	2,581,910	5
21XX	Total current liabilities		<u>39,316,733</u>	<u>58</u>	<u>28,733,410</u>	<u>53</u>
Non-current liabilities						
2550	Provisions - non-current		-	-	519,016	1
2570	Deferred income tax liabilities	6(21)	51,723	-	22,310	-
2580	Lease liabilities - non-current		781,678	2	-	-
2600	Other non-current liabilities	6(10)	76,877	-	80,828	-
25XX	Total non-current liabilities		<u>910,278</u>	<u>2</u>	<u>622,154</u>	<u>1</u>
2XXX	Total liabilities		<u>40,227,011</u>	<u>60</u>	<u>29,355,564</u>	<u>54</u>
Equity						
Share capital						
3110	Common shares	6(11)	5,080,955	7	5,080,955	10
Capital surplus						
3200	Capital surplus	6(12)	2,736,854	4	3,236,659	6
Retained earnings						
3310	Legal reserve	6(13)	4,902,176	7	4,467,099	8
3320	Special reserve		-	-	600,443	1
3350	Undistributed earnings		14,716,036	22	10,850,172	20
Other equity						
3400	Other equity interest	6(14)	(217,036)	-	401,964	1
3XXX	Total equity		<u>27,218,985</u>	<u>40</u>	<u>24,637,292</u>	<u>46</u>
Significant contingent liabilities and unrecognized contract commitments						
3X2X	Total liabilities and equity		<u>\$ 67,445,996</u>	<u>100</u>	<u>\$ 53,992,856</u>	<u>100</u>

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(15) and 7	\$ 40,845,708	100	\$ 32,194,291	100
5000	Operating costs	6(3) and 7	(24,643,053)	(60)	(18,906,196)	(59)
5900	Gross profit		<u>16,202,655</u>	<u>40</u>	<u>13,288,095</u>	<u>41</u>
	Operating expenses	6(20)(21) and 7				
6100	Selling expenses		(1,887,715)	(5)	(1,646,985)	(5)
6200	General and administrative expenses		(760,391)	(2)	(991,577)	(3)
6300	Research and development expenses		(12,212,926)	(30)	(9,955,350)	(31)
6450	Expected credit gains (losses)	12(2)	(25,618)	-	5,803	-
6000	Total operating expenses		<u>(14,886,650)</u>	<u>(37)</u>	<u>(12,588,109)</u>	<u>(39)</u>
6900	Operating income		<u>1,316,005</u>	<u>3</u>	<u>699,986</u>	<u>2</u>
	Non-operating income and expenses					
7010	Other income	6(16) and 7	194,391	-	112,353	1
7020	Other gains and losses	6(17)	(191,745)	-	(1,992)	-
7050	Finance costs	6(18)	(144,100)	-	(140,170)	-
7070	Share of profit of associates and joint ventures accounted for under equity method	6(4)				
			<u>6,053,732</u>	<u>15</u>	<u>3,968,591</u>	<u>12</u>
7000	Total non-operating income and expenses		<u>5,912,278</u>	<u>15</u>	<u>3,938,782</u>	<u>13</u>
7900	Profit before income tax, net		<u>7,228,283</u>	<u>18</u>	<u>4,638,768</u>	<u>15</u>
7950	Income tax expense	6(21)	(438,000)	(1)	(288,000)	(1)
8200	Net income for the year		<u>\$ 6,790,283</u>	<u>17</u>	<u>\$ 4,350,768</u>	<u>14</u>
	Other comprehensive income, net	6(14)				
	Components of other comprehensive income (loss) 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 (loss) of associates and joint ventures accounted for under equity method		<u>231,742</u>	-	<u>(163,544)</u>	<u>(1)</u>
8310	Total other comprehensive income (loss) that will not be reclassified to profit or loss		<u>231,742</u>	-	<u>(239,491)</u>	<u>(1)</u>
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8380	Share of other comprehensive (loss) income of associates and joint ventures accounted for under equity method		<u>(891,954)</u>	<u>(2)</u>	<u>942,974</u>	<u>3</u>
8360	Total other comprehensive (loss) income that will be reclassified to profit or loss		<u>(891,954)</u>	<u>(2)</u>	<u>942,974</u>	<u>3</u>
8300	Other comprehensive (loss) income for the year		<u>(\$ 660,212)</u>	<u>(2)</u>	<u>\$ 703,483</u>	<u>2</u>
8500	Total comprehensive income for the year		<u>\$ 6,130,071</u>	<u>15</u>	<u>\$ 5,054,251</u>	<u>16</u>
	Earnings Per Share (in dollars)					
9750	Basic earnings per share	6(22)	\$ 13.36		\$ 8.57	
9850	Diluted earnings per share	6(22)	\$ 13.13		\$ 8.40	

Realtek Semiconductor Corporation
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings					Other equity interest			Total equity
		Common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	
2018										
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		<u>5,065,062</u>	<u>3,558,856</u>	<u>4,127,884</u>	-	<u>9,801,301</u>	<u>(813,163)</u>	<u>435,835</u>	-	<u>22,175,775</u>
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 (loss)		-	-	-	-	<u>4,274,959</u>	<u>942,974</u>	<u>(163,682)</u>	-	<u>5,054,251</u>
Distribution of 2017 earnings	6(13)									
Legal reserve		-	-	339,215	-	(339,215)	-	-	-	-
Special reserve		-	-	-	600,443	(600,443)	-	-	-	-
Cash dividends		-	-	-	-	(2,286,430)	-	-	-	(2,286,430)
Employees' compensation transferred to common stock	6(12)	15,893	163,692	-	-	-	-	-	-	179,585
Cash dividends from capital surplus	6(12)	-	(508,095)	-	-	-	-	-	-	(508,095)
Changes in equity of associates accounted for under equity method	6(12)	-	22,005	-	-	-	-	-	-	22,005
Cash dividends returned	6(12)	-	201	-	-	-	-	-	-	201
Balance at December 31, 2018		<u>\$ 5,080,955</u>	<u>\$ 3,236,659</u>	<u>\$ 4,467,099</u>	<u>\$ 600,443</u>	<u>\$ 10,850,172</u>	<u>\$ 129,811</u>	<u>\$ 272,153</u>	<u>\$ -</u>	<u>\$ 24,637,292</u>
2019										
Balance at January 1, 2019		<u>\$ 5,080,955</u>	<u>\$ 3,236,659</u>	<u>\$ 4,467,099</u>	<u>\$ 600,443</u>	<u>\$ 10,850,172</u>	<u>\$ 129,811</u>	<u>\$ 272,153</u>	<u>\$ -</u>	<u>\$ 24,637,292</u>
Net income for the year		-	-	-	-	6,790,283	-	-	-	6,790,283
Other comprehensive income (loss)	6(14)	-	-	-	-	-	(891,954)	231,742	-	(660,212)
Total comprehensive income (loss)		-	-	-	-	<u>6,790,283</u>	<u>(891,954)</u>	<u>231,742</u>	-	<u>6,130,071</u>
Distribution of 2018 earnings	6(13)									
Legal reserve		-	-	435,077	-	(435,077)	-	-	-	-
Special reserve		-	-	-	(600,443)	600,443	-	-	-	-
Cash dividends		-	-	-	-	(3,048,573)	-	-	-	(3,048,573)
Cash dividend from capital surplus	6(12)	-	(508,095)	-	-	-	-	-	-	(508,095)
Changes in equity of associates accounted for using equity method	6(12)	-	8,064	-	-	-	-	-	-	8,064
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(14)	-	-	-	-	(41,212)	-	41,212	-	-
Cash dividends returned	6(12)	-	226	-	-	-	-	-	-	226
Balance at December 31, 2019		<u>\$ 5,080,955</u>	<u>\$ 2,736,854</u>	<u>\$ 4,902,176</u>	<u>\$ -</u>	<u>\$ 14,716,036</u>	<u>(\$ 762,143)</u>	<u>\$ 545,107</u>	<u>\$ -</u>	<u>\$ 27,218,985</u>

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 7,228,283	\$ 4,638,768
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(19)	562,805	470,049
Amortization	6(19)	948,008	943,734
Expected credit losses (gains)	12(2)	25,618	(5,803)
Impairment loss	6(17)	41,397	-
Interest expense	6(18)	144,100	140,170
Interest income	6(16)	(118,442)	(66,668)
Dividend income	6(16)	(406)	(812)
Loss on financial assets at fair value through profit or loss	6(17)	325	11,283
Share of gain of associates and joint ventures accounted for under equity method	6(4)	(6,053,732)	(3,968,591)
Gain on disposal of property, plant and equipment	6(17)	(92)	-
Other intangible assets transferred to expenses	6(17)	526	7,698
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(2,304,342)	527,028
Accounts receivable, net - related parties		(195,427)	53,312
Other receivables		27,106	(23,639)
Other receivables, net - related parties		(2,420)	(67,713)
Inventories		(1,723,679)	227,773
Prepayments		(55,394)	97,207
Changes in operating liabilities			
Contract liabilities - current		(42,911)	21,541
Notes payable		(5,381)	26
Accounts payable		1,866,242	10,137
Accounts payable - related parties		84,906	(54,388)
Other payables		3,019,851	1,310,009
Other payables - related parties		17,407	6,126
Provisions - non-current		(519,016)	84,591
Other current liabilities		1,249,950	397,579
Accrued pension obligations		(2,470)	(2,507)

(Continued)

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
Cash inflow generated from operations		\$ 4,192,812	\$ 4,756,910
Receipt of interest		113,560	66,401
Receipt of dividends		406	812
Interest paid		(146,526)	(138,304)
Income taxes paid		(201,871)	(48,920)
Net cash flows from operating activities		<u>3,958,381</u>	<u>4,636,899</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(64,885)	-
Proceeds from disposal of financial assets at amortised cost		61,401	30,254
Proceeds from disposal of financial assets at fair value through other comprehensive income		939	-
Proceeds from capital reduction of investee accounted for under the equity method	6(4)	17,908	-
Acquisition of cash dividends from investments accounted for under equity method		2,750,826	5,436,741
Acquisition of property, plant and equipment	6(23)	(682,325)	(578,076)
Proceeds from disposal of property, plant and equipment		92	-
Acquisition of intangible assets	6(23)	(1,399,800)	(581,659)
Acquisition of right-of-use assets		(286,276)	-
Increase in other receivables, net - related parties		(3,038,904)	(1,797,119)
Increase in refundable deposits		(1,722)	(7,988)
Increase in other non-current assets		(29,985)	-
Net cash flows (used in) from investing activities		<u>(2,672,731)</u>	<u>2,502,153</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		147,831,650	146,563,258
Decrease in short-term borrowings		(143,753,191)	(150,089,571)
Repayment of principal portion of lease liabilities	6(24)	(25,723)	-
Guarantee deposits returned	6(24)	(1,481)	(304)
Cash dividends paid	6(13)	(3,556,668)	(2,794,525)
Cash dividends returned		226	201
Net cash flows from (used in) financing activities		<u>494,813</u>	<u>(6,320,941)</u>
Net increase in cash and cash equivalents		1,780,463	818,111
Cash and cash equivalents at beginning of year		1,553,365	735,254
Cash and cash equivalents at end of year		<u>\$ 3,333,828</u>	<u>\$ 1,553,365</u>

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

Amended Version	Original Version	Reason
<p>Article 1</p> <p>The Company shall be incorporated under the Company Act as a company limited by shares named “Realtek Semiconductor Corp.”. <u>“Realtek Semiconductor Corp.” is the Company’s English name.</u></p>	<p>Article 1</p> <p>The Company shall be incorporated under the Company Act as a company limited by shares named “Realtek Semiconductor Corp.” .</p>	To add the Company’s English name
<p>Article 2</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> 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) 8. <u>CF01011 Medical Materials and Equipment Manufacturing</u> 9. <u>F108031 Wholesale of Drugs, Medical Goods</u> 10. <u>F208031 Retail sale of Medical Equipments</u> <p><u>(1) Researching, designing, developing, manufacturing, and selling the following products:</u></p> <ol style="list-style-type: none"> 1. <u>various integrated circuits</u> 2. <u>hearing aids with tinnitus mask function</u> 3. <u>bone conduction hearing aid</u> 4. <u>Picture archiving and communications system.</u> <p><u>(2) Providing application design.</u></p>	<p>Article 2</p> <p>The scope of business of the Company shall be as follows:</p> <ol style="list-style-type: none"> 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) <p>(1) Researching, developing, producing, manufacturing, and selling various integrated circuits.</p> <p>(2) Providing application design, testing, maintenance and technical consulting services of the software and hardware for various integrated circuit products.</p> <p>(3) Researching, developing and selling various intellectual property</p> <p>(4) Also engaged in trading business in relation to the business of the Company.</p>	Operation demand

Amended Version	Original Version	Reason
<p><u>testing, maintenance and technical consulting services of the software and hardware for the above products.</u></p> <p>(3) Researching, developing and selling various intellectual property</p> <p>(4) Also engaged in trading business in relation to the business of the Company.</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</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</p>	<p>To revise dividend policy for retained earnings distribution</p>

Amended Version	Original Version	Reason
<p>business development of the Company, matching future investment fund requirements, and the long-term financial planning of the Company, if there are profits at the end of fiscal year, the Company shall first offset the accumulated losses with profits after tax, and then shall contribute 10% of profit as legal reserve, unless the accumulated legal reserve has reached the amount of the Company's total capital, and contribute or reverse special reserve in accordance with relevant laws or regulation by the competent authority. If there are net profits remained, the remaining net profits and the retained earnings from previous years shall be distributed as shareholders' dividend after the distribution proposal is prepared by the board of directors. In case the distribution is in the form of issuing new shares, the distribution proposal shall be approved at a shareholders meeting. In case the distribution is in the form of cash, the distribution proposal shall be approved by the board of directors with authorization. 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. <u>The dividend distributed to shareholders shall not be less than 50% of the increased distributable retained earnings for the current year.</u></p> <p>When distributing dividends, the main</p>	<p>business development of the Company, matching future investment fund requirements, and the long-term financial planning of the Company, if there are profits at the end of fiscal year, the Company shall first offset the accumulated losses with profits after tax, and then shall contribute 10% of profit as legal reserve, unless the accumulated legal reserve has reached the amount of the Company's total capital, and contribute or reverse special reserve in accordance with relevant laws or regulation by the competent authority. If there are net profits remained, the remaining net profits and the retained earnings from previous years shall be distributed as shareholders' dividend after the distribution proposal is prepared by the board of directors. In case the distribution is in the form of issuing new shares, the distribution proposal shall be approved at a shareholders meeting. In case the distribution is in the form of cash, the distribution proposal shall be approved by the board of directors with authorization. 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</p>	

Amended Version	Original Version	Reason
<p>consideration is the Company's future expansion of operating scale and requirement of cash flow. The cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year. According to Article 240, Paragraph 5, and Article 241, Paragraph 2 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders meeting.</p>	<p>dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year. According to Article 240, Paragraph 5, and Article 241, Paragraph 2 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders meeting.</p>	
<p>Article 20 The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; (omitted) 32nd amended on Jun. 12, 2019; <u>33rd amended on Jun. 10, 2020.</u></p>	<p>Article 20 The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; (omitted) 32nd amended on Jun. 12, 2019.</p>	<p>To add amendment date.</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 is prepared by the board of directors. In case the distribution is in the form of issuing new shares, the distribution proposal shall be approved at a shareholders meeting. In case the distribution is in the form of cash, the distribution proposal is authorized to be approved by the board of directors. After considering financial, business and operational factors, the Company may distribute the whole of distributable earnings of the current year, and may also distribute whole or part of the reserves in accordance with the law or the regulation by the competent authority.

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

According to Article 240, Paragraph 5, and Article 241, Paragraph 2 of the Company Act, the Company authorizes the distributable dividends, legal reserve, and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders meeting.

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; 32nd amended on Jun. 12, 2019.

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 12, 2020

Position	Name	Date Elected	Shares	Shareholding Ratio (%)
Chairman	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	2018.06.05	22,146,604	4.34%
Vice Chairman	Forehead International Co., Ltd. Representative: Chiu, Sun-Chien	2018.06.05	5,023,359	0.98%
Director	Forehead International Co., Ltd. Representative: Chern, Kuo-Jong	2018.06.05	5,023,359	0.98%
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			34,108,040	

Total shares issued as of April 12, 2020: 510,684,875 common shares

Note : The Company's Directors are required by the law to hold in the aggregate not less than 16,341,916 shares. As of April 12, 2020, the shareholdings of all Directors (not including Independent Directors) were 33,544,352 shares.