

Realtek Semiconductor Corp. 2021 Annual Shareholders' Meeting Minutes

Time: 9:00 a.m., August 9, 2021 (Monday)

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

The Number of Shares of Attendance: Attending shareholders and proxy represented 464,243,876 shares (including 374,161,479 shares which attended through electronic voting) accounting for 90.90% of 510,684,875 shares, the Company's total outstanding shares.

Directors Present:

Yeh, Nan-Horng, Yeh, Po-Len, Chiu, Sun-Chien, Chern, Kuo-Jong, Huang, Yung-Fang, Ou Yang, Wen-Han

Chairman: Yeh, Nan-Horng, Chairman

Recorder: Tsai, Shu- Hui

The aggregate shareholding of the shareholders present constituted a quorum.

The Chairman called the meeting to order.

1. Chairman's Remarks: Omitted.

2. Report Items:

Report 1: Business report of 2020

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

Report 2: Audit Committee's review report

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

Report 3: To report 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.

After all items reported by the Chairman, the shareholder (account number 23523) made a speech. Explanation by the Chairman and the relevant personnel directed by the Chairman is acknowledged by the speaking shareholder.

3. Ratification Items

Proposal 1

Subject: 2020 business report and financial statements. Approval is respectfully requested.
(Proposed by the Board of Directors)

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 Attachment 1, Attachment 4 and Attachment 5.

No objection from shareholders after solicitation by the Chairman.

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

Shares represented at the time of voting: 464,243,876

Voting Results		% of the total represented share present
Votes in favor: (including electronic voting	416,948,592 votes 326,866,233 votes)	89.81%
Votes against: (including electronic voting	1,795 votes 1,782 votes)	0.00%
Votes invalid:	0 vote	0.00%
Votes abstained: (including electronic voting	47,293,489 votes 47,293,464 votes)	10.18%

Proposal 2

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

(Proposed by the Board of Directors)

Explanation: The distribution of 2020 retained earnings was approved by the Board of Directors.
Please refer to Attachment 3.

No objection from shareholders after solicitation by the Chairman.

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

Shares represented at the time of voting: 464,243,876

Voting Results		% of the total represented share present
Votes in favor: (including electronic voting	419,146,837votes 329,064,478 votes)	90.28%
Votes against: (including electronic voting	829,387 votes 829,374 votes)	0.17%
Votes invalid:	0 vote	0.00%
Votes abstained: (including electronic voting	44,267,652 votes 44,267,627 votes)	9.53%

4. Election Item

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

(Proposed by the Board of Directors)

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 6.
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. In compliance with "Measures for Public Companies to Postpone Shareholders' Meetings for Pandemic Prevention" announced by the competent authority, the Company's annual shareholders' meeting is postponed to August 9, 2021. Therefore, the term of office of new directors shall be calculated from the actual re-election date, that is, from August 9, 2021 to August 8, 2024.
5. Please refer to Appendix 3 on pages 51 to 52 of the handbook for the Rules for Election of Directors.

Election result is as follows:

List of directors (including independent directors) elected at the 2021 annual shareholders' meeting of Realtek Semiconductor Corp.

Shareholder account number (or ID no.)	Title	Name	Elected Number of Votes
256	Director	Cotek Pharmaceutical Industry Co., Ltd. Representative: Yeh, Nan-Horng	460,888,888 votes
239637	Director	Sonnen Limited Representative: Yeh, Po-Len	446,888,888 votes
65704	Director	United Glory Co., Ltd. Representative: Chiu, Sun-Chien	443,888,888 votes
65704	Director	United Glory Co., Ltd. Representative: Chern, Kuo-Jong	239,888,888 votes
4926	Director	Huang, Yung-Fang	239,888,888 votes
36744	Director	Yen, Kuang-Yu	239,888,888 votes
88	Director	Ni, Shu-Ching	239,111,668 votes
P10025****	Independent Director	Chen, Fu-Yen	439,908,888 votes
Q10234****	Independent Director	Tsai, Tyau-Chang	439,878,888 votes
J12121****	Independent Director	Lo, Chun-Pa	439,878,888 votes

5. Discussion Items

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

Approval is respectfully requested.

(Proposed by the Board of Directors)

Explanation:

- 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.
- 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.

After solicitation by the Chairman, the shareholder (account number 23523) made a speech to ask the question about releasing the directors from non-competition restrictions. Explanation by the attorney directed by the Chairman is acknowledged without objection by the speaking shareholder.

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

Shares represented at the time of voting: 464,243,876

Voting Results		% of the total represented share present
Votes in favor: (including electronic voting	406,314,825 votes 316,232,466 votes)	87.52%
Votes against: (including electronic voting	67,996 votes 67,983 votes)	0.01%
Votes invalid:	0 vote	0.00%
Votes abstained: (including electronic voting	57,861,055 votes 57,861,030 votes)	12.46%

6. Extraordinary Motions: None.

The shareholders (account number 288617, 23523, and 284801) made speeches. Explanation by the Chairman and the relevant personnel directed by the Chairman is acknowledged by the speaking shareholders.

7. Adjournment

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

Attachment 2

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

Attachment 3

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

Attachment 4: 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

Cheng, Ya-Huei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2021

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		<u>66,811,913</u>	<u>86</u>	<u>64,289,591</u>	<u>88</u>
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		<u>11,284,004</u>	<u>14</u>	<u>9,142,239</u>	<u>12</u>
1XXX	Total assets		<u>\$ 78,095,917</u>	<u>100</u>	<u>\$ 73,431,830</u>	<u>100</u>

(Continued)

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED 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(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		<u>46,128,894</u>	<u>59</u>	<u>43,970,187</u>	<u>60</u>
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		<u>2,498,277</u>	<u>3</u>	<u>2,232,959</u>	<u>3</u>
2XXX	Total liabilities		<u>48,627,171</u>	<u>62</u>	<u>46,203,146</u>	<u>63</u>
Equity						
Share capital						
3110	Common shares	6(17)	5,106,849	7	5,080,955	7
Capital surplus						
3200	Capital surplus	6(18)	2,122,008	3	2,736,854	3
Retained earnings						
3310	Legal reserve	6(19)	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						
3400	Other equity interest	6(20)	(1,556,049)	(2)	(217,036)	-
31XX	Equity attributable to holders of the parent company		<u>29,459,081</u>	<u>38</u>	<u>27,218,985</u>	<u>37</u>
36XX	Non-controlling interest		9,665	-	9,699	-
3XXX	Total equity		<u>29,468,746</u>	<u>38</u>	<u>27,228,684</u>	<u>37</u>
3X2X	Total liabilities and equity		<u>\$ 78,095,917</u>	<u>100</u>	<u>\$ 73,431,830</u>	<u>100</u>

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		(<u>24,609,176</u>)	(<u>32</u>)	(<u>20,252,451</u>)	(<u>34</u>)
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)	(<u>30,980</u>)	-	(<u>23,833</u>)	-
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)	(<u>562,619</u>)	-	(<u>445,497</u>)	(<u>1</u>)
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		\$ 7,425,261	10	\$ 6,130,163	10
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		\$ 8,793,526	12	\$ 6,790,375	11
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		\$ 7,425,261	10	\$ 6,130,163	10
Earnings per share (in dollars)					
9750 Basic earnings per share	6(29)	\$ 17.24		\$ 13.36	
9850 Diluted earnings per share	6(29)	\$ 16.93		\$ 13.13	

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)

	Notes	Equity attributable to owners of the parent company								Non-controlling interest	Total equity
		Retained earnings					Other equity interest				
		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		
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)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
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)

	Notes	Year ended December 31	
		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		30,070	(7,666)
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		170	226
Net cash flows (used in) from financing activities		<u>(13,198,430)</u>	<u>805,120</u>
Effect of exchange rate		(152,879)	(5,374)
Net increase in cash and cash equivalents		1,568,449	1,418,260
Cash and cash equivalents at beginning of year		5,727,911	4,309,651
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		<u>21,247,908</u>	<u>30</u>	<u>22,953,769</u>	<u>34</u>
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		<u>48,792,986</u>	<u>70</u>	<u>44,492,227</u>	<u>66</u>
1XXX	Total assets		<u>\$ 70,040,894</u>	<u>100</u>	<u>\$ 67,445,996</u>	<u>100</u>

(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		<u>39,289,791</u>	<u>56</u>	<u>39,316,733</u>	<u>58</u>
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		<u>1,292,022</u>	<u>2</u>	<u>910,278</u>	<u>2</u>
2XXX	Total liabilities		<u>40,581,813</u>	<u>58</u>	<u>40,227,011</u>	<u>60</u>
Equity						
Share capital						
3110	Common shares	6(11)	5,106,849	7	5,080,955	7
Capital surplus						
3200	Capital surplus	6(12)	2,122,008	3	2,736,854	4
Retained earnings						
3310	Legal reserve	6(13)	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						
3400	Other equity interest	6(14)	(1,556,049)	(2)	(217,036)	-
3XXX	Total equity		<u>29,459,081</u>	<u>42</u>	<u>27,218,985</u>	<u>40</u>
3X2X	Total liabilities and equity		<u>\$ 70,040,894</u>	<u>100</u>	<u>\$ 67,445,996</u>	<u>100</u>

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				
Items		Notes	2020		2019	
			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>	40	<u>16,202,655</u>	40
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		<u>(19,253,037)</u>	<u>(34)</u>	<u>(14,886,650)</u>	<u>(37)</u>
6900	Operating income		<u>3,282,942</u>	6	<u>1,316,005</u>	3
	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>	11	<u>6,053,732</u>	15
7000	Total non-operating income and expenses		<u>6,070,535</u>	10	<u>5,912,278</u>	15
7900	Profit before income tax, net		<u>9,353,477</u>	16	<u>7,228,283</u>	18
7950	Income tax expense	6(22)	(560,000)	(1)	(438,000)	(1)
8200	Net income for the year		<u>\$ 8,793,477</u>	15	<u>\$ 6,790,283</u>	17
	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>	2	<u>231,742</u>	-
8310	Total other comprehensive loss that will not be reclassified to loss		<u>810,550</u>	2	<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		<u>(2,178,815)</u>	<u>(4)</u>	<u>(891,954)</u>	<u>(2)</u>
8300	Other comprehensive loss, net		<u>(\$ 1,368,265)</u>	<u>(2)</u>	<u>(\$ 660,212)</u>	<u>(2)</u>
8500	Total comprehensive income for the year		<u>\$ 7,425,212</u>	13	<u>\$ 6,130,071</u>	15
	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		170	226
Net cash flows (used in) from financing activities		<u>(12,802,925)</u>	<u>494,813</u>
Net increase in cash and cash equivalents		1,296,620	1,780,463
Cash and cash equivalents at beginning of year		3,333,828	1,553,365
Cash and cash equivalents at end of year		<u>\$ 4,630,448</u>	<u>\$ 3,333,828</u>

Attachment 6: 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.