

Realtek Semiconductor Corp. 2022 Annual Shareholders' Meeting Minutes

Time: 9:00 a.m., June 8, 2022 (Wednesday)

Place: No.1, Industry East 2nd Road, HsinChu Science Park Life Hub, Bach Conference Room

The Number of Shares of Attendance: Attending shareholders and proxy represented 460,609,872 shares (including 362,544,423 shares which attended through electronic voting) accounting for 89.81% of 512,863,641 shares, the Company's total outstanding shares.

Directors Present:

Chiu, Sun-Chien, Chern, Kuo-Jong, Yen, Kuang-Yu, Huang, Yung-Fang, Ni, Shu-Ching, Chen, Fu-Yen, Lo, Chun-Pa

Chairman: Chiu, Sun-Chien, Chairman

Recorder: Tsai, Shu- Hui

The aggregate shareholding of the shareholders present constituted a quorum.

The Chairman called the meeting to order.

I. Chairman's Remarks: Omitted.

II. Report Items:

Report 1: Business report of 2021

Explanation: Please refer to Attachment 1 for the business report.

Report 2: Audit Committee's review report

Explanation: Please refer to Attachment 2 for the Audit Committee's review report.

Report 3: To report 2021 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 2021 employees' compensation and directors' remuneration as follows :

Unit: NT dollars

Item	Amount	Profit Ratio
Employees' compensation	4,956,693,814	21.89%
Directors' remuneration	130,000,000	0.57%

Note: Employees' compensation and directors' remuneration amount are consistent with the 2021 annual estimated expenses.

3. Except directors' remuneration is paid in cash, the employees' compensation is paid in cash of NT \$ 3,965,355,284 and in new issued shares of NT\$991,338,530. The numbers of new issued shares are 2,178,766 shares, which are calculated based on the closing price NT\$455 per share of 2022/03/17, 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 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 2021 cash dividends distribution from retained earnings

Explanation:

1. The Board of Directors resolved that the 2021 cash dividends distribution from retained earnings is NT\$ 12,821,591,025. 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\$25 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\$ 1,025,727,282. 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.

III. Ratification Items

Proposal 1

Subject: 2021 business report and financial statements. Approval is respectfully requested.

(Proposed by the Board of Directors)

Explanation: The 2021 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 Attachment 1, Attachment 4 and Attachment 5.

Resolution: It was resolved that the above proposal be approved as proposed. The result is as follows:

Shares represented at the time of voting: 460,609,872

Voting Results		% of the total represented share present
Votes in favor: (including electronic voting	417,618,662votes 319,553,213 votes)	90.66%
Votes against: (including electronic voting	516,580 votes 516,580 votes)	0.11%
Votes invalid:	0 vote	0.00%
Votes abstained: (including electronic voting	42,474,630 votes 42,474,630 votes)	9.22%

Proposal 2

Subject: Distribution of 2021 retained earnings. Approval is respectfully requested.

(Proposed by the Board of Directors)

Explanation: The distribution of 2021 retained earnings was approved by the Board of Directors.
Please refer to Attachment 3.

Resolution: It was resolved that the above proposal be approved as proposed. The result is as follows:

Shares represented at the time of voting: 460,609,872

Voting Results		% of the total represented share present
Votes in favor: (including electronic voting	420,912,762votes 322,847,313 votes)	91.38%
Votes against: (including electronic voting	7,181votes 7,181 votes)	0.00%
Votes invalid:	0 vote	0.00%
Votes abstained: (including electronic voting	39,689,929 votes 39,689,929votes)	8.61%

IV. Discussion Items

Proposal 1

Subject: To revise the Articles of Incorporation. Approval is respectfully requested. (Proposed by the Board of Directors)

Explanation:

1. In response to amendment and enactment of acts and practical needs, 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, please refer to Attachment 6.

Resolution: It was resolved that the above proposal be approved as proposed. The result is as follows:

Shares represented at the time of voting: 460,609,872

Voting Results		% of the total represented share present
Votes in favor: (including electronic voting	411,304,268 votes 313,238,819 votes)	89.29%
Votes against: (including electronic voting	7,919,046 votes 7,919,046 votes)	1.71%
Votes invalid:	0 vote	0.00%
Votes abstained: (including electronic voting	41,386,558 votes 41,386,558 votes)	8.98%

Proposal 2

Subject: To revise the Procedures for Acquisition or Disposal of Assets. Approval is respectfully requested. (Proposed by the Board of Directors)

Explanation:

1. In order to conform to the letter (No. 1110380465) dated January 28, 2022 issued by Financial Supervisory Commission, and the practice demand, the Company hereby proposes to amend the Procedures for Acquisition or Disposal of Assets.
2. The comparison table illustrating the original and amended texts of the Procedures for Acquisition or Disposal of Assets , please refer to Attachment 7.

Resolution: It was resolved that the above proposal be approved as proposed. The result is as follows:

Shares represented at the time of voting: 460,609,872

Voting Results		% of the total represented share present
Votes in favor: (including electronic voting	420,909,575 votes 322,844,126 votes)	91.38%
Votes against: (including electronic voting	9,970 votes 9,970 votes)	0.01%
Votes invalid:	0 vote	0.00%
Votes abstained: (including electronic voting	39,690,327 votes 39,690,327 votes)	8.61%

V. Extraordinary Motions: None.

VI. Adjournment

Business Report

Dear Shareholders, Ladies and Gentlemen:

1. 2021 Operating Results

During 2021, in addition to the continuing impact of COVID-19, the semiconductor industry experienced unprecedented supply shortages. These issues have put many markets and companies to the test. Alongside these black swan events, the world we live in is experiencing wave after wave of digital transformation. The demand for all types of connectivity products is rising rapidly, both for new products and because of the need to upgrade and improve existing products to meet the expectations and needs of customers.

The importance of semiconductor products to people's lives has become particularly obvious in the face of current supply shortages. In spite of the challenges created by the imbalance of supply and demand, Realtek achieved a new milestone in 2021, delivering another year of revenue growth and breaking the NT\$100 billion mark. This has been attained through close collaboration with upstream suppliers and downstream customers, as well as the tremendous efforts provided by all Realtek employees.

Full-year 2021 consolidated revenue reached NT\$105.5 billion, an increase of 35.7% from the previous year. Gross profit was NT\$53.2 billion, an increase of 60.0% from the previous year; and net profit after tax was NT\$16.8 billion, representing an increase of 91.7% compared to the previous year, with earnings per share of NT\$33.00. According to IC Insights, worldwide semiconductor industry revenue in 2021 was US\$613.9 billion, an increase of 25% compared to 2020, of which IC sales grew by 26%. Realtek once again marched forward at a speed outpacing the overall industry.

As well as economic performance, the industry continues to recognize Realtek's excellence in technological innovation and execution. According to the Taiwan Intellectual Property Office, Realtek submitted a new high of 442 patent applications in 2021, ranking fourth place among all domestic enterprises and the highest among all fabless IC design houses in Taiwan. At COMPUTEX 2021, Realtek received a Best Choice Golden Award for our Automotive Ethernet Switch (RTL9075AA/RTL9072AAD), and a Best Choice Category Award for our low-power AI IP camera SoC (RTS3916N). Additionally, the company's new generation gaming network total solution comprising 2.5GbE Gaming NIC (RTL8125BG) with its highly-praised 'Dragon Feature', Wi-Fi 6 (RTL8852AE), and 2.5G Intelligent Switch (RTL9313 + RTL8221B) was a 2021 COMPUTEX d&i awards winner.

Realtek puts corporate sustainability at its core, and is committed to meeting the expectations of various stakeholders. The company pays constant attention to corporate social responsibility-related initiatives, defines important indices, integrates internal resources, and formulates short, medium, and long-term goals. In 2021, material subjects included Corporate Governance and Law Compliance, Information Security, Economic Performance, Innovation and R&D, Talent Appointment and Development, Supplier Sustainability Management, and Climate Change Response. Responding to the continuing growth of the company and our responsibility to the environment, our two new offices (currently under construction) are being built with the goal of achieving the US Green Building

Council's Leading Energy and Environmental Design (LEED) certification, providing employees with a high-efficiency, environmentally-friendly workplace. In order to increase our utilization of green energy, Realtek has also started to install solar panels on the roof of each building, and plans to purchase more renewable green energy over the years to come. In order to reduce the carbon footprint of our products, Realtek leverages its core technical capabilities to continuously launch products with higher performance and lower power consumption, while aiming at net zero carbon emissions as a long-term goal.

During the pandemic, Realtek comprehensively upgraded the company's IT infrastructure and information security to support the need for employees to work remotely in order to maintain the normal operation of the company, and to ensure the health and safety of employees. Leveraging our technical prowess and doing our share to fight against the pandemic, Realtek actively cooperated with the National Taiwan University Hospital to provide intelligent medical aid equipment required for isolation wards. Additionally, the 'Free Hepatitis and Liver Cancer Screening' joint project sponsored by Realtek, Taipei Longshan Temple, the Liver Disease Prevention and Treatment Research Foundation, and Yuan High-Tech was recognized by Enterprise Asia with the 'Asia Responsible Enterprise Award (AREA) for Health Promotion' in 2021.

2. 2022 Business Plan

The impact of COVID-19, and the semiconductor industry's supply and demand issues, continue to linger. In spite of this, Realtek continues to vigorously pursue its commitment to using innovation to provide more competitive products to the market, while in turn delivering a better overall user experience to its customers. In 2022, Realtek will launch a series of new products to strengthen its product portfolio in key markets in order to maintain growth momentum and leadership in technology.

In relation to wireless network communication, over the course of 2021, Wi-Fi 6 has gradually replaced Wi-Fi 5 in both PC and router markets, and is expected to become mainstream during 2022. After the successful production of the first-generation Wi-Fi 6 solutions for the mass market in 2021, Realtek's Wi-Fi 6E solution has been designed into several customers' products with the gradual opening of the 6 GHz unlicensed band around the world. In 2022, Realtek will focus on the optimization and promotion of Wi-Fi 6 and 6E, while simultaneously accelerating the development of our next generation Wi-Fi 7. Realtek continues to cooperate with IoT market standard leaders to provide a development platform for first-line customers so that they can launch new products when the official version of the standard is released in 2023. Realtek's multipronged strategy on Bluetooth (BT) has proven to be very successful. The new generation of BT SoC for TWS (True Wireless Stereo) with Active Noise Cancellation (ANC), and BT5.2 BLE Audio technology will further enable a wide range of BT audio applications. Realtek BT NIC and BLE SoCs are the prime choices for major global brands in the BT audio remote controller and wearable markets. Looking to the future, in addition to focusing our attention on personal entertainment and smart homes, we will also be targeting industrial, medical, and automotive markets to provide cross-domain and diverse applications.

Over the past two years, the specifications for Ethernet in both the PC and Network markets have gradually moved up from 1GbE to 2.5GbE. Realtek 2.5GbE Ethernet controller chips have been widely adopted in gaming motherboards, mid-to-high-end PCs, switches, and network expansion accessories. In 2022, we will launch third generation 2.5GbE products and higher-speed 5GbE

Ethernet solutions to meet the needs of the highly digitalized post-pandemic market. The demand for network bandwidth has rapidly increased with the popularization of Wi-Fi 6, and the speed of older mainstream 1GbE switches is no longer sufficient. A boom in 2.5GbE switches can be expected, and in 2022, Realtek expects to launch an easy-to-operate 8-port 2.5GbE switch with low-power consumption.

With the trend towards enterprise networks driven by the infrastructure upgrade of telecom operators in various countries, Realtek will launch a high-end, multi-port, multi-GbE managed switch product to provide a complete and competitive solution to the market. In broadband networks, users' demand for bandwidth is increasing, and global operators are accelerating the deployment and upgrade of optical fiber networks. Realtek has a complete portfolio of PON products to meet various needs, and that can compete in telco tender projects in many countries. Realtek is a major supplier of automotive Ethernet, and Automotive Ethernet has become the backbone of in-vehicle networks. With ever more stringent requirements for speed, interfaces, safety, and security, Realtek will strive to meet these needs and continue to provide innovative high-quality products, thereby increasing both revenue, and market share.

For PC peripheral products, as the pandemic eased up in the second half of 2021 the commercial segment replaced the consumer segment and became the main driver for the PC market. In 2022, Realtek will build on existing voice recognition, voice wake-up, and noise reduction technologies, and add deep learning to create a superb user experience in voice applications, rendering Realtek the best voice and audio solution for new generation PC products. In image signal processing, this year Realtek will launch a new generation of ISP solutions supporting 4K high picture quality with more user convenient features and superior clarity. For high-speed interface products, the Realtek Card Reader, Hub, USB Type-C, and high-speed Translators lead the industry in both portfolio breadth and compatibility, and are highly recognized and employed by customers.

With regard to multimedia products, the TV SoC supply cycle was disrupted due to both the epidemic and supply shortages, however, we will continue to do our best to meet our customer order demands. Realtek will also develop a new generation of TV SoC that supports 8K (7680x4320), and offers smart TV functions to provide users with the best experience in both audio and video. Responding to the trend towards higher resolution and multimedia network streaming, Realtek has developed a new generation of set-top-box products integrating HDR, 3D sound, and the latest encoding technologies. These software and hardware reference designs, complete with our in-house multimedia and network total solutions, help customers develop high-performance solutions that provide great value to the market. Regarding LCD monitors, Realtek continues to lead the industry in delivering various high-speed interface specifications, supporting the technologies that give rise to high resolution, high dynamic range, and high frame rate, providing customers with multiple product choices that more closely meet their requirements.

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

The world remains challenged by the semiconductor industry's supply/demand imbalance and geopolitical conflicts. Nevertheless, there is still plenty of room for growth in the semiconductor market with the advancement and upgrade of 5G Communications, the Internet, and Artificial Intelligence. Realtek will continue to enhance its core competency in technology, make good use of diverse silicon IPs to create product differentiation, and establish mutual trust and lasting partnerships

with customers. While creating greater economic performance, we are committed to strengthening corporate governance, corporate sustainability, and creating long-term increasing value for shareholders. Realtek wishes to thank all shareholders for your continued support!

Chairman: Chiu, Sun-Chien

President: Yen, Kuang-Yu

Controller: Chang, Jr-Neng

Attachment 2

Audit Committee's review report

The Company's 2021 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 2022 Annual Shareholders' Meeting.

Realtek Semiconductor Corp.

Chairman of the Audit Committee: Chen, Fu-Yen

March 18, 2022

Attachment 3

Realtek Semiconductor Corporation
Distribution of retained earnings
2021

Unit: NT dollars

Item	Amount
2021 Net Income after taxes	16,852,758,968
Minus: Appropriated for Legal reserve	(1,685,275,897)
Minus: Appropriated for Special Reserve	(220,040,167)
2021 Earnings Available for Distribution	14,947,442,904
Plus: Previous Year's Unappropriated Earnings	10,524,922,269
Cumulative Earnings Available for Distribution for 2021	25,472,365,173
Items for Distribution:	
Dividends to Shareholders (distributed in cash)	(12,821,591,025)
Unappropriated Retained Earnings	12,650,774,148

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 2021 profit, then the following sequence adopted in last-in first-out method are the previous year's part before 2021 if insufficiency based on the principles of the Company's profit distribution.

Chairman: Chiu, Sun-Chien

President: Yen, Kuang-Yu

Controller: Chang, Jr-Neng

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000212

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, 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. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed

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

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Evaluation of inventories

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted

for under equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the consolidated subsidiaries and investments accounted for under equity method were based solely on the reports of other auditors.

Total assets

(including investments accounted for under equity method amounted to NT\$191,377 thousand and NT\$156,854 thousand) of those companies amounted to NT\$1,220,840 thousand and NT\$959,452 thousand, constituting 1.21% and 1.23% of the consolidated total assets as of December 31, 2021 and 2020, 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 auditors, comprehensive losses of those investments accounted for under equity method amounted to NT\$12,113 thousand and NT\$21,101 thousand, constituting (0.07%) and (0.28%) 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, 2021 and 2020.

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.

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

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

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

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

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

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

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

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

Cheng, Ya-Huei

Lin, Yu-Kuan

For and on behalf PricewaterhouseCoopers, Taiwan

March 18, 2022

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

Assets		Notes	December 31, 2021		December 31, 2020			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	7,197,351	7	\$	7,296,360	9
1110	Financial assets at fair value through profit or loss - current	6(2)		1,952,647	2		1,080,657	1
1136	Financial assets at amortised cost - current	6(4)		43,740,876	43		35,330,346	45
1170	Accounts receivable, net	6(5)		12,796,821	13		10,840,669	14
1180	Accounts receivable, net - related parties	6(5) and 7		3,192,184	3		2,812,399	4
1200	Other receivables			156,928	-		301,431	1
130X	Inventories, net	6(6)		16,548,712	16		8,622,977	11
1410	Prepayments			659,883	1		527,074	1
11XX	Total current assets			86,245,402	85		66,811,913	86
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)		3,644,878	4		2,619,331	3
1535	Financial assets at amortised cost - non-current	6(4) and 8		80,101	-		79,657	-
1550	Investments accounted for under equity method	6(7)		191,377	-		156,854	-
1600	Property, plant and equipment	6(8)		6,302,938	6		4,448,532	6
1755	Right-of-use assets	6(9)		1,587,910	2		1,647,421	2
1760	Investment property	6(10)		41,641	-		45,690	-
1780	Intangible assets	6(11)		2,231,694	2		2,067,324	3
1840	Deferred income tax assets	6(29)		171,321	-		169,876	-
1900	Other non-current assets			734,651	1		49,319	-
15XX	Total non-current assets			14,986,511	15		11,284,004	14
1XXX	Total assets		\$	101,231,913	100	\$	78,095,917	100

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 13,342,100	13	\$ 11,456,690	15
2130	Contract liabilities - current	6(22)	211,100	-	336,254	-
2150	Notes payable		3,276	-	28,653	-
2170	Accounts payable		11,105,568	11	10,620,054	14
2180	Accounts payable - related parties	7	334,413	-	340,232	-
2200	Other payables	6(14)	24,645,141	24	14,665,453	19
2220	Other payables - related parties	7	101,253	-	94,808	-
2230	Current income tax liabilities		1,458,340	2	1,084,362	1
2280	Lease liabilities - current		80,315	-	100,900	-
2300	Other current liabilities	6(22)	7,539,417	8	7,401,488	10
21XX	Total current liabilities		58,820,923	58	46,128,894	59
Non-current liabilities						
2540	Long-term borrowings	6(15)	1,002,799	1	-	-
2550	Provisions - non-current	6(17)	989,475	1	1,018,706	1
2570	Deferred income tax liabilities	6(29)	103,512	-	102,872	-
2580	Lease liabilities - non-current		1,252,390	2	1,276,357	2
2600	Other non-current liabilities	6(16)	110,490	-	100,342	-
25XX	Total non-current liabilities		3,458,666	4	2,498,277	3
2XXX	Total liabilities		62,279,589	62	48,627,171	62
Equity						
	Share capital	6(18)				
3110	Common shares		5,106,849	5	5,106,849	7
	Capital surplus	6(19)				
3200	Capital surplus		1,101,079	1	2,122,008	3
	Retained earnings	6(20)				
3310	Legal reserve		5,577,083	5	5,577,083	7
3320	Special reserve		1,556,049	2	217,036	-
3350	Undistributed earnings		27,377,681	27	17,992,154	23
	Other equity	6(21)				
3400	Other equity interest		(1,776,090)	(2)	(1,556,049)	(2)
31XX	Equity attributable to holders of the parent company		38,942,651	38	29,459,081	38
36XX	Non-controlling interest		9,673	-	9,665	-
3XXX	Total equity		38,952,324	38	29,468,746	38
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		\$ 101,231,913	100	\$ 78,095,917	100

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

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(22) and 7	\$	105,504,286	100	\$ 77,759,470	100
5000 Operating costs	6(6) and 7	(	52,315,883)	(49)	(44,510,731)	(57)
5950 Gross profit			53,188,403	51	33,248,739	43
Operating expenses	6(27)(28) and 7					
6100 Selling expenses		(	4,477,084)	(4)	(3,434,253)	(4)
6200 General and administrative expenses		(	3,433,308)	(3)	(2,104,282)	(3)
6300 Research and development expenses		(	27,949,765)	(27)	(19,054,888)	(25)
6450 Expected credit losses	12(2)	(	3,350)	-	(15,753)	-
6000 Total operating expenses		(	35,863,507)	(34)	(24,609,176)	(32)
6900 Operating income			17,324,896	17	8,639,563	11
Non-operating income and expenses						
7100 Interest income	6(23)		326,399	-	833,821	1
7010 Other income	6(24)		213,427	-	176,965	-
7020 Other gains and losses	6(25)	(	171,247)	-	(109,328)	-
7050 Finance costs	6(26)	(	106,640)	-	(153,896)	-
7060 Share of losses of associates and joint ventures accounted for under equity method	6(7)	(	12,113)	-	(30,980)	-
7000 Total non-operating income and expenses			249,826	-	716,582	1
7900 Profit before income tax, net			17,574,722	17	9,356,145	12
7950 Income tax expense	6(29)	(	721,911)	(1)	(562,619)	-
8200 Net income for the year		\$	16,852,811	16	\$ 8,793,526	12

(Continued)

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

		Year ended December 31			
Items	Notes	2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income, net	6(21)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Losses on remeasurements of defined benefit plans		\$ -	-	(\$ 29,252)	-
8316 Unrealised income from investments in equity instruments measured at fair value through other comprehensive income		995,872	1	829,923	1
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		-	-	9,879	-
8310 Total components of other comprehensive income that will not be reclassified to profit or loss		995,872	1	810,550	1
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(1,215,913)	(1)	(2,178,815)	(3)
8360 Total components of other comprehensive loss that will be reclassified to profit or loss		(1,215,913)	(1)	(2,178,815)	(3)
8300 Other comprehensive loss, net		(\$ 220,041)	-	(\$ 1,368,265)	(2)
8500 Total comprehensive income for the year		\$ 16,632,770	16	\$ 7,425,261	10
Net income attributable to:					
8610 Equity holders of the parent company		\$ 16,852,759	16	\$ 8,793,477	12
8620 Non-controlling interest		52	-	49	-
Net income for the year		\$ 16,852,811	16	\$ 8,793,526	12
Comprehensive income attributable to:					
8710 Equity holders of the parent company		\$ 16,632,718	16	\$ 7,425,212	10
8720 Non-controlling interest		52	-	49	-
Total comprehensive income for the year		\$ 16,632,770	16	\$ 7,425,261	10
Earnings per share (in dollars)					
9750 Basic earnings per share	6(30)	\$ 33.00		\$ 17.24	
9850 Diluted earnings per share	6(30)	\$ 32.38		\$ 16.93	

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

Equity attributable to owners of the parent company											
		Retained Earnings					Other equity interest				
	Notes	Common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealised gains from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
2020											
Balance at January 1, 2020		\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	(\$ 762,143)	\$ 545,107	\$ 27,218,985	\$ 9,699	\$ 27,228,684
Net income for the year		-	-	-	-	8,793,477	-	-	8,793,477	49	8,793,526
Other comprehensive income (loss) for the year	6(16)(21)	-	-	-	-	(29,252)	(2,178,815)	839,802	(1,368,265)	-	(1,368,265)
Total comprehensive income (loss)		-	-	-	-	8,764,225	(2,178,815)	839,802	7,425,212	49	7,425,261
Distribution of 2019 earnings											
Legal reserve	6(20)	-	-	674,907	-	(674,907)	-	-	-	-	-
Special reserve	6(20)	-	-	-	217,036	(217,036)	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(4,596,164)	-	-	(4,596,164)	-	(4,596,164)
Employees' compensation transferred to common shares	6(18)(19)	25,894	393,591	-	-	-	-	-	419,485	-	419,485
Cash from capital surplus	6(19)	-	(1,021,370)	-	-	-	-	-	(1,021,370)	-	(1,021,370)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(83)	(83)
Changes in equity of associates accounted for under equity method	6(19)	-	12,763	-	-	-	-	-	12,763	-	12,763
Cash dividends returned	6(19)	-	170	-	-	-	-	-	170	-	170
Balance at December 31, 2020		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958)	\$ 1,384,909	\$ 29,459,081	\$ 9,665	\$ 29,468,746
2021											
Balance at January 1, 2021		\$ 5,106,849	\$ 2,122,008	\$ 5,577,083	\$ 217,036	\$ 17,992,154	(\$ 2,940,958)	\$ 1,384,909	\$ 29,459,081	\$ 9,665	\$ 29,468,746
Net income for the year		-	-	-	-	16,852,759	-	-	16,852,759	52	16,852,811
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	(1,215,913)	995,872	(220,041)	-	(220,041)
Total comprehensive income (loss)		-	-	-	-	16,852,759	(1,215,913)	995,872	16,632,718	52	16,632,770
Distribution of 2020 earnings											
Special reserve	6(20)	-	-	-	1,339,013	(1,339,013)	-	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(6,128,219)	-	-	(6,128,219)	-	(6,128,219)
Cash from capital surplus	6(19)	-	(1,021,370)	-	-	-	-	-	(1,021,370)	-	(1,021,370)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(44)	(44)
Changes in equity of associates accounted for under equity method	6(19)	-	226	-	-	-	-	-	226	-	226
Cash dividends returned	6(19)	-	215	-	-	-	-	-	215	-	215
Balance at December 31, 2021		\$ 5,106,849	\$ 1,101,079	\$ 5,577,083	\$ 1,556,049	\$ 27,377,681	(\$ 4,156,871)	\$ 2,380,781	\$ 38,942,651	\$ 9,673	\$ 38,952,324

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

		Year ended December 31	
	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 17,574,722	\$ 9,356,145
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	998,212	841,711
Amortization	6(11)(27)	1,302,659	1,142,222
Expected credit losses	12(2)	3,350	15,753
Interest expense	6(26)	106,640	153,896
Interest income	6(23)	(326,399)	(833,821)
Dividend income	6(24)	(43,713)	(24,877)
Gains on financial assets at fair value through profit or loss	6(2)(25)	(114,364)	(231,470)
Share of loss of associates and joint ventures accounted for under equity method	6(7)	12,113	30,980
Losses (gains) on disposal of property, plant and equipment	6(25)	196	(1,501)
Losses (gains) on disposal of investments	6(25)	145	(466)
Impairment loss	6(25)	-	140,854
Gains arising from lease modifications	6(25)	(236)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(757,626)	(775,175)
Accounts receivable, net		(1,959,432)	(2,596,515)
Accounts receivable, net - related parties		(379,855)	(621,578)
Other receivables		(5,057)	12,214
Inventories		(7,925,735)	(1,231,442)
Prepayments		(132,809)	(208,390)
Changes in operating liabilities			
Contract liabilities - current		(125,154)	231,280
Notes payable		(25,377)	25,377
Accounts payable		485,514	3,178,330
Accounts payable - related parties		(5,819)	10,718
Other payables		9,458,090	3,971,653
Other payables - related parties		6,445	7,515
Other current liabilities		137,929	2,023,410
Accrued pension obligations		(4,610)	(3,791)

(Continued)

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

	Notes	Year ended December 31	
		2021	2020
Cash inflow generated from operations		\$ 18,279,829	\$ 14,613,032
Interest received		475,959	1,288,875
Dividends received		43,713	24,877
Interest paid	(	103,261)	(159,889)
Income tax paid	(	344,311)	(326,686)
Net cash flows from operating activities		<u>18,351,929</u>	<u>15,440,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	(	85,922)	-
Acquisition of financial assets at amortised cost	(	62,836,686)	(48,815,990)
Proceeds from disposal of financial assets at amortised cost		53,308,799	51,019,963
Acquisition of investments accounted for under equity method	(	45,000)	-
Proceeds from disposal of investments accounted for under equity method		110	466
Proceeds from capital reduction of investee accounted for under equity method	6(7)	-	20,684
Acquisition of property, plant and equipment	6(31)	(2,510,168)	(1,782,469)
Proceeds from disposal of property, plant and equipment		200	1,700
Acquisition of intangible assets	6(31)	(1,178,805)	(977,132)
Increase in refundable deposits	(	684,728)	(17,743)
(Increase)decrease in other non-current assets	(	604)	30,070
Net cash flows used in investing activities	(	<u>14,032,804</u>	<u>520,451</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(32)	155,016,591	209,374,818
Decrease in short-term borrowings	6(32)	(153,131,181)	(216,864,994)
Increase in long-term borrowings	6(32)	1,017,360	-
Repayment of principal portion of lease liabilities	6(32)	(90,779)	(88,691)
Increase(decrease) in guarantee deposits		197	(2,199)
Cash from capital surplus and cash dividends	(	7,149,589)	(5,617,534)
Cash dividends returned		215	170
Net cash flows used in financing activities	(	<u>4,337,186</u>	<u>13,198,430</u>
Effect of exchange rate	(	<u>80,948</u>	<u>152,879</u>
Net (decrease) increase in cash and cash equivalents	(	99,009)	1,568,449
Cash and cash equivalents at beginning of year		<u>7,296,360</u>	<u>5,727,911</u>
Cash and cash equivalents at end of year		<u>\$ 7,197,351</u>	<u>\$ 7,296,360</u>

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000205

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Valuation of inventories

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cheng, Ya-Huei

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2022

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

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

(Continued)

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

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

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

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

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

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

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

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

(Continued)

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

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

Attachment 6: Comparison table illustrating the original and amended texts of the Articles of Incorporation

Amended Version	Original Version	Reason
<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. <u>CC01100</u> 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. CF01010 Medical Materials and Equipment Manufacturing 8. F108031 Wholesale of Drugs, Medical Goods 9. F208031 Retail sale of Medical Equipments <p>(1) Researching, designing, developing, manufacturing, and selling the following products:</p> <ol style="list-style-type: none"> 1. various integrated circuits 2. hearing aids with tinnitus mask function 3. bone conduction hearing aid 4. Picture archiving and communications system. <p>(2) Providing application design, testing, maintenance and technical consulting services of the software and hardware for the above 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>	<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. CF01011 Medical Materials and Equipment Manufacturing 9. F108031 Wholesale of Drugs, Medical Goods 10. F208031 Retail sale of Medical Equipments <p>(1) Researching, designing, developing, manufacturing, and selling the following products:</p> <ol style="list-style-type: none"> 1. various integrated circuits 2. hearing aids with tinnitus mask function 3. bone conduction hearing aid 4. Picture archiving and communications system. <p>(2) Providing application design, testing, maintenance and technical consulting services of the software and hardware for the above 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>	<p>1. In accordance with MOEA's announcement (No. 10902419890) dated August 12, 2020, correcting business item code and removing business item.</p> <p>2. Item number adjustment.</p>
<p>Article 3</p> <p>The Company is headquartered in Hsinchu Science Park, Taiwan,</p>	<p>Article 3</p> <p>The Company is headquartered in Hsinchu Science-Based Industrial Park,</p>	<p>In line with the name change of</p>

Amended Version	Original Version	Reason
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.	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.	Hsinchu Science-Based Industrial Park to Hsinchu Science Park.
<u>Article 8-1</u> <u>When the Company's shareholders' meeting is held, it may be held by video conference or other methods announced by the central competent authority.</u>	None	Amendment according to Article 172-2 of the Company Act.
Article 20 The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; (omitted) 33rd amended on Jun. 10, 2020; <u>34th amended on Jun. 8, 2022.</u>	Article 20 The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; (omitted) 33rd amended on Jun. 10, 2020.	Adding amendment date.

Attachment 7: Comparison table illustrating the original and amended texts of the Procedures for Acquisition or Disposal of Assets

Amended Version	Original Version	Reason
<p>Article 5: Standards of public announcement and declaration</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more. 	<p>Article 5: Standards of public announcement and declaration</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount 	<ol style="list-style-type: none"> 1. To conform to the letter (No. 1110380465) dated January 28, 2022, issued by the Financial Supervisory Commission, the trading of foreign government bonds with a credit rating not lower than the sovereign rating of Taiwan is exempt from making a public announcement. 2. Wording amendment

Amended Version	Original Version	Reason
<p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of domestic government bonds <u>or foreign government bonds with a credit rating not lower than the sovereign rating of Taiwan.</u></p> <p>B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. 3. The cumulative transaction 	<p>reaches NT\$500 million or more.</p> <p>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of domestic government bonds.</p> <p>B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative 	

Amended Version	Original Version	Reason
<p>amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>A public company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be</p>	<p>acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>A public company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When a public company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>A public company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where</p>	

Amended Version	Original Version	Reason
retained for 5 years except where another act provides otherwise.	another act provides otherwise.	
<p>Article 7: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal 	<p>Article 7: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be 	<ol style="list-style-type: none"> 1. To conform to the letter (No. 1110380465) dated January 28, 2022, issued by the Financial Supervisory Commission, when external experts issue appraisal reports or opinions, they shall follow the self-regulatory rules of the respective associations. As a result, delete the CPA shall follow the Statement of Auditing Standards. 2. Wording amendment.

Amended Version	Original Version	Reason
<p>and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>engaged to perform the appraisal <u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
<p>Article 8: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.</p> <p>Where the Company acquires or disposes of securities or memberships or intangible assets or right-of-use assets thereof and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic</p>	<p>Article 8: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.</p> <p>Where the Company acquires or disposes of securities or memberships or intangible assets or right-of-use assets thereof and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic</p>	<p>To conform to the letter (No. 1110380465) dated January 28, 2022, issued by the Financial Supervisory Commission, when external experts issue appraisal reports or opinions, they shall follow the self-regulatory rules of the respective associations. As a</p>

Amended Version	Original Version	Reason
government agency, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).	government agency, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDE.</u> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).	result, delete the CPA shall follow the Statement of Auditing Standards.
<p>Article 11: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> 1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received. 2. May not be a related party or de facto related party of any party to the transaction. 	<p>Article 11: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> 1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received. 2. May not be a related party or de facto related party of any party to the transaction. 	<ol style="list-style-type: none"> 1. To conform to the letter (No. 1110380465) dated January 28, 2022, issued by the Financial Supervisory Commission, when external experts issue appraisal reports or opinions, they shall follow the self-regulatory rules of the respective associations. 2. Wording amendment.

Amended Version	Original Version	Reason
<p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall <u>follow the self-regulatory rules of the respective associations and</u> comply with the following:</p> <ol style="list-style-type: none"> 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When <u>executing</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. 3. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. 4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate and</u> reasonable, and that they have complied with applicable laws and regulations. 	<p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When <u>examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. 3. They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy,</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. 4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable <u>and accurate</u>, and that they have complied with applicable laws and regulations. 	
Article 13: When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or	Article 13: When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or	To conform to the letter (No. 1110380465) dated January 28,

Amended Version	Original Version	Reason
<p>when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the audit committee:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a transaction counterparty. 3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15. 4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization. 	<p>when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the audit committee:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a transaction counterparty. 3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15. 4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization. 	<p>2022, issued by the Financial Supervisory Commission, for the acquisition or disposal of assets with a related party by the Company or any subsidiaries that are not domestic public companies, if the transaction amount reaches 10% of the total assets of the Company, the Company shall submit relevant materials to the shareholders' meeting for approval before proceeding. However, the dealing of the Company with subsidiaries, or the dealing between the Company's subsidiaries is exempted</p>

Amended Version	Original Version	Reason
<p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and the subsidiaries, or between the subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors authorized the chairman to have the decisions within NT\$500 million subsequently submitted to and ratified by the next board of directors meeting:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2. Acquisition or disposal of real property right-of-use assets held for business use. <p><u>The Company or any subsidiaries that are not domestic public companies has paragraph 1 transaction and the transaction amount reaches 10% of the total assets of the Company, the Company shall submit relevant materials to the shareholders' meeting for approval before proceeding. However, for the dealing of the Company with subsidiaries, or the dealing between the Company's subsidiaries, the transaction is exempted from the resolution of the shareholders' meeting.</u></p> <p>The calculation of the transaction amounts referred to in <u>paragraph 1 and</u> the preceding paragraph shall be made in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein</p>	<p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 5, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and the subsidiaries, or between the subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors authorized the chairman to have the decisions within NT\$500 million subsequently submitted to and ratified by the next board of directors meeting:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2. Acquisition or disposal of real property right-of-use assets held for business use. 	

Amended Version	Original Version	Reason
refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the <u>shareholders' meeting</u> , board of directors and recognized by the audited committee need not be counted toward the transaction amount.		