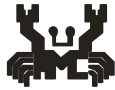


Stock Code: 2379



Realtek Semiconductor Corp.

2021 Annual Shareholders' Meeting

Meeting Handbook

(Translation)

Date: June 8, 2021

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Realtek Semiconductor Corp.
2021 Annual Shareholders' Meeting Procedure

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

Realtek Semiconductor Corp. 2021 Annual Shareholders' Meeting Agenda

1. Time: 9:00 a.m., June 8, 2021 (Tuesday)
2. Place: No.1, Industry East 2nd Road, HsinChu Science Park Life Hub, Bach Conference Room
3. Chairman: Yeh, Nan-Horng, Chairman
4. Chairman's Address
5. Report Items
 - (1) Business report of 2020
 - (2) Audit Committee's review report
 - (3) To report 2020 employees' compensation and directors' remuneration
 - (4) To report 2020 cash dividends distribution from retained earnings
 - (5) To report cash distribution from capital surplus
6. Ratification Items
 - (1) 2020 business report and financial statements
 - (2) Distribution of 2020 retained earnings
7. Election Item

Election of Directors (including Independent Directors)
8. Discussion Item

Release the Directors and their Representatives from non-competition restrictions
9. Extraordinary Motions
10. Adjournment

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

Report Items

Report 1: Business report of 2020

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

Business Report

Dear Shareholders, Ladies and Gentlemen:

1. 2020 Operating Results

The year 2020 was a very challenging year for the semiconductor industry, and of course, the entire world. Despite the uncertainties posed by international affairs and the impact of COVID-19, Realtek, relying on continuous enhancement of product competitiveness and flexible market strategies, maintained the pace towards its 34th consecutive year of growth. Full-year 2020 consolidated revenue reached NT\$77.76 billion, an increase of 28.0% from the previous year; gross profit was NT\$33.25 billion, an increase of 25.1% from the previous year; and net profit after tax was NT\$8.79 billion, representing an increase of 29.5% compared to the previous year, with earnings per share of NT\$17.24. According to IC Insights, worldwide semiconductor industry revenue in 2020 was US\$480.9 billion, an increase of 8% compared to 2019, of which IC sales grew by 10%. Realtek ranked 11th amongst the global IC design companies in 2020, once again marching forward at a speed outpacing the overall industry.

Looking back on 2020, the needs for working from home and remote learning to cope with COVID-19 drove demand for productivity products such as personal computers, as well as home networks and network infrastructure. In addition, the market itself was pulled by megatrends such as 5G and Artificial Intelligence of Things (AIoT), thereby accelerating and expanding the demand for various connectivity solutions. With its comprehensive product portfolio and technological competitiveness, Realtek has delivered outstanding results in the PC, communications network, consumer electronics, and automotive electronics fields.

In terms of corporate social responsibility best practice, Realtek has set up a Nominating Committee and Corporate Governance Officer to strengthen the board's practices and intensify its management functions, thereby heightening its quality and efficiency. We identified various climate risks related to climate change issues of global concern, proposed actions in response, and integrated internal and external resources to actively manage energy usage, including setting targets for carbon reduction and greenhouse gas emissions, saving electricity, and harvesting green energy to reduce environmental impact. We also focused on our core competencies to develop innovative, high-performance, and low-power-consumption products. In 2020 we continued to fulfill our promise to help create a greener, healthier environment by delivering many new products where power consumption (wattage) was reduced by more than 40% when compared with their predecessors. To promote social inclusion, Realtek proactively participates in charitable activities.

In 2020 we sponsored free Low-Dose Computed Tomography lung cancer screening for Hsinchu County and City police forces, as well as offering free liver disease and liver cancer screening, and also a health questionnaire at Longshan Temple. The Longshan Temple event attracted more than 8,000 participants and was awarded a certificate for breaking a Guinness World Record. Regarding education, Realtek established the ‘Caring Rural Education and Boosting Student Learning Charity Project’ to provide rural schools with additional reading material to expand their horizons and promote learning through reading. In addition, Realtek continues to provide services to groups such as the Taiwan Fund for Children and Families, the Eden Social Welfare Foundation, and the Boyo Social Welfare Foundation, among others.

2. 2021 Business Plan

Having outperformed the market in 2020, Realtek will continue to launch more competitive products in 2021, strengthen the portfolio of each product line, and maintain our growth momentum and technological leadership.

In relation to wireless products, Realtek Wi-Fi 6 (11ax) wireless controller products successfully entered mass production in 2020, and have experienced great success in PC, router, and broadband applications. They are expected to gradually become an important growth driver in 2021. In addition to Wi-Fi 6, the existing 11ac and 11n products will be optimized continually to provide more cost-effective solutions, which will help expand markets and increase overall market share while consolidating existing customers. For IoT controller chips, Realtek offers the most complete product portfolio. In addition to hardware specifications with high integration and ultra-low power consumption, Realtek also provides customers with complete software and hardware development kits through close cooperation with IoT-related organizations and leaders. This has enabled rapid growth in both the number of customers and shipments in 2020, and this trend is expected to continue in 2021. With respect to Bluetooth products, COVID-19 impacted True Wireless Stereo (TWS) products, and there was a slight decline in growth in 2020. However, in 2021, a new wave of growth is expected as the number of customers requiring Active Noise Cancellation (ANC) increases and the upcoming BT 5.2 TWS solution fulfills the market’s expectation for the evolution of Bluetooth headsets. Additionally, Bluetooth Low Energy single chips in voice remote controllers are now widely recognized by well-known brands at home and abroad. Realtek will continue to assist customers to migrate from infrared to Bluetooth remote controllers, and provide the market with appealing and high-value wearable applications. The promotion by intelligent voice ecosystem leaders to adopt Bluetooth Mesh Networking will further drive the growth of Bluetooth products.

Realtek's second-generation 2.5Gb Ethernet products have been designed into PCs and their peripherals. The bandwidth demanded by many applications is further reflected in the specification upgrade from 1GbE to 2.5GbE, which is expected to become one of the main growth drivers of our Ethernet product line in the near future. For Switch products, Realtek has been actively developing

the smart switch market by investing resources to develop Layer 3 stackable managed and higher-speed switch controller chips, as well as deploying entry-level managed switches by offering low-power, cost-effective solutions, in order to increase both market visibility and market share. In addition, in response to the increasing demand for network bandwidth, an 8-port 2.5 GbE single-chip switch is expected to be launched in 2021, providing low-power, easy-to-operate and cost-effective products to the market, which in turn should drive another wave of specification upgrades of consumer switches. For automotive Ethernet, the number of customers and shipments are growing steadily through persistent team effort. Other than the existing 100/1000BASE-T1 dual-mode high-port-count switches and physical layer (PHY) controllers, Realtek is also actively investing in the development of 10-BASE-T1 and 2.5-GBASE-T1 products, targeting the increased market demand foreseen for the years 2024 and 2025.

For TV SoCs, Realtek leads in end market demand due to superior system expertise and specifications that are highly recognized by customers, and has delivered steady sales growth throughout 2020. In 2021, we will continue to improve products by integrating 8K, AI, and other functions to enhance the consumer multimedia experience. With the rise of audiovisual streaming media and its promotion by major operators, the demand for OTT set-top boxes continues to rise. To this end, Realtek will continually develop new generations of UHD multimedia controller chips for OTT set-top boxes by integrating the multi-CAS security requirements of various operators, and will combine its own multimedia and network total solutions to gain greater customer recognition and maintain stable growth.

Regarding Computer Peripheral products, as lifestyles around the world changed dramatically in 2020 due to COVID-19, working from home and remote learning became the norm, thereby enabling the PC market, notebooks in particular, to experience positive growth against the trend. In addition, sales of VoIP communication devices and noise reduction software capable of improving the quality of calls has shown strong growth. Realtek launched an environmental noise cancellation solution for PC audio peripheral devices, which combines AI algorithms to effectively eliminate background noise. In addition to the need for high-level voice call quality, a parallel demand for more convenient and clearer video images has also emerged. To meet these needs, Realtek will launch a series of PC camera ISP chips with HD/FHD/5M resolution, featuring dual-lens and Temporal Noise Reduction to bring consumers a first-class user experience. In terms of single-chip controllers for surveillance cameras, in response to the high growth being seen in the security industry, Realtek will launch a new generation of highly integrated, low-power single-chip camera products, supporting H.264/H.265 encoding, 5 million Pixel CMOS Sensor, and Video HDR wide dynamic range with long and short exposure specifications, in order to strengthen our product portfolio and provide customers with more competitive solutions.

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

The COVID-19 pandemic during 2020 heavily impacted people's daily lives; however, the semiconductor industry continued to grow steadily, both because of these lifestyle changes, and as a result of megatrends such as 5G and AIoT. Entering 2021, the industry will face challenges caused by supply-demand imbalances in the supply chain, in addition to the continuing impact of COVID-19 on the macro economy. Despite many uncertainties, Realtek will rise above the challenges to delivery market success through its highly flexible strategies, time-proven deep technical strength, and excellent customer support. In the face of future challenges, we will not only expand and construct our third office building this year but also map out a plan for entering biomedical industry to uphold our goal of steady growth and sustainable development.

We want to thank all shareholders for your ceaseless care and support. We also wish you great health and success.

Chairman: Yeh, Nan-Horng

President: Chiu, Sun-Chien

Controller: Chang, Jr-Neng

Report 2: Audit Committee's review report

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

Audit Committee's review report

The Company's 2020 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 2021 Annual Shareholders' Meeting.

Realtek Semiconductor Corp.

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

March 19, 2021

Report 3: To report 2020 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 2020 employees' compensation and directors' remuneration as follows :

Unit: NT dollars

Item	Amount	Profit Ratio
Employees' compensation	2,586,316,785	21.50 %
Directors' remuneration	90,000,000	0.75 %

Note: Employees' compensation and directors' remuneration amount are consistent with the 2020 annual estimated expenses.

3. The above employees' compensation and directors' remuneration are all paid in cash.

Report 4: To report 2020 cash dividends distribution from retained earnings

Explanation:

1. The Board of Directors resolved that the 2020 cash dividends distribution from retained earnings is NT\$ 6,128,218,500. 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\$12 per share.
2. Due to the changes of outstanding shares caused by the Company's subsequent events such as shares' buyback, transfer or cancellation of treasury stocks or others, the cash distribution per share might be affected. The Chairman is authorized by the Board of Directors to adjust the distribution.
3. The cash distribution to each shareholder is rounded down to one dollar (under one dollar is rounded down). The rounded down amounts are recognized as the Company's other income.
4. The Chairman is authorized by the Board of Directors to determine the cash dividend record date and payment date. .

Report 5: To report cash distribution from capital surplus

Explanation:

1. The Board of Directors resolved that pursuant to the Article 241 of the Company Act, the cash distribution from the capital surplus in excess of par value is NT\$ 1,021,369,750. According to the shares held by each shareholder in the shareholders' register on cash distribution record date, the cash distribution to common shareholders is NT\$2 per share.
2. Due to the changes of outstanding shares caused by the Company's subsequent events such as shares' buyback, transfer or cancellation of treasury stocks or others, the cash distribution per share might be affected. The Chairman is authorized by the Board of Directors to adjust the distribution.
3. The cash distribution to each shareholder is rounded down to one dollar (under one dollar is rounded down). The rounded down amounts are recognized as the Company's other income.
4. The Chairman is authorized by the Board of Directors to determine the cash distribution record date and payment date.

Ratification Items

Proposal 1

Proposed by the Board of Directors

Subject: 2020 business report and financial statements. Approval is respectfully requested.

Explanation: The 2020 annual financial statements have been audited by Pricewaterhouse Coopers' and the business report was approved by the Board of Directors. For the business report, independent auditors' report and financial statement, please refer to pages 3-6, page 15-28, Attachment 1, and page 29-39, Attachment 2, of this handbook.

Resolution:

Proposal 2

Proposed by the Board of Directors

Subject: Distribution of 2020 retained earnings. Approval is respectfully requested.

Explanation: The distribution of 2020 retained earnings was approved by the Board of Directors.

Realtek Semiconductor Corporation
Distribution of retained earnings
2020

Unit: NT dollars

Item	Amount
2020 Net Income after taxes	8,793,477,069
Minus: loss on re-measurement of defined benefit plans recorded as retained earnings	(29,252,004)
Minus: Appropriated for Special Reserve	(1,339,013,232)
2020 Earnings Available for Distribution	7,425,211,833
Plus: Previous Year's Unappropriated Earnings	9,227,928,936
Cumulative Earnings Available for Distribution for 2020	16,653,140,769
Items for Distribution:	
Dividends to Shareholders (distributed in cash)	(6,128,218,500)
Unappropriated Retained Earnings	10,524,922,269

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 2020 profit, then the following sequence adopted in last-in first-out method are the previous year's part before 2020 if insufficiency based on the principles of the Company's profit distribution.

Chairman: Yeh, Nan-Horng

President: Chiu, Sun-Chien

Controller: Chang, Jr-Neng

Resolution:

Election Items

Proposed by the Board of Directors

Subject: Election of Directors (including Independent Directors). Election is respectfully requested.

Explanation:

1. The term of the directors (including independent directors) of the Company will be expired on June 4, 2021, and the Company plans to re-elect the directors (including independent directors) at the annual shareholders' meeting on June 8, 2021.
2. At the 2021 shareholders' meeting of the Company, 10 directors will be elected (including 3 independent directors) with the term of 3 years.
3. The election of the Company's directors (including independent directors) adopts a candidate nomination system. Independent directors and non-independent directors shall be elected together, provided the elected number of independent directors and non-independent directors shall be calculated separately. Shareholders shall elect independent directors and non-independent directors from the list of candidates. For education, experience and other relevant information of the candidates, please refer to Attachment 3 on page 40 of this handbook.
4. In order to coincide with the re-election date of the annual shareholders' meetings, the existing directors (including independent directors) shall be discharged from the date of re-election, and the new directors (including independent directors) shall assume office from the date of re-election. The term of office is from June 8, 2021 to June 7, 2024.
5. Please refer to Appendix 3 on pages 51 to 52 of this handbook for the Rules for Election of Directors.

Election results:

Discussion Items

Proposed by the Board of Directors

Subject: Release the Directors and their Representatives from non-competition restrictions.

Approval is respectfully requested.

Explanation:

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

Title	Name	Concurrent Position of another Company
Director candidate	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	Director of Novasiot (Shanghai) Co., Ltd. Director of Chong Qing Rui Lian Microelectronics Ltd.
Independent Director candidate	Chen, Fu-Yen	Chairman of Eland Technologies Co., Ltd. Chairman of Eland Information Co., Ltd.
Independent Director candidate	Tsai, Tyau-Chang	Independent director of Unitech Computer Co., Ltd.
Independent Director candidate	Lo, Chun- Pa	Representative of juristic person director of Unitech Computer Co., Ltd. Representative of juristic person director of Biofity Pharmaceuticals Inc.

Resolution:

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

Extraordinary Motions

Adjournment

Attachment

Attachment 1: Independent Auditors' Report and 2020 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 20000252

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, 2020 and 2019, 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 matters* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the *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 2020 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements of the current period are stated as follows:

Existence of cash in banks

Description

Refer to Notes 4(6) and 4(9) of the consolidated financial statements for the accounting policies on cash and cash equivalents and time deposits that do not qualify as cash equivalents. The balance of cash and cash equivalents was NT\$7,296,360 thousand, constituting 9% of the consolidated total assets as of December 31, 2020, as described in Note 6(1) of the consolidated financial statements. Time deposits that do not meet the definition of cash and cash equivalents, which refers to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value are classified as "financial assets at amortised cost – current" and "financial assets at amortised cost – non – current". The balance of these time deposits amounted to NT\$35,410,003 thousand, constituting 45% of consolidated total assets, refer to Note 6(4) of the consolidated financial statements for the details. The abovementioned assets constituted 54% of the total assets, have a significant impact on the consolidated financial statements, the nature and usage of those bank accounts varies, and the Group transacts with various financial institutions, thus, audit of cash in bank was considered as one of the key audit matters.

How our audit addressed the matter

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

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

Evaluation of inventories

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to 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\$156,854 thousand and NT\$185,972 thousand) of those companies amounted to NT\$959,452 thousand and NT\$5,971,097 thousand, constituting 1.23% and 8.13% of the consolidated total assets as of December 31, 2020 and 2019, 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\$21,101 thousand and NT\$19,443 thousand, constituting (0.28%) and (0.32%) 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, 2020 and 2019.

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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

Cheng, Ya-Huei

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	7,296,360	9	\$	5,727,911	8
1110	Financial assets at fair value through profit or loss - current	6(2)		1,080,657	1		74,012	-
1136	Financial assets at amortised cost - current	6(4)		35,330,346	45		39,558,054	54
1170	Accounts receivable, net	6(5)		10,840,669	14		8,254,011	11
1180	Accounts receivable, net - related parties	6(5) and 7		2,812,399	4		2,196,717	3
1200	Other receivables			301,431	1		768,699	1
130X	Inventories, net	6(6)		8,622,977	11		7,391,535	10
1410	Prepayments			527,074	1		318,652	1
11XX	Total current assets			66,811,913	86		64,289,591	88
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)		2,619,331	3		1,859,478	2
1535	Financial assets at amortised cost - non-current	6(4) and 8		79,657	-		69,477	-
1550	Investments accounted for under equity method	6(7)		156,854	-		185,972	-
1600	Property, plant and equipment	6(8)		4,448,532	6		3,446,162	5
1755	Right-of-use assets	6(9)		1,647,421	2		1,403,245	2
1760	Investment property	6(10)		45,690	-		49,136	-
1780	Intangible assets	6(11)		2,067,324	3		1,952,960	3
1840	Deferred income tax assets	6(28)		169,876	-		114,163	-
1900	Other non-current assets			49,319	-		61,646	-
15XX	Total non-current assets			11,284,004	14		9,142,239	12
1XXX	Total assets		\$	78,095,917	100	\$	73,431,830	100

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 11,456,690	15	\$ 18,966,042	26
2130	Contract liabilities - current	6(21)	336,254	-	104,974	-
2150	Notes payable		28,653	-	3,276	-
2170	Accounts payable		10,620,054	14	7,441,724	10
2180	Accounts payable - related parties	7	340,232	-	329,514	1
2200	Other payables	6(14)	14,665,453	19	10,746,168	15
2220	Other payables - related parties	7	94,808	-	87,293	-
2230	Current income tax liabilities		1,084,362	1	828,790	1
2280	Lease liabilities - current		100,900	-	84,328	-
2300	Other current liabilities	6(21)	7,401,488	10	5,378,078	7
21XX	Total current liabilities		46,128,894	59	43,970,187	60
Non-current liabilities						
2550	Provisions - non-current	6(16)	1,018,706	1	1,075,809	2
2570	Deferred income tax liabilities	6(28)	102,872	-	51,723	-
2580	Lease liabilities - non-current		1,276,357	2	1,028,347	1
2600	Other non-current liabilities		100,342	-	77,080	-
25XX	Total non-current liabilities		2,498,277	3	2,232,959	3
2XXX	Total liabilities		48,627,171	62	46,203,146	63
Equity						
	Share capital	6(17)				
3110	Common shares		5,106,849	7	5,080,955	7
	Capital surplus	6(18)				
3200	Capital surplus		2,122,008	3	2,736,854	3
	Retained earnings	6(19)				
3310	Legal reserve		5,577,083	7	4,902,176	7
3320	Special reserve		217,036	-	-	-
3350	Undistributed earnings		17,992,154	23	14,716,036	20
	Other equity	6(20)				
3400	Other equity interest		(1,556,049)	(2)	(217,036)	-
31XX	Equity attributable to holders of the parent company		29,459,081	38	27,218,985	37
36XX	Non-controlling interest		9,665	-	9,699	-
3XXX	Total equity		29,468,746	38	27,228,684	37
3X2X	Total liabilities and equity		\$ 78,095,917	100	\$ 73,431,830	100

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items		Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7	\$ 77,759,470	100	\$ 60,744,006	100
5000	Operating costs	6(6) and 7	(44,510,731)	(57)	(34,160,690)	(56)
5950	Gross profit		<u>33,248,739</u>	<u>43</u>	<u>26,583,316</u>	<u>44</u>
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(3,434,253)	(4)	(2,996,402)	(5)
6200	General and administrative expenses		(2,104,282)	(3)	(1,699,212)	(3)
6300	Research and development expenses		(19,054,888)	(25)	(15,535,505)	(26)
6450	Expected credit losses	12(2)	(15,753)	-	(21,332)	-
6000	Total operating expenses		(24,609,176)	(32)	(20,252,451)	(34)
6900	Operating income		<u>8,639,563</u>	<u>11</u>	<u>6,330,865</u>	<u>10</u>
	Non-operating income and expenses					
7100	Interest income	6(22)	833,821	1	1,277,211	2
7010	Other income	6(23)	176,965	-	135,568	-
7020	Other gains and losses	6(24)	(109,328)	-	(323,685)	-
7050	Finance costs	6(25)	(153,896)	-	(160,254)	-
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	(30,980)	-	(23,833)	-
7000	Total non-operating income and expenses		<u>716,582</u>	<u>1</u>	<u>905,007</u>	<u>2</u>
7900	Profit before income tax, net		<u>9,356,145</u>	<u>12</u>	<u>7,235,872</u>	<u>12</u>
7950	Income tax expense	6(28)	(562,619)	-	(445,497)	(1)
8200	Net income for the year		<u>\$ 8,793,526</u>	<u>12</u>	<u>\$ 6,790,375</u>	<u>11</u>

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
	Other comprehensive loss, net	6(20)				
	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 incomes from investments in equity instruments measured at fair value through other comprehensive income		829,923	1	227,352	-
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		9,879	-	4,390	-
8310	Total components of other comprehensive income that will not be reclassified to profit		810,550	1	231,742	-
	Components of other comprehensive (loss) income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(2,178,815)	(3)	(891,954)	(1)
8360	Total components of other comprehensive loss that will be reclassified to profit or loss		(2,178,815)	(3)	(891,954)	(1)
8300	Other comprehensive loss, net		(\$ 1,368,265)	(2)	(\$ 660,212)	(1)
8500	Total comprehensive income for the year		<u>\$ 7,425,261</u>	<u>10</u>	<u>\$ 6,130,163</u>	<u>10</u>
	Net income attributable to:					
8610	Equity holders of the parent company		\$ 8,793,477	12	\$ 6,790,283	11
8620	Non-controlling interest		49	-	92	-
	Net income for the year		<u>\$ 8,793,526</u>	<u>12</u>	<u>\$ 6,790,375</u>	<u>11</u>
	Comprehensive income attributable to:					
8710	Equity holders of the parent company		\$ 7,425,212	10	\$ 6,130,071	10
8720	Non-controlling interest		49	-	92	-
	Total comprehensive income for the year		<u>\$ 7,425,261</u>	<u>10</u>	<u>\$ 6,130,163</u>	<u>10</u>
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(29)	<u>\$ 17.24</u>		<u>\$ 13.36</u>	
9850	Diluted earnings per share	6(29)	<u>\$ 16.93</u>		<u>\$ 13.13</u>	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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
2019											
Balance at January 1, 2019		\$ 5,080,955	\$ 3,236,659	\$ 4,467,099	\$ 600,443	\$ 10,850,172	\$ 129,811	\$ 272,153	\$ 24,637,292	\$ 9,607	\$ 24,646,899
Net income for the year		-	-	-	-	6,790,283	-	-	6,790,283	92	6,790,375
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	-	(891,954)	231,742	(660,212)	-	(660,212)
Total comprehensive income (loss)		-	-	-	-	6,790,283	(891,954)	231,742	6,130,071	92	6,130,163
Distribution of 2018 earnings											
Legal reserve	6(19)	-	-	435,077	-	(435,077)	-	-	-	-	-
Special reserve	6(19)	-	-	-	(600,443)	600,443	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(3,048,573)	-	-	(3,048,573)	-	(3,048,573)
Cash from capital surplus	6(18)	-	(508,095)	-	-	-	-	-	(508,095)	-	(508,095)
Changes in equity of associates accounted for under equity method	6(18)	-	8,064	-	-	-	-	-	8,064	-	8,064
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(20)	-	-	-	-	(41,212)	-	41,212	-	-	-
Cash dividends returned		-	226	-	-	-	-	-	226	-	226
Balance at December 31, 2019		\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	(\$ 762,143)	\$ 545,107	\$ 27,218,985	\$ 9,699	\$ 27,228,684
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(15)(20)	-	-	-	-	(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		-	-	674,907	-	(674,907)	-	-	-	-	-
Special reserve	6(19)	-	-	-	217,036	(217,036)	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(4,596,164)	-	-	(4,596,164)	-	(4,596,164)
Employees' compensation transferred to common shares	6(17)(18)	25,894	393,591	-	-	-	-	-	419,485	-	419,485
Cash from capital surplus	6(18)	-	(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(18)	-	12,763	-	-	-	-	-	12,763	-	12,763
Cash dividends returned	6(18)	-	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

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 9,356,145	\$ 7,235,872
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation	6(26)	841,711	700,806
Amortization	6(11)(26)	1,142,222	1,019,785
Expected credit losses	12(2)	15,753	21,332
Interest expense	6(25)	153,896	160,254
Interest income	6(22)	(833,821)	(1,277,211)
Dividend income	6(23)	(24,877)	(30,150)
Gain on financial assets at fair value through profit or loss	6(2)(24)	(231,470)	(5,764)
Share of loss of associates and joint ventures accounted for under equity method	6(7)	30,980	23,833
(Gain) loss on disposal of property, plant and equipment through profit or loss	6(24)	(1,501)	157
Gain on disposal of investments	6(24)	(466)	-
Impairment loss	6(24)	140,854	189,483
Other intangible assets transferred to expenses		-	526
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(775,175)	1,241,327
Accounts receivable, net		(2,596,515)	(2,627,248)
Accounts receivable, net - related parties		(621,578)	(425,122)
Other receivables		12,214	24,884
Inventories		(1,231,442)	(1,529,530)
Prepayments		(208,390)	(21,325)
Changes in operating liabilities			
Contract liabilities - current		231,280	(43,722)
Notes payable		25,377	(5,381)
Accounts payable		3,178,330	1,805,738
Accounts payable - related parties		10,718	79,645
Other payables		3,971,653	3,149,058
Other payables - related parties		7,515	18,246
Other current liabilities		2,023,410	1,671,139
Provisions - non-current		-	102,181
Accrued pension obligations		(3,791)	(2,466)

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
Cash inflow generated from operations		\$ 14,613,032	\$ 11,476,347
Receipt of interest		1,288,875	1,140,818
Receipt of dividend		24,877	30,150
Interest paid		(159,889)	(162,681)
Income tax paid		(326,686)	(233,349)
Net cash flows from operating activities		<u>15,440,209</u>	<u>12,251,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(48,815,990)	(44,715,715)
Proceeds from disposal of financial assets at amortised cost		51,019,963	35,512,063
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	939
Proceeds from disposal of investments accounted for under equity method		466	-
Proceeds from capital reduction of investee accounted for under equity method	6(7)	20,684	17,908
Acquisition of property, plant and equipment	6(30)	(1,782,469)	(747,026)
Proceeds from disposal of property, plant and equipment		1,700	92
Acquisition of intangible assets	6(30)	(977,132)	(1,403,279)
Acquisition of right-of-use assets		-	(286,276)
Increase in refundable deposits		(17,743)	(3,811)
Decrease (increase) in other non-current assets		<u>30,070</u>	<u>(7,666)</u>
Net cash flows used in investing activities		<u>(520,451)</u>	<u>(11,632,771)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		209,374,818	148,524,088
Decrease in short-term borrowings		(216,864,994)	(144,084,357)
Repayment of principal portion of lease liabilities	6(31)	(88,691)	(76,732)
Guarantee deposits returned	6(31)	(2,199)	(1,437)
Cash dividends paid		(5,617,534)	(3,556,668)
Cash dividends returned		<u>170</u>	<u>226</u>
Net cash flows (used in) from financing activities		<u>(13,198,430)</u>	<u>805,120</u>
Effect of exchange rate		<u>(152,879)</u>	<u>(5,374)</u>
Net increase in cash and cash equivalents		1,568,449	1,418,260
Cash and cash equivalents at beginning of year		<u>5,727,911</u>	<u>4,309,651</u>
Cash and cash equivalents at end of year		<u>\$ 7,296,360</u>	<u>\$ 5,727,911</u>

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000257

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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *auditor's responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the 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 2020 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 2020 parent company only financial statements are stated as follows:

Valuation of inventories

Description

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

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

How our audit addressed the matter

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

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

Other matter – Reference to 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\$642,359 thousand and NT\$6,938,839 thousand, constituting 0.92% and 10.29% of total assets as of December 31, 2020 and 2019, respectively. Comprehensive income amounted to NT\$196,125 thousand and NT\$151,087 thousand, constituting 2.64% and 2.46% of total comprehensive income for the years ended December 31, 2020 and 2019, 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and

maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

Lin, Yu-Kuan

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,630,448	7	\$ 3,333,828	5
1110	Financial assets at fair value through profit or loss - current		124,360	-	28,736	-
1170	Accounts receivable, net	6(2)	7,587,080	11	6,588,225	10
1180	Accounts receivable, net - related parties	6(2) and 7	1,810,900	2	1,227,255	2
1200	Other receivables		3,828	-	20,417	-
1210	Other receivables - related parties	7	685,224	1	5,729,653	8
130X	Inventories, net	6(3)	6,029,557	9	5,820,326	9
1410	Prepayments		376,511	-	205,329	-
11XX	Total current assets		21,247,908	30	22,953,769	34
Non-current assets						
1535	Financial assets at amortised cost - non-current	8	75,293	-	64,885	-
1550	Investments accounted for under equity method	6(4)	41,140,275	59	38,503,441	57
1600	Property, plant and equipment	6(5)	4,027,004	6	3,019,258	5
1755	Right-of-use assets	6(6)	1,390,104	2	1,091,607	2
1780	Intangible assets	6(7)	1,955,629	3	1,652,722	2
1840	Deferred income tax assets	6(22)	169,876	-	114,163	-
1900	Other non-current assets		34,805	-	46,151	-
15XX	Total non-current assets		48,792,986	70	44,492,227	66
1XXX	Total assets		\$ 70,040,894	100	\$ 67,445,996	100

(Continued)

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 11,456,690	16	\$ 18,604,770	28
2130	Contract liabilities - current	6(15)	163,080	-	67,853	-
2150	Notes payable		3,276	-	3,276	-
2170	Accounts payable		7,609,092	11	5,659,518	8
2180	Accounts payable - related parties	7	253,691	-	313,185	-
2200	Other payables	6(9)	13,403,670	19	9,929,669	15
2220	Other payables - related parties	7	60,784	-	55,690	-
2230	Current income tax liabilities		1,063,516	2	820,495	1
2280	Lease liabilities - current		35,944	-	30,417	-
2300	Other current liabilities	6(15)	5,240,048	8	3,831,860	6
21XX	Total current liabilities		39,289,791	56	39,316,733	58
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	102,872	-	51,723	-
2580	Lease liabilities - non-current		1,089,030	2	781,678	2
2600	Other non-current liabilities	6(10)	100,120	-	76,877	-
25XX	Total non-current liabilities		1,292,022	2	910,278	2
2XXX	Total liabilities		40,581,813	58	40,227,011	60
Equity						
	Share capital	6(11)				
3110	Common shares		5,106,849	7	5,080,955	7
	Capital surplus	6(12)				
3200	Capital surplus		2,122,008	3	2,736,854	4
	Retained earnings	6(13)				
3310	Legal reserve		5,577,083	8	4,902,176	7
3320	Special reserve		217,036	-	-	-
3350	Undistributed earnings		17,992,154	26	14,716,036	22
	Other equity	6(14)				
3400	Other equity interest		(1,556,049)	(2)	(217,036)	-
3XXX	Total equity		29,459,081	42	27,218,985	40
3X2X	Total liabilities and equity		\$ 70,040,894	100	\$ 67,445,996	100

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(15) and 7	\$ 56,426,751	100	\$ 40,845,708	100
5000	Operating costs	6(3) and 7	(33,889,501)	(60)	(24,643,053)	(60)
5900	Gross profit		<u>22,537,250</u>	<u>40</u>	<u>16,202,655</u>	<u>40</u>
5910	Unrealized profit from sales		(1,271)	-	(3,327)	-
5920	Realized profit on from sales		-	-	3,327	-
	Operating expenses	6(20)(21) and 7				
6100	Selling expenses		(2,306,323)	(4)	(1,887,715)	(5)
6200	General and administrative expenses		(1,680,835)	(3)	(760,391)	(2)
6300	Research and development expenses		(15,250,126)	(27)	(12,212,926)	(30)
6450	Expected credit losses	12(2)	(15,753)	-	(25,618)	-
6000	Total operating expenses		(19,253,037)	(34)	(14,886,650)	(37)
6900	Operating income		<u>3,282,942</u>	<u>6</u>	<u>1,316,005</u>	<u>3</u>
	Non-operating income and expenses					
7100	Interest income	6(16)	52,103	-	118,442	-
7010	Other income	6(17) and 7	67,522	-	75,949	-
7020	Other gains and losses	6(18)	(12,797)	-	(191,745)	-
7050	Finance costs	6(19)	(137,127)	(1)	(144,100)	-
7070	Share of profit of associates and joint ventures accounted for under equity method	6(4)	<u>6,100,834</u>	<u>11</u>	<u>6,053,732</u>	<u>15</u>
7000	Total non-operating income and expenses		<u>6,070,535</u>	<u>10</u>	<u>5,912,278</u>	<u>15</u>
7900	Profit before income tax, net		<u>9,353,477</u>	<u>16</u>	<u>7,228,283</u>	<u>18</u>
7950	Income tax expense	6(22)	(560,000)	(1)	(438,000)	(1)
8200	Net income for the year		<u>\$ 8,793,477</u>	<u>15</u>	<u>\$ 6,790,283</u>	<u>17</u>
	Other comprehensive (loss) 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(14)	<u>839,802</u>	<u>2</u>	<u>231,742</u>	-
8310	Total other comprehensive loss that will not be reclassified to loss		<u>810,550</u>	<u>2</u>	<u>231,742</u>	-
	Components of other comprehensive (loss) income that will be reclassified to loss or profit					
8380	Share of other comprehensive loss of associates and joint ventures accounted for under equity method	6(14)	(2,178,815)	(4)	(891,954)	(2)
8360	Total other comprehensive loss that will be reclassified to profit or loss		(2,178,815)	(4)	(891,954)	(2)
8300	Other comprehensive loss ,net		(\$ 1,368,265)	(2)	(\$ 660,212)	(2)
8500	Total comprehensive income for the year		<u>\$ 7,425,212</u>	<u>13</u>	<u>\$ 6,130,071</u>	<u>15</u>
	Earnings Per Share (in dollars)					
9750	Basic earnings per share	6(23)	<u>\$ 17.24</u>		<u>\$ 13.36</u>	
9850	Diluted earnings per share	6(23)	<u>\$ 16.93</u>		<u>\$ 13.13</u>	

Realtek Semiconductor Corporation
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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>2019</u>									
Balance at January 1, 2019		\$ 5,080,955	\$ 3,236,659	\$ 4,467,099	\$ 600,443	\$ 10,850,172	\$ 129,811	\$ 272,153	\$ 24,637,292
Net income for the year		-	-	-	-	6,790,283	-	-	6,790,283
Other comprehensive income (loss) for the year	6(14)	-	-	-	-	-	(891,954)	231,742	(660,212)
Total comprehensive income (loss)		-	-	-	-	6,790,283	(891,954)	231,742	6,130,071
Distribution of 2018 earnings	6(13)								
Legal reserve		-	-	435,077	-	(435,077)	-	-	-
Special reserve		-	-	-	(600,443)	600,443	-	-	-
Cash dividends		-	-	-	-	(3,048,573)	-	-	(3,048,573)
Cash dividend from capital surplus	6(12)	-	(508,095)	-	-	-	-	-	(508,095)
Changes in equity of associates accounted for under equity method	6(12)	-	8,064	-	-	-	-	-	8,064
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(14)	-	-	-	-	(41,212)	-	41,212	-
Cash dividends returned		-	226	-	-	-	-	-	226
Balance at December 31, 2019		\$ 5,080,955	\$ 2,736,854	\$ 4,902,176	\$ -	\$ 14,716,036	(\$ 762,143)	\$ 545,107	\$ 27,218,985
<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) for the year	6(10)(14)	-	-	-	-	(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	6(13)								
Legal reserve		-	-	674,907	-	(674,907)	-	-	-
Special reserve		-	-	-	217,036	(217,036)	-	-	-
Cash dividends		-	-	-	-	(4,596,164)	-	-	(4,596,164)
Employees' compensation transferred to common shares	6(11)(12)	25,894	393,591	-	-	-	-	-	419,485
Cash from capital surplus	6(12)	-	(1,021,370)	-	-	-	-	-	(1,021,370)
Changes in equity of associates accounted for under equity method	6(12)	-	12,763	-	-	-	-	-	12,763
Cash dividends returned		-	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

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 9,353,477	\$ 7,228,283
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation	6(20)	694,924	562,805
Amortization	6(20)	1,098,919	948,008
Expected credit losses	12(2)	15,753	25,618
Interest expense	6(19)	137,127	144,100
Interest income	6(16)	(52,103)	(118,442)
Dividend income	6(17)	(411)	(406)
(Gain)loss on financial assets at fair value through profit or loss	6(18)	(95,624)	325
Share of gain of associates and joint ventures accounted for under equity method	6(4)	(6,100,834)	(6,053,732)
Gain on disposal of property, plant and equipment	6(18)	(1,700)	(92)
Gain on disposal of investments	6(18)	(466)	-
Impairment loss	6(17)	-	41,397
Unrealized profit from sales		1,271	-
Other intangible assets transferred to expenses		-	526
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(1,008,712)	(2,304,342)
Accounts receivable, net - related parties		(589,540)	(195,427)
Other receivables		11,442	27,106
Other receivables, - related parties		47,165	(2,420)
Inventories		(209,231)	(1,723,679)
Prepayments		(171,182)	(55,394)
Changes in operating liabilities			
Contract liabilities - current		95,227	(42,911)
Notes payable		-	(5,381)
Accounts payable		1,949,574	1,866,242
Accounts payable - related parties		(59,494)	84,906
Other payables		3,526,463	3,019,851
Other payables - related parties		5,094	17,407
Provisions - non-current		-	(519,016)
Other current liabilities		1,408,188	1,249,950
Accrued pension obligations		(3,790)	(2,470)

(Continued)

REALTEK SEMICONDUCTOR CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
Cash inflow generated from operations		\$ 10,051,537	\$ 4,192,812
Receipt of interest		57,250	113,560
Receipt of dividends		411	406
Interest paid		(143,121)	(146,526)
Income taxes paid		(321,381)	(201,871)
Net cash flows from operating activities		<u>9,644,696</u>	<u>3,958,381</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(10,408)	(64,885)
Proceeds from disposal of financial assets at amortised cost		-	61,401
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	939
Decrease (increase) in other receivables - related parties		4,997,264	(3,038,904)
Acquisition of investments accounted for under equity method		(3,515,687)	-
Proceeds from capital reduction of investee accounted for under equity method	6(4)	20,684	17,908
Proceeds from disposal of investments accounted for under equity method		466	-
Cash dividends from investments accounted for under equity method		5,631,482	2,750,826
Acquisition of property, plant and equipment	6(24)	(1,707,418)	(682,325)
Proceeds from disposal of property, plant and equipment		1,700	92
Acquisition of intangible assets	6(24)	(974,580)	(1,399,800)
Acquisition of right-of-use assets		-	(286,276)
Increase in refundable deposits		(18,639)	(1,722)
Increase (Decrease) in other non-current assets		<u>29,985</u>	<u>(29,985)</u>
Net cash flows from (used in) investing activities		<u>4,454,849</u>	<u>(2,672,731)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		205,377,996	147,831,650
Decrease in short-term borrowings		(212,526,076)	(143,753,191)
Repayment of principal portion of lease liabilities	6(25)	(35,261)	(25,723)
Guarantee deposits returned	6(25)	(2,220)	(1,481)
Cash dividends paid		(5,617,534)	(3,556,668)
Cash dividends returned		<u>170</u>	<u>226</u>
Net cash flows (used in) from financing activities		<u>(12,802,925)</u>	<u>494,813</u>
Net increase in cash and cash equivalents		<u>1,296,620</u>	<u>1,780,463</u>
Cash and cash equivalents at beginning of year		<u>3,333,828</u>	<u>1,553,365</u>
Cash and cash equivalents at end of year		<u>\$ 4,630,448</u>	<u>\$ 3,333,828</u>

Attachment 3: List of Directors (including Independent Directors) Candidates

Type	Name	Shareholdings (Unit:share)	Education	Experience	Current Positions
Director	Cotek Pharmaceutical Industry Co., Ltd Representative: Yeh, Nan-Horng	22,146,604	MBA, Washington University in St. Louis, USA	Chairman of Realtek Semiconductor Corp. Director of Novasiot (Shanghai) Co., Ltd. Director of Chong Qing Rui Lian Microelectronics Ltd.	Chairman of Realtek Semiconductor Corp. Director of Novasiot (Shanghai) Co., Ltd. Director of Chong Qing Rui Lian Microelectronics Ltd.
Director	Sonnen Limited Representative: Yeh, Po-Len	66,000	MSc. & Ph.D. in Material Engineering, Loughborough University of Technology, United Kingdom	Director of Realtek Semiconductor Corp.	Director of Realtek Semiconductor Corp.
Director	United Glory Co., Ltd. Representative: Chiu, Sun-Chien	3,265,954	M.S. in Electrical Engineering, National Taiwan University	President of Realtek Semiconductor Corp.	President of Realtek Semiconductor Corp.
Director	United Glory Co., Ltd. Representative: Chern, Kuo-Jong	3,265,954	MBA, The City University of New York, USA	Chief Financial Officer of Realtek Semiconductor Corp.	Chief Financial Officer of Realtek Semiconductor Corp.
Director	Huang, Yung-Fang	42,205	M.S. in Electrical Engineering, State University of New York, USA	Chief Operating Officer of Realtek Semiconductor Corp.	Chief Operating Officer of Realtek Semiconductor Corp.
Director	Yen, Kuang-Yu	23,948	M.S. in Communications Engineering, National Chiao Tung University	Vice President of Realtek Semiconductor Corp.	Vice President of Realtek Semiconductor Corp.
Director	Ni, Shu-Ching	6,308,389	Open Junior College	Director of Realtek Semiconductor Corp.	Director of Realtek Semiconductor Corp.
Independent Director	Tsai, Tyau-Chang	0	Bachelor degree in College of Law, National Taiwan University	Independent director of Unitech Computer Co., Ltd. Director of Ming-Der Senior High School Chairman of Jhang Huei Co., Ltd Johnson Law office Lawyer	Independent director of Unitech Computer Co., Ltd. Director of Ming-Der Senior High School Chairman of Jhang Huei Co., Ltd Johnson Law office Lawyer
Independent Director	Chen, Fu-Yen	0	M.A. in Journalism, National Chengchi University	CEO of Creative Education and Management Foundation Chairman of EZTravel Travel Service Co., Ltd. Chairman of You Hsin Creative Co., Ltd. Chairman of Eland Technologies Co., Ltd. Chairman of Eland Information Co., Ltd.	CEO of Creative Education and Management Foundation Chairman of EZTravel Travel Service Co., Ltd. Chairman of You Hsin Creative Co., Ltd. Chairman of Eland Technologies Co., Ltd. Chairman of Eland Information Co., Ltd.
Independent Director	Lo, Chun- Pa	0	Master Degree in Business Administration, National Taiwan University	Investment Assistant Manager of Industrial Bank of Taiwan Project Manager of Institute for Information Industry Investment Vice President of Globaltec Capital Management Consulting Company	Investment Vice President of De Jie Investment Co., Ltd. Representative of juristic person director of Unitech Computer Co., Ltd. Representative of juristic person director of Biofity Pharmaceuticals Inc.

Appendix

Appendix 1

Realtek Semiconductor Corporation Articles of Incorporation (Translation)

I. General Provisions

- Article 1 The Company shall be incorporated under the Company Act as a company limited by shares named “Realtek Semiconductor Corp.”. “Realtek Semiconductor Corp.” is the Company’s English name.
- Article 2 The scope of business of the Company shall be as follows:
1. CC01080 Electronic Parts and Components Manufacturing
 2. I501010 Product Designing
 3. F401010 International Trade
 4. I301010 Service of information software.
 5. I301020 Data Processing Services
 6. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing (Radio transmitters, radio transceivers, radio receivers, industrial, scientific, medical radiation machines, and other machines with radio radiant energy only)
 7. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import (Radio transmitters, radio transceivers, radio receivers, industrial, scientific, medical radiation machines, and other machines with radio radiant energy only)
 8. CF01011 Medical Materials and Equipment Manufacturing
 9. F108031 Wholesale of Drugs, Medical Goods
 10. F208031 Retail sale of Medical Equipments
- (1) Researching, designing, developing, manufacturing, and selling the following products:
1. various integrated circuits
 2. hearing aids with tinnitus mask function
 3. bone conduction hearing aid
 4. Picture archiving and communications system.
- (2) Providing application design, testing, maintenance and technical consulting services of the software and hardware for the above products.
- (3) Researching, developing and selling various intellectual property
- (4) Also engaged in trading business in relation to the business of the Company.
- Article 3 The Company is headquartered in Hsinchu Science-Based Industrial Park, Taiwan, Republic of China, and when necessary, upon approval of the Board of Directors and the competent authorities, may establish branch offices within or outside the territory of the Republic of China.
- Article 4 Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.
- (1) The Company's domestic and foreign investment transactions shall be resolved by the board of directors, and are not subject to the restriction of Article 13 of the Company Act.
- (2) The Company upon approval of the Board of Directors may provide

endorsement and guarantee to others.

II. Shares

- Article 5 The authorized capital of the Company is NT\$8,900,000,000, divided into 890,000,000 common shares, and may be paid-up in installments. Among the above capital, a total of NT\$800,000,000, divided into 80,000,000 shares at par value NT\$10 each share, is reserved for issuing employee stock warrants, and may be issued in installments in accordance with the resolution of the Board of Directors.
- Article 5-1 To issue employee stock warrants with the exercise price lower than the closing price of the Company stocks as of the issuing date, the Company is required to obtain the consent of a majority of the shareholders present who represent two-thirds or more of the total number of outstanding shares. The Company is allowed to register multiple issues over a period of 1 year from the date of the shareholders meeting resolution.
- Article 5-2 To transfer treasury shares to employees at less than the average actual share repurchase price, the Company is required to obtain the consent of a majority of the shareholders present who represent two-thirds or more of the total number of outstanding shares at the most recent shareholders meeting.
- Article 6 The share certificates of the Company shall be all name-bearing share certificates, which shall be signed or sealed by three or more directors of the Company, and issued after duly authentication pursuant to the law. The Company's shareholder services follow the Regulations Governing the Administration of Shareholder Services of Public Companies issued by the competent authority. The Company may be exempted from printing share certificates if the shares are registered with the centralized securities depository enterprise.

III. Shareholders Meetings

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

electronic means. A shareholder exercising voting rights at a shareholders meeting by way of electronic means shall be deemed to have attended the said shareholders meeting in person. The related matters are handled in accordance with the relevant regulation.

Article 10 Each share is entitled to one voting right, unless otherwise provided in the Company Act.

Article 11 Unless otherwise provided in the Company Act, the resolutions at a shareholders meeting shall be adopted by a majority of the shareholders present who represent half or more of the total number of outstanding shares. The resolution of the proposal at a shareholders meeting shall be decided by the chairman by way of voting or solicitation. Except for the proposals without objection from any shareholder after solicitation by the chairman are deemed approval, the chairman shall decide that a vote to be held on whole or part of the proposals at the same time before extraordinary motions with the ballots to be counted separately for each proposal.

IV. Directors

Article 12 The number of directors of the Company shall be between seven (7) to thirteen (13), and the board of directors is authorized to determine the number of directors.

In the board, the number of independent directors shall be no less than three (3). Directors shall be elected by adopting a candidate nomination system. The election of independent directors and non-independent directors shall be held together, provided the elected number of independent directors and non-independent directors shall be calculated separately. The professional qualifications, restrictions on shareholdings and concurrent office held, method of nomination and election, and other matters for compliance with respect to independent directors shall be in accordance with relevant regulation by the Competent Authority. Directors are elected from among the nominees listed in the roster of director candidates at a shareholders meeting. The term of office for directors is three (3) years and the directors are eligible for re-election.

Article 12-1 The Company is allowed to purchase liability insurance for directors and managers. The board of directors is authorized to decide the insurance coverage.

Article 13 The board of directors shall be formed by directors. The directors shall elect from among themselves a chairman by a majority approval in a meeting attended by over two-thirds of the directors. A vice chairman may be elected depending on the demand of business.

The chairman internally presides over the shareholders meeting and the board of directors, and externally represents the Company.

Meetings of the Board of Directors shall be convened by the Chairman.

However, the first meeting after the re-election of directors shall be convened in accordance with the article 203 of the Company Act. Notice of the meeting shall be delivered in writing, by email, or by fax with the proposed agenda specified.

The chairman presides over the board of directors. In case the chairman is on leave or cannot exercise his duty, the vice chairman shall act on his behalf. In case of no vice chairman elected or the vice chairman is on leave or cannot exercise his duty as well, the chairman shall designate one of the directors to

act on his behalf. In case of no designation, the board shall elect from among directors as the acting chairman. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 13-1 The Company forms an Audit Committee, consisting of all independent directors. The number, term of office, powers, rules of procedure for meetings of the audit committee, and resources to be provided by the Company when the audit committee exercises its powers, shall be in accordance with the Company's audit committee charter.

Article 14 The duties and responsibilities of the Board of Directors shall be as follows:

1. Review the following matters raised by the general manager:

1-1. The Company's operating principles, and medium and long-term development plans.

1-2. Annual budget and implementation supervision.

1-3. Annual report and final statements.

1-4. Capital increase and decrease plan.

1-5. Important contracts with others.

1-6. Company charters and important business rules.

1-7. Branch establishment, reorganization or withdrawal.

1-8. Major capital expenditure plan.

1-9. Other matters issued for review.

2. Review of distribution of earnings or offset of losses.

3. Review of the Company's articles of incorporation or amendments.

4. Appointment and dismissal of general manager, financial supervisor, and audit supervisor.

5. Implementation of the resolution of the shareholders meeting.

6. Convening of the shareholders meeting and business report at the shareholders meeting.

7. Other businesses that should be handled in accordance with the laws.

Article 15 Directors shall attend the meeting of the Board in person. In case that a director is unable to attend a board meeting, he/she may appoint one of the other directors as his/her proxy to attend the meeting. A director may accept the appointment to act as the proxy referred to in the preceding paragraph of one other director only.

Article 15-1 The directors' remuneration is authorized to be decided by the board of directors based on the directors' degree of involvement and contribution to the Company's business operation, as well as on usual level of the industry.

V. Managers

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

VI. Accounting

Article 17 The Company's fiscal year shall be from January 1 to December 31 of each calendar year. At the end of each fiscal year, the board of directors shall have the following documents prepared and submitted to the shareholders meeting

for approval.

1. Business report
2. Financial statements
3. Proposal for distribution of earning or offset of losses

Article 18

If gained profits within a fiscal year, the Company shall allocate at a maximum of 3% of the profits as directors' remuneration, and allocate no less than 1% of the profits as employees' compensation. However, in case of the accumulated losses, certain profits shall first be reserved to cover the accumulated losses, and then allocate employees' compensation and directors' remuneration according to the proportion in the preceding paragraph.

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

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

The Company belongs to the integrated circuit design industry and is in the growth phase of the enterprise life cycle. After considering the long-term business development of the Company, matching future investment fund requirements, and the long-term financial planning of the Company, if there are profits at the end of fiscal year, the Company shall first offset the accumulated losses with profits after tax, and then shall contribute 10% of profit as legal reserve, unless the accumulated legal reserve has reached the amount of the Company's total capital, and contribute or reverse special reserve in accordance with relevant laws or regulation by the competent authority. If there are net profits remained, the remaining net profits and the retained earnings from previous years shall be distributed as shareholders' dividend after the distribution proposal is prepared by the board of directors. In case the distribution is in the form of issuing new shares, the distribution proposal shall be approved at a shareholders meeting. In case the distribution is in the form of cash, the distribution proposal is authorized to be approved by the board of directors. After considering financial, business and operational factors, the Company may distribute the whole of distributable earnings of the current year, and may also distribute whole or part of the reserves in accordance with the law or the regulation by the competent authority. The dividend distributed to shareholders shall not be less than 50% of the increased distributable retained earnings for the current year.

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

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

meeting.

VII. Supplementary Provisions

- Article 19 For matters not provided herein, provisions in the Company Act shall govern.
- Article 20 The Articles of Incorporation hereof were established on Oct. 16, 1987; 1st amended on Sep. 25, 1989; 2nd amended on Oct. 7, 1989; 3rd amended on Dec. 5, 1990; 4th amended on Jun. 26, 1991; 5th amended on Jun. 27, 1992; 6th amended on Jun. 26, 1993; 7th amended on Apr. 2, 1994; 8th amended on May 20, 1995; 9th amended on May 4, 1996; 10th amended on Jan. 21, 1997; 11th amended on May 5, 1997; 12th amended on May 19, 1998; 13th amended on Apr. 30, 1999; 14th amended on Jun. 9, 2000; 15th amended on May 30, 2001; 16th amended on Jun. 3, 2002; 17th amended on Jun. 9, 2003; 18th amended on Jun. 1, 2004; 19th amended on Jun. 13, 2005; 20th amended on Jun. 12, 2006; 21st amended on Jun. 11, 2007; 22nd amended on Jun. 13, 2008; 23rd amended on Jun. 10, 2009; 24th amended on Jun. 15, 2010; 25th amended on Jun. 15, 2011; 26th amended on Jun. 12, 2012; 27th amended on Jun. 21, 2013; 28th amended on Jun. 24, 2014; 29th amended on Jun. 7, 2016; 30th amended on Jun. 8, 2017; 31st amended on Jun. 5, 2018; 32nd amended on Jun. 12, 2019; 33rd amended on Jun. 10, 2020.

Appendix 2

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

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

- after that time, the voting rights already exercised by electronic means shall prevail. When a shareholder has exercised voting rights both by electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.
- Article 4 Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.
- The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.
- Article 5 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the directors shall select from among themselves one person to serve as chair.
- If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
- Article 6 The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
- Article 7 The Company shall make completed audio and video recording of the proceedings of the shareholders meeting. The recorded materials of the preceding paragraph shall be retained for at least 1 year.
- Article 8 The chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made.
- If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.
- When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
- Article 9 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.
- The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.
- The chairman may not declare the meeting adjourned prior to completion of

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

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

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

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

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

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

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

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

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

- (6) Both for and against are marked on the ballot.
If there is a dispute from shareholders on the voting process, the vote counting method, the validity of the votes, etc., the chairman shall make a determination.
- Article 16 When a meeting is in progress, the chairman may announce a break based on time considerations.
- Article 17 Except as otherwise provided in the Company Act and in the articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.
The resolution of the shareholders meeting shall be decided by the chairman by way of voting or solicitation. Except for the proposals without objection from any shareholders after solicitation by the chairman are deemed approval, the chairman shall decide that a vote to be held on whole or part of the proposals at the same time before extraordinary motions with the ballots to be counted separately for each proposal.
If no objection from any shareholders after solicitation by the chairman, the resolution shall be deemed approval with the same effect as the resolution by voting.
- Article 18 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
The discussion and voting order of the shareholders' proposals in the extraordinary motions shall be determined by the chairman. Those belonging to the same type of motions shall be merged by the chairman.
- Article 19 The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or arm band.
At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chairman may prevent the shareholder from so doing.
When a shareholder violates the rules of procedure and defies the chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.
- Article 20 When a meeting is in progress, if a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.
- Article 21 These Rules shall be implemented after adoption by shareholders meetings. Amendments based on demand of these Rules are authorized to the board of directors.

Appendix 3

Realtek Semiconductor Corporation Rules for Election of Directors (Translation)

- Article 1 Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of directors shall be conducted in accordance with the rules.
- Article 2 The Company's directors shall be elected by adopting a candidate nomination system. The overall composition of the board of directors shall be taken into consideration in the selection of this Company's directors. board members as a whole shall have the necessary knowledge, skill, and experience to perform their duties, such as judgments about operations, accounting and financial analysis, business management, crisis management, knowledge of the industry, international market perspective, Leadership and decision-making, and so on.
- Article 3 The cumulative voting method shall be used for the Company's election of the directors. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. Shareholders may exercise voting rights by electronic or correspondence means for the Company's election of directors. Shareholders
Shareholders who exercise his/her votes by way of electronic means shall exercise voting rights on the electronic voting platform designated by the Company.
- Article 4 The number of directors for the election shall be in accordance with the Company's articles of incorporation and approved by the board of directors. The election of independent directors and non-independent directors shall be held together, provided the elected number of independent directors and non-independent directors shall be calculated separately. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. The number of votes under the preceding paragraph shall be calculated by adding the number of votes cast on site at the shareholders' meeting plus the number of votes cast by electronic voting.
- Article 5 The board of directors shall prepare separate ballots for on site voting at the shareholders' meeting in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on

- the ballots may be used instead of recording the names of voting shareholders.
- Article 6 Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel.
- Article 7 The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.
- Article 8 If a candidate is a shareholder, the voter shall fill in the candidate's account name and shareholder account number in the candidate space of the ballot; if a candidate is not a shareholder, the voter shall fill in the candidate's name or name and ID number or uniform number. However, if a government agency or juristic person shareholder is a candidate, the candidate space of the ballot shall be filled in with the name of the government agency or juristic person, or the name of the government agency or juristic person and its representative; if there are several representatives, the name of the representatives shall be separately filled in.
- Article 9 A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by the Company in accordance with the rules.
 2. The ballot is not placed in the ballot box.
 3. A blank ballot is placed in the ballot box.
 4. The candidate name entered in the ballot does not conform to the roster of nominated candidate in accordance with the article 2 of the rules, or the number of selected candidates entered in the ballot exceeds the allowed number.
 5. The candidate space which shall be filled in is incompleted, wrong, altered, illegible handwriting, or combined with other marks, pictures and texts.
 6. The total number of voting rights voted exceeds the total number of voting rights held by the voters.
- Article 10 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.
- Article 11 The ballots of on site voting and the data of electronic voting for the election shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year by the Company. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.
- Article 12 The board of directors of the Company shall issue notifications to the persons elected as directors.
- Article 13 The rules, and any amendments hereto, shall be implemented after approval by a shareholders' meeting.

Appendix 4

Shareholding of Directors

Record date: April 10, 2021

Position	Name	Date Elected	Shares	Shareholding Ratio (%)
Chairman	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	2018.06.05	22,146,604	4.34%
Vice Chairman	Forehead International Co., Ltd. Representative: Chiu, Sun-Chien	2018.06.05	5,023,359	0.98%
Director	Forehead International Co., Ltd. Representative: Chern, Kuo-Jong	2018.06.05	5,023,359	0.98%
Director	Sonnen Limited Representative: Yeh, Po-Len	2018.06.05	66,000	0.01%
Director	Sonnen Limited Representative: Huang, Yung-Fang	2018.06.05	66,000	0.01%
Director	Ni, Shu-Ching	2018.06.05	6,308,389	1.24%
Independent Director	Chen, Fu-Yen	2018.06.05	0	0
Independent Director	Wang, Chun-Hsiung	2018.06.05	0	0
Independent Director	Ou Yang, Wen-Han	2018.06.05	563,688	0.11%
Total			34,108,040	

Total shares issued as of April 10, 2021: 510,684,875 common shares

Note : The Company's Directors are required by the law to hold in the aggregate not less than 16,341,916 shares. As of April 10, 2021, the shareholdings of all Directors (not including Independent Directors) were 33,544,352 shares.