

# Holtek Semiconductor Inc.

## 2023 Annual Report

*Notice to readers*

*This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.*

Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>

Holtek Semiconductor Inc. Website: <https://www.holtek.com.tw>

Printed on April 10, 2024

## **I. Spokesperson and Acting Spokesperson Contact Information**

Spokesperson

Name: Tsai, Jung-Tsung, President

Tel: 886-3-563-1999

E-mail: [ir@holtek.com.tw](mailto:ir@holtek.com.tw)

Acting Spokesperson

Name: Liao, Ming-Tung, Director of Finance & Accounting Division

Tel: 886-3-563-1999

E-mail: [ir@holtek.com.tw](mailto:ir@holtek.com.tw)

## **II. Holtek Address and Telephone Number**

Holtek Semiconductor Inc. (Hsinchu Headquarters)

No.3, Creation Rd. II, Science Park, Hsinchu 300, Taiwan (R.O.C.)

Tel: 886-3-563-1999

Holtek Semiconductor Inc. (Hong Kong Branch)

Block A, 3/F, Tin On Industrial Building, 777-779, Cheung Sha Wan Rd., Kowloon, Hong Kong

Tel: 852-2745-8288

Holtek Semiconductor Inc. (Taiwan and Overseas Sales Division)

4F-2, No. 3-2, Yuan Qu St., Nankang Software Park, Taipei 115, Taiwan (R.O.C.)

Tel: 886-2-2655-7070

Holtek Semiconductor (China) Inc.

Room 101, Building No. 10, Xinzhu Court, (No. 1 Headquarters), No. 4 Xinzhu Road, Songshan Lake, Dongguan, China

Tel: 86-769-2626-1300

## **III. Common Share Transfer Agent and Registrar**

Company: the Transfer Agency Department of SinoPac Securities Corporation

Address: 3F, No.17, Bo'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Website: [www.sinotrade.com.tw](http://www.sinotrade.com.tw)

Tel: 886-2-2381-6288

## **IV. Independent Auditors**

Auditors: Lu, Chien-Hui and Cheng, An-Chih

Accounting Firm: KPMG

Address: 68F, Taipei 101 Tower, No.7, Sec.5, Xinyi Road, Taipei City 110, Taiwan (R.O.C.)

Website: [www.kpmg.com.tw](http://www.kpmg.com.tw)

Tel: 886-2-8101-6666

## **V. Corporate Website**

[www.holtek.com](http://www.holtek.com)

## Contents

<b>I. Letter to the Shareholders.....</b>	<b>1</b>
<b>II. Company Profile</b>	
2.1 Date of Incorporation.....	4
2.2 History and Milestones of Holtek.....	4
<b>III. Corporate Governance</b>	
3.1 Organization.....	7
3.2 Directors and Management Team.....	11
3.3 Remuneration of Directors, General Manager and Vice Presidents.....	27
3.4 Implementation of Corporate Governance.....	35
3.5 Information on the Fees for CPAs.....	79
3.6 Information on the Replacement of CPAs.....	79
3.7 Where the Company's Chairman and Management Team Members in charge of Finance or Accounting Matters has Held a Position at the Accounting Firm of its Independent Auditors or at an Affiliated Enterprise in the Most Recent Year.....	80
3.8 Transfer of Stock Options and Changes in Equity Pledge of Directors, Managers, and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of Printing of Annual Report.....	80
3.9 Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders.....	81
3.10 Ownership of Shares in Affiliated Enterprises.....	82
<b>IV. Capital Overview</b>	
4.1 Capital and Shares.....	83
4.2 Status of Corporate Bonds.....	89
4.3 Status of Preferred Shares.....	89
4.4 Status of Global Depository Receipts.....	89
4.5 Status of Employee Stock Option Plan (ESOP).....	89
4.6 Status of New Restricted Employee Shares.....	89
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	89
4.8 Financing Plans and Implementation.....	89

## **V. Operational Highlights**

5.1 Business Activities.....	90
5.2 Market, Production and Sales Overview.....	102
5.3 Employee Information.....	110
5.4 Information on the Expenditures for Environmental Protection.....	110
5.5 Labor Relations.....	110
5.6 Cyber Security Management.....	114
5.7 Material Contracts.....	117

## **VI. Financial Information**

6.1 Five-Year Financial Summary.....	118
6.2 Five-Year Financial Analysis.....	122
6.3 Audit Committee’s Review Report .....	125
6.4 Consolidated Financial Statements and Independent Auditors’ Report –the Company & Subsidiaries.....	125
6.5 Financial statements and Independent Auditors’ Report – the Parent Company.....	125
6.6 The Impact on the Company’s Financial Status in Cases Where the Company or its Affiliates Have Experienced Financial Difficulties.....	125

## **VII. Review of Financial Conditions, Operating Results, and Risk Management**

7.1 Analysis of Financial Status.....	126
7.2 Analysis of Operating Results.....	127
7.3 Analysis of Cash Flow.....	128
7.4 Major Capital Expenditure.....	128
7.5 Investment Policies.....	128
7.6 Risk Management.....	129
7.7 Other Material Events.....	131

## **VIII. Special Disclosure**

8.1 Summary of Affiliated Companies.....	132
8.2 Private Placement Securities.....	143
8.3 Holding or Disposition of the Company’s Stock List by Subsidiaries.....	143
8.4 Other Supplementary Information.....	143
8.5 The Most Recent Fiscal Year and Up to the Date of This Annual Report Printed, Any Events That Significantly Affects the Shareholders’ Equity or Stock Price of the Company as Stated in Subsection 2, Paragraph 3, Article 36 of the Securities and Exchange Act.....	143

## **Appendix**

Appendix 1: Consolidated Financial Statements and Independent Auditors’ Report –the Company & Subsidiaries.....	144
Appendix 2: Financial statements and Independent Auditors’ Report – the Parent Company.....	216

## **I. Letter to the Shareholders**

Dear Shareholders,

### **1. 2023 Business Results**

The year 2023 witnessed the semiconductor industry continuing to face the pressures of an economic downturn. Political and economic factors such as global inflation, rising interest rates, the Russia-Ukraine stalemate, China's economic slowdown and unresolved U.S.-China technology disputes continued to ferment. All of this had an impact on related markets leading to a contraction in consumer spending. Additionally, problems due to customer over-ordering because of previous epidemic shortages has now reversed, creating an overall supply chain inventory to exist at an overly high level. This has caused a subsequent fall in product prices due to a sudden reduction in demand and intensified competition. As a result, Holtek's annual operations have been negatively impacted by these environmental conditions, showing a decline when compared with the previous year.

For the year 2023, Holtek's consolidated revenue was NT\$2.596 billion, showing a 57% decrease from the previous year's NT\$6.016 billion. The gross profit margin was reduced to 50.4% and the net profit after tax attributable to the parent company was NT\$112 million. This was down 90% from a figure of NT\$1.106 billion in the previous year. The post-tax earnings per share was NT\$0.49.

The consumer electronics market is strongly affected by changes in business cycles. In response to this situation Holtek is fully aware of the importance of having a diversified product range. During 2023, Holtek faced the challenges of weaker global consumer market demand, severe inventory adjustments by its Chinese peers and fierce price competition. The economic impact of all of this caused Holtek's key products, such as touch application MCUs, 32-bit MCUs, USB application MCUs, RF wireless communication MCUs, power management devices, health measurement MCUs, wireless charging applications, etc., to experience a sales decline. Under such difficult conditions, revenue failed to reach the predetermined target and consequently showed negative growth. Overall, it could be said that Holtek's performance during 2023 was not ideal. There are many areas that require attention and improvement, however Holtek looks forward to making these active adjustments during 2024.

### **2. 2023 Research and Development**

Holtek continued its research and development activities in the MCU area but with a particular focus on green energy saving, smart life and safety protection applications and to enhance the function and performance of original MCU products. In 2023, Holtek also continued to invest in a range of development projects in key technology areas, IC development, modules/digital sensors and algorithms. Holtek also released many new Arm® Cortex®-M4 based 32-bit MCUs, for areas such as smart homes, green energy saving, health measurement, wireless communication, security protection, BMduino and professional modules etc. This will provide customers with unique products for a wide range of application areas to improve their product differentiation and volume production efficiency.

### **3. 2024 Business Strategies and Future Plans**

Holtek will retain its focus on both R&D and marketing of its 8-bit and 32-bit microcontrollers and microcontroller peripherals. Here Holtek provides a huge range of functionally rich 8-bit Flash MCUs alongside its Arm® Cortex®-M0+ and M4 core based 32-bit MCUs to form a complete and

comprehensive MCU device collection. Future application areas will include automotive, industrial control, AI edge computing and other fields. In addition, the introduction of integrated digital modules, combined with advanced wafer foundry processes and special packaging, can meet the needs of different customers and a wide range of product applications. The full range of standard and special application (ASSP) MCUs along with various digital modules (input sensing modules, output driver modules, output display modules, wireless communication modules, etc.) will continue to see improvements in product quality and performance, with the overall product development aimed at providing customers with more functional capability and complete application solutions.

With the development of the Artificial Intelligence Internet of Things (AIoT) and increasing profusion of smart homes and smart industrial control, sensors have become an increasingly important transmission interface. As a result, MCUs need to be equipped with a higher computing performance and edge computing functions. In responding to these market trends, Holtek will continue to devote its development resources to the design of 32-bit MCUs along with integrated sensing components and to use digital sensing modules to enhance product uniqueness providing Holtek with a differentiation with other peer companies. In addition, and in line with the demand for artificial intelligence (AI) and the rise of cloud AI diagnosis, Holtek's home medical products are expected to enter the edge computing field, using higher-performance 32-bit MCUs and related measurement sensors to access large volumes of data. In these applications, real-time analysis allows users to diagnose symptoms more accurately. Therefore, looking forward to the future, we hope to extend product applications into more product areas and increase the company's product gross profit margins and market share.

With the increasing importance attached to global company ESG sustainable management, Holtek continues to concentrate its resources on MCU R&D technology and RF wireless radio frequency technology as well as focusing efforts on the development of green power-saving products. These include BLDC (brushless DC) motor controller MCUs which have a high level of functional integration. These are SoC MCUs which will effectively minimise the required PCB area and by optimising the switching efficiency of the driver stage, switching losses will be reduced. These also use algorithms to obtain speed stability and silent running performance. Additionally, in the face of global net-zero carbon emission objectives with its ideal of a low-carbon lifestyle, maximum energy storage and high-efficiency management and application of green and environmentally friendly products are important goals for Holtek. Power management plays an important role in modern battery product applications and when combined with the intelligent management capabilities of MCUs, product efficiency can be greatly improved. Holtek will continue to develop high-performance and low-power products, improve user safety and understand and grasp key trends in end user markets. All of the above will combine to form the main focus of Holtek's innovative R&D which together will increase the company's core competitiveness during 2024.

#### **4. Future development strategies, influenced by external competition, regulations and the overall operating environment**

When looking into the future and with particular regard to the international political and economic situation predicted for 2024, we can see that the global economic outlook still faces many risks and challenges. The Russia-Ukraine and Israel-Palestine conflicts are continuing, global inflation and interest rates remain at high levels, creating combined factors which influence economic prospects and consumer spending confidence. There is also the effects of continuing U.S.-China disputes and rising geopolitical risks. Some countries have even introduced formal legislation to strengthen the security and resilience of their semiconductor supply chain. This situation could generate concerns over future wafer production overcapacity, thereby affecting the balance of supply and demand. China's attempts to increase its supply chain autonomy will result in continued pricing competition,

which when added to China's property crisis, will result in an increasingly severe China consumer market and industrial environment.

In responding to the above mentioned challenges and opportunities, in addition to strengthening its investment in professional technology and enhancing its core competitiveness, Holtek will also expand its professional module market to provide customers with fast and convenient solutions and vigorously develop its Indian and Southeast Asian markets to create a new wave of operational growth momentum. In remaining committed to operational and ESG balanced development, Holtek will remain focused on both product development and daily life energy conservation and carbon reduction. In doing so, Holtek will continue to create the maximum value for the company to maintain stable profitability for its shareholders and colleagues, as well as fully intending to fulfill its corporate social responsibilities. Finally and most importantly, we take this opportunity to thank all our shareholders for their continued support and encouragement both in the past, present and in the future.

Chairman: Wu, Chi-Yung

President: Tsai, Jung-Tsung

## II. Company Profile

### 2.1 Date of Incorporation:

The Company was found on October 1<sup>st</sup>, 1998.

### 2.2 History and Milestones of Holtek

Year	Month	Milestones
1998	October	Established in Hsinchu Science Park with paid-in capital of NT\$400 million.
1999	March	Increased share capital of NT\$600 million up to a total paid-in capital of NT\$1,000 million.
2000	March April May	Released first 8-bit OTP MCU which conformed to industry specification. Established Hong Kong office for shipping and warehousing operations in the Hong Kong and other regional areas. Public offering approval from the Ministry of Finance Securities and Futures Commission. Obtained ISO 9001 Certification.
2001	March May	Established Shanghai Office (Holtek Semiconductor (Shanghai) Inc.), for IC sales and provision of technical support and consulting services in China. Established North America Office (Holtek Semiconductor (USA) Inc.) for IC sales and provision of technical support and consulting services in North American.
2002	August October November	GTSM-Listed Stocks were approved by the Ministry of Finance Securities and Futures Commission. Established Suzhou Office (Holtek Semiconductor (Suzhou) Inc.), for IC sales and provision of technical support and consulting services in China. Official Over-the-Counter Stock Exchange registration.
2003	July August September	Obtained ISO 14001 Certification. Obtained SONY "Green Partner" Certification. Obtained the 12 <sup>th</sup> National Invention Prize.
2004	September December	Official Share Listing. Global Semiconductor Association presented an Outstanding Financial Performance Award to Holtek.
2005	June September October November	Obtained "ASUS Green Partner" Certification. Approval from Ministry of Economic Affairs, R.O.C. to setup a Research and Development Centre in Taiwan. Obtained Samsung Electronics "ECO Partner" Certification. 1st HOLTEK cup MCU campus Competition in Taiwan.
2006	May November	1st HOLTEK cup MCU campus Competition in Mainland China Obtained OHSAS 18001 Occupational Health and Safety Assessment Series Certification.

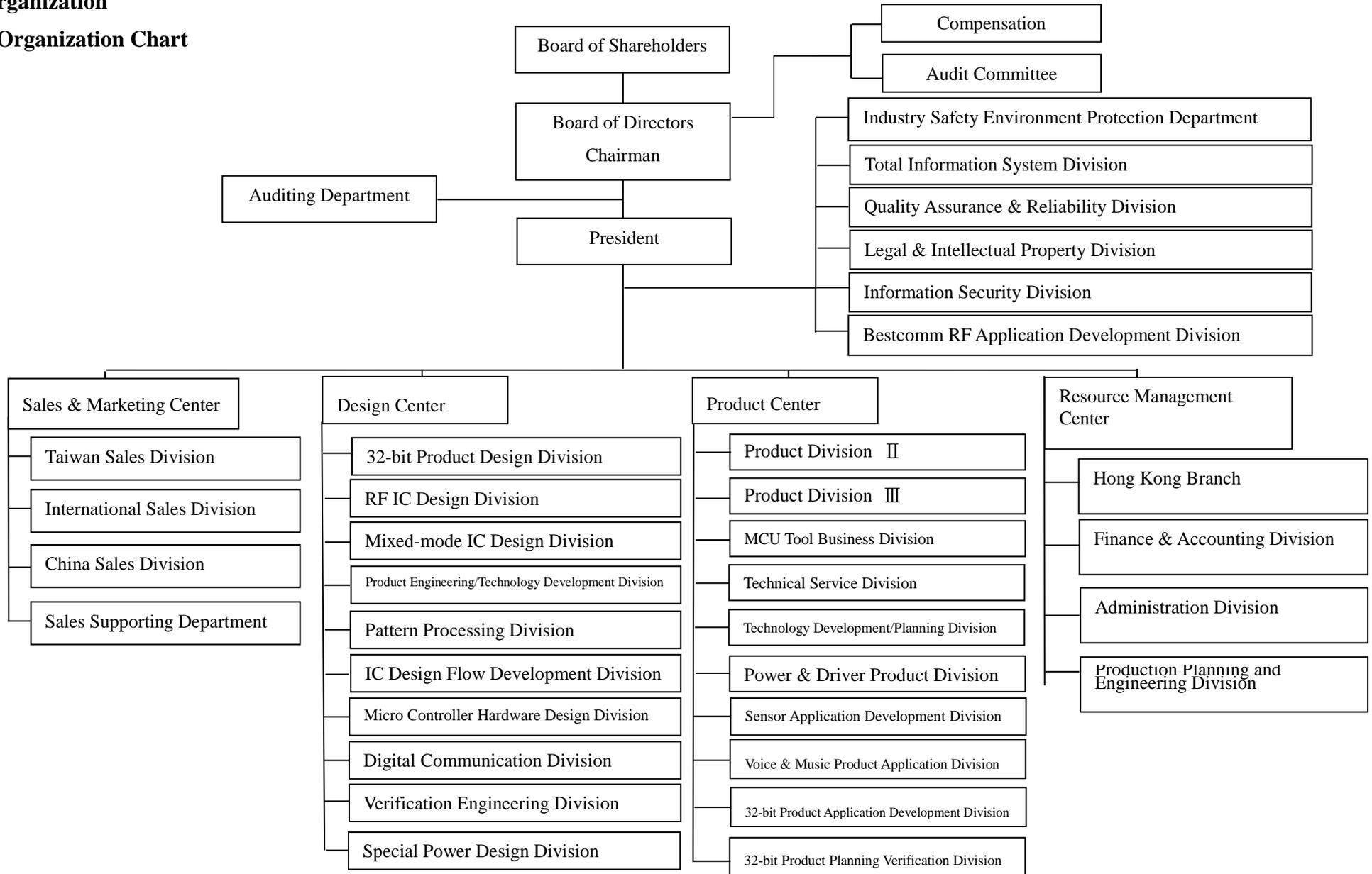
Year	Month	Milestones
2007	January	Released first 8-bit Flash MCU which conformed to industrial specifications.
	May	Obtained IECQ QC080000HSPM Certification.
	December	Holtek Wireless USB Audio MCU HT82A850R/HT82A851R won the Chinese Electronic Innovation Award.
2008	February	Established Xiamen Office (Holtek Semiconductor (Xiamen) Inc.), for IC and Microcontroller application tool technical support and consulting services in China.
2010	January	Released first integrated 8-bit Touch Key Flash MCU.
2011	May	Holtek Semiconductor (Shanghai) Inc. moved to Shenzhen and renamed its name to Holtek Semiconductor (Shenzhen) Inc., for IC sales and provision of technical support and consulting services in China.
	June	Released first 32-bit ARM® Cortex®-M3 Flash MCU.
	October	Released Touch Key Flash MCU with LED/LCD Driver.
2012	June	Holtek Semiconductor (Shenzhen) Inc. relocated and established subsidiary company in Songshan Lake, Dongguan. (Holtek Semiconductor (China) Inc.), for IC sales and provision of technical support and consulting services in China.
2013	September	Established Holtek Semiconductor (China) Inc.-Beijing Office, for IC sales and provision of technical support and consulting services in Northern China.  Established Holtek Semiconductor (China) Inc.-Hangzho Office, for IC sales and provision of technical support and consulting services in Eastern and Central China.  Established Holtek Semiconductor (China) Inc.-Shunde Office, for IC sales and provision of technical support and consulting services in Shunde District in China.
	November	Obtained Qi Spec Certification of Wireless Power Consortium (WPC).
2014	July	Released the World's Thinnest 6.5mm and 4.9mm Optical Fingerprint Identification Module.  The World's Fifth Semiconductor Company with UL 60730-1 Software Certification - Household Appliances Security Mechanisms.  Approval from Ministry of Economic Affairs, R.O.C. to setup headquarters in Taiwan.
	November	Wireless Charger MCU obtained Qi Spec Certification of Wireless Power Consortium (WPC).
2015	March	Obtained the 3 <sup>rd</sup> Taiwan Middlestand Award.
	September	Power Bank MCU obtained Qualcomm Quick Charge 2.0 Certification.
	December	Holtek to Run its 10 <sup>th</sup> MCU Innovation Competition.  Released Arm® Cortex® -M0+  1mm fingerprint recognition sensor
2016	February	Holtek signs Letter of Intent with Sony Mobile.
2017	April	Top 5% of the 3 <sup>rd</sup> Corporate Governance Assessment Award of the TWSE.
2018	December	Holtek Semiconductor Inc. Wins Global Semiconductor Alliance (GSA)'s 2018 Best

Year	Month	Milestones
		Financially Managed Semiconductor Company.
2019	April	Top 5% of the 5 <sup>th</sup> Corporate Governance Assessment Award of the TWSE.
2020	October	STREAM Electronic Musical Instrument Application Music/ Voice MCU and Development Platform. Various MCUs and Sensors for Specific Use in Fire Safety / Security & Protection Products.
2021	December	Revenue Surpassed NT\$7.1 Billion. Holtek Semiconductor Inc. is delighted to be shortlisted for the “2021 GSA Global Semiconductor Industry Association Best Financial Management Award”. Obtained UL / IEC 60730-1 Class B Motor Control Software Safety Certification. Released the new Arm® Cortex® -M0+ Bluetooth 5.2 BLE MCU.
2022	October December	Established "Information Security Committee" The shipment of 32bits MCU has accumulated to 150millions units. Launched 32 bits MCU of BLDC platform, HCT (Hematocrit) blood glucose meter MCU and others solutions. A wide range of digital sensor modules, including temperature and humidity digital sensors, PIR digital sensors, air pressure digital sensors, infrared proximity sensor digital modules, etc.
2023	June July	Released Arm® Cortex® -M4+ Established "Risk Management Committee"

### III. Corporate Governance

#### 3.1 Organization

##### 3.1.1 Organization Chart



### 3.1.2 Major Corporate Functions

Department	Functions
Auditing Department	Responsible for internal auditing of the Company's business and administration.
Industry Safety Environment Protection Department	Responsible for industry safety, fire security, health care and environmental protection, etc.
Total Information System Division	Responsible for the information system development structure, information security management planning, network/hardware facility management, etc.
Quality Assurance & Reliability Division	Engaged in importing and exporting inspection, monitoring and evaluating of quality of outsourcing manufacturers, implementing quality control activities, instruments calibration, executing product reliability testing and providing customer complaint services, etc.
Legal & Intellectual Property Division	Responsible for legal affairs, intellectual property management and advisory services, etc.
Information Security Division	Responsible for promoting, coordinating, supervising and reviewing information security management matters, establish information security policies and goals.
Bestcomm RF Application Development Division	Responsible for feature planning and verification of RF ICs, reference design in compliance with applicable regulatory, planning and verification of module development and software setup and development of protocol.
Taiwan Sales Division	Responsible for product promotion and sales, agent/third party/customer management and technical services in Taiwan.
International Sales Division	Responsible for technology introduction and intelligence collection, agent/third party/customer management, technical support, product promotion and overseas sales.
China Sales Division	Responsible for market development, market analysis, product marketing and agency management in China.
Sales Supporting Department	Responsible for product inventory management, business information analysis and product pricing and cost management.
32-bit Product Design Division	Responsible for the development and integration of relevant IC/IPs for 32-bit MCUs.
RF IC Design Division	Responsible for the development and integration of radio frequency receiver ICs.
Mixed-mode IC Design Division	(A) Technical evaluation and circuit design of analog ICs/IPs, Memory ICs/IPs and Digital Cell Libraries/IPs. (B) Circuit design of special I/Os and standardisation of ESD/Latch-up cells.
Product Engineering/Technology Development Division	Responsible for evaluation, management and verification of electrostatic protection and product engineering.
Pattern Processing Division	(A) Establishment of pattern processing automation environment and databases. (B) Mask outsourcing and Pattern layout execution.

Department	Functions
IC Design Flow Development Division	<p>(A) R&amp;D environment integration and technical support of design tools, process and test engineering.</p> <p>(B) Coordinate the development and outsourcing of test technology and introduce testing processes into volume production and management.</p>
Micro Controller Hardware Design Division	Responsible for technology strategic planning and product design planning management for the development of MCU devices.
Digital Communication Division	Responsible for the development of digital signal processors, digital signal processing algorithm development, digital modulation/demodulation technology and basic frequency data packet processing/link layer controller and analysis and simulation of communication system architecture.
Verification Engineering Division	Responsible for the verification of development tools' and ICs' specifications.
Special Power Design Division	Responsible for the design and development planning of power management ICs, research and design planning of low-power controllers, development of power related products' intellectual property and establishment of planning and management through the R&D process.
Product Division II	Responsible for the planning, development and product promotion of 8-bit MCUs.
Product Division III	<p>(A) Coordinate the development technology for IC products, including standard MCUs, embedded MCUs, ASSP MCUs for specific products and ASIC related products related MCUs. Provide research on key technologies and the establishment of key IPs for technology-leading products.</p> <p>(B) Specification development, design development, product validation and software and hardware technical support for VFD/LED/LCD display controllers/driver ICs.</p>
MCU Tool Business Division	Responsible for project technology development, new technology evaluation and implementation, tool technology evaluation; customer service problem solving, implementing future continuous improvements; lab maintenance and components purchasing.
Technical Service Division	Engaged in providing technical and product application integration for customer requirements ;pre-development and implementation of new product application technology, establishment of solutions ; integrate media resources, Cooperation promotion and talent introduction.
Technology Development/Planning Division	<p>(A) Coordinate the development technology of IC products, including standard MCUs, embedded MCUs, ASSP MCUs for specific products. Includes analysis of product technical systems, development of IC market and technology development evaluation, IC specification and technology planning, IC application verification, product system verification, product application development, technical documents and follow-up product promotion technical services, etc.</p> <p>(B) Research in key technologies and establishment of key IPs for technology-leading products to upgrade product levels and competitiveness.</p>

Department	Functions
Power & Driver Product Division	Responsible for the product market planning, new product promotion and design evaluation and circuit design of Power Management driver ICs.
Sensor Application Development Division	Responsible for the development of sensor products, application specific ASSP MCUs and key IPs.
Voice & Music Product Application Division	Responsible for evaluation and development of Voice Algorithm and its application.
32-bit Product Application Development Division	Engaged in providing 32-bit MCU software/firmware and value-added services.
32-bit Product Planning Verification Division	Responsible for product planning, specification and function validation of 32-bit MCUs.
Hong Kong Branch	Responsible for overseas shipping and warehousing for Hong Kong and other countries.
Finance & Accounting Division	Responsible for accounting and tax management, reinvestment management, fund management, customer credit management, import and export bonded management, stock affairs and investor relations, etc.
Administration Division	Responsible for human resource management, general affairs and procurement management, etc.
Production Planning/Engineering Division	Engaged in coordination for the outsourcing of procurement and packaging/testing, warehousing/logistics management, tool manufacturing, packaging/testing engineering and other operations; Production and sales coordination, order delivery and order monitoring, distribution of goods and source allocation arrangements.

## 3.2 Directors and Management Team

### 3.2.1 Directors

As of March 31, 2024, Unit: Shares

Title	Nationality/ Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Bo-Kang Investment Ltd	-	May 24, 2022	3	May 24, 2022	6,578,502	291%	6,578,502	291%	0	0%	0	0%	None	None	None	None	None	None
		Wu Chi-Yung	Male/ 71~75	May 24, 2022	3	Sep. 7, 1998	3,932,905	1.74%	3,932,905	1.74%	0	0%	6,578,502	291%	Bachelor of Electronic Engineering Department, Feng Chia University Chairman, Holtek Semiconductor Inc.	Chief Executive Officer, Holtek Semiconductor Inc. Representative of a juridical person director, Holtek Semiconductor Holding (BVI) Ltd., Kingtek Semiconductor Holding (BVI) Ltd., BestComm RF Electronics (BVI) Inc. and Holtek Semiconductor (Suzhou) Inc. Chairman, Holtek Investment Co., Ltd., Xinqun Semiconductor (XIAMEN) Inc., Holtek Semiconductor (China) Inc., BestComm RF Electronics Inc. and Best Modules Corp. Independent director, Greatek Electronics Inc.	None	None	None	None
Director	R.O.C.	Tsai, Jung-Tsung	Male/ 51~60	May 24, 2022	3	May 29, 2019	332,684	0.15%	320,000	0.14%	186,580	0.08%	0	0%	Bachelor of Automatic Control Engineering Department, Feng Chia University	President, Holtek Semiconductor Inc Representative of a juridical person director, Holtek Semiconductor (USA) Inc., Best Modules Corp., Santek	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														VP of Sales & Marketing Center, Holtek Semiconductor Inc.	Holdings Ltd., Santek Electronics (Xiamen) Ltd., Santek Electronics HK Limited, Newtek Electronics Ltd., Newtek Electronics (Shenzhen) Ltd., Newtek Electronics HK Limited, New Wave Electronics Holding Ltd., Truetek Technology Ltd., Truetek Technology (Shanghai) Ltd., Truetek Technology HK Limited, E-Micro Technology Holding Ltd., E-Micro Technology (Qingdao) Ltd., ForIC Electronics Holding Ltd., ForIC Electronics (Beijing) Ltd., ForIC Electronics HK Limited, Crown Rich Technology Holding Ltd., Crown Rich Technology (Shenzhen) Ltd., Quanding Technology Holding Ltd., Quanding Technology (Suzhou) Ltd., Quanding Technology HK Limited, Tech Wave Ltd., Best Modules (Xiamen) Corp., Holtek Semiconductor (China) Inc., Best Modules Corp., Signal Electronic Co. Ltd. and EST Technology Integration Corp. Representative of a juridical person director					

Title	Nationality/ Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																and President, Holtek Semiconductor (India) Private Limited.				
Director	R.O.C.	Gau, Kuo-Tung	Male/ 61~70	May 24, 2022	3	Sep. 7, 1998	6,701,176	296%	6,701,176	296%	0	0%	0	0%	Bachelor of Electronic Engineering Department, Hwa Hsia University of Technology President, Holtek Semiconductor Inc.	Representative of a juridical person director, Holtek Semiconductor Holding (BVI) Ltd., Kingtek Semiconductor Holding (BVI) Ltd., MCU Holdings Ltd., Sigmos Holdings Ltd., Holtek Semiconductor (USA) Inc., Best Module-Tech Corporation, Best Modules Corp., Holtek Semiconductor (India) Private Limited, Holtek Semiconductor (China) Inc., Xinqun Semiconductor (XIAMEN) Inc., BestComm RF Electronics (Dongguan) Inc., Best Health Electronics (Dongguan) Corporation, Best Driver-tech (Hangzho) Corporation, Best Module-Tech (Xiamen) Corporation, Best Modules (Xiamen) Corp., Holtek Investment Co., Ltd., BestComm RF Electronics Inc., Best Modules Corp. and Signal Electronic Co. Ltd. Chairman and President	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																, Holtek Semiconductor (Suzhou) Inc.				
Director	R.O.C.	Chang, Chi	Male/ 61~70	May 24, 2022	3	June 1, 2004	1,111,785	0.49%	1,111,785	0.49%	276,389	0.12%	0	0%	Master of Electrical Engineering Department, National Cheng Kung University Executive Vice President of Design and Product Center, Holtek Semiconductor Inc.	Executive Vice President of Design and Product Center, Holtek Semiconductor Inc. Representative of a juridical person director, Holtek Semiconductor (Suzhou) Inc., Xinquan Semiconductor (XIAMEN) Inc. and Holtek Investment Co., Ltd.	None	None	None	None
Director	R.O.C.	Liu, Yuan-Ho	Male/ 61~70	May 24, 2022	3	May 24, 2022	50,422	0.02%	50,422	0.02%	10,000	0.00%	0	0%	Bachelor of Electronic Engineering Department, National Taipei University of Technology VP of Product Center, Holtek Semiconductor Inc.	Vice President of Product Center, Holtek Semiconductor Inc.	None	None	None	None
Director	R.O.C.	Wang, Jen-Chung (Note2)	Male/ 61~70	May 24, 2022	3	June 1, 2004	2,137,209	0.94%	2,137,209	0.94%	1,416,000	0.63%	0	0%	Master of Institute of Technology Management, Nation Tsing Hua University VP of Holtek Semiconductor Inc	None	None	None	None	None
Director	R.O.C.	Wang, Min-Kun	Male/ 61~70	May 29, 2023	3	May 29,	27,349	0.01%	27,349	0.01%	1,000	0.00%	0	0%	Bachelor of Electronic	Vice President of Product Center, Holtek	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
		(Note2)				2023									Engineering Department, National Taiwan Institute of Technology	Semiconductor Inc. Representative of a juridical person director, BestComm RF Electronics (BVI) Inc., BestComm RF Electronics Inc., BestComm RF Electronics (Dongguan) Inc., ETEK technology Company Ltd., Fine Chip Electronics Inc., Fine Chip Electronics (Shanghai) Inc., Anchip Technology Corporation, JXY Electronics Corporation, JXY Electronics (Shenzhen) Corporation, Best Health Electronics Corporation, Best Health Electronics (Dongguan) Corporation, Best Health Electronics HK Limited, Best Driver-tech Corporation, Best Driver-tech (Hangzho) Corporation, Best Module-Tech Corporation, Best Module-Tech (Xiamen) Corporation, Best Solution Electronic Inc., Best Solution Technology Inc., and Best Solution Technology (Dongguan) Inc.				
Independent Director	R.O.C.	Lu, Cheng-Yueh (Note 3)	Male/ 71~75	May 24, 2022	3	April 17, 2002	0	0%	0	0%	0	0%	0	0%	Master of Accounting Department, Soochow University	CPA, Lee, Lin & CO.	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender / Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Executives or Directors who are spouses or within two degrees of kinship			Note 1
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														CPA, Lee, Lin & CO.						
Independent Director	R.O.C.	Hsing, Chih-Tien	Male/ 76~80	May 24, 2022	3	June 1, 2004	36,000	0.02%	36,000	0.02%	0	0%	0	0%	Ph.D., Electrical Department, University of Florida Senior Vice President, Quanta Computer Inc. and Director of Electronics Engineering, Industrial Technology Research Institute	Independent Director, Innovision Flex Tech Corp.	None	None	None	None
Independent Director	R.O.C.	Hsu, Jui-Ting	Female /51~60	May 24, 2022	3	May 24, 2022	0	0%	0	0%	0	0%	0	0%	Bachelor of Accounting Department, Tunghai University AVP of Management, Evest Corporation	AVP of Management, Evest Corporation	None	None	None	None

Note1 : President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) and Chairman are not (1) the same person, (2) in a material relationship with each other, or (3) within one degree of consanguinity

Note2 : Director, Wang, Jen-Chung, was resigned on May 29, 2023. And Wang, Min-Kun, was new-appointed on the same day.

Note3 : Independent Director, Lu, Cheng-Yueh, was resigned on June 6, 2023.

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
Bo-Kang Investment Ltd.	Chang, An-Hua(42%) 、Wu, Chi-Yung(58%)

### 3.2.2 Professional Qualifications of Directors and Disclosure of Independence for Independent Directors

Name	Criteria Professional qualifications and experience (Note)	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Bo-Kang Investment Ltd. Representative Wu, Chi-Yung	Mr. Wu has accumulated over 40 years of practical experience in the semiconductor industry with a focus in strategic management, industry knowledge, leadership skills and day to day operations. There are no violations arising out of Article 30 of the Company Act.	Not applicable	1
Director Tsai, Jung-Tsung	Mr. Tsai has over 28 years of field in MCU products with business management and crisis management skills, marketing and technology industry, practical experience, industry knowledge. There are no violations arising out of Article 30 of the Company Act.	Not applicable	0
Director Gau, Kuo-Tung	Mr. Gao has over 40 years of experience in decision making and crisis management, practical experience, industry knowledge and international market perspective, with a focus on semiconductor industry management. There are no violations arising out of Article 30 of the Company Act.	Not applicable	0
Director Chang, Chih	Mr. Chang has over 40 years of experience in technology development, crisis management, practical experience and industry knowledge, specializing in operational planning related to the semiconductor industry. There are no violations arising out of Article 30 of the Company Act.	Not applicable	0
Director Liu, Yuan-Ho	Mr. Liu has marketing and technical services, industry knowledge, practical experience, management and decision-making skills. There are no violations arising out of Article 30 of the Company Act.	Not applicable	0
Director Wang, Min-Kun	Mr. Wang has experience in technology development, industry knowledge, practical experience, management and decision-making skills. There are no violations arising out of Article 30 of the Company Act.	Not applicable	0

Criteria Name	Professional qualifications and experience (Note)	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Hsing, Chih-Tien	Mr. Hsing is fully conversant with semiconductor industry chain technological developments and additionally has expertise in corporate governance, technology industry and crisis management. He has served as an independent director for more than three terms (nine years), he is able to provide industry analysis and insight into the application of technology in operational management. During the exercising of his duties as an independent director, this expertise is used to provide supervision and advice to the board. There are no violations arising out of Article 30 of the Company Act.	Comply with the independence requirements, including but not limited to the following matters: The person concerned, his/her spouse and relatives within the second degree of kinship (or in the name of others) hold the shares of the Company in 36,000 shares (0.02%). The person is not a director, supervisor, or employee of an enterprise related to the Company (Reference to the Article 3, Paragraph 1, Paragraphs 5 to 8 of the Rules Governing the Establishment and Compliance of Independent Directors of Publicly Traded Companies). The person concerned do not receive any remuneration for providing business, legal, financial, and accounting services to the Company or its affiliated companies in the past 2 years.	1
Independent Director Hsu, Jui-Ting	Mrs. Hsu has experience in Accounting and financial analysis skills, corporate governance, human resource management, operational management and practical experience. There are no violations arising out of Article 30 of the Company Act.	Comply with the independence requirements, including but not limited to the following matters: The person concerned, his/her spouse and relatives within the second degree of kinship (or in the name of others) do not hold shares of the Company. The person is not a director, supervisor, or employee of an enterprise related to the Company (Reference to the Article 3, Paragraph 1, Paragraphs 5 to 8 of the Rules Governing the Establishment and Compliance of Independent Directors of Publicly Traded Companies). The person concerned do not receive any remuneration for providing business, legal, financial, and accounting services to the Company or its affiliated companies in the past 2 years.	0

Note : Please refer to “3.2.1 Directors” in the annual report for professional qualifications and experiences of the Board members.

### Diversity and independence of the Board of Directors:

- According to Article 20 of the company's "Corporate Governance Best Practice Principles," the composition of the board of directors should consider diversity and establish appropriate diversification guidelines based on its operations, business type, and development needs. These guidelines should preferably include, but are not limited to, the following two main criteria :
  - Fundamental qualities and values, such as gender, age, nationality, and culture.
  - Professional knowledge and skills, such as professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Members of the board of directors should generally possess the necessary knowledge, skills, and qualities required to perform their duties. To achieve the ideal goal of corporate governance, the board as a whole should possess the following capabilities:

- A. Ability to make business judgments.
- B. Accounting and financial analysis skills.
- C. Operational and management skills.
- D. Crisis management ability.
- E. Industry knowledge.
- F. International market perspective.
- G. Leadership skills.
- H. Decision-making ability.

2. The specific management objectives of the company's board diversity policy are as follows:

- (A) To ensure a balanced board structure, the goal is to have at least one female director.
- (B) To strengthen the board's oversight function, the objective is to limit the continuous term of more than half of the independent directors to no more than three terms.

3. The achievement of the board's diversity policy is as follows:

- A. The 9th term of the company's board of directors originally had nine members: six general directors and three independent directors, with independent directors representing 33% of the board. However, as of the annual report publication date, due to the resignation of one independent director, the board currently consists of six general directors and two independent directors (25% independent directors). The company plans to elect an additional independent director at the 2024 shareholders' meeting, which will result in less than half of the independent directors serving more than three consecutive terms. The current board now includes one female director, reaching the set goal for board diversity.
- B. All of the company's directors are of local nationality. The age distribution of the board members is as follows: two directors are between 51-60 years old, four directors are between 61-70 years old, one director is between 71-75 years old, and one director is between 76-80 years old.
- C. The professional backgrounds of the company's board members cover the fields of semiconductors, management, and finance. Specifically, wafer manufacturing includes directors Wu Chi-Yung, Gau, Kuo-Tung, and independent director Hsing, Chih-Tien (total of three), IC design which is the company's main business includes directors Chang, Chih and Wang, Min-Kun (total of two), product end-use applications includes directors Tsai, Jung-Tsung and Liu, Yuan-Ho (total of two), and finance experience is represented by independent director Hsu, Jui-Ting.

4. Implementation of diversification in the Board:

Title	Chairman	Director					Independent Director	
Name	Wu, Chi-Yung	Tsai, Jung-Tsung	Gau, Kuo-Tung	Chang, Chih	Liu, Yuan-Ho	Wang, Min-Kun	Hsing, Chih-Tien	Hsu, Jui-Ting
Gender	Male	Male	Male	Male	Male	Male	Male	Female
Age	71-75	51-60	61-70	61-70	61-70	61-70	75-80	51-60
Nationality	Republic of China							
Employee	V	V		V	V	V		

under 3 years								V
Background								
Technology	V	V	V	V	V	V	V	
Finance	V	V	V	V	V	V	V	V
Law	V	V	V	V			V	V
Professional knowledge and skills								
Industry experience	V	V	V	V	V	V	V	V
Operationa	V	V	V	V	V	V	V	V
Management	V	V	V	V	V	V	V	V
Risk Management	V	V	V	V	V	V	V	V
international perspective	V	V	V	V	V	V	V	V
Leadership and Strategy Decision	V	V	V	V	V	V	V	V

## Board Independence

- (1) The company's board of director guides company strategy, supervises management, and is accountable to the company and its shareholders. In the company's governance system and various arrangements, the board of directors exercises its authority according to relevant laws, regulations, and shareholder meeting resolutions. The board of directors emphasizes independence in operations and transparency. Both the directors and the independent directors are independent individuals who exercise their powers autonomously.
- (2) The appointment process for all directors of the company is conducted openly and fairly, in compliance with the company's Articles of Association, Director Election Regulations, Corporate Governance Guidelines, Regulations Governing the Appointment of Independent Directors in Public Issuing Companies and Matters to be Complied with, and Article 14-2 of the Securities and Exchange Act, among others. The current composition of the board of directors consists of two independent directors (25%) and six non-independent directors (75%), with five directors holding employee status (63%). Due to the resignation of one independent director, the company will elect one independent director at the 113th shareholders' meeting, resulting in a total of three independent directors. There are no spousal or close relative relationships within two degrees of consanguinity among all directors, in compliance with Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

### 3.2.3 Management Team

As of March 31, 2024, Unit: Shares

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Note 1
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Executive Officer	R.O.C.	Wu Chi-Yung	Male	Oct. 01, 1998	3,932,905	1.74%	0	0%	6,578,502	2.91%	Bachelor of Electronic Engineering Department, Feng Chia University	Representative of a juridical person director, Holtek Semiconductor Holding (BVI) Ltd., Kingtek Semiconductor Holding (BVI) Ltd., BestComm RF Electronics (BVI) Inc. and Holtek Semiconductor (Suzhou) Inc. Chairman, Holtek Investment Co., Ltd., Xinqun Semiconductor (XIAMEN) Inc., Holtek Semiconductor (China) Inc., BestComm RF Electronics Inc. and Best Modules Corp. Independent director, Greatek Electronics Inc.	None	None	None	None
President	R.O.C.	Tsai, Jung-Tsung (Note 2)	Male	June 15, 2010	320,000	0.14%	186,580	0.08%	0	0%	Bachelor of Automatic Control Engineering Department, Feng Chia University	Representative of a juridical person director, Holtek Semiconductor (USA) Inc., Best Modules Corp., Santek Holdings Ltd., Santek Electronics (Xiamen) Ltd., Santek Electronics HK Limited, Newtek Electronics Ltd., Newtek Electronics (Shenzhen) Ltd., Newtek Electronics HK Limited, New Wave Electronics Holding Ltd., Truetek Technology Ltd., Truetek Technology (Shanghai) Ltd., Truetek Technology HK Limited, E-Micro Technology	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Note 1
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
												Holding Ltd., E-Micro Technology (Qingdao) Ltd., ForIC Electronics Holding Ltd., ForIC Electronics (Beijing) Ltd., ForIC Electronics HK Limited, Crown Rich Technology Holding Ltd., Crown Rich Technology (Shenzhen) Ltd., Quanding Technology Holding Ltd., Quanding Technology (Suzhou) Ltd., Quanding Technology HK Limited, Tech Wave Ltd., Best Modules (Xiamen) Corp., Holtek Semiconductor (China) Inc., Best Modules Corp., Signal Electronic Co. Ltd. and EST Technology Integration Corp.  Representative of a juridical person director and President, Holtek Semiconductor (India) Private Limited.				
President	R.O.C.	Gau, Kuo-Tung (Note 2)	Male	Oct. 01, 1998	6,701,176	2.96%	0	0%	0	0%	Bachelor of Electronic Engineering Department, Hwa Hsia University of Technology	Representative of a juridical person director, Holtek Semiconductor Holding (BVI) Ltd., Kingtek Semiconductor Holding (BVI) Ltd., MCU Holdings Ltd., Sigmos Holdings Ltd., Holtek Semiconductor (USA) Inc., Best Module-Tech Corporation, Best Modules Corp., Holtek Semiconductor (India)	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Note 1
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
												Private Limited, Holtek Semiconductor (China) Inc., Xinqun Semiconductor (XIAMEN) Inc., BestComm RF Electronics (Dongguan) Inc., Best Health Electronics (Dongguan) Corporation, Best Driver-tech (Hangzho) Corporation, Best Module-Tech (Xiamen) Corporation, Best Modules (Xiamen) CORP., Holtek Investment Co., Ltd., BestComm RF Electronics Inc., Best Modules Corp. and Signal Electronic Co. Ltd. Chairman and President, Holtek Semiconductor (Suzhou) Inc.				
Executive Vice President	R.O.C.	Chang, Chi	Male	Dec. 11, 1998	1,111,785	0.49%	276,389	0.12%	0	0%	Master of Electrical Engineering Department, National Cheng Kung University	Representative of a juridical person director, Holtek Semiconductor (Suzhou) Inc., Xinqun Semiconductor (XIAMEN) Inc. and Holtek Investment Co., Ltd.	None	None	None	None
Vice President	R.O.C.	Liu, Yuan-Ho	Male	January 1, 2017	50,422	0.02%	10,000	0.00%	0	0%	Bachelor of Electronic Engineering Department, National Taipei University of Technology	None	None	None	None	None
Vice President	R.O.C.	Wang, Min-Kun	Male	April 01, 2011	27,349	0.01%	1,000	0.00%	0	0%	Bachelor of Electronic Engineering Department,	Representative of a juridical person director, BestComm RF Electronics (BVI) Inc.,	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Note 1
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											National Taiwan Institute of Technology	BestComm RF Electronics Inc., BestComm RF Electronics (Dongguan) Inc., ETEK technology Company Ltd., Fine Chip Electronics Inc., Fine Chip Electronics (Shanghai) Inc., Anchip Technology Corporation, JXY Electronics Corporation, JXY Electronics (Shenzhen) Corporation, Best Health Electronics Corporation, Best Health Electronics (Dongguan) Corporation, Best Health Electronics HK Limited, Best Driver-tech Corporation, Best Driver-tech (Hangzho) Corporation, Best Module-Tech Corporation, Best Module-Tech (Xiamen) Corporation, Best Solution Electronic Inc., Best Solution Technology Inc., and Best Solution Technology (Dongguan) Inc.				
Assistant Vice President	R.O.C.	Wu, Shao-Nan	Male	June 23, 2003	103,845	0.05%	10,080	0.00%	0	0%	Bachelor of Physics Department, Tung Hai University	None	None	None	None	None
Assistant Vice President	R.O.C.	Wu, Der-Chwan	Male	April 15, 2005	1,040,317	0.46%	84,000	0.04%	0	0%	Master of Electrical Engineering Department, National Cheng Kung University	None	None	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Note 1
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Assistant Vice President	R.O.C.	Yu, Kuo-Cheng	Male	May 02, 2011	131,654	0.06%	29,839	0.01%	0	0%	Bachelor of Electronic Engineering Department, Feng Chia University	None	None	None	None	None
Assistant Vice President	R.O.C.	Pan, Chien-Chou	Male	May 20, 2019	120,000	0.05%	10,000	0.00%	0	0%	Bachelor of Electrical Engineering Department, National Taiwan Institute of Technology	None	None	None	None	None
Head of Accounting Department	R.O.C.	Liao, Ming-Tung	Male	June 01, 2018	18,000	0.01%	0	0%	0	0%	Master of Accounting Department, National Chung Cheng University	Representative of a juridical person supervisor, Holtek Semiconductor (Suzhou) Inc., Holtek Semiconductor (China) Inc., Holtek Xinqun Semiconductor (XIAMEN) Inc., BestComm RF Electronics (Dongguan) Inc., Anchip Technology (Dongguan) Corporation, Best Health Electronics (Dongguan) Corporation, Santek Electronics (Xiamen) Ltd., New Wave Electronics (Shenzhen) Ltd., Truetek Technology (Shanghai) Ltd., E-Micro Technology (Qingdao), ForIC Electronics (Beijing) Ltd., Quanding Technology (Suzhou) Ltd., Fine Chip Electronics (Shanghai) Inc., JXY Electronics (Shenzhen) Corporation, Best Solution Technology (Dongguan) Inc., Best Driver-tech	None	None	None	None
Head of Finance Department				February 01, 2019												

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees of Kinship			Note 1
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
												(Hangzho) Corporation, Best Module-Tech (Xiamen) Corporation, Best Modules (Xiamen) Corp., Holtek Investment Co., Ltd., BestComm RF Electronics Inc. and Best Modules Corp. Supervisor, Signal Electronic Co. Ltd.				

Note1 : President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) and Chairman are not (1) the same person, (2) in a material relationship with each other, or (3) within one degree of consanguinity

Note2: President, Gau, Kuo-Tung, was retired on December 31, 2023. And Tsai, Jung-Tsung, was new-appointed on January 1, 2024.



- The remuneration for independent directors is determined based on their level of involvement in the company's operations and the value they contribute, while also referencing the standard practices within the industry. According to Article 24 of the company's Articles of Incorporation, if the company makes a profit during the year, no more than 1.5% of the profit should be allocated for directors' remuneration. The compensation for business-related expenses considers that independent directors often simultaneously serve on functional committees like the Audit Committee and the Compensation Committee, requiring more responsibilities, higher risks, and greater time commitment compared to other directors. They may receive travel expenses and attendance fees for participating in functional committees, among other things. According to the "Board Performance Evaluation Measures," remuneration systems are regularly reviewed to ensure the management of risk and reward is balanced, taking into account the potential risks and correlations with future operational performance. The related performance assessments and remuneration justifications are approved by the Compensation Committee and the Board of Directors.
- In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements and reinvestment companies in the most recent year to compensate directors for their services, such as being independent contractors: None.

Note12 : Director, Wang, Jen-Chung, was resigned on May 29, 2023. And Wang, Min-Kun, was new-appointed on the same day.

Note13 : Independent Director, Lu, Cheng-Yueh, was resigned on June 6, 2023.

Range of Remuneration	Name of Directors			
	Total of Aggregate of first four items of remunerations (A+B+C+D)		Total of Aggregate of first seven items of remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) I
Below NT\$ 1,000,000	Bo-Kang Investment Ltd. , Tsai, Jung-Tsung, Gau, Kuo-Tung, Chang, Chi, Liu, Yuan-Ho, Wang, Jen-Chung, Wang, Min-Kun, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting.	Bo-Kang Investment Ltd. , Tsai, Jung-Tsung, Gau, Kuo-Tung, Chang, Chi, Liu, Yuan-Ho, Wang, Jen-Chung, Wang, Min-Kun, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting.	Bo-Kang Investment Ltd. , Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting.	Bo-Kang Investment Ltd. , Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting.
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (not incl.)	—	—	Wang, Min-Kun	Wang, Min-Kun
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)	—	—	Wu, Chi-Yung, Tsai, Jung-Tsung, Gau, Kuo-Tung, Chang, Chi, Liu, Yuan-Ho	Wu, Chi-Yung, Tsai, Jung-Tsung, Gau, Kuo-Tung, Chang, Chi, Liu, Yuan-Ho
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)	—	—	—	—

Range of Remuneration	Name of Directors			
	Total of Aggregate of first four items of remunerations (A+B+C+D)		Total of Aggregate of first seven items of remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) I
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)	—	—	—	—
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (not incl.)	—	—	—	—
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (not incl.)	—	—	—	—
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (not incl.)	—	—	—	—
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (not incl.)	—	—	—	—
Above NT\$100,000,000	—	—	—	—
Total	10	10	11	11

Note 1: Names of directors shall be listed separately, including directors and independent directors and the amount of each payment shall be disclosed in summary accordingly.

Note 2: The remunerations paid to directors in the latest year (including salaries, additional pay, service pay, various prizes, rewards, etc.).

Note 3: The value of remunerations approved to be assigned to directors by the Board of Directors in the most recent year.

Note 4: This is the expenses incurred by directors over the past years from carrying out related tasks, including transportation, special expenditure, various types of allowances, dormitory, and company cars, among other supplies in kind).

Note 5: Salaries, additional pay, service pay, various prizes, rewards, transportation, special expenditure, various allowances, dormitory, cars, and other actual items that are claimed by directors and employees (including part-time President, vice presidents, other managers and employees) in the latest year.

Note 6: This means that directors and employees (including part-time President, vice presidents, other managers, and employees) having claimed employee remunerations (including shares and cash) shall disclose employee remunerations distributed through the Board of Directors in the most recent year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculated proportionally and Exhibit 1-3 shall be completed.

Note 7: The total value of remunerations paid to directors of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 8: For the total value of various remunerations paid to each director by the Company, disclose the name of the director in the respective bracket.

Note 9: For the total value of various remunerations paid to each director of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the director in the respective bracket.

Note 10: Net income is the value in the latest year. When the International Financial Reporting Standards are adopted, net income is the value indicated in the entity or individual financial report from the most recent year.

Note 11: a. This column should clearly be filled out with the remuneration amount related to non-consolidated affiliates or parent company for directors of the Company.  
b. If the directors of the Company receive the remuneration from the non-consolidated affiliates or parent company, the remuneration shall be merged with the column I of the emolument bracket sheet; and the name of the column shall be changed to “Remuneration from Non-consolidated Affiliates or Parent Company”.  
c. Remuneration refers to the emolument (including employees, directors and supervisors emoluments) and business operation expense, etc., for directors of the Company as they are directors, supervisors or managers of non-consolidated affiliates or parent company.

### 3.3.2 Remuneration of the President and Vice President

Date: December 31, 2023; Unit: Value in NT\$ thousands

Title	Name	Salary(A) (Note 2)		Severance Pay (B)		Bonuses and Special Allowances (C) (Note 3)		Employee Bonus (D) (Note 4)				Total Remuneration and Ratio of total Remuneration (A+B+C+D) to Net Income (%) (Note 8)		Remuneration Paid to the President and Vice Presidents from Non-consolidated Affiliates or Parent Company
		The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company		All companies in the consolidated financial statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
Chief Executive Officer	Wu Chi-Yung	12,484	12,484	0	0	2,760	2,760	468	0	468	0	15,712 14.06%	15,712 14.06%	None
President	Tsai, Jung-Tsung (Note 10)													
President	Gau, Kuo-Tung (Note 10)													
Executive Vice President	Chang, Chi													
Vice President	Liu, Yuan-Ho													
Vice President	Wang, Min-Kun													

Note 10: President, Gau, Kuo-Tung, was retired on December 31, 2023. And Tsai, Jung-Tsung, was new-appointed on January 1, 2024.

Range of Remuneration	Name of President and Vice Presidents	
	The Company (Note 6)	All companies in the consolidated financial statements (Note 7) E
Below NT\$ 1,000,000	—	—
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (not incl.)	—	—
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)	Wu, Chi-Yung, Tsai, Jung-Tsung, Gau, Kuo-Tung, Chang, Chi, Liu, Yuan-Ho, Wang, Min-Kun	Wu, Chi-Yung, Tsai, Jung-Tsung, Gau, Kuo-Tung, Chang, Chi, Liu, Yuan-Ho, Wang, Min-Kun
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)	—	—
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)	—	—
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (not incl.)	—	—
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (not incl.)	—	—
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (not incl.)	—	—
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (not incl.)	—	—
Above NT\$100,000,000	—	—
Total	6	6

Note 1: Names of president and vice president shall be listed separately and individual payments made shall be disclosed through a summary.

Note 2: The remunerations paid to president and vice president in the latest year (including salaries, additional pay, service pay, various prizes, rewards, etc.).

Note 3: This is the expenses incurred by president and vice president over the past years from carrying out related tasks, including transportation, special expenditure, various types of allowances, dormitory, and company cars, among other supplies in kind).

Note 4: This means that president and vice president having claimed employee remunerations (including shares and cash) shall disclose employee remunerations distributed through the Board of Directors in the most recent year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculated proportionally and Exhibit 1-3 shall be completed.

Note 5: The total value of remunerations paid to president and vice president of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 6: president and vice president by the Company, disclose the name of the president and vice president in the respective bracket.

Note 7: For the total value of various remunerations paid to president and vice president of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the president and vice president in the respective bracket.

Note 8: Net income is the value in the latest year. When the International Financial Reporting Standards are adopted, net income is the value indicated in the entity or individual financial report from the most recent year.

Note 9: a. This column should clearly be filled out with the remuneration amount related to non-consolidated affiliates or parent company for Presidents and vice presidents of the Company.

b. If the president s and vice presidents of the Company receive the remuneration from non-consolidated affiliates or parent company, the remuneration shall be merged with the column E of the emolument bracket sheet; and the name of the column shall be changed to “Remuneration from Non-consolidated Affiliates or Parent Company”.

c. Remuneration refers to the emolument (including employees, directors and supervisors emoluments) and business operation expense, etc., for president s and vice presidents of the Company as they are directors, supervisors or managers of non-consolidated affiliates or parent company.

### 3.3.3 Names and Distribution of Managers Assigned with Employee Rewards

As of December 31, 2023; Unit: Value in NT\$ thousands

	Title	Name	Employee Bonus in Stock (Fair Market Value)	Employee Bonus in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	Chief Executive Officer	Wu Chi-Yung	0	935	935	0.84%
	President	Tsai, Jung-Tsung (Note 3)				
	President	Gau, Kuo-Tung (Note 3)				
	Executive Vice President	Chang, Chi				
	Vice President	Liu, Yuan-Ho				
	Vice President	Wang, Min-Kun				
	Assistant Vice President	Wu, Shao-Nan				
	Assistant Vice President	Wu, Der-Chwan				
	Assistant Vice President	Yu, Kuo-Cheng				
	Assistant Vice President	Pan, Chien-Chou				
	Head of Accounting/ Finance Department	Liao, Ming-Tung				

Note 1: Employee remunerations (including stock and cash) distributed to managers approved by the Board of Directors in recent years. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. After-tax pure earnings are those in the latest year. When the International Financial Reporting Standards are adopted, Net Income is the value indicated in the entity or individual financial statements from the most recent year.

Note 2: For the applicability of managers, follow the Tai-Cai-Zheng-San No. 0920001301 letter dated March 27, 2003.

- (1) Presidents and people of equivalent ranking
- (2) Vice Presidents and people of equivalent ranking
- (3) Assistant Vice Presidents and people of equivalent ranking
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Other people handling corporate affairs and signature rights

Note 3: President, Gau, Kuo-Tung, was retired on December 31, 2023. And Tsai, Jung-Tsung, was new-appointed on January 1, 2024

### 3.3.4 Compare and Describe the Analysis of Ratios of Total Remunerations Paid to Directors, Presidents, and Vice Presidents of the Company for the past two years by the Company

#### 1. Analysis of Remuneration of Directors, President, and Vice President in the last two years

Unit: Value in NT\$ thousands

Title	Item	The Company				All companies in the consolidated financial statements			
		2022		2023		2022		2023	
		Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax
Remuneration of Directors (including independent directors)		19,099	1.72%	1,060	0.95%	19,099	1.72%	1,060	0.95%
Remuneration of the President and Vice President		27,970	2.53%	15,712	14.06%	27,970	2.53%	15,712	14.06%

#### 1. Remuneration policies, procedures, standards, and structure, and its linkage to responsibilities, risks, and time spent:

##### (1) Remuneration policies, procedures, standards, and structure:

- (A) The salary of the Company's directors: According to Article 19 of the Articles of Incorporation, that the Board of Directors is authorized to determine the remuneration for the all directors, according to involvements and contributions to the Companies' operation. The remuneration is restricted by the highest level of the Regulations for the remuneration of the Company. In case of profit generated for the year, it shall set aside no more than 1.5% for remuneration of directors as stipulated in Article 24 of the Articles of Incorporation.

The compensation for business-related expenses considers that independent directors often simultaneously serve on functional committees like the Audit Committee and the Compensation Committee, requiring more responsibilities, higher risks, and greater time commitment compared to other directors. They may receive travel expenses and attendance fees for participating in functional committees, among other things.

The Company evaluates the remuneration of the Board in accordance with the "Board Performance Evaluation Measures" regularly. The Compensation Committee discusses the allocation of directors' remuneration within the above amount according to the level of business execution of each director, and then submits it to the board of directors for resolution.

- (B) The salary of the Company's managers: Based on "Rules and Procedures for Performance Assessments", "Initial Salary and Salary Adjustment Process", "Employee Quarterly Bonus Standard Announcements" and with reference to standards of the industry and the Company's overall operating performance, including fixed salaries, performance bonuses, employee remuneration and other remuneration. In accordance with Article 24 of the Company's Articles of Incorporation, 5% to 15% of the employees' remuneration shall be set aside as employees' remuneration.
- (C) The structure of the remuneration package provided by the company follows the scope outlined in the organizational guidelines of the Compensation Committee and aligns with the standards for disclosing director and managerial remuneration in the annual reports of publicly listed companies.

(2) Procedure for setting remuneration

- (A) The evaluation result of the “Holtek's Board Performance Evaluation Measures” and “Performance Evaluation Measures” that is applicable to the managers and employees are the basis to regularly evaluate the salary and remuneration of the directors and managers. Performance assessments and compensation levels of directors and managers shall take into account the general pay levels in the industry, assessment of the board, directors and functional committees, the time spent by the individual and their responsibilities. Evaluate the relevance of individual performance to the Company's operating performance and future risks, make recommendations and submit them to the Board for resolution. The remuneration of the Manager is based on the position, the level of contribution to the Company and reference to industry standards, and in accordance with the Company's personnel rules.
- (B) The self-evaluation of the Board of Directors, Board members, and other functional committee members were all “outstanding” in 2023.
- (C) To reward employees for their hard work, the remuneration structure is designed to offer bonuses directly linked to the company's operating performance, team performance, and individual performance. This approach embodies the spirit of profit-sharing between labor and management.

(3) The Linkage with remuneration amount

- (A) Review of remuneration policies, including compensation standards and systems, is conducted annually through industry salary surveys, exit interviews, and evaluations of the company's operational status, while also taking individual performance into consideration. After discussion in senior management meetings, appropriate adjustments are made to employee salaries to ensure they align with market standards and maintain fairness.
- (B) The directors' and managers' performance and salary rationality are evaluated and reviewed by the Audit Committee and the Board of Directors every year to minimize the possibility and relevance of future risks that need to be considered in business performance. The review on the distribution standard and system of the Company's remuneration policy is mainly based on the overall operation performance in order to achieve a balance between risk and reward management.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

The Board of Directors held 7 sessions in 2023. The attendance of the directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Bo-Kang Investment Ltd. Representative: Wu Chi-Yung	7	0	100%	
Director	Tsai, Jung-Tsung	7	0	100%	
Director	Gau, Kuo-Tung	7	0	100%	
Director	Chang, Chi	7	0	100%	
Director	Liu, Yuan-Ho	7	0	100%	
Director	Wang, Jen-Chung	3	0	100%	Director, Wang, Jen-Chung, was resigned on May 29, 2023. And Wang, Min-Kun, was new-appointed on the same day.
Director	Wang, Min-Kun	4	0	100%	
Independent Director	Lu, Cheng-Yueh	3	0	100%	Independent Director, Lu, Cheng-Yueh, was resigned on June 6, 2023.
Independent Director	Hsing, Chih-Tien	6	1	86%	
Independent Director	Hsu, Jui-Ting	7	0	100%	

Other mentionable items:

- Meetings of the Board of Directors, if in accordance with the following conditions, shall clearly state the date of the Board of Directors' Meeting, the term number, the contents of the proposals, and opinions from all Independent Directors and the follow-up procedures of the Company:
  - Matters listed in Article 14-3 of the Securities and Exchange Act:

The Company has established the Audit Committee and is therefore exempted from Article 14-3 of the Securities and Exchange Act. Please refer to "Operation of Audit Committee" in the Annual Report for related information.
  - Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None.
- Execution of the directors' interests evasion: The directors have avoided the proposal with personal stake.
- The evaluation cycle and period, evaluation scope, method and evaluation content and other

information of the self (or peer) evaluation of the Board of Directors:

- (1) Evaluation Cycle: At least once a year.
- (2) Evaluation Period: Period from 2023/01/01 to 2023/12/31.
- (3) Evaluation Scope: The Board of Directors, individual directors, the Compensation Committee and the Audit Committee.
- (4) Evaluation Method: Internal self-evaluation by members of the Board of Directors, individual directors, internal self-evaluation by members of audit committee and internal self-evaluation by members of compensation committee.
- (5) Evaluation Content:
  - A. The performance assessment of the Board of Directors: The following five aspects are included:
    - (a) The degree of participation in the Company's operations.
    - (b) Improvement in the quality of decision making by the Board of Directors.
    - (c) The composition and structure of the Board of Directors.
    - (d) The election of the directors and their continuing professional education.
    - (e) Internal controls.
  - B. The performance assessments of board members shall include at least the following six aspects:
    - (a) Their grasp of the Company's goals and missions.
    - (b) Their recognition of director's duties.
    - (c) Their degree of participation in the Company's operations.
    - (d) Their management of internal relationships and communication.
    - (e) Their professionalism and continuing professional education.
    - (f) Internal controls.
  - C. The performance assessment of the Audit Committee members shall include at least the following five aspects:
    - (a) Their degree of participation in the Company's operations.
    - (b) Their recognition of the duties of the Audit Committee.
    - (c) Improvement in the quality of decision making by the Audit Committee.
    - (d) The composition of the Audit Committee, and election and appointment of committee members.
    - (e) Internal control.
  - D. The performance assessment of the Compensation Committee members shall include at least the following five aspects:
    - (a) Their degree of participation in the Company's operations.
    - (b) Their recognition of the duties of the Compensation Committee.
    - (c) Improvement in the quality of decision making by the Compensation Committee.
    - (d) The composition of the Compensation Committee, and election and appointment of committee members.
    - (e) Internal control.

Performance Evaluation Results: The performance evaluation results for the board of directors, board members, the audit committee, and the compensation committee for 2023 were all "Excellent." The results were reported to the board on January 29, 2024.

4. Goals to enhance the Board's operations:

- (1) The Compensation Committee has been established on October 25, 2011 and Audit Committee has been established on May 27, 2016 to enhance operational effectiveness of the Board of Directors.

(2) The Company's Board approved the "Rules and Procedures of Board of Directors' Meetings", "Board of Directors Self-Assessment of Performance", "Ethical Corporate Management Best Practice Principles", "Corporate Governance Best Practice Principles", "Sustainable Development Best Practice Principles" and "Risk Management Methods and Procedures". The board and individual directors shall perform evaluation in accordance with "Board of Directors Self-Assessment of Performance" by conducting self-assessment annually. The self-evaluation of the Board of Directors, Board members, and other functional committee members were all "outstanding" in 2022.

### 3.4.2 Operation of Audit Committee

The Audit Committee was held by 3 independent directors and its major duty is that assisting the Board of Directors to execute and supervise their duties engaging in the tasks in accordance of the Company Act, the Securities and Exchange Act and any other relevant regulations or laws. The matters discussed in the Audit Committee mainly include:

1. Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
  2. Assessment of the effectiveness of the internal control system.
  3. Operating procedures for obtaining or disposing of assets, engaging in derivative transactions, outward loans to others, endorsement and guarantee to others, in accordance with Article 36-1 of the Securities and Exchange Act.
  4. Matters relating to the director's own interests
  5. Material asset or derivative transactions.
  6. Significant outward loans to others, endorsement and guarantee to others
  7. Transaction of public offering, issuance or private placement of equity-type securities
  8. Appointment, discharge or remuneration of CPA
  9. Appointment and discharge of finance, accounting or internal audit supervisor
  10. The Company's financial statements
  11. The Company's merger and acquisition (M&A) matters
  12. Other material matters set forth by the competent authority, or by the Company.
- The Audit Committee will review the following matters in 2023 in accordance with the Charter of the Audit Committee:
    1. Review financial statements, business Report and proposal for distribution of profits.
    2. Assessment of the effectiveness of the internal control system.
    3. Amendment to the "Procedures for Acquisition or Disposal of Assets and Financial Derivatives" and "Risk Management Policy".
    4. Appointment and evaluation of the CPAs independence.
    5. Arrangement of liability insurance for its directors.

- Review annual financial report:

The Board of Directors prepared the Company's 2022 annual business report, financial statements and proposal for profit distribution. The financial statements have been audited and certified by the CPAs Lu, Chien-Hui and Cheng, An-Chih from KPMG Taiwan. The Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act has audited the aforementioned business report, financial statements and proposal for profit distribution and no disagreement has been found.

After the Audit Committee's examination and approval on March 07 2023, the Company issued an audit report in accordance with the requirements of the Audit Committee and submitted a report to the 112th Annual General Meeting.

Upon resolution from the Audit Committee on March 07, 2023 the Company issued an audit report in

accordance with the requirements of the Audit Committee and submitted a report to the 112th shareholders' Meeting.

- Assessment of the effectiveness of the internal control system

The Audit Committee approved the Statement of 2022 Internal Control System on February 15, 2023. The Audit Committee assessed the internal control system of the Company and its subsidiaries, and concluded that it was designed and implemented effectively. The Audit Committee evaluated the effectiveness of the Company's internal control system policies and procedures (including financial, operational, risk management, information security, and compliance controls) and reviewed the periodic reports of the CPA, audit department, and management (including risk management and compliance), and the Audit Committee concluded that the Company has adopted the necessary control mechanisms to monitor and correct non-compliance.

- Appointment and evaluation of the CPAs independence

In accordance with Rule 29 of the "Code of Corporate Governance for Listed OTC Companies" listed OTC companies should refer to the Audit Quality Indicators (AQIs) regularly (at least once a year) evaluate the independence and suitability of the CPA.

The company's audit committee and board of directors evaluate the independence and competency of the CPA every year. In addition to requiring the CPA to provide a statement of independence and audit quality indicators (AQIs), they also conduct evaluations based on accountant standards and 13 AQIs indicators. Confirm that the CPA has no other financial interests and business relationships with the company, and refer to the AQI indicator information to confirm that the CPA and the firm's verification experience and training hours are higher than the average level of the industry.

The Audit Committee of the Company on February 15, 2023 and the Board of Directors of the Company on February 16, 2023 approved the appointment of Ms. Lu, Chien-Hui CPA and Mr. Cheng, An-Chih, CPA, both of KPMG & Associates, as the Company's certifying accountants for the 2023.

The Audit Committee held 6 sessions in 2023. The attendance of the independent directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Convener)	Hsu, Jui-Ting	6	0	100%	
Independent Director	Hsing, Chih-Tien	5	1	83%	
Independent Director	Lu, Cheng-Yueh	3	0	100%	Resigned on June 6, 2023

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, Terms, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date	Resolution	Result	Action of the Company in responding to the Audit Committee
2023.02.15 The 3 <sup>th</sup> Term, the 3 <sup>th</sup> Meeting	1. Approved the internal audit report for the fourth quarter of 2022 2. Approved the allocation of 2022 employee bonuses and directors' remuneration. 3. Approved 2022 consolidated and individual	Approved by all Audit Committee Members.	None

	<p>financial statements.</p> <p>4. Approving the announcement of no lending funds to other parties in the four quarter of 2022.</p> <p>5. Approved the amendment to Internal Control System.</p> <p>6. Approved the Internal Control System Statement.</p> <p>7. Approved the intends to formulate the general principles of the pre-approval non-confirmation service policy.</p> <p>8. Approved the assessment report of CPA's independence and competence.</p>		
2023.03.07 The 3 <sup>th</sup> Term, the 4 <sup>th</sup> Meeting	<p>1. Approved the internal audit report for January 2023.</p> <p>2. Approved the amendment to the Procedures for Acquisition or Disposal of Assets and Financial Derivatives.</p> <p>3. Approved the permit of directors' engagement in competitive conducts.</p>	Approved by all Audit Committee Members.	None
2023.04.26 The 3 <sup>th</sup> Term, the 5 <sup>th</sup> Meeting	<p>1. Approved the internal audit report for February to March 2023</p> <p>2. Approved the company's consolidated financial statements for the first quarter of 2023.</p> <p>3. Approving the announcement of no lending funds to other parties in the first quarter of 2023.</p> <p>4. Approved the issuance of credit line extension of Bank.</p> <p>5. Approved the issuance of short-term currency exchange credit of Bank.</p>	Approved by all Audit Committee Members.	None
2023.07.28 The 3 <sup>th</sup> Term, the 6 <sup>th</sup> Meeting	<p>1. Approved the internal audit report for the second quarter of 2023.</p> <p>2. Approved the company's consolidated financial statements for the second quarter of 2023.</p> <p>3. Approved the announcement of no lending funds to other parties in the second quarter of 2023</p> <p>4. The company plans to issue the First Domestic Unsecured Convertible Corporate Bonds.</p>	Approved by all Audit Committee Members.	None
2023.10.27 The 3 <sup>th</sup> Term, the 7 <sup>th</sup> Meeting	<p>1. Approved the internal audit report for the third quarter of 2023.</p> <p>2. Approved the company's consolidated financial statements for the third quarter of 2023.</p> <p>3. Approved the purchase of the directors and managers liability insurance.</p> <p>4. Approved the issuance of short-term currency exchange credit of Bank.</p> <p>5. Approved the 2024 audit operational risk assessment reports and annual audit plans.</p> <p>6. Approved the 2024 business plan.</p>	Approved by all Audit Committee Members.	None
2023.12.06 The 3 <sup>th</sup> Term, the 8 <sup>th</sup> Meeting	<p>1. Approved the internal audit report for October 2023.</p> <p>2. Approved the issuance of short-term currency exchange credit of Bank.</p>	Approved by all Audit Committee Members.	None

(2) In addition to the above matters, other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the head of the auditing department and CPAs (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(1) The head of auditing department regularly reports to the Audit Committee and the Board of Directors on audit operations and the status of implementation at the Board of Directors' Meeting. The internal audit report was delivered to the independent directors for review every month. All discussion items will be declared in the minutes of the Board of Directors' Meeting. The independent directors and head of auditing department maintain effective communication with one another.

Date	Mode	Main Issues	Result
2023.02.15	Audit Committee Pre-meeting	1. Proposed internal audit report of 4Q22. 2. The amendment to Internal Control System. 3. Proposed the 2022 internal control system statement.	No comments
2023.03.07	Audit Committee	1. Proposed internal audit report (January 2023)	No comments
2023.04.26	Audit Committee	1. Proposed internal audit report ( February /March 2023)	No comments
2023.07.28	Audit Committee	1. Proposed internal audit report of 2Q23.	No comments
2023.10.27	Audit Committee Pre-meeting	1. Proposed internal audit report of 3Q23. 2. Proposed the 2024 audit operational risk assessment reports and annual audit plans.	No comments
2023.12.06	Audit Committee	1. Proposed internal audit report (October 2023)	No comments

(2) While processing the review of the annual financial statements at the Audit Committee's and the Board of Directors' Meeting, the CPAs shall be present for reporting the audit results of financial report, material asset valuation and its accounting estimates. CPAs shall discuss and communicate with directors about the issues related to financial statements.

Date	Mode	Main Issues	Result
2023.02.15	Audit Committee Pre-meeting	1. Proposed reports on audited 2022 consolidated and individual financial statements. 2. Proposed statement of significant asset valuation and accounting estimation. 3. Proposed other significant accounting and auditing issues.	No comments

### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company follow the “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	✓		The Company has formulated the Corporate Governance Best Practice Principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and disclosed relevant information on the “Corporate Governance” section of its website.	None
2. Shareholding Structure & Shareholders’ Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(1) The Company conducts “Rules and Procedures of Shareholders' Meeting” and has a spokesperson who designates appropriate personnel engaged in the business of investor relations and legal issues dealing with shareholder suggestions, doubts, disputes and lawsuits. The contact information has been disclosed on the Holtek website.	None
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		(2) The Company controls the shareholding of directors, managers and shareholders, who hold more than 10% of the outstanding shares.	None
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓		(3) The Company conducts “Regulations of Supervision and Management of Subsidiaries” and “Regulations on the Transaction Processing of Related Parties, Specific Companies and Group Enterprises” regulating the establishment and improvement of the financial, business and accounting management system, the implementation of requested control mechanism and the establishment of appropriate firewall mechanisms.	None
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		(4) A. The Company conducts “Ethical Corporate Management Best Practice Principles”, the “Procedures for Handling Material Insider Information” and the “Insider Trading Policy” to prohibit insiders from trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			B. In December 2022, the Company notified the directors of the expected date of the 2023 board meeting, and notified directors and managers the closed period before each the quarterly financial report, reminding insiders not to trade in shares during the closed period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of each quarterly financial report to prevent directors and managers from accidentally violated the regulations.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board established a diversity policy, specific management goals and implemented it accordingly?</p>	✓	(1)	<p>A. According to Article 20 of the company's "Corporate Governance Best Practice Principles," the composition of the board of directors should consider diversity and establish appropriate diversification guidelines based on its operations, business type, and development needs. These guidelines should preferably include, but are not limited to, the following two main criteria: (1) Fundamental qualities and values, such as gender, age, nationality, and culture; (2) Professional knowledge and skills, such as professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>Members of the board of directors should generally possess the necessary knowledge, skills, and qualities required to perform their duties. To achieve the ideal goal of corporate governance, the board as a whole should possess the following capabilities:(1) Ability to make business judgments, (2) Accounting and financial analysis skills, (3) Operational and management skills, (4) Crisis management ability, (5) Industry knowledge, (6) International market perspective, (7) Leadership skills, (8) Decision-making ability.</p> <p>B. The specific management objectives of the company's board diversity</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>policy are as follows:(1) To ensure a balanced board structure, the goal is to have at least one female director. (2) To strengthen the board's oversight function, the objective is to limit the continuous term of more than half of the independent directors to no more than three terms.</p> <p>The 9th term of the company's board of directors originally had nine members: six general directors and three independent directors, with independent directors representing 33% of the board. However, as of the annual report publication date, due to the resignation of one independent director, the board currently consists of six general directors and two independent directors (25% independent directors). The company plans to elect an additional independent director at the 2024 shareholders' meeting, which will result in less than half of the independent directors serving more than three consecutive terms. The current board now includes one female director, reaching the set goal for board diversity.</p> <p>C. All of the company's directors are of local nationality. The age distribution of the board members is as follows: two directors are between 51-60 years old, four directors are between 61-70 years old, one director is between 71-75 years old, and one director is between 76-80 years old.</p> <p>D. The professional backgrounds of the company's board members cover the fields of semiconductors, management, and finance. Specifically, wafer manufacturing includes directors Wu Chi-Yung, Gau, Kuo-Tung, and independent director Hsing, Chih-Tien (total of three), IC design which is the company's main business includes directors Chang, Chih and Wang, Min-Kun (total of two), product end-use applications includes directors Tsai, Jung-Tsung and Liu, Yuan-Ho (total of two), and finance experience is represented by independent director Hsu, Jui-Ting. (Please refer to the annual report on page 11~20)</p>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		(2) The Company has set up a Compensation Committee and an Audit Committee to assist the board of directors in performing its duties. In the future, the Company will decide whether to set up other functional committees according to regulations and operational needs.	None
(3) Has the Company formulated the regulations and method for the performance evaluation of the board of directors, conducts performance evaluation regularly every year, reports the results of the performance evaluation to the board of directors, and takes it as a reference for the remuneration, nomination and re-appointment of each director?	✓		<p>(3)</p> <p>A. On January 25, 2016, the Board of Directors approved the " Board of Directors' Self-Assessment of Performance," which mandates an annual performance evaluation covering at least the following aspects:</p> <p>(1) Board performance evaluation: Degree of participation in the company's operations, improvement in the quality of board decisions, board composition and structure, director selection and ongoing training, and internal control.</p> <p>(2) Board member performance evaluation: Understanding of company goals and objectives, recognition of board responsibilities, degree of participation in company operations, internal relationship building and communication, director's expertise and ongoing training, and internal control.</p> <p>(3) Functional Committee Performance Evaluation: Degree of participation in company operations, awareness of functional committee responsibilities, enhancement of functional committee decision-making quality, composition and member selection of functional committees, and internal control.</p> <p>B. On January 29, 2024, the company reported to the board of directors that the performance evaluation results for the board, board members, the audit committee, and the compensation committee for 2023 were all "Excellent." The results will be used as a reference for individual board member compensation and re-nomination.</p>	None
(4) Does the Company regularly evaluate its	✓		(4)	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons															
	Yes	No	Abstract Illustration																
external auditors’ independence?			<p>A. The Company shall review the professional qualifications and independence of independent certified public accountants (CPAs) annually. Additionally, it requires CPAs to provide a statement of independence and audit quality indicators (AQIs). The evaluation process follows the five dimensions and 13 indicators of the AQI disclosure framework.</p> <p>B. It was confirmed that the CPAs have no other financial interests or business relationships other than visa-related fees, and with reference to the AQI index, that the CPA and the firm were better than the industry average in terms of audit experience and training hours. The results of the latest evaluation were approved by the Audit Committee on 26 January 2024 and presented to the Board of Directors for approval on 29 January 2024.</p> <p>C. Independence assessment standards for accountant(s)</p> <table border="1"> <thead> <tr> <th>Assessment Items</th> <th>Assessment Results</th> <th>Independence</th> </tr> </thead> <tbody> <tr> <td>1. Does the Accountant has direct or major indirect financial interests with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Does the accountant intermediate the stocks or other securities issued by the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. Does the Accountant and its audit team member currently or use to serve in the Company as a director,</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assessment Items	Assessment Results	Independence	1. Does the Accountant has direct or major indirect financial interests with the Company?	No	Yes	2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?	No	Yes	3. Does the accountant intermediate the stocks or other securities issued by the Company?	No	Yes	4. Does the Accountant and its audit team member currently or use to serve in the Company as a director,	No	Yes	
Assessment Items	Assessment Results	Independence																	
1. Does the Accountant has direct or major indirect financial interests with the Company?	No	Yes																	
2. Does the Accountant have financing or guarantee behaviors with the Company or the Company’s Directors?	No	Yes																	
3. Does the accountant intermediate the stocks or other securities issued by the Company?	No	Yes																	
4. Does the Accountant and its audit team member currently or use to serve in the Company as a director,	No	Yes																	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>manager or other position having major influence on the audit work in the Last Two Years?</p> <p>5. Does the Accountant have close business relationship and potential employment relationship with the Company?</p> <p>6. Does the Accountant ever serve as the Company’s defender or represent the Company in coordinating conflicts with other third parties?</p> <p>7. Does the Accountant provide the Company with non-audit service item that may directly affect audit the work?</p> <p>8. Does the Accountant have served less than 7 years?</p>	
4. Has the Company have deployed appropriate numbers of suitable corporate governance personnel, and designated corporate governance directors responsible for corporate governance-related matters (including but not limited to providing directors, supervisors with information required to perform business, assisting directors, supervisors in complying with laws, handled matters related to meetings of the board of directors and shareholders' meeting on the basis of the laws, and prepared the minutes of the board of directors and	✓		The board of directors of the Company approved the appointment of Liao, Ming-Tung, Manager of Finance Division, as a Chief Corporate Governance Officer, on October 26, 2020. His main responsibilities include handling matters related to the meetings of the Board of Directors and Shareholders' Meetings in accordance with the law, preparing minutes of the Board of Directors and Shareholders' Meetings, assisting directors in their appointment and continuing education, providing necessary information for directors to carry out their duties, assisting directors in compliance with laws and regulations, reporting to the Board of Directors on the results regarding the qualification of independent directors during nomination, appointment, and tenure, as well handling matters related to changes in the Board of Directors, etc.(Please refer to the further education of chief corporate governance officer	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
shareholders' meetings, etc.?			on Page 75)	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company designates appropriate personnel engaged in the business of investor relations, providing information to Stakeholders, including shareholders, customers, suppliers, and investors. The communication channels and Stakeholders Concerns can be found on the Holtek website in response to stakeholders' issues. The status of implementation shall report to the Board of Directors at least once a year. (Report has been submitted to the Board of Directors' Meeting on July 31, 2023).	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		The Company has appointed the Transfer Agency Department of SinoPac Securities Corporation to deal with shareholder affairs.	None
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financial, business and corporate governance status?	✓		(1) The Company has set up a Chinese/English website (www.holtek.com.tw) to disclose information regarding regularly disclosed financial business and corporate governance information.	None
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.)?	✓		(2) A. The Company has assigned appropriate personnel engaging in the collection and disclosure of corporate information and has a spokesperson to regularly disclose financial business and corporate governance information. B. The Company holds quarter investor conferences regularly and discloses publicly available materials on the Holtek website and TWSE's Market Observation Post System.	None
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and	✓		(3) The Company publishes and reports its annual financial report within two months after the end of a fiscal year, and publishes and reports its financial reports for the first, second and third quarters as well as its	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?			operating status for each month before the specified deadline in accordance with relevant laws and regulations.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies and purchasing insurance for directors)?	✓		<p>A. Employee rights and employee care: In accordance with the regulations of labor law to guarantee employees' rights, the Company conducts related labor law and regulations and holds labor management meetings regularly for effective communication. The Company has set up an Employee Welfare Committee to hold regular activities, including festival vouchers, travel activities, club activities, employee health examination and group insurance, etc.</p> <p>B. Investor relations: The Company has a spokesperson system designating appropriate personnel engaging in investor relations to deal with all matters concerning stakeholders' rights and concerns.</p> <p>C. Supplier relationship: The Company pays attention to suppliers who conform to international environmental protection regulations and labor safety and health standards, to meet the commitment of establishing a green supply chain.</p> <p>D. Rights of stakeholders: The Holtek's website discloses the Stakeholders Concerns for the Company to respond to issues raised by stakeholders.</p> <p>E. Directors' self-development courses: The Company plans directors' further education courses every year to strengthen their professional knowledge and practical operation. (Please refer to the annual report on page 74)</p> <p>F. Implementation of risk management policies and risk measurement standards: The Risk Management Policy was approved by the Company's Board of Directors on January 26, 2022, serving as the highest guidelines for the Company's risk management. The "Risk Management Committee" was established in July 2023, under the supervision of the Audit</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Committee, and is responsible for formulating risk management policies, planning of major risk management matters, promoting and coordinating the implementation of risk management, and supervising the improvement of risk control. The president reports on its operation to the Audit Committee and the Board of Directors annually. (Report has been submitted to the Board of Directors’ Meeting on October 30, 2023).</p> <p>G. Arrangement of liability insurance for its directors: The renewal of the board of directors' liability insurance has been approved by the Audit Committee and the Board of Directors on October 27, 2023 and October 30, 2023. The insurance amount for 2023 was US\$ 5 million, which was reported to the TWSE’s Market Observation Post System in accordance with the regulations.</p>	
<p>9. The improvement status for the result of Corporate Governance Evaluation announced by the Taiwan Stock Exchange.</p> <p>The corporate governance evaluation results for 2023 have shown improvements, including: enhancing communication mechanisms with shareholders by disclosing recordings of the 2023 annual shareholders' meeting on the company website; establishing the "Risk Management Committee" in July of 2023 to assist the Board of Directors in overseeing the risk management system; obtaining third-party verification for the sustainability report of 2022 to enhance information reliability; and to implement sustainable development management, the company has developed a schedule for greenhouse gas inventory and verification, reporting to the Board of Directors quarterly for control. For matters that have not yet been improved in 2023, the company has proposed priority strengthening measures, such as enhancing the disclosure of corporate governance-related information on the company's English website.</p>				

### 3.4.4 Composition, Responsibilities and Operations of the Compensation Committee

1. The duties of Compensation Committee:

- (1) Prescribe and periodically review the annual and long-term performance and remuneration policy, system, standards and structure for directors and managers.
- (2) Periodically evaluate achievement of performance targets by directors and managers and prescribe their individual scope and amount of remuneration.

2. Professional qualifications and independence analysis of Compensation Committee members:

Title	Criteria		Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Name				
Independent Director (Convener)	Hsing, Chih-Tien		<p>Mr. Hsing is fully conversant with semiconductor industry chain technological developments and additionally has expertise in corporate governance, technology industry and crisis management.</p> <p>He has served as an independent director for more than three terms (nine years), he is able to provide industry analysis and insight into the application of technology in operational management. During the exercising of his duties as an independent director, this expertise is used to provide supervision and advice to the board. There are no violations arising out of Article 30 of the Company Act.</p>	<p>Comply with the independence requirements, including but not limited to the following matters:</p> <p>The person concerned, his/her spouse and relatives within the second degree of kinship (or in the name of others) hold the shares of the Company in 36,000 shares (0.02%). The person is not a director, supervisor, or employee of an enterprise related to the Company (Reference to the Article 6, Paragraph 1, Paragraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). The person concerned do not receive any remuneration for providing business, legal, financial, and accounting services to the Company or its affiliated companies in the past 2 years.</p>	1
Independent Director	Hsu, Jui-Ting		<p>Mrs. Hsu has experience in Accounting and financial analysis skills, corporate governance, human resource management, operational management and practical experience. There are no violations arising out of Article 30 of the Company Act.</p>	<p>Comply with the independence requirements, including but not limited to the following matters:</p> <p>The person is not a director, supervisor, or employee of an enterprise related to the Company (Reference to the Article 6, Paragraph 1, Paragraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). The person concerned do not receive any remuneration for providing business, legal, financial, and accounting services to the Company or its affiliated companies in the past 2 years.</p>	0

Criteria		Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Title	Name			
Independent Director	Tsou, Ping-Fang (Note 1)	Mr. Tsou has experience in management and decision-making skills, corporate governance, human resource management, practical experience. There are no violations arising out of Article 30 of the Company Act.	Comply with the independence requirements, including but not limited to the following matters: The person concerned, his/her spouse and relatives within the second degree of kinship (or in the name of others) hold the shares of the Company in 600 shares (0.00%). The person is not a director, supervisor, or employee of an enterprise related to the Company (Reference to the Article 6, Paragraph 1, Paragraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). The person concerned do not receive any remuneration for providing business, legal, financial, and accounting services to the Company or its affiliated companies in the past 2 years.	0

Note 1 : Independent Director, Lu, Cheng-Yueh, was resigned on June 6, 2023. In accordance with regulations, Tsou, Ping-Fang was new-appointed on July 18, 2023 by the board of directors.

3. Attendance of members at Compensation Committee meetings:

- (1) The Company's Compensation Committee has 3 members in total.
- (2) Current members will serve from May 24, 2022 to May 23, 2025. The Compensation Committee held 4 sessions in 2023. The attendance of the Compensation Committee members is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Hsing, Chih-Tien	3	1	75%	
Committee Member	Hsu, Jui-Ting	4	0	100%	
Committee Member	Lu, Cheng-Yueh	2	0	100%	Resigned on June 6, 2023
Committee Member	Tsou, Ping-Fang	1	1	50%	New-appointed on July 18, 2023

Other mentionable items:

1. If the Board of Directors declines to adopt or modifies a recommendation of the Compensation Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Compensation Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the Compensation Committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the Compensation Committee objected to by members or subject to a qualified opinion and

recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3. The discussion item and resolution results of the Compensation Committee, and the Company's action to the advices of the Compensation Committee:

Date	Resolution	Result	Action of the Company in responding to the Compensation Committee
2023.02.15 The 5 <sup>th</sup> Term, the 3 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the Company's "Regulations Governing the Compensation System of the Directors and the Managers" of 2023.</li> <li>2. Approved the managers' annual bonuses for 2022.</li> <li>3. Approved the managers' payroll adjustments of 2023.</li> <li>4. Approved the managers' quarterly performance allowances.</li> <li>5. Approved the managers' monthly position allowances of 2023.</li> </ol>	Approved by all Compensation Committee Members.	None
2023.04.26 The 5 <sup>th</sup> Term, the 4 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the managers' quarterly performance allowances.</li> </ol>	Approved by all Compensation Committee Members.	None
2023.07.28 The 5 <sup>th</sup> Term, the 5 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the managers' quarterly performance allowances.</li> <li>2. Approved the directors' remuneration for 2022.</li> <li>3. Approved the allocation of 2022 employee bonuses.</li> </ol>	Approved by all Compensation Committee Members.	None
2023.10.27 The 5 <sup>th</sup> Term, the 6 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the managers' quarterly performance allowances.</li> <li>2. Approved the "Regulations Governing the Compensation System of the Directors"</li> </ol>	Approved by all Compensation Committee Members.	None

### 3.4.5 Fulfillment of Sustainable Development and Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons thereof

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company establish a governance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors?	✓		<p>(1) The company established an ESG sustainable development committee in 2018 and renamed it as ESG Sustainability Committee in 2021. Here, the chairman of the board appointed the president as the chairman under which there are six working groups. These are environmental sustainability, corporate governance, employee care, R&amp;D innovation, product responsibility and social integration, etc. The members of these groups are composed of relevant departments with middle and senior managers assigned as team leaders to coordinate the relevant group’s affairs. These include formulating and reviewing the company’s corporate social responsibility objectives and sustainable development policies, management guidelines and specific promotion plans.</p> <p>(2) The chairman of the “Corporate Sustainability Commission” shall report to the Board of Directors on the implementation result of sustainable development and future work plan annually. The most recent report to the Board of Directors was on July 31, 2023, including motions of (A) Identify the sustainable issues that require attention and make corresponding action plan (B) Amendment to goals and policies of sustainable issues (C) Supervise the implementation of sustainability initiatives and evaluate the execution.</p> <p>(3) The board of directors listens to the management’s report on the implementation progress of major ESG issues. The board of directors provides the feasibility of the strategy based on the content of the management’s report, and urges the management to make the adjustments.</p>	None
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk	✓		<p>(1) The disclose information covers the sustainable development performance in the main branches between January and December 2023. The risk assessment boundary is primarily based on Hsinchu branch.</p> <p>(2) The Risk Management Policy was approved by the Company’s Board of</p>	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
management related policy or strategy?			<p>Directors on January 26, 2022, serving as the highest guidelines for the Company's risk management. The "Risk Management Committee" was established in July 2023, under the supervision of the Audit Committee, and is responsible for formulating risk management policies, planning of major risk management matters, promoting and coordinating the implementation of risk management, and supervising the improvement of risk control. The president reports on its operation to the Audit Committee and the Board of Directors annually.</p> <p>(3) The Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish policy of risk management. (Please refer to the annual report (Note 1) on page 63~64).</p>	
3. Environmental Topic				
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		<p>(1)</p> <p>A. The ISO 14001: 2015 environmental management system (valid until November 23, 2024) has been certified by a third-party independent certification agency and continues to be valid. The Company's management system covers relevant employees in the Hsinchu headquarters who carry out related work and activities, including employees and contractors for IC design, development, sales, quality inspection and contracting.</p> <p>B. In order to accomplish environmental management, the company formulate environmental policies and Hazardous Substance Free policies, and convenes an environmental management committee regularly with executives to review the performance.</p>	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		<p>(2)</p> <p>A. The Company is committed to promote the efficient usage of various resources. The main framework for the development of pollution</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		<p>prevention and continuous improvement is researching the energy-saving concepts of green products, improving its process technology to reduce environmental impacts, importing from green supply chains, promoting environmental education and enforcing recycling to protect water resources and maintain a sustainable earth.</p> <p>B. The primary energy consumption in our offices comes from three main sources: air conditioning, lighting, and office equipment. To reduce energy use, we implement various conservation measures. Since 2020, we have replaced lighting fixtures with energy-efficient LED lights; air conditioning is turned on and off according to seasonal needs and set to a constant temperature of 26 degrees Celsius; office equipment is set to energy-saving mode, and employees are regularly encouraged to turn off their computers when not in use.</p> <p>C. We plan the minimum packaging limits based on product category, shipping region, product quantity, and customer requirements to effectively reduce the waste of packaging materials and resources. Additionally, we standardize packaging material specifications in our "Finished Goods Warehouse Packaging Material Specification." The cardboard boxes used for packaging contain over 80% recycled pulp (our pulp suppliers hold FSC Forest Certification and Green Label certification). We also reuse recyclable packaging materials based on their condition. (Please refer to Chapter 4 of the “ESG Report” for information on environmental sustainability)</p> <p>(3)</p> <p>A. The ESG Sustainability Committee is the highest-ranking organization for climate change management, chaired by CEO, Mr. Gordon, GAO, and convenes various functional groups to be responsible for the implementation of sustainable development policies, management guidelines and specific action plans.</p> <p>B. The Company is located in the upstream supply chain of the</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons															
	Yes	No	Abstract Explanation																
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		<p>semiconductor industry. In accordance with the framework of the TCFD's Climate Related Financial Disclosure Proposal, we have assessed the potential risks and opportunities of climate change for the Company now and in the future, including environmental protection regulations and issues; development of next-generation technologies; significant adverse impacts from natural disasters, floods, droughts, windstorms and environmental factors arising from various climate changes; and external environmental and operational risks such as supply chain disruptions. All of these risks may have an impact on our ability to control midstream supply and the delivery schedule of our customers. Therefore, the company will continue to monitor and take measures to address these risks. (Please refer to Chapter 4 of the “ESG Report” for information on environmental sustainability)</p> <p>(4) A. The Company set up initiative group to conduct greenhouse house gas emission check in 2022, primarily based on Hsinchu headquarters. It is divided into two categories as direct discharge (category 1) and indirect discharge (category 2).</p> <p style="text-align: center;">Greenhouse gas emission from 2021 to 2022</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Category 1 (Ton CO2e/year)</td> <td>87.58</td> <td>36.69</td> </tr> <tr> <td>Category 2 (Ton CO2e/year)</td> <td>1,413.55</td> <td>1,196.21</td> </tr> <tr> <td>Total</td> <td>1,501.13</td> <td>1,232.90</td> </tr> <tr> <td>Greenhouse gas emission intensity (Ton CO2e/million dollars)</td> <td>0.25</td> <td>0.47</td> </tr> </tbody> </table> <p>Note: Greenhouse gas emission intensity: data scope (category 1 + category 2)/revenue (million dollars)</p> <p>Energy Reduction goal: The goal is to save 1% of electricity each year</p>	Year	2022	2023	Category 1 (Ton CO2e/year)	87.58	36.69	Category 2 (Ton CO2e/year)	1,413.55	1,196.21	Total	1,501.13	1,232.90	Greenhouse gas emission intensity (Ton CO2e/million dollars)	0.25	0.47	None
Year	2022	2023																	
Category 1 (Ton CO2e/year)	87.58	36.69																	
Category 2 (Ton CO2e/year)	1,413.55	1,196.21																	
Total	1,501.13	1,232.90																	
Greenhouse gas emission intensity (Ton CO2e/million dollars)	0.25	0.47																	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons														
	Yes	No	Abstract Explanation															
			<p>over the next five years. Energy-saving measures focus on major energy-consuming equipment through equipment replacement (such as LED lighting), efficiency improvement (such as replacing inverters and motors), reducing consumption (such as zoned switching and standby power-saving), and promoting environmental awareness through regular awareness campaigns and education. These measures are implemented to achieve the energy reduction goal.</p> <p>B. The company primarily uses water for general domestic purposes and air conditioning, with no water used in production processes. The main water source is the Hsinchu Operations Headquarters, and the water is supplied by the Taiwan Water Corporation.</p> <p style="text-align: center;">Water consumption statistic from 2022 to 2023 Unit: Cubic Meter</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Total water consumption</td> <td>15,638</td> <td>11,849</td> <td>15,638</td> </tr> </tbody> </table> <p>Water saving measures: Water supply devices are all equipped with frequency converters to stabilize water pressure. The company’s restrooms all use automatic sensor taps to efficiently reduce unnecessary water wastage. A storm water recovery system is devised to collect rainwater for reuse as water not in direct contact with the human body.</p> <p>C. The company does not engage in production or manufacturing activities, and the primary type of waste is H-0002. The following statistics are based on data from the Hsinchu Operations Headquarters.</p> <p style="text-align: center;">Industrial waste output and treatment statistics from 2022 to 2023 Unit: Ton</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Domestic waste</td> <td>9.31</td> <td>8.95</td> </tr> </tbody> </table>	Year	2022	2023	2022	Total water consumption	15,638	11,849	15,638	Year	2022	2023	Domestic waste	9.31	8.95	
Year	2022	2023	2022															
Total water consumption	15,638	11,849	15,638															
Year	2022	2023																
Domestic waste	9.31	8.95																

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons									
	Yes	No	Abstract Explanation										
			<table border="1"> <tr> <td>Recycling</td> <td>1.79</td> <td>1.32</td> </tr> <tr> <td>Hazardous industrial waste</td> <td>0.35</td> <td>0.15</td> </tr> <tr> <td>Total weight</td> <td>11.45</td> <td>10.42</td> </tr> </table> <p>Waste Reduction Measures: The Company continues to promote the electronic document management system. Implement waste classification and resource recovery by appointing dedicated personnel to be responsible for the classification and removal of waste, such as for empty toner cartridges, iron, aluminum, glass, waste paper, etc.</p> <p>Please refer to Chapter 4 of the “ESG Report” for information on environmental sustainability.</p> <p>D. Our company has not yet obtained ISO 14064-1 certification, but plans are in place to complete third-party verification for the 2025 fiscal year in 2026.</p>	Recycling	1.79	1.32	Hazardous industrial waste	0.35	0.15	Total weight	11.45	10.42	
Recycling	1.79	1.32											
Hazardous industrial waste	0.35	0.15											
Total weight	11.45	10.42											
4. Social Topic													
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(1) A. Holtek understands and follows related international standards, including the Responsible Business Alliance (RBA) Code of Conduct, UN Universal Declaration of Human Rights and Principles of the UN Global Compact, etc. The Company’s human-rights policy specifically includes: provide a safe and health working environment, prohibition of discrimination, prohibition of forced labor, freedom of association, and prohibition of child labor and ensure humane treatment. (Please refer to the annual report (Note 2) on page 65).  B. Total 1748 employees join internal and/or external training courses in related human rights, totaling 2717 hours in 2023.	None									
(2) Has the Company have formulated and implemented reasonable employee	✓		(2) A. Employee compensation: Holtek formulates the compensation policy	None									

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons									
	Yes	No	Abstract Explanation										
benefits measures (including salary, leave and other benefits, etc.), and appropriately reflect the operating performance or results on the compensation of employees?			<p>annually through peer compensation surveys, interviews with departing employees, and based on company operation status and personal performance. After discussions at the senior management meeting, appropriate adjustments are made to employees’ compensation to ensure that the compensation meets market standards and fairness.</p> <p>B. Business performance reflected in employee compensation: According to Article 24 of the company's Articles of Incorporation, if the company makes a profit during the year, 5% to 15% should be allocated for employee remuneration. The bonuses that are directly tied to the company's operating results, team performance, and individual performance, including employee bonuses and operational bonuses, embodying the spirit of profit-sharing between labor and management.</p> <p>C. On the basis of the general economy and overall market salary levels, the company makes appropriate adjustments each year. Function and educational background form the minimum salary standard, with personal professional seniority and experience to differentiate the Fixed Salary; Bonuses that dynamically add to salary are differentiated based on personal performance, to give the compensation system sufficient incentive effects. In each job category, the same standard is adopted for employees of both genders to fulfill gender equality.</p> <p>Overall compensation ratio for men and women by function</p> <table border="1"> <thead> <tr> <th>Position type</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Regular employees</td> <td>59%</td> <td>41%</td> </tr> <tr> <td>Supervisors</td> <td>76%</td> <td>24%</td> </tr> </tbody> </table> <p>D. The Company features an employee restaurant, staff recreation area, sports and fitness equipment area, rhythm classroom, medical room and other facilities. All employees are entitled to benefits such as group insurance, regular high-quality health checks etc. Professional medical staff are utilised to provide staff with health management facilities and medical insurance. The Company continues to build on our already</p>	Position type	Male	Female	Regular employees	59%	41%	Supervisors	76%	24%	
Position type	Male	Female											
Regular employees	59%	41%											
Supervisors	76%	24%											

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>established firm foundation for sustained continued growth well into the future to provide stable performance and profitability for all employees.</p> <p>E. The Employee Welfare Committee holds regular staff travel activities, a range of game based competitions, a year-end party and other activities. In addition, there are birthday gift vouchers, festival vouchers, travel subsidies, marriage/funeral cash gifts, birth and hospitalization time are all covered all the Company.</p> <p>Please refer to Chapter 5 of the “ESG Report” for information on employee care.</p>	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		(3) The Company keeps continuous improvement of safety and health in employee safety matters to create a good working environment and protect the physical and mental health and safety of employees. (Please refer to the annual report on page 112~113)(Please refer to Chapter 4 of the “ESG Report” for information on environmental sustainability.)	None
(4) Has the Company established effective career development training plans?	✓		(4) The Company spares no effort in the cultivation of talent excellence. In addition to budgeting for employees' further study, the Company has designed in-house training courses to provide a challenging and learning environment. (Please refer to the annual report on page 111~112)(Please refer to Chapter 5 of the “ESG Report” for information on employee care.)	None
(5) Has the Company complied with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulated relevant consumer protection policies and complaint procedures?	✓		<p>(5)</p> <p>A. The Company attaches great importance to products quality. The Company’s operation process and product quality are in line with international ISO 9001 standards and has established “Code of Client Satisfaction Operations”, “Code of Client Complaint Handling” and “Code of Client Return Handling” and other operating procedures. Meanwhile, the Company has furnished a client service section to solve and handle client appeals as soon as possible.</p> <p>B. To comply with international standards, the Company strictly abides by the relevant safety, environmental protection and labor protection</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(6) Has the Company have formulated a supplier management policy which requires suppliers to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and how their implementation is?	✓		<p>standards in its R&amp;D, procurement and production processes to ensure that the products shipped by the Company comply with the standards and may safeguard the interests of clients.</p> <p>C. Products of the company comply with international environmental protection regulations, meet EU ROHS and REACH requirements. The products contain clearly-labeled packaging to ensure that the products do not contain harmful substances that harm the human body.</p> <p>D. The Company conducts “Ethical Corporate Management Best Practice Principles” and the Legal &amp; Intellectual Property Division engaged in legal affairs, intellectual property management and advisory services, etc.</p> <p>(6)</p> <p>A. The Company communicates with and encourages its suppliers to meet the requests for quality and environmental protection, in addition to meet the Company's supplier management policy to become qualified suppliers, continue to claim to supplier to compliance with the green environmental protection laws or regulations, and promote all kinds of policies for environmental protection.</p> <p>B. The Company requires its suppliers to conduct self-evaluation, and site audits according to the self-evaluation results, and design training courses for its suppliers irregularly through the system or site communication, so as to meet the requirements of the Company.</p> <p>C. Regularly evaluate the performance of suppliers’ product quality, delivery time, service and management system indicators on a quarterly basis, in order to serve as a reference for sustainable cooperation between both parties.</p> <p>Please refer to Chapter 3 of the “ESG Report” for information on product liability</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>5. Enhanced Information Disclosure</p> <p>(1) Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?</p>	✓		<p>(1) The Company compiled its 2022 ESG Report in accordance with the globally recognized GRI Standards (2021), and obtained an independent and credible assurance statement from the British Standards Institution Taiwan Branch (BSI Taiwan) based on the AA1000 AS v3 Type 1 moderate assurance level and GRI Standards (2021). Please refer to the appendix of the sustainability report for the assurance statement.</p>	None
<p>6. If the company has its own sustainable development best practice principles formulated in accordance with the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operations and the said principles:</p> <p>The Company conducts “Sustainable Development Best Practice Principles ” and its operational status does not differ from the “Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>				
<p>7. Other important information for the understanding of the Company’s promotion/implementation of sustainable development:</p> <p>Refer to the Holtek website for its sustainable development implementation status: <a href="https://www.holtek.com.tw/web/guest/responsibility">https://www.holtek.com.tw/web/guest/responsibility</a>.</p>				

Note1 : The Company have conducted risk assessments of environmental, social and corporate governance issues related to its operations in accordance with the materiality principles, and formulated relevant risk management policies or strategies, the policy of risk management is as below :

Materiality principles	Issues in risk assessment	Policies of risk management
Environment	Environmental impact and management	<ol style="list-style-type: none"> <li>1. The Company conducts environmental protection measures in accordance with relevant laws or regulations. Dedicated personnel is engaged in reviewing international environmental trends quarterly, strengthening the environmental management system, the development of green products and green the supply chain in order to ensure the competitiveness of the industry. Internal education training is held to make staffs realize the impacts of climate change happened.</li> <li>2. The company is committed to environmental protection. The Company has established an environmental management system (ISO 14001) to promote environmental management policies, and the certification will be obtained regularly in future.</li> <li>3. The inspect the impacts from our operations, we regularly take inventories of our GHG emissions in line with the ISO 14064-1 standard. The company reviews results of carbon inventories and continues to implement carbon reduction measures. This helps us to effectively reduce the risk of category 1 emissions and the indirect emission (category 2) from electricity consumption.</li> </ol>
Society	Occupational safety	<ol style="list-style-type: none"> <li>1. The company has obtained ISO45001 occupational safety and health management system certification, and the certification will be obtained regularly in future.</li> <li>2. The company conducts regular fire drills and occupational safety training in each year to develop the employees' emergency response and autonomous safety management skills.</li> </ol>
	Product safety	<ol style="list-style-type: none"> <li>1. The Company attaches great importance to product quality, and both our operational processes and product quality comply with ISO 9001 international standards.</li> <li>2. All Holtek products comply with RoHS, REACH, no halogen requirements, and provide customers with a guarantee that they do not use hazardous substances.</li> <li>3. To ensure the quality of our customer service, we regularly and voluntarily initiate customer service satisfaction survey in each year to strengthen our partnership with the customers.</li> </ol>
Corporate Governance	Socio-economic and legal compliance	Through the establishment of a governance organization and implementation of internal control mechanisms, it is ensured that all personnel and operations of the company actually comply with relevant laws and regulations.
	Strengthening functions of the Board of Directors	<ol style="list-style-type: none"> <li>1. Plan trainings on related topics for the directors and provide corporate governance related information depending on the Company's needs and change of regulation.</li> <li>2. The company files director's liability insurance for our Directors to protect them against litigations or claims.</li> </ol>

Materiality principles	Issues in risk assessment	Policies of risk management
	Information security	<ol style="list-style-type: none"> <li>1. Regularly review the adequacy and effectiveness of information security policies, continuously enhance information security measures to reduce information security risks.</li> <li>2. Implement WAF (Web Application Firewall) on external websites to strengthen system functions; implement secondary verification to strengthen personal identification; the database is backed up remotely, and the application system is supported by cloud backup, establishing protective measures.</li> <li>3. Education and training: Regularly disseminate information security to employees and provide training; conduct regular email social engineering drills to enhance employees' awareness of information security.</li> </ol>

Note2 : Execution plan for human right management: : The company complies with various labor laws and relevant regulations with no major violations of labor disputes in 2023.

Human right management policy	Target	Execution plan
Provide a safe and health working environment	All employees	<ol style="list-style-type: none"> <li>1. Develop a health management service in accordance with the company's safety and health policies, and conduct health promotion-related measures to improve employees' physical and mental health and create a healthy workplace.</li> <li>2. Management and tracking of abnormal working hours.</li> <li>3. Conduct education and disseminate to prevent unlawful infringements.</li> <li>4. Provide doctor consultation services and hire full-time occupational nurses.</li> </ol>
Prohibition of discrimination	Applicant/All/ New employees	<ol style="list-style-type: none"> <li>1. All tangible or intangible sexual harassment and discriminatory behavior in the workplace are prohibited.</li> <li>2. It is explicitly stated that race, gender, age, marital status, political stance or religious beliefs will not be used as the criteria for employee appointment, assessment or promotion.</li> <li>3. Job hiring information published externally shall avoid discriminatory requirements to ensure equal job opportunities.</li> </ol>
Prohibition of forced labor	All employees	<ol style="list-style-type: none"> <li>1. When the employment relationship is established, a written labor contract is signed in accordance with the law.</li> <li>2. The contract stipulates that the employment relationship is established by mutual agreement, and there is a prohibition of forced labor, no illegal human trafficking, and opposition to the slavery system.</li> <li>3. Implement a leave system and encourage colleagues to pay attention to work-life balance.</li> <li>4. Provide seven days of flexible leave that is superior than the Labor Standards Act to arrange the leave more appropriately.</li> </ol>
Freedom of association	All employees	<ol style="list-style-type: none"> <li>1. Open and direct communication between employees and the management is the most effective way to address workplace and salary issues. The company has established internal e-mails, department meetings and other channels for colleagues to express and communicate with leaders.</li> <li>2. The rights of employees, including freedom of association, participation in labor-management meetings, and appointment of labor-management representatives are respected.</li> <li>3. Provide diversified activities and expand interactions among colleagues through club participation to maintain physical and mental health and work-life balance.</li> </ol>
Prohibition of child labor	New employees	<ol style="list-style-type: none"> <li>1. Employment of child labor under the age of 16 is prohibited.</li> <li>2. Any behavior that may cause the employment of child labor is not allowed.</li> </ol>
Humane treatment	All employees	Employees may not be subjected to cruel and inhumane treatment, including any form of sexual harassment, abuse, corporal punishment, mental or physical oppression or verbal abuse, including threats to engage in any such behavior.

## 8. Climate-Related Information for Publicly Listed Companies

### (1) Implementation status.

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The ESG Sustainability Development Committee, overseen by the board of directors, is the highest-level organization responsible for addressing climate change in our company. It holds regular working group meetings every year, with the General Manager serving as the chairperson. The topics discussed in these meetings include climate risk assessment at company operating sites, energy efficiency evaluations, and environmental impact assessments and target setting within the supply chain. The committee regularly reports on execution status and outcomes to the board of directors.
2. Describe how the identified climate risks and opportunities impact the company's business, strategy, and finances (short-term, medium-term, and long-term).	Holtek classifies its climate risks and opportunities into short-term and medium-to-long-term. Short-term risks cover 1-3 years, while medium-to-long-term risks extend beyond 3 years. Holtek has identified six risks and five opportunities. The six risks are: 1. Greenhouse gas-related regulations (policy and regulatory risk), 2. Transition to low-carbon technology (technology risk), 3. Changes in customer behavior (market risk), 4. Shifts in customer preferences and increased stakeholder feedback (reputational risk), 5. Immediate risks, and 6. Long-term risks. The five opportunities include: Resource use efficiency, Energy sources, Products and services, Markets, and Resilience. By managing these risks and opportunities, the company aims to minimize the potential impacts on business, strategy, and financial performance brought about by climate risks. For more detailed information, please refer to the company's ESG Sustainability Report.
3. Describe the financial impact of extreme weather events and transition actions.	Extreme weather events, such as typhoons, floods, and earthquakes, can have financial impacts, including operational disruptions, damage to the supply chain, and increased insurance costs. The financial impact of transition actions is linked to climate change response, as governments worldwide are implementing carbon emission control measures, encouraging industries to transition to a low-carbon economy. To meet carbon regulation requirements, possible transition actions include developing green products and joining the carbon neutrality initiative.
4. Describe how the process for identifying, assessing, and managing climate risks is integrated into the overall risk management system.	The methods for identifying climate risks include reviewing climate change trends, analyzing supply chain risks, and assessing the impacts of extreme weather events. The approach for evaluating climate risks involves analyzing the financial impact of climate risks on revenue, profitability, and capital expenditures, as well as assessing the likelihood and severity of climate risks to determine risk management priorities. The strategy for managing climate risks includes setting carbon reduction targets and action plans to reduce carbon emissions and address climate change challenges, along with developing green products to meet market

Item	Implementation status
	demand and increase competitiveness. Holtek integrates climate risk management into its overall risk management system by incorporating climate risks into the Holtek risk management framework, conducting regular risk assessments and management, and establishing a climate-related information disclosure system to ensure stakeholders are informed about Holtek 's approach to climate change adaptation.
5. If scenario analysis is used to assess resilience in the face of climate change risks, explain the scenarios, parameters, assumptions, analytical factors, and key financial impacts used in the analysis.	Holtek has not yet begun using scenario analysis to assess resilience in the face of climate change risks.
6. If a transition plan exists to manage climate-related risks, describe its content, along with the indicators and targets used to identify and manage physical risks and transition risks.	Holtek does not yet have a transition plan to address and manage climate-related risks.
7. If internal carbon pricing is used as a planning tool, explain the basis for setting the price.	Holtek has not yet begun using internal carbon pricing as a planning tool.
8. If climate-related targets are set, describe the activities covered, the scope of greenhouse gas emissions, the planning timeframe, and the annual progress toward achieving these targets. If carbon offsets or Renewable Energy Certificates (RECs) are used to meet these targets, provide information on the source and quantity of carbon offsets or RECs used.	Holtek has not yet set climate-related targets.
9. Status of greenhouse gas inventory and assurance, along with reduction targets, strategies, and specific action plans.	Also, complete sections 1-1 and 1-2.

A. The status of the company's greenhouse gas inventory and assurance for the last two years.

(a) Greenhouse Gas Inventory Information: Describe the greenhouse gas emissions for the last two years (in metric tons of CO2 equivalent), the intensity (in metric tons of CO2 equivalent per million dollars), and the scope of the data coverage.

The greenhouse gas inventory plan has been launched and a greenhouse gas inventory promotion group has been established in 2022. The independent inventory results are as follows:

Greenhouse gas emission from 2021 to 2022

Year	2022	2023
Category 1 (Ton CO2e/year)	87.58	36.69
Category 2 (Ton CO2e/year)	1,413.55	1,196.21
Total	1,501.13	1,232.90
Greenhouse gas emission intensity(Ton CO2e/million dollars)	0.25	0.47

Note: Greenhouse gas emission intensity: data scope (category 1 + category 2)/revenue (million dollars)

a-1. Scope of data coverage for 2022: Holtek headquarters, Taipei office, Innovation office, and dormitories.

a-2. Scope of data coverage for 2023: Holtek headquarters, Taipei office, Innovation office (January to September; lease ended in October), and dormitories.

(b) Greenhouse Gas Assurance Information: Describe the assurance status for the last two years as of the date of the annual report publication, including the scope of assurance, the assurance institution, the assurance standards, and the assurance opinion.

Our company has not yet obtained ISO 14064-1 certification, but plans are in place to complete third-party verification for the 2025 fiscal year in 2026.

B. Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans: Describe the baseline year for greenhouse gas reduction and its data, reduction targets, strategies, specific action plans, and progress in achieving the reduction targets.

(a) The Company has started its own inventory in 2022, so 2022 is used as the base year. If there are any changes in operating boundaries, transfer of ownership and control of greenhouse gas sources or sinks to or from organizational boundaries, or changes in greenhouse gas quantification methods which result in significant changes in greenhouse gas emissions or elimination, the base year will be revised together.

(b) Energy-saving measures: Since our company does not engage in production or manufacturing, our primary energy consumption comes from office use. Therefore, we focus on reducing energy consumption in office buildings, targeting air conditioning, lighting, office equipment, and employee awareness, with incremental reductions each year through equipment improvements and efficiency enhancements. Since 2018, we've upgraded office lighting to LED, with the transition now fully completed, resulting in an annual savings of 108,843 kWh (compared to before the upgrade), equivalent to about 45.28 tons of CO2e.

(c) Energy Reduction goal: The goal is to save 1% of electricity each year over the next five years.

Please refer to Chapter 4 of the "ESG Report" for information on environmental sustainability.

### 3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Did the company develop ethical corporate management policies approved by the board of directors and clearly state its policies and practices of ethical corporate management in the regulations and external documents? Are the Board of Directors and the senior management implementing the commitment to business policies?	✓		(1) A. The Company conducts the "Ethical Corporate Management Best Practice Principles" on October 25, 2013. The directors and managers of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies. B. All nine directors and six managers have signed the Declaration of the Ethical Corporate Management Best Practice Principles.	None
(2) Did the company establish the assessment system for the risks of unethical behaviors and regularly analyze and assess the business activities with higher risks of unethical behaviors within its business scope? Furthermore, did the company establish prevention programs against unethical behaviors, which at least covered the prevention measures for the behaviors in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(2) The company has established the "Ethical Corporate Management Best Practice Principles," which addresses issues such as bribery and receiving bribes, illegal political contributions, improper charitable donations or sponsorships, providing or acceptance of improper benefit, infringement of trade secrets, trademarks, patents, copyrights, and other intellectual property rights, engaging in unfair competition behavior, and service directly or indirectly damaging the rights, health and safety of consumers or other stakeholders during the research and development, procurement, manufacturing, provision, or sales. The code also specifies preventive measures and reporting mechanisms to enhance the effectiveness of ethical management..	None
(3) Has the Company clearly established and implemented operating procedures, code	✓		(3) In accordance with the "Ethical Corporate Management Best Practice Principles" and the "Whistleblowing System", the Company has	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
of conduct, penalties for violation and complaint system in the prevention programs against unethical behaviors as well as reviewed and revised the aforementioned programs regularly?			defined its operating procedures, guidelines on conduct, disciplinary and grievance systems for non-compliance, and established a stringent prevention system through internal auditing to prevent dishonest acts from occurring.	
2. Facilitation of Ethical Corporate Management				
(1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	✓		(1) The Company shall avoid engaging in business transactions with its agents, suppliers, clients or trading counterparties involved in unethical conduct and should at any time terminate or rescind the contracts with any trading counterparties. The Company shall list them as the objects of refusal to deal with, in order to implement the Company's ethical management policy.	None
(2) Has the company established units exclusive for the promotion of ethical corporate management, which are affiliated under board of directors and will report regularly (at least once a year) to board of directors about the programs, supervision and execution situations for the ethical corporate management policies and the prevention against unethical behaviors?	✓		(2) A. The Resource Management Center is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The Sales Division, Design Center, Product Center and Legal & Intellectual Property Division shall be in charge of the following matters, and report to the Board of Directors at least once a year. (Report has been submitted to the Board of Directors' Meeting on July 31, 2023).  B. Holtek will continue to promote the importance of ethical management and ethical standards. Each employee is responsible for maintaining the Company's reputation in accordance with the highest ethical standards. Integrate the ethical management policy with employee performance and human resources policies to establish a clear and effective reward system. The audit unit includes the compliance situations in the audit scope to implement legal compliance. Since the establishment of the Company, there have been no cases of corruption or violations of business ethics and integrity.	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(3) A. The Company conducts the "Ethical Corporate Management Best Practice Principles" and the "Whistle-blowing System" for preventing conflicts of interests and establishing appropriate representation channels. If any dishonesty or illegal conduct is discovered or reported, the dedicated personnel shall immediately handle it.  B. Directors who have conflicts of interest with agenda items, either personally or on behalf of represented legal entities, which may damage the interests of the company, shall not participate in the discussion or vote on such matters. They are also prohibited from representing other directors to exercise their voting rights.	None
(4) Has the Company established effective accounting systems and internal control systems for implementing Ethical Corporate Management and has its internal audit unit developed relevant audit programs according to the assessment results for the risks of unethical behaviors as well as reviewed compliance to prevention against unethical behaviors or entrusted accountants to conduct the review?	✓		(4) The Company establishes a complete and effective accounting system and internal control system. Internal auditors also check regularly all transaction cycles in accordance with regulations to ensure that the Company complies with internal control as well as relevant laws and regulations. The internal auditing department shall continuously inspect business activities within their business scopes which are possibly at a higher risk of being involved in an unethical conduct and report results to the Audit committee and the Board of Directors’.	None
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	✓		(5) The Company president personally instructs new employees on the Company’s corporate culture and operating principles. Internal and/or external training courses of ethical management training programs in 2023, which included the “Practice of the company's performance in the area of ethical corporate management and regular courses of the “Accounting System”, “Internal Control” and “Copyright Protection”, for a total of 286 participants, totaling 644.7 hours.	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
3. Implementation of Complaint Procedures				
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		(1) The company has formulated a specific reporting and reward system in the “Whistle-blowing System”. If a report of dishonest or illegal conduct is found or received, the Administration Division will be assigned as the dedicated unit to receive it. If a report involves a general employee, it should be reported to the head of the department; if it involves a director or a senior executive at associate level or above, it should be reported to the independent director.	None
(2) Has the Company established standard operating procedures for the investigation on complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms?	✓		(2) A. The Company has set up and announced a whistleblowing channel on its official website, and both internal and external personnel can access the public whistleblowing mailbox (liman1103@holtek.com.tw) to report directly to the Company. B. The Company conducts the “Whistle-blowing System” for executing investigation and relevant confidentiality mechanism. After issuing the investigation report, the prosecution, the investigation process, the survey results should be retained in paper documents for confidentiality, and saved for 5 years, the preservation of electronic means to whom. The relevant information shall be kept until the end of the litigation before the expiry of the period of preservation. C. For the prosecution of the case is verified, the relevant units should review the relevant internal control system and operating procedures, and to improve measures to prevent the same situation from happening again. Reporting to the Board of Directors on how to report the cases, ways of handling them and follow-up review and improvement measures by the responsible units.	None
(3) Does the company adopt proper measures to prevent a complainant from retaliation	✓		(3) Personnel involved in handling whistleblower cases in the company must provide a written statement ensuring the confidentiality of the	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
for his/her filing a complaint?			whistleblower's identity and the contents of the report. The company also commits to protecting whistleblowers from any inappropriate treatment resulting from their whistleblowing.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	✓		The Company conducts “Ethical Corporate Management Best Practice Principles” which have been disclosed on Holtek's website and the TWSE’s Market Observation Post System.	None
5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: The Company conducts “Ethical Corporate Management Best Practice Principles” and its operational status does not differ from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.				
6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy): Up until now, there has been no major violation of the integrity management regulations, which has affected the Company's operation.				

**3.4.7 How they may be found shall be disclosed if the Company has established Corporate Governance Principles and related regulations:**

The company has taken into consideration the” Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.” in establishing its corporate governance principles, with the Company website including a dedicated ” Corporate Governance” section that investors are able to inquire about and download For inquiries, please refer to our company's website (<https://www.holtek.com.tw>) or Market Observation Post System (<https://mops.twse.com.tw>).

### 3.4.8 Other Important Information Regarding Corporate Governance:

Further education of directors, accounting supervisors and Chief corporate governance officer:

Position	Name	Date	Professional Development Institutions	Course Name	Hours
Chairman	Wu Chi-Yung	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
Director	Tsai, Jung-Tsung	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
Director	Gau, Kuo-Tung	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
Director	Chang, Chi	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
Director	Liu, Yuan-Ho	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
Director	Wang, Min-Kun	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/20	Securities & Futures Institute	2023 Insider Trading Prevention Promotion Conference	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
		2023/11/15	Securities & Futures Institute	2030/2050 Green Industrial Revolution	3
Independent Director	Hsing, Chih-Tien	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
Independent Director	Hsu, Jui-Ting	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3

Position	Name	Date	Professional Development Institutions	Course Name	Hours
Head of Accounting	Liao, Ming-Tung	2023/12/18 ~ 2023/12/19	Accounting Research and Development Foundation	Professional training courses for the principal accounting officer of issuers, securities firms and securities exchanges	12
Head of Internal Audit	Lee, Wen-Te	2023/03/27	Accounting Research and Development Foundation	Internal auditors' practical management of audit and control of information security	6
		2023/03/29	Accounting Research and Development Foundation	Common deficiencies in financial statement review and practical analysis of important internal control regulations	6
Chief corporate governance officer	Liao, Ming-Tung	2023/03/08	Taiwan Corporate Governance Association	ESG sustainability and cybersecurity strategies in list companies	3
		2023/10/30	Taiwan Corporate Governance Association	Corporate Governance 3.0 Sustainable Development Roadmap and Key Points for Compliance	3
		2023/11/17	The Allied Association For Science Park Industries	The functions and tasks of corporate governance personnel under the sustainable development roadmap	3
		2023/12/12	Securities & Futures Institute	Concepts, practices, and tools of group tax governance	3

### 3.4.9 Matters that should be disclosed regarding the implementation of the internal control system:

(1) Statement of Internal Control System:

Holtek Semiconductor Inc.

#### Internal Control System Statement

Date: January 29, 2024

For the Company's internal control system of 2023, we would like to declare as follows according to the results of spontaneous inspections:

- I. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability of financial reports, and compliance with applicable laws and regulations, among other goals.
- II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism; however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter referred to as "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the abovementioned determining items and evaluated inspection of the design and effectiveness of its internal control system.
- V. Pursuant to the results of the abovementioned inspections, the Company is of the view that the design and implementation of its internal control system as of December 31, 2023 (including its supervision and management of subsidiaries), including its awareness the extent by which the operating effects and efficiency goals are fulfilled, reliability of financial reporting, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
- VI. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.
- VII. This Statement was approved at the meeting of the Company's Board of Directors on January 29, 2024 with no Directors expressing dissent out of the 8 Directors in attendance.

Holtek Semiconductor Inc.

Chairman: Wu, Chi-Yung

President: Tsai, Jung-Tsung

- (2) When a CPA is authorized to review the internal control system, the review report prepared by the CPAs shall be disclosed: None.

**3.4.10 In the most recent year and up to the date of the annual report, where the company and its internal personnel were punished in accordance with the law, or the company has punished its internal personnel for violating the provisions for the internal control system, if the results of penalty could make a significant impact on shareholders' equity or the price of securities, the content of the penalty, major faults and the circumstances of improvement shall be listed here:** None.

**3.4.11 Major Resolutions of the Annual Shareholders' Meeting, the Board of Directors' Meetings and the Audit Commission's Meetings:**

(1) Major resolutions of 2023 Annual Shareholders' Meeting:

Date	Items	Major Resolutions	Implementation Status
2023/05/24	Approval items	A. Approved the 2022 Business Report and Financial Statements. B. Approved the 2022 Earnings Distribution.	A. Resolution passed. B. Approved a cash dividend of NT\$4 per shares. The record date was August 22, 2023. The amount of cash dividend was NT\$ 904,672,800 which was distributed on September 7, 2023.
	Discussion items and Election	A. Approved the Amendment to the "Articles of Incorporation". B. Approved the Amendment to the "Rules and Procedures of Shareholders' Meeting" C. Approved the Amendment to the "Procedures for Acquisition or Disposal of Assets and Financial Derivatives Transactions" D. Approved the By-election of one Seat of Directors, hereby submitted for election. E. Approved the Permit directors to engage in competitive conduct.	A. Resolution passed - approved by the Ministry of Economic Affairs for registration on June 14, 2023, and announced on the Company's website. B. Resolution passed –announced on the Company's website on May 24, 2023 and operation processed according to the revised procedures. C. Resolution passed –announced on the Company's website on May 24, 2023 and operation processed according to the revised procedures. D. The newly elected independent directors were approved for registration by the Ministry of Economic Affairs on June 14, 2023 and the appointment was announced on the Company's website. E. Resolution passed.

(2) During the 2023 calendar year and as of the printing date of this annual report, 8 Board of Directors' Meetings were convened. Major resolutions approved at these meetings are summarized below:

Date	Major Resolutions
2023.02.16 The 9 <sup>th</sup> Term, the 4 <sup>th</sup> Meeting	1. Approved the allocation of 2022 employee bonuses and directors' remuneration. 2. Approved 2022 consolidated and individual financial statements. 3. Approving the announcement of no lending funds to other parties in the four quarter of 2022. 4. Approved the amendment to the Rules of internal control system. 5. Approved the Internal Control System Statement. 6. Approved the intends to formulate the general principles of the pre-approval non-confirmation service policy 7. Approved the assessment report of CPA's independence and competence.

Date	Major Resolutions
	8. Approved the performance assessments and remuneration of directors and managers.
2023.03.08 The 9 <sup>th</sup> Term, the 5 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the 2022 business report.</li> <li>2. Approved the 2022 earnings distribution.</li> <li>3. Approved the amendment to the Articles of Incorporation.</li> <li>4. Approved the Rules and Procedures of Shareholders' Meeting.</li> <li>5. Approved the amendment to the Procedures for Acquisition or Disposal of Assets and Financial Derivatives.</li> <li>6. Approved the by-election of one Seat of Directors.</li> <li>7. Approval of the Board's nomination of the Company's directors candidates, and the resolution of candidacy.</li> <li>8. Approved the permit of directors' engagement in competitive conducts.</li> <li>9. Approved the convention of 2023 Annual Shareholders' Meeting.</li> </ol>
2023.04.27 The 9 <sup>th</sup> Term, the 6 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the company's consolidated financial statements for the first quarter of 2023.</li> <li>2. Approving the announcement of no lending funds to other parties in the first quarter of 2023.</li> <li>3. Approved the issuance of credit line extension of Bank.</li> <li>4. Approved the issuance of short-term currency exchange credit of Bank.</li> <li>5. Approved the performance assessments and remuneration of directors and managers.</li> </ol>
2023.07.18 The 9 <sup>th</sup> Term, the 7 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the by-election of one seat of the 5th Term Compensation Committee members.</li> </ol>
2023.07.31 The 9 <sup>th</sup> Term, the 8 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the company's consolidated financial statements for the second quarter of 2023.</li> <li>2. Approved the ex-dividend record date and cash dividend distribution date for 2022 earnings distribution.</li> <li>3. Approving the announcement of no lending funds to other parties in the second quarter of 2023.</li> <li>4. Approved the company plans to issue the First Domestic Unsecured Convertible Corporate Bond</li> <li>5. Approved the amendment to the Risk Management Policy.</li> <li>6. Approved the performance assessments and remuneration of directors and managers.</li> </ol>
2023.10.30 The 9 <sup>th</sup> Term, the 9 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the company's consolidated financial statements for the third quarter of 2023.</li> <li>2. Approved the purchase of the directors and managers liability insurance.</li> <li>3. Approved the issuance of short-term currency exchange credit of Bank.</li> <li>4. Approved the 2024 audit operational risk assessment reports and annual audit plans.</li> <li>5. Approved the 2024 business plan.</li> <li>6. Approved the Regulations Governing the Compensation System of the Directors.</li> <li>7. Approved the performance assessments and remuneration of directors and managers.</li> </ol>
2023.12.07 The 9 <sup>th</sup> Term, the 10 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the change of president.</li> <li>2. Approved the issuance of short-term currency exchange credit of Bank.</li> </ol>

Date	Major Resolutions
2024.01.29 The 9 <sup>th</sup> Term, the 11 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the allocation of 2023 employee bonuses and directors' remuneration.</li> <li>2. Approved 2023 consolidated and individual financial statements.</li> <li>3. Approved the amendment to the endorsement guarantee operating procedures.</li> <li>4. Approved the Internal Control System Statement.</li> <li>5. Approved the assessment report of CPA's independence and competence.</li> <li>6. Approved the performance assessments and remuneration of directors and managers.</li> </ol>
2024.03.07 The 9 <sup>th</sup> Term, the 12 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the 2023 business report.</li> <li>2. Approved the 2023 earnings distribution.</li> <li>3. Approved the amendment to the Articles of Incorporation.</li> <li>4. Approved the by-election of one seat of independent directors.</li> <li>5. Approval of the Board's nomination of the Company's directors candidates, and the resolution of candidacy.</li> <li>6. Approved the permit of directors' engagement in competitive conducts.</li> <li>7. Approved the convention of 2024 Annual Shareholders' Meeting.</li> <li>8. Approved the issuance of credit line extension of Bank.</li> <li>9. Approved the increase investment of MCU Holdings Ltd..</li> <li>10. Approved the amendment to the Internal Control System and Internal Audit System.</li> </ol>

**3.4.12 Major issues of record or written statements made by any Directors dissenting to major resolutions passed by the Board of Directors:** None.

**3.4.13 Resignation or dismissal of the Company's key individuals, including the Chairman, CEO, and heads of Accounting, Finance, Auditing and R&D:**

As of April 10, 2024

Title	Name	Date of Appointment	Date of Discharge	Reason for Resignation or Discharge
President	Gau, Kuo-Tung	1998/10/01	2024/01/01	Retired
President	Tsai, Jung-Tsung	2024/01/01	-	Adjustment of internal position

### 3.5 Information on the Fees for CPAs

**3.5.1 Amounts of non-audit fees for attesting CPAs, the CPAs' firms, and the firm's affiliate(s) as well as the content of non-audit services:**

Unit: Value in NT\$ thousands

CPA Firm	Name of CPA	Inspection period	Audit Fee	Non-Audit Fee	Total	Remarks
KPMG	Lu, Chien-Hui	2023/01/01 ~	3,610	1,082	4,692	Tax Service
	Cheng, An-Chih	2023/12/31				

**3.5.2 Alter the CPA Firm and the audit fee in altering year is less than that in the previous year:** Not Applicable.

**3.5.3 The audit fee is reduced by over 10% compared with the previous year:** None.

**3.6 Information on the Replacement of CPAs:** None.

**3.7 Where the Company's Chairman and Management Team Members in charge of Finance or Accounting Matters has Held a Position at the Accounting Firm of its Independent Auditors or at an Affiliated Enterprise in the Most Recent Year:** None.

**3.8 Transfer of Stock Options and Changes in Equity Pledge of Directors, Managers, and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of Printing of Annual Report**

**3.8.1 Changes in Shareholding of Directors, Managers and Major Shareholders**

Unit: Shares

Title	Name	2023		As of March 31, 2024	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Juristic-Person Director	Bo-Kang Investment Ltd.	—	—	—	—
Representative of the Juristic Person Director and Chief Executive Officer	Wu Chi-Yung	—	—	—	—
Director and President	Tsai, Jung-Tsung (Note 1)	(22,684)	—	20,000	—
Director	Gau, Kuo-Tung (Note 1)	—	—	—	—
Director and Vice President	Chang, Chi	—	—	—	—
Director and Vice President	Liu, Yuan-Ho	—	—	—	—
Director	Wang, Jen-Chung (Note 2)	—	—	—	—
Director and Vice President	Wang, Min-Kun (Note 2)	—	—	—	—
Independent Director	Lu, Cheng-Yueh (Note 3)	—	—	—	—
Independent Director	Hsing, Chih-Tien	—	—	—	—
Independent Director	Hsu, Jui-Ting	—	—	—	—
Assistant Vice President	Wu, Shao-Nan	—	—	—	—
Assistant Vice President	Wu, Der-Chwan	(77,000)	—	—	—
Assistant Vice President	Yu, Kuo-Cheng	—	—	—	—
Assistant Vice President	Pan, Chien-Chou	—	—	—	—
Head of Finance and Accounting	Liao, Ming-Tung	—	—	—	—

Note 1: President, Gau, Kuo-Tung, was retired on December 31, 2023. And Tsai, Jung-Tsung, was new-appointed on January 1, 2024.

Note2: Director, Wang, Jen-Chung, was resigned on May 29, 2023. And Wang, Min-Kun, was new-appointed on the same day.

Note3: Independent Director, Lu, Cheng-Yueh, was resigned on June 6, 2023.

### 3.8.2 Shares Trading with Related Parties: None

### 3.8.3 Shares Pledge with Related Parties: None

### 3.9 Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders

As of March 31, 2024; Unit: Shares

Name	Current Shareholding		Spouse's/minor's Shareholding		Specific Person Shareholding		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
United Microelectronics Corporation Representative: Hung, Chia-Tsung	22,144,257	9.79%	—	—	—	—	None	None	
Gau, Kuo-Tung	6,701,176	2.96%	—	—	—	—	None	None	
Bo-Kang Investment Ltd. Representative: Wu, Bo Wei	6,578,502	2.91%	—	—	—	—	Wu, Chi-Yung	paternity	
Bo-Ding Investment Ltd. Representative: Chang, An-Hua	4,139,841	1.83%	—	—	—	—	Wu, Chi-Yung	Spouse	
Wu, Chi-Yung	3,932,905	1.74%	—	—	6,578,502	2.91%	Bo-Kang Investment Ltd. Representative: Wu, Bo Wei	paternity	
							Bo-Ding Investment Ltd. Representative: Chang, An-Hua	Spouse	
Chunghwa Post Co., Ltd. Representative: Wu, Hong Mou	2,634,000	1.16%	—	—	—	—	None	None	
Small-cap Capital Stock Fund of Jaketti Emerging Market Managed by HSBC	2,596,797	1.15%	—	—	—	—	None	None	
Su, Shiou-Jen	2,550,481	1.13%	—	—	—	—	None	None	
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	2,155,483	0.95%	—	—	—	—	None	None	
Wang, Jen-Chung	2,137,200	0.94%	1,416,000	0.63%	—	—	None	None	

### 3.10 Ownership of Shares in Affiliated Enterprises

As of December 31, 2023

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares (thousands)	%	Shares (thousands)	%	Shares (thousands)	%
Holtek Semiconductor Holding (BVI) Ltd.	22,053	100%	—	—	22,053	100%
Kingtek Semiconductor Holding (BVI) Ltd.	2,000	100%	—	—	2,000	100%
Sigmos Holdings Ltd.	200	100%	—	—	200	100%
MCU Holdings Ltd.	500	100%	—	—	500	100%
Holtek Semiconductor (India) Private Limited	6	0.10%	6,479	99.90%	6,485	100%
Holtek Investment Co., Ltd.	42,983	100%	—	—	42,983	100%

Note: Affiliated Enterprises are accounted for using equity method by the Company.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Other
1998/10	10	100,000	1,000,000	40,000	400,000	The Company was established and subscribed NT\$ 340,000 thousand for paid-in capital	Licensing Technology of in exchange in the stocks valued NT\$ 60,000 thousand	--
1999/04	10	100,000	1,000,000	100,000	1,000,000	Raise NT\$ 600,000 thousand for capital	None	--
2000/05	10	180,000	1,800,000	122,000	1,220,000	Retained earnings of NT\$ 220,000 thousand transferred to capital	None	Note 1
2001/04	10	180,000	1,800,000	153,380	1,533,800	Retained earnings of NT\$ 313,800 thousand transferred to capital	None	Note 2
2002/06	10	180,000	1,800,000	175,118.7	1,751,187	Retained earnings of NT\$ 217,387 thousand transferred to capital	None	Note 3
2003/06	10	260,000	2,600,000	183,400	1,834,000	Retained earnings of NT\$ 82,813 thousand transferred to capital	None	Note 4
2004/07	10	270,000	2,700,000	194,100	1,941,000	Retained earnings of NT\$ 107,000 thousand transferred to capital	None	Note 5
2005/06	10	290,000	2,900,000	205,409.5	2,054,095	Retained earnings of NT\$ 113,095 thousand transferred to capital	None	Note 6
2005/08	10	290,000	2,900,000	206,614.5	2,066,145	Employee stock options was exercised for NT\$ 12,050 thousand for capital	None	Note 7
2005/10	10	290,000	2,900,000	206,695	2,066,950	Employee stock options was exercised for NT\$ 805 thousand for capital	None	Note 7
2006/01	10	290,000	2,900,000	207,244.5	2,072,445	Employee stock options was exercised for NT\$ 5,495 thousand for capital	None	Note 7, 8
2006/04	10	290,000	2,900,000	207,451.5	2,074,515	Employee stock options was exercised for NT\$ 2,070 thousand for capital	None	Note 7, 8
2006/08	10	290,000	2,900,000	211,126.1	2,111,261	Retained earnings of NT\$ 36,746 thousand transferred to capital	None	Note 9
2006/08	10	290,000	2,900,000	212,100.1	2,121,001	Employee stock options was exercised for NT\$ 9,740 thousand for capital	None	Note 7, 8, 10
2006/10	10	290,000	2,900,000	212,210.35	2,122,103.5	Employee stock options was exercised for NT\$ 1,102.5 thousand for capital	None	Note 7, 8, 10
2007/01	10	290,000	2,900,000	212,470.1	2,124,701	Employee stock options was exercised for NT\$ 2,597.5 thousand for capital	None	Note 7, 8, 10

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Other
2007/04	10	290,000	2,900,000	212,759.35	2,127,593.5	Employee stock options was exercised for NT\$ 2,892.5 thousand for capital	None	Note 7, 8, 10
2007/08	10	290,000	2,900,000	216,487.05	2,164,870.5	Retained earnings of NT\$ 37,277 thousand transferred to capital	None	Note 11
2007/08	10	290,000	2,900,000	217,550.8	2,175,508	Employee stock options was exercised for NT\$ 10,637.5 thousand for capital	None	Note 7, 8, 10
2007/11	10	290,000	2,900,000	217,843.3	2,178,433	Employee stock options was exercised for NT\$ 2,925 thousand for capital	None	Note 7, 8, 10
2008/02	10	290,000	2,900,000	218,005.3	2,180,053	Employee stock options was exercised for NT\$ 1,620 thousand for capital	None	Note 7, 8, 10
2008/04	10	290,000	2,900,000	218,297.3	2,182,973	Employee stock options was exercised for NT\$ 2,920 thousand for capital	None	Note 7, 8, 10
2008/09	10	300,000	3,000,000	220,470.4	2,204,704	Retained earnings of NT\$ 21,731 thousand transferred to capital	None	Note 12
2008/09	10	300,000	3,000,000	220,910.4	2,209,104	Employee stock options was exercised for NT\$ 4,400 thousand for capital	None	Note 7, 8, 10
2008/11	10	300,000	3,000,000	220,955.15	2,209,551.5	Employee stock options was exercised for NT\$ 447.5 thousand for capital	None	Note 7, 8, 10
2009/03	10	300,000	3,000,000	220,997.4	2,209,974	Employee stock options was exercised for NT\$ 422.5 thousand for capital	None	Note 7, 8, 10
2009/04	10	300,000	3,000,000	221,180.9	2,211,809	Employee stock options was exercised for NT\$ 1,835 thousand for capital	None	Note 7, 8, 10
2009/08	10	300,000	3,000,000	222,087.7	2,220,877	Retained earnings of NT\$ 9,068 thousand transferred to capital	None	Note 13
2009/08	10	300,000	3,000,000	222,217.45	2,222,174.5	Employee stock options was exercised for NT\$ 1,297.5 thousand for capital	None	Note 8
2009/11	10	300,000	3,000,000	222,301.45	2,223,014.5	Employee stock options was exercised for NT\$ 840 thousand for capital	None	Note 8
2010/02	10	300,000	3,000,000	222,347.45	2,223,474.5	Employee stock options was exercised for NT\$ 460 thousand for capital	None	Note 8
2010/04	10	300,000	3,000,000	222,556.2	2,225,562	Employee stock options was exercised for NT\$ 2,087.5 thousand for capital	None	Note 8, 14
2010/08	10	300,000	3,000,000	222,666.2	2,226,662	Employee stock options was exercised for NT\$ 1,100 thousand for capital	None	Note 14, 15
2010/11	10	300,000	3,000,000	222,798.7	2,227,987	Employee stock options was exercised for NT\$ 1,325 thousand for capital	None	Note 14, 15
2011/02	10	300,000	3,000,000	223,044.2	2,230,442	Employee stock options was exercised for NT\$ 2,455	None	Note 14, 15

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital (NT\$ thousands)	Capital Increased by Assets Other than Cash	Other
						thousand for capital		
2011/05	10	300,000	3,000,000	223,339.7	2,233,397	Employee stock options was exercised for NT\$ 2,955 thousand for capital	None	Note 14, 15
2011/08	10	300,000	3,000,000	223,598.45	2,235,984.5	Employee stock options was exercised for NT\$ 2,587.5 thousand for capital	None	Note 14, 15
2013/08	10	300,000	3,000,000	223,680.45	2,236,804.5	Employee stock options was exercised for NT\$ 820 thousand for capital	None	Note 15
2013/11	10	300,000	3,000,000	224,941.2	2,249,412	Employee stock options was exercised for NT\$ 12,607.5 thousand for capital	None	Note 15
2014/01	10	300,000	3,000,000	226,168.2	2,261,682	Employee stock options was exercised for NT\$ 12,270 thousand for capital	None	Note 15

Note 1: The Tai-Cai-Zheng-Yi No. 36989 letter dated May 15, 2000.

Note 2: The Tai-Cai-Zheng-Yi No. 116941 letter dated April 3, 2001.

Note 3: The Tai-Cai-Zheng-Yi No. 126989 letter dated May 17, 2002.

Note 4: The Tai-Cai-Zheng-Yi No. 0920128586 letter dated June 27, 2003.

Note 5: The Tai-Cai-Zheng-Yi No. 0930128187 letter dated May 25, 2004.

Note 6: The Jin-Cuan-Zheng-Yi No. 0940125322 letter dated June 24, 2005.

Note 7: The Tai-Cai-Zheng-Yi No. 0920110590 letter dated April 1, 2003.

Note 8: The Tai-Cai-Zheng-Yi No. 0920138382 letter dated August 22, 2003.

Note 9: The Jin-Cuan-Zheng-Yi No. 0950127323 letter dated June 29, 2006.

Note 10: The Tai-Cai-Zheng-Yi No. 0930128187 letter dated June 25, 2004.

Note 11: The Jin-Cuan-Zheng-Yi No. 0960031838 letter dated June 25, 2007.

Note 12: The Jin-Cuan-Zheng-Yi No. 0970034273 letter dated July 9, 2008.

Note 13: The Jin-Cuan-Zheng-Fa No. 0980031086 letter dated June 23, 2009.

Note 14: The Jin-Cuan-Zheng-Yi No. 0940135791 letter dated August 26, 2005

Note 15: The Jin-Cuan-Zheng-Yi No. 0960073308 letter dated December 31, 2007

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common stock	226,168,200 shares	73,831,800 shares	300,000,000 shares	Listed stock

Related information of the general declaration system: Not applicable.

#### 4.1.2 Status of Shareholders

As of March 31, 2024

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	8	245	47,930	139	48,325
Shareholding (shares)	779,380	4,300,330	36,185,731	166,088,208	18,814,551	226,168,200
Percentage (%)	0.34%	1.90%	16.00%	73.44%	8.32%	100%

### 4.1.3 Shareholding Distribution Status

#### 1. Common Shares

As of March 31, 2024

Class of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	16,665	1,069,055	0.47
1,000 ~ 5,000	25,970	51,551,660	22.79
5,001 ~ 10,000	3,299	25,705,697	11.37
10,001 ~ 15,000	880	11,204,550	4.95
15,001 ~ 20,000	529	9,823,415	4.34
20,001 ~ 30,000	420	10,665,006	4.72
30,001 ~ 40,000	179	6,421,958	2.84
40,001 ~ 50,000	101	4,684,045	2.07
50,001 ~ 100,000	156	10,898,320	4.82
100,001 ~ 200,000	60	8,020,242	3.55
200,001 ~ 400,000	29	7,884,905	3.49
400,001 ~ 600,000	11	5,338,323	2.36
600,001 ~ 800,000	3	2,268,756	1.00
800,001 ~ 1,000,000	3	2,536,045	1.12
1,000,001 or over	20	68,096,223	30.11
Total	48,325	226,168,200	100.00

2. Preferred Shares: None.

### 4.1.4 List of Major Shareholders

Shareholders holding 5% or more of total shares or in the Top 10 stock option holding ratio list

As of March 31, 2024; Unit: Shares

Shareholder's Name	Shareholding	
	Shares	Percentage
United Microelectronics Corporation	22,144,257	9.79%
Gau, Kuo-Tung	6,701,176	2.96%
Bo-Kang Investment Ltd.	6,578,502	2.91%
Bo-Ding Investment Ltd.	4,139,841	1.83%
Wu, Chi-Yung	3,932,905	1.74%
Chunghwa Post Co., Ltd.	2,634,000	1.16%
Small-cap Capital Stock Fund of Jaketti Emerging Market Managed by HSBC	2,596,797	1.15%
Su, Shiou-Jen	2,550,481	1.13%
JPMorgan Chase Bank N.A., Taipei Branch has been entrusted with the Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	2,155,483	0.95%
Wang, Jen-Chung	2,137,209	0.94%

#### 4.1.5 Related information of market price per share, net value, earnings and dividends for the past two years

Unit: Value in NT\$

Items	2022	2023	01/01/2024-03/31/2024
<b>Market Price per Share</b>			
Highest Market Price	126.50	77.80	66.70
Lowest Market Price	59.50	60.10	52.80
Average Market Price	87.01	68.43	59.86
<b>Net Worth per Share</b>			
Before Distribution	20.69	17.86	—
After Distribution	16.69	Note 5	—
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	226,168	226,168	226,168
Earnings Per Share	4.89	0.49	—
<b>Dividends per Share</b>			
Cash Dividends	4.00	Note 5	—
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends (Note 1)	—	—	—
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 2)	17.79	139.65	—
Price / Dividend Ratio (Note 3)	21.75	Note 5	—
Cash Dividend Yield Rate (Note 4)	4.60%	Note 5	—

Note 1: For the equity shares issuance criteria, if there are requirements that dividends not distributed for a specific year can be carried over to the year with earnings, the dividends that have not been paid up to the said year with earnings shall be disclosed separately.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5: Holtek Board of Directors resolved the proposal of 2023 cash dividends of NT\$0.45 per share. It also needs to be approved in 2024 Annual Shareholders' Meeting.

#### 4.1.6 Dividend Policy and Implementation Status

##### (1) Dividend Policy

When allocating the net profits for each fiscal year, the Company shall distribute 5~15% of profit of the current year distributable as employees' compensation and no more than 1.5% of profit of the current year distributable as remuneration of directors. However, the company's accumulated losses shall have been covered.

Employees' compensation may be distributed to employees, including employees from affiliates companies who meet certain qualification determined by the Board of Directors.

If the Company has profit as a result of the yearly accounting closing, the Company shall first pay taxes, offset its losses in previous years and set aside a legal capital reserve at 10% of the profits

left over, until the accumulated legal capital reserve has equaled the total capital of the Company, then set aside special capital reserve in accordance with relevant laws or regulations or as requested by business. Any rest balance, added to the accumulated undistributed earnings in previous years, the Board of Directors shall be allocated according to shareholders' meeting resolution.

The amount of dividends distributed to shareholders shall be no less than 50% of the distributable earnings of the year concerned and no less than 50% of the shareholder's dividends shall be in the form of cash.

(2) Proposed Distribution of Dividend

The portion of unappropriated retained earnings was proposed to distribute cash of NT\$101,775,690 to shareholders. According to the holding ratios recorded in the shareholders' list on the dividend record date, the cash distribution will be entitled to a cash dividend of NT\$0.45 per share.

**4.1.7 Impacts of free share assignment intended through the current shareholders meeting on the Company's operational performance and earnings per share: None.**

**4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration**

1. Information Relating to Employee Bonus and Directors' Remuneration set out in the Company's "Articles of Incorporation":

Pursuant to provisions in Article 24 of the Articles of Incorporation:

When allocating the net profits for each fiscal year, the Company shall distribute 5~15% of profit of the current year distributable as employees' compensation and no more than 1.5% of profit of the current year distributable as remuneration of directors. However, the Company shall have reserved a sufficient amount to offset its accumulated losses.

Employees' compensation may be distributed to employees, including employees from affiliates companies who meet certain qualification determined by the Board of Directors.

2. This forecast column of the employee and the amount of directors remuneration for assigned to the column base and in stock for the number of shares of calculation basis and actual dispatch if amount and estimated the number of columns diverge from the accounting treatment of:

These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under cost of goods sold or expenses for the years ended December 31, 2023 and 2022. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing market price of the shares on the day preceding the board of directors' meeting.

3. The Board of Directors has approved the remuneration:

(1) The annual remuneration for employees and directors in 2023 which has been approved by the Board of Directors, shall be NT\$8,503,837 and NT\$1,012,361, respectively, which are not different from the annual estimated amount recognized as current expenses.

(2) The percentage of employee remuneration distributed by shares from the total amount of Net Income and total employee remuneration of entity or individual financial reports for the current period: None.

4. The actual distribution of the remuneration of employees and directors in the previous year (including the number of shares distributed, the amount and the share's market price), and the difference between such distribution and the remuneration of employees and directors shall be clearly stated, including the number of differences, the reasons for the difference and the follow-up situations:

The Board of Directors of the Company passed the resolution to allot NT\$160,429,812 for employees' bonuses in 2022, as well as NT\$19,098,787 for directors' remunerations in 2022, and all paid in cash. These actual payments match the original resolution and the figures decided upon by the Board of Directors.

**4.1.9 Buyback of the Company stock:** None.

**4.2 Status of Corporate Bonds:** None.

**4.3 Status of Preferred Shares:** None.

**4.4 Status of Global Depository Receipts:** None.

**4.5 Status of Employee Stock Option Plan (ESOP):** None.

**4.6 Status of New Restricted Employee Shares:** None.

**4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions:** None.

**4.8 Financing Plans and Implementation:** None.

## V. Operational Highlights

### 5.1 Business activities

#### 5.1.1 Business scope

##### 1. Main areas of business operations

The Company is a leading Taiwan designer of professional ICs whose business area is mainly focused in the design and sales of microcontrollers and peripheral devices. The company's product range and related design services are driven largely by customer and market requirements.

##### 2. Main revenue distribution

Product Category \ Year	2023
MCUs	79%
Peripheral ICs	20%
Others	1%
Total	100%

##### 3. Present product and service items

The Company's main development focus is in the area of microcontrollers (MCUs) and peripheral ICs. The main application areas include a full range of standard and application specific MCUs in addition to devices for screen displays, power management, computer peripherals, communication, RF, memory, analog, touch switches, voice, health measurement, security, motor control, Internet of Things (IoT) and financial applications, etc. This full range of devices not only meets the requirements for a wide scope of global applications, but also focusses on the needs of specific geographical areas.

In addition, the Company also provides a custom design service for customer requested ASIC MCUs for their individual specific application requirements. This is in addition to the design of other ASSP MCUs which are designed to meet the needs of specific application areas.

##### 4. New product development and service

To provide customers with a more complete range of products and technical services, the Company has expanded its applications to include 4C+MG (Medical & Green), while providing a range of professional services to meet the customer's diverse requirements for product functionality, cost effectiveness, timeliness and product protection, etc. The Company's main products include the following:

- (1) 32-bit STD MCUs and its solutions with Arm® Cortex®-M0+, M3 and M4 core. (Examples include IoT applications, fingerprint recognition, fiber optic communication, automotive communication with CAN Bus, TFT displays, computer peripherals with lighting effects, barcode recognition, healthcare, power storage and inversion, home appliances, etc.)
- (2) 32-bit MCUs for voice recognition platform and solutions
- (3) 32-bit MCUs for low power consumption Bluetooth(BLE) platforms and solutions
- (4) The 8-bit STD MCUs and its solutions with HT8 core. These are applicable to a range of uses such as control for various home appliances, smart home devices, industrial

control, and more.

- (5) Ultra-low-power STD MCU and solutions.
- (6) 24-bit Delta Sigma A/D Flash MCUs
- (7) Enhanced anti-interference Touch MCU and solutions
- (8) Various dedicated healthcare and medical MCUs and product solutions. (Examples include body temperature, ear/forehead temperature, weight, body fat, blood pressure, blood oxygen, blood sugar, etc.)
- (9) Continuous monitoring glucose meter MCUs and its solutions
- (10) Security and fire protection MCUs and solutions (e.g. CO / GAS detectors, smoke fire alarms, fire residual pressure detectors, PM2.5 dust detector, etc.).
- (11) BLDC motor MCUs and solutions (Examples include various types of fans, household appliances, kitchen appliances, white goods, power tools, garden tools, and personal care products, etc.).
- (12) 2.4GHz RF high-speed transmission chip and SoC Flash MCUs solution.
- (13) RF Sub-1GHz and OOK+FSK wireless transceiver Flash MCUs and SoC solutions
- (14) Dedicated MCUs and solutions for energy storage inverters.
- (15) PD Fast charger and identification MCUs and its solutions
- (16) Li-battery battery charging/discharging BMS MCU and energy storage management product solutions.
- (17) Power battery charger MCUs and solutions
- (18) MCUs and solution for EMC interference reduction in half bridge induction cooker.
- (19) Power management and driver ICs, along with product solutions. (Examples include LDO, DC/DC, AC/DC, LED drivers, and various pre-drivers for power components, etc.).
- (20) MCUs and digital sensors/modules dedicated to various sensors. (Examples include 1D/2D digital proximity sensors/modules, microwave sensor modules, digital temperature/humidity sensors/modules, infrared temperature sensors, digital differential pressure sensors, micro-pressure digital sensors, anemometers, digital gas flow sensors, etc.).

## 5.1.2 Industry Overview

### 1. Industry Overview and Development

#### (1) Global Semiconductor Market

The global economic downturn in 2023 was mainly due to multiple challenges in the face of continued pressure from international inflation and interest rate hikes. Other major influences were the Ukraine/Russian war stalemate, China's economic slowdown and the resumption of U.S.-China technology disputes. The global semiconductor market faced the problems of a rapid decline in consumer end-product market demand and high inventory levels in the overall supply chain. The year 2023 became a year of inventory adjustment for the semiconductor industry. Looking forward to 2024, as the industrial chain inventory gradually returns to a healthier level, the market demand for personal computers and smartphones will rebound with the semiconductor industry expecting to see a much improved market situation and gradually returning to positive growth.

According to statistics from the World Semiconductor Trade Statistics Organization (WSTS), the global semiconductor market total annual sales value in 2023 reached US\$520.1 billion, a decrease of 9.4% when compared with 2022. For 2024, the industry is expected to reach US\$588.4 billion, showing an increase of 13.1%. WSTS indicates that this year only the European semiconductor market has grown by about 6%, making it the region with the largest growth momentum in the global semiconductor market. The Asian market has declined by 14%, becoming the least well performing region in the global semiconductor market.

With increasing tension in the U.S.-China technology disputes, August 2023 witnessed US President Biden signing an executive order prohibiting US investments in certain sensitive Chinese technology fields to prevent US funds and expertise from involvement in China's military modernization. This order has restricted US company investment amount in China's semiconductor, microelectronics and artificial intelligence areas which has created two main impacts. Firstly, it prevented US capital from supporting Chinese start-ups, especially in the semiconductor industry. The second impact was to restrict technology transfer of high-end chips. Geopolitical and national security risks between China and the US have become normalised. As the United States continues to strengthen its control over the semiconductor area, its influence has begun to appear on a global scale. Southeast Asia and India are also rising actors on the semiconductor stage. It is expected that future global semiconductor supply chains will be forming more complex competitive relationships.

## (2) Taiwan Semiconductor Market

According to statistics from Taiwan's Industry, Science and Technology International Strategy Center, Taiwan's IC industry output value in 2023 had reached NT\$4,342.8 billion, a decrease of 10.2% from the previous year, 2022. In breaking this down, for the IC design area, the output value was NT\$1,096.5 billion, a decrease of 11% from 2022. For the IC manufacturing industry, this had a value of NT\$2,662.6 billion, a decrease of 8.8% from 2022. The wafer foundry industry was NT\$2,492.5 billion, showing a decrease of 7.2% from 2022. Memory and other manufacturing was NT\$170.1 billion, a decrease of 27.8% from 2022. The IC packaging industry was NT\$393.1 billion, showing an annual decline of 15.6% from 2022. For the IC testing industry the figure was NT\$190.6 billion, which was a decrease of 12.8% from 2022.

In 2023, Taiwan's semiconductor industry declined for the first time after eleven consecutive years of growth. The decline not only exceeded predictions, but was unfortunately also higher than global levels. During 2023, the semiconductor industry entered an inventory adjustment period. The IC design and memory industries faced the dual dilemma of declining demand and oversupply, which propagated into affecting the demand for IC packaging and testing, leading to an overall detrimental operational picture during 2023. The present year, 2024, should see the industry leaving behind the 2023 sluggish inventory adjustment stage and seeing better news on the horizon. The explosive growth in global demand for artificial intelligence (AI), high-performance computing (HPC), the demand for smartphones, growth in PCs, infrastructure and automotive industries will show more stability and is expected to bring in a new wave of recovery and growth.

## (3) China's Semiconductor Market

According to statistics from the China Semiconductor Industry Association, China's integrated circuit design industry sales in 2023 were RMB 577.3 billion, an increase of 8% from 2022. Although China achieved 8% revenue growth in this year's extremely difficult external environment, there are still a large number of listed companies that are not in a favorable situation. Large-scale losses among companies have become an

unavoidable problem for the design industry during 2023. China's integrated circuit design industry report shows that among the 108 listed IC designer companies in China in the first half of the year, 66 made a profit while 42 suffered losses. This is the equivalent to 38.9% of companies experiencing losses in the first half of the year. The main reason for these losses was due to restrictive production capacity during the past two years. Companies have spent significant effort competing for production capacity, resulting in a serious inventory backlog. When a saturated industrial supply chain occurs, inventory faces the risk of impairment, resulting in inevitable losses.

In 2023, the China semiconductor industry faced more austere US government sanctions. When coupled with a weaker post-pandemic economic situation, and in the face of a more sluggish market demand by mobile phone and PC manufacturers, China's chip imports fell by 15.4%. Wei Shaojun, chairman of the China Semiconductor Industry Association, said that China's semiconductors needs to strengthen its technology expertise and continue to improve its design capabilities. This will involve a higher focus on innovative technologies to reduce its dependence on process technology advancements and EDA tools. Only by adhering to a "product-centered approach" and continuously improving its core competitiveness can it hope to have a brighter future.

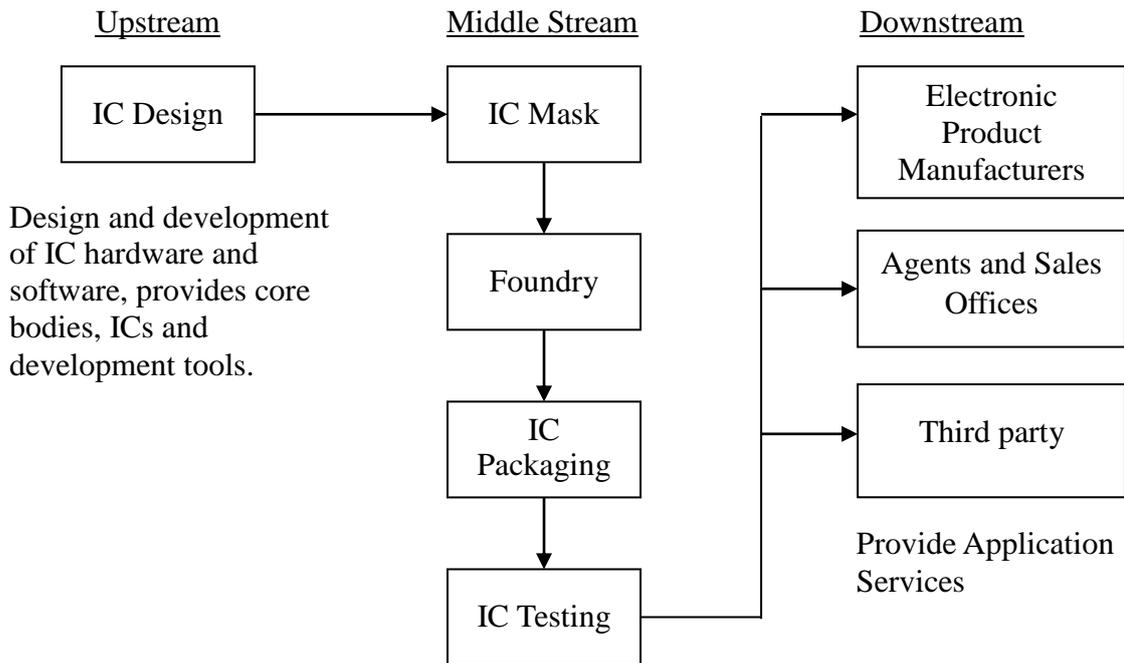
## 2. Industry Upstream, Middle Stream and Downstream Relations

The semiconductor industry system is comprehensive and wide ranging as it includes IP design, IC design, IC manufacturing, photomasks, specialized chemicals, IC packaging, IC testing, lead frames, IC modules, IC sales channels, etc. Professional manufacturers are operating at every point within this complex industry. The vertical professional division of labor is clear.

Holtek is positioned between the middle and upper reaches of the semiconductor industry chain. Its main products are R&D and the design of various IC software and hardware cores, providing standard cores along with IC development tool design and marketing. Both front-end and back-end product manufacturing are implemented by outsourcing as most domestic IC design companies do not possess their own wafer fabs. After the IC design is completed, the design is then entrusted to professional wafer foundries to conduct the manufacturing processes. Therefore, IC design companies need to work cooperatively with wafer foundries to negotiate production capacity, processes, quality and delivery times. Taking into consideration various factors, domestic IC design companies generally choose specialized and specific large-scale foundries as their primary long-term partners. This ensures product quality and allows stable relationships to secure a continuous supply of wafers. If the wafer suppliers have process and quality advantages, they are less likely to be replaced by other competitors.

Thus, our company has chosen well-known wafer foundries as the primary source of raw wafer materials and established long-term partnerships with them. This approach allows us to secure capacity quotas to meet our company's needs and increases the stability of wafer supply and delivery times. As for marketing, the company's sales model is implemented mainly through agents. The rationale for this is due to geographical convenience and local market knowledge and experience of agents, which can quickly expand local markets and reduce inventory costs. The correlation between the upper, middle and lower reaches of the semiconductor industry is illustrated as follows:

## IC Design Industry Structure



### 3. Product Development Trends

The Company's product range encompasses a wide range of applications, including computer peripherals, communications, consumer, smart home appliances, industrial equipment, health measurement, and IoT products.

Main Product	Application Area
MCUs	<ol style="list-style-type: none"> <li>1. 8-bit/32-bit standard MCUs</li> <li>2. BA series security product MCUs.</li> <li>3. BC series RF MCUs.</li> <li>4. BD series BLDC motor control MCUs.</li> <li>5. BH series health measurement MCUs.</li> <li>6. BP series power management MCUs.</li> <li>7. BS series touch MCUs and proximity sensor MCUs .</li> </ol>
RF SoC MCU products	<ol style="list-style-type: none"> <li>1. Vehicle alarms, bicycle anti-theft, smart home wireless remote control, smart doorbell chimes and security.</li> <li>2. Low-power Bluetooth (BLE) for health measurement products, home appliances and smart device information enquiry applications.</li> <li>3. Sub-1GHz and 2.4GHz wireless encrypted communication products, smart meters, vehicle anti-theft remote controls, and IoT products.</li> </ol>
Home Appliance products	Wide range of small household appliance microcontrollers, home appliance panel display control MCUs and various home appliances touch key MCUs.
Computer Peripherals	Keyboards, Mice, Gaming Keyboards, USB Bridge, PDF Data Loggers, etc.
Display Products	Electronic meters, audio/video/home appliance displays, vehicle displays, electronic shelf label displays, wearable product displays and constant current LED display, etc.

Main Product	Application Area
Power Management Products	Home appliance power boards, chargers, smoke sensors, mobile power, wireless charging, smart meters, lithium battery personal care products such as razors, nasal hair cutters, cleansing products, electric hair clippers and flashlight ASSP MCUs.
Financial Products	Dynamic password generators, challenge-response mechanism for one-time password, Dynamic Code Verification (DCV) card, NFC stored-value cards, smart card readers, financial instruments such as for checking currency, credit cards, identity cards and other areas such as for currency counting machines, sorting machines, ATMs, EPD Flash MCUs, Ultra-Low Power Flash MCUs and identity card identification instruments, etc.
IoT Products	Based on Wi-Fi and BLE (Low power Bluetooth) 32-bit Flash MCUs to provide complete solutions for small home appliances, health monitoring, medical care, smart bracelets and other IoT related products.
Safety and Security Products	Smoke and fire detector alarms, PM2.5 sensors, CO/GAS detection alarms and PIR/uWave sensors, fire residual pressure etc.
Health Measurement Products	Blood pressure meters, blood glucose meters, blood oxygen saturation monitors, thermometers, electronic weight scales, digital weight price scales, body fat scales, infrared temperature measurements, humidity/temperature meter, anemometer, atomizers and proximity sensor, etc.
BLDC Products	Electric tools, garden tools, air purifiers, vacuum cleaners, hair dryer, water pump, DC fans, ceiling fans, cooling fans, electric bicycles and electric scooters, etc.
Digital Sensor/ Modules Products	Object movement/proximity detection, environmental temperature and humidity, gas and air quality detection, and various other physical quantity measurements.

#### 4. Competitive Situation

With the rapid development in areas such as the Internet of Things, smart homes, and automotive electronics, MCU market demand continues to rise. As the world's largest electronic product production base, China's MCU market is also thriving. During the Covid epidemic, which experienced a strong demand for consumer electronic products, there was an increase in Chinese semiconductor companies entering the MCU industry, resulting in fierce market competition and significant MCU price fluctuations. A price correction in response to this happened in 2023.

During this period, the emergence of Sino-US trade disputes increased China's awareness around having an independent control of chip supply. Companies realized the importance of improving chip performance for quality product markets. In order to meet the design requirements of high-performance computing applications, there was a need for performance upgrades for a range of electronic products. For the expansionist requirements of IoT devices, 32-bit MCUs are required to meet of high performance and low power consumption requirements.

To counteract the operational impact created by China's low-price competition and downturns in the consumer market, Holtek invested significant resources in the area of application-specific standard microcontrollers (ASSP MCUs) in recent years, along with MCUs which include sensing components to expand its range of modules. The core MCU and power supply are integrated into dedicated ICs, and new products with ultra-low power consumption have been released. This allows the company to meet the special

characteristic requirements of different markets, to be able to flexibly adjust product performance and create increased market segmentation. The company is thus able to provide customers with complete solutions having a higher degree of functionality. In addition to continuing developing its current products, Holtek also provides its customers with a range of development platforms to assist customers with the rapid development of their applications.

### 5.1.3 Research and Development

1. Research and development expenses for the previous year for the most recent year until the end of the annual report

Units: Value in NT\$ Thousands

Year	2022	2023
Research and Development Expense	1,136,791	812,619
Operating Income	6,015,968	2,596,067
R&D expense as a percentage of operating income	19%	31%

2. Development of Successful Technologies or Products

The company continues its investment in the research and development of new products and new technologies. The continuous introduction of new products will create stable growth in the company's turnover and increase profits. Research and development expenditure in 2022 and 2023 were about NT1.137 billion and NT0.813 billion respectively. This accounted for 19% and 31% of the 2022 and 2023 year's revenue respectively.

The main R&D achievements in 2023 were microcontrollers as core products, coupled with many peripheral IC series, to provide the customer with complete solutions and overall services. The operating temperature of each MCU series has already reached industrial grade specifications (operating temperature range is  $-40^{\circ}\text{C} \sim +85^{\circ}\text{C}$ ), however research and development is aiming towards targets of  $105^{\circ}\text{C}$  and  $125^{\circ}\text{C}$ . As for product quality and anti-noise capabilities, these are in line with similar products from leading European, American and Japanese manufacturers. Holtek's products have been recognised by a wide range of customers. An overview by application classification is given below.

#### (1) New Generation 8-bit MCUs

- A. 1.8V to 5.5V standard Flash series: Support low operating voltage and operating current, built-in ADC and LCD functions, suitable for various home appliances, personal care, consumer products, etc.
- B. Integrated multi-stage operational amplifier, comparator and voltage regulator MCUs: These reduce PCB area, simplify the circuit structure, reduce product size, reduce costs and allows for more simplified production. Suitable for products which require signal amplification, such as remote controls, parking sensors, rangefinders, toys, robots, instruments and automatic induction faucets, etc.
- C. Touch key MCU series: Applied for use in the growing amount of applications that are using touch keys. Flash touch key MCUs all have ICP (In Circuit Programming) functions and include an integrated EEPROM, allowing for simple program modifications and adjustments of parameters and settings.
- D. Super low-power standard series: This series has reached the level of international

manufacturers. Their low power consumption in compliance with environmental protection requirements, suitable for all kinds of portable products using passive (energy harvesting) and disposable battery power.

- E. Health measurement products: Focus on blood pressure, blood glucose meter, continuous monitoring blood glucose meter, blood oxygen, body temperature, weight and body fat, health care and other related products, and have successively developed dedicated MCUs. In addition to highly integrated existing external components, we provide higher resolution 24-bit ADC, voice interface and BLE communication, which simplifies the design of remote care products and improves the convenience for the elderly population.
  - F. Dedicated MCU for brushless DC (, BLDC) motor control and SoC MCU integrated with gate-driver/driver. We have incorporated the use of square wave sensor-less drive filter and MDU to make brushless motor run more stable. We focus on garden tools , vacuum cleaners, electric tools, refrigerator defrosting fans and cooling fans, all of which have achieved the required functions and performance and have been successfully introduced into mass production by customers. This series also provides a development platform to accelerate customer product development.
  - G. Development of multi-channel RGB LED lantern MCU: Drive RGB LEDs with constant current to realize millions of RGB color variations, which is very suitable for applications in smart speakers, mouse pads, gaming headsets, gaming mice and other products, increasing the ambilight effects.
  - H. Security products: Dedicated MCUs for smoke detectors, CO/gas detection alarms and PIR/microwave detection have been developed, all of which integrate multi-stage operational amplifiers, dual-channel IR LED drivers, temperature sensors, ADCs, and displays driver functions, which can greatly reduce the use of external components of security products. Smoke-detection products also come with a development platform to accelerate customers' development progress.
- (2) Arm<sup>®</sup> Cortex<sup>®</sup> M Series 32-bit MCUs:
- A. Arm<sup>®</sup> Cortex<sup>®</sup>- M0+ core 2.5V~5.5V Flash MCU.
  - B. Arm<sup>®</sup> Cortex<sup>®</sup>- M3 core 72/ 96 MHz Flash MCU.
  - C. Arm<sup>®</sup> Cortex<sup>®</sup>- M0+ core 60 MHz Flash MCU
  - D. Arm<sup>®</sup> Cortex<sup>®</sup>-M4 is a flash MCU with a core operating speed that can reach 240MHz, and it integrate multiple interfaces such as CAN Bus and USB.
  - E. Arm<sup>®</sup> Cortex<sup>®</sup>-M0+ is a BLDC Motor Flash MCU with a core operating speed up to 60MHz. It has built-in gate-driver/driver, with an operating voltage 2.5V to 5.5V, integrated OPA, CMP, 2Msps high-speed ADC, and motor-specific timer, and has optimal configurations for FOC control of brushless DC motors. At the same time, SoC MCUs with different voltages and powers are launched to minimize the size of the motor module. It has successfully been incorporated into the use of ceiling fans, hair dryers, energy-saving fans, water pumps, and electric kick scooters, and is suitable for many home appliances and industrial products.
- (3) Consumer Products
- A. Flash Type Voice MCU: Integrated functions such as 16-bit DAC and 12-bit ADC and SPI interfaces with integrated hardware voice compression combine to reduce the customer learning threshold thus increasing product flexibility and functional integration.

- B. Touch + LCD/LED Flash MCU: Combined capacitive touch switches and direct driving of LCDs and high current LEDs, also UART serial communication interfaces, RTC real-time clock function and high precision 12-bit analog-to-digital converters. In addition to being used in general consumer products they are also suitable for industrial thermostats and other industrial products.
  - C. Complete 2.0 generation power charger control Flash MCUs: fully integrated dual sets of OPAs and programmable DACs. The MCU controls the primary side PWMIC using an OPA and generates both constant voltage (CV) and constant current (CC) hardware control. For use in e-bike or power tool lead acid/lithium battery charger products.
  - D. Power management and driver products:
    - (a) High withstand voltage, high accuracy, low power and high current drive linear regulators with operating voltages up to 40V. High  $\pm 1\%$  accuracy with less than 1 $\mu$ A operating current and up to 500mA current drive linear regulator. Products can be widely applied for use in fire safety, industrial control, financial products, automotive electronics, etc. Used to extended battery life and to achieve green energy savings.
    - (b) Low-power/high-current drive boost converter: ultra-low 0.7V operating voltages up to 3A output current. Suitable for use in dry battery and lithium battery related applications such as electric razors, health products, mobile power, wireless networking for water/electricity/gas/heat meter applications. Provides extended battery life and offers a stable and reliable power supply.
    - (c) High withstand voltage and high current drive buck converters with operating voltage up to 52V and a maximum 3A output current. Can be widely used in applications such as smart meters, electric motors and wireless routers. Provides a stable and reliable system power supply.
    - (d) Low-power/low-cost AC-DC voltage converters with maximum withstand voltage up to 700V. These provide cost-competitive solutions and can be widely used in small household appliances such as induction cookers, ceramic stoves, coffee machines, rice cookers etc.
    - (e) DC motor driver ICs: used for valve control of water meters, gas meters, heat meters and DC motor drive applications such as electronic door locks. Can drive up to 24V motors with a drive peak current of 2.5A and possesses comprehensive IC protection functions.
    - (f) Multi-section lithium battery protection MCU: Applied for use in handheld power tools, vacuum cleaners, water sprayers and other products. Can provide low-cost, highly integrated and complete lithium battery protection systems.
  - E. High-voltage bus data transmission IC: includes integrated analog voltage modulation data input and current modulation data output providing data modulation on power lines.
- (4) Computer Peripheral Products
- A. USB 2.0 Full Speed MCU Series.
  - B. USB Bridge Series ICs.
  - C. High Speed CIS/CCD Analog Front End Processor (AFE) Series.
  - D. USB 2.0 Low Speed MCU Series.
  - E. PDF Data Logger MCUs.

F. Gaming Keyboard/Mouse RGB LED ASSP Flash MCUs.

(5) Wireless Products

A. Wireless remote controllers: integrated 315M/433M/868M/915MHz ISM frequency band RF transmitters and ASK/OOK/FSK/GFSK encoders, integrated into high performance Flash MCUs to provide RF and MCU control in a single SoC IC.

B. Remote controllers: 315M/433M/868M/915MHz RF super-heterodyne mode circuits, demodulate OOK/FSK reception and Flash MCU applications, aimed at wireless transmission remote control products for integrated one-way and two-way control applications.

C. 2.4GHz wireless MCUs: combined 2.4G RF circuit and Flash MCU, used in high noise resistant dual direction communication applications etc.

D. Low power Bluetooth (BLE) MCUs: Integrated high-performance RF, modem and 32-bit M0+Flash MCUs with fully integrated DC/DC converter and LDO to support a wide range of single power supply applications, suitable for low-power health and medical products, home appliances and smart devices etc.

E. NFC Tag Flash MCUs & NFC Reader controller.

#### 5.1.4 Long-term and Short-term Development

1. Short term development plans

(1) Marketing and Operating Strategy

With over 40 years of experience in the IC design industry, the Company's management team is well experienced with both customer and market needs. The Company also has the full support of several external IC Fabs, packaging and testing plants in addition to a local sales and technology presence in Taiwan, China, India and the USA. This all combines to provide the Company with a high level of product competitiveness.

A. Excellent product quality – has excellent electrostatic discharge protection and anti-noise abilities.

B. Rapid product delivery times.

C. Superior cost/performance ratios.

D. Can provide both OTP (one time programming) and Flash type MCUs.

E. Quick response local technical service.

F. Flexible ASSP and ASIC MCU design service.

G. Professional development tools and efficient C compiler.

(2) Production Strategy

A. Cooperate with external manufacturers such as major foundries, packaging plants, test plants, etc. to obtain sufficient capacity and cost competitiveness.

B. Establish platforms with partner manufacturers for data collection to be able to monitor and control progress and volumes to reduce inventory and effectively control stocks.

(3) Product Strategy

A. The Company's main product development arena is located in the 8-bit and 32-bit MCU area, which when added to its range of complimentary MCU peripheral components provides extensive and flexible solutions. This wide range of solutions

provides customers with strong market competitiveness.

- B. The Company's strategic products form the mainstay of the consumer market, close interaction with client, as well as introducing niche products and providing differentiated services.
- C. The Company look at the cost of the overall system and introduce highly integrated dedicated ASSP MCU to help customers reduce their overall product cost to create a win-win situation for all of us.
- D. Introduce digital sensors and various modules to shorten customers' development and debugging time and improve product stability.

#### (4) Development Strategy

Holtek aim to meet the needs of end products, and have integrated MCU core architectures on different process platforms, and incorporated the use of specialized IP and key technologies to achieve miniaturized SoC. We work closely with fabs and packaging plants to develop SoC and SiP integration. During the integration, we are able to reinforce the anti-noise and electrostatic protection performance and make them achieve the technical standard of other MCU suppliers in the US, Japan and Europe. Our products are now going through the high-temperature AEC-Q100 certification, and will extend to the market of automotive electronic products. For products that have more specialized applications, we directly improve the functions and product yield in order to expand to more potential markets.

### 2. Long term development plans

#### (1) Marketing and Operation Strategy

We focus on the fields of smart home appliances, health measurement, PC and peripherals, security, motor control and finance as our main markets of development. We specialize in high-quality microcontrollers for the global markets, and provide excellent product quality and quick localized services to meet the needs of customers around the world. We have successfully sold HOLTEK microcontrollers to well-known global firms, further establishing specialized brand image of HOLTEK. The Company's 8-bit MCU has been well received by well-known global manufacturers and has been put into mass production. We are also actively rolling out 32-bit MCUs to expand the global market share. In 2023, HOLTEK shipped out about 26 million units of 32-bit MCU, with a year-over-year decrease 10%, mainly due to the decline in demand for consumer electronics products. In the future, the applications of 32-bit MCUs will cover an even wider range of functions. We will also collaborate with different specialized solution partners in various fields to expand the ecosystem. By introducing innovative design solutions, we will be able to accelerate the development of products needed by end customers.

#### (2) Production Strategy

- A. Have a response to the early stages of industrial boom cycles to reduce their impact.
- B. Continuous use of advanced processes, implement cost reductions to improve yield and market competitiveness.

#### (3) Product Strategy

- A. Lock in domestic and overseas large company potential markets for product promotion and service.
- B. Move into higher-level or high value-added applications, such as high-end household appliances, industrial equipment, security products, automotive

electronics and other areas.

- C. Launch various specialized product modules: RF 2.4GHz/Sub1GHz/Bluetooth/NFC radio frequency modules, environmental sensor modules, fingerprint recognition, proximity sensor, miniature PIR sensor, weight sensor, touch sensor, ultrasonic module, etc. Reduce the barriers to entry for specialized product research and development, accelerate product development cycle and mass production testing, add various functions to end products, and maintain product stability.

(4) Development Strategy

Improve product design capabilities, and in response to market application needs, establish standardized and modular development technologies. Construct various development platforms in-house, and form alliances with external specialized manufacturers to improve product yield and reliability, reduce development time and costs and shorten product launch time to improve product value and competitiveness.

(5) Product Development Areas:

- A. Continue developing its standard range of 32-bit Arm® core MCUs which include functions such as LCD drivers, USB/UART/SPI/I<sup>2</sup>C/I<sup>2</sup>S communication interfaces, PWM drivers, CMOS sensors, A/D and D/A converters, comparators and operational amplifiers, etc.
- B. Development of a dedicated range of 32-bit Arm® core MCUs for image recognition, motor control, fingerprint recognition, health measurement, music synthesis. Integrating CORDIC, AES encryption and decryption functions, CRC computing, 24-bit high resolution Delta-Sigma A / D converter, multi-channel music synthesizer and other peripherals, suitable for various applications such as IoT terminal devices, fingerprint recognition, BLDC high level control, wearable devices, multimedia products and wireless applications, voice recognition, music synthesizer and other fields.
- C. Enhanced low-voltage, low-power, high-precision series of standard 8-bit Flash MCUs, including A/D and D/A converters, LCD and LED drivers, 24-bit high-resolution Delta-Sigma A/D converters, and other applications
- D. Continue to increase its range of 8-bit Flash Special Purpose MCUs for areas such as health measurement, personal care, motor driving, touch switches, safety and security products, IoT products, wired and wireless charger products, home appliances, computer peripherals, ultrasonic applications, etc.
- E. Continued development of Wireless devices such as those for Bluetooth Low Energy (BLE), 2.4GHz transceivers, Sub-1GHz RF SoC Flash MCUs, encryption /decryption, etc.
- F. Expand the range of power management devices to include low standby power DC-DC converters, high efficiency AC-DC converters, TWS charging box solutions, etc.
- G. Continued development of low/medium/high voltage 3-phase Gate Drivers, Driver ICs, Lithium Battery Charger ICs (Battery management system, BMS), Charger ICs, Brushless DC (BLDC) motor control MCUs, which includes power tools, fans, electric bicycles, E-scooters, etc.
- H. The MCU for digital sensors and modules integrates AFE circuitry to develop Smart Sensor products by combining various sensor applications to expand product applications.

## 5.2 Market, Production and Sales Overview

### 5.2.1 Market Analysis

#### 1. Major Product Sales by Region:

Units: Value in NT\$ Thousands

Region \ Year	2022		2023	
	Sales	Percentage (%)	Sales	Percentage (%)
Taiwan	739,501	12	278,405	11
China/HK	4,044,393	67	1,676,980	64
Overseas	1,232,074	21	640,682	25
Total	6,015,968	100	2,596,067	100

#### 2. Market Share

Holtek remains focused on the development of microcontrollers (MCUs) and peripheral semiconductor devices. These product applications cover a wide range, which in addition to the 4C related fields of consumer, communication, computer and automotive, the product range also includes display driver ICs, power management ICs, radio frequency ICs, analog ICs, ASSP/ASIC MCUs, etc. Each category has its place in the market.

According to data from the market research company, Yole Group, global MCU revenue in 2023 was approximately US\$22.9 billion. Holtek's total MCU sales in 2023 was NT\$2.056 billion, which amounts to US\$66 million (using an exchange rate of 31.21 NT to the US dollar) giving Holtek a revenue share in the MCU market of approximately 0.29%. These figures were mainly affected by the decline in demand for consumer electronics products and high inventory levels. In 2023, the company's total MCU shipments were 298 million units, showing a decrease of 53% when compared with the number of units in 2022. It is estimated that in 2024, with an inventory level correction, a recovery in end market demand, and due to the expansion of application areas, MCU sales will respond to increase the present market share.

#### 3. The Supply and Demand in the Market and the Future Growth

##### (1) Supply and Demand Situation

The MCU's flexibility, ease of use and low power consumption provide them with high performance and a cost-effective method for embedded control solutions for the smart, secure and growing IoT market.

The 2023 global economic downturn occurred mainly due to continued pressure from international inflation and interest rate hikes, the Ukraine/Russian war stalemate, the Chinese economic slowdown and the resumption of U.S.-China technology disputes, all of which have impacted end consumer markets. The slowdown in the growth of the global semiconductor market and the problem of excessively high inventory levels in the overall supply chain ensured that 2023 was a year for semiconductor inventory adjustment. It is expected this inventory adjustment will continue during the first half of 2024, with a following industry boom gradually appearing during the second half of the year. This will result in a healthier supply and demand situation.

In order to reduce any operational impacts created by future consumer markets, Holtek fully intends to continue the development of key products, to actively reduce internal related expenses and strengthen the development of overseas markets, as well as providing a comprehensive range of services to its global customers.

## (2) Future Growth

According to data published by the Yole Group market analysts, although the MCU market encountered a massive correction during the first half of 2023, due to market demand recovering in the second half of the year, the global MCU market size in 2023 was approximately US\$22.9 billion, only slightly smaller than the 2022 decline. Global MCU shipments were approximately 26.5 billion units, which was also a slight reduction when compared with 2022. In the long term, and driven by the automotive and Internet-connected devices, the MCU market should witness steady growth. It is estimated that by 2028, the global MCU market will grow to a figure of US\$32 billion.

With the advent of artificial intelligence (AI) and in confronting the huge demands of data processing, MCUs will become a key component in meeting the required performance demands of AI. The edge artificial intelligence (Edge AI) market is expected to grow rapidly, with the Schneider Electric report indicating the computing trend moving from the center to the edge. It is predicted that from 2024 to 2028, the edge AI workload will grow from 5% to 50%.

In addition to MCU-sensor module solutions, Holtek also continues to be engaged in the edge AI computing field. Accompanying the increasing use of cloud AI diagnosis, the company's home medical products are expected to enter the edge computing area with its higher-performance 32-bit MCUs. Relevant measurement sensors are used to access large amounts of data and to perform real-time analysis, allowing users to more accurately diagnose symptoms. In the future, and in facing so-called "AIoT", global MCU manufacturers will need high-end technology to meet such huge market challenges and meet more diverse market demands.

## 4. Competitive edge

The IC design industry is a knowledge-intensive industry with innovation technology. The major conditions of a healthy IC design industry are in having sufficient R&D employees, computer-aided designs and test equipment.

After many years of operation, the Company has accumulated a wealth of talented employees, expertise in innovative technology development and experience in product applications. Focusing on achieving the goals of mastering core technologies, designing a wide range of products and being creative in its approach to produce embedded products with higher functionality, higher quality, lower prices to meet customers' demands targeted at the future development needs of the industry.

### (1) Focus on the Industry, Strong Management Team and Comprehensive Marketing Network

Holtek is a leading designer of professional microcontrollers which has had a presence in the IC industry for many years and which is backed up by a professional management team and technical expertise excellence. The leadership within each business unit leader has extensive qualifications in related industries, giving the company competitive advantages in market consolidation and performance expansion. To market its products the company has an extensive global marketing network. The Chinese market has an extensive marketing presence with offices in Shenzhen, Dongguan, Xiamen, Shanghai, Suzhou, Hangzhou, Nanjing, Qingdao, Beijing and Chengdu, in addition to Taiwan and Hong Kong. Other marketing locations include the United States, South America, Europe, the Middle East as well as other global areas. This widespread network of global agents and distribution networks can quickly collate market information and seize market opportunities, providing rapid sales and after-sales services and technical support.

(2) Active Development of New Product Structures with Customer Recognition of Quality and Continual Improvement.

Since its establishment, Holtek has increased both the breadth and depth of its research and development activities, by continuously designing products with wide ranging new product structures. Importantly it has also made extensive patent applications in multiple countries to establish its technological leadership presence. Holtek has also obtained ISO9001 and ISO14001 quality certifications having standardized and regulated operating procedures. Holtek's product quality is consistent and highly valued by its customers. The company has designed a wide range of products and also provides its customers with a wide array of product services geared to their specific requirements. Additionally and due to its wide variety of products, Holtek can effectively greatly reduce the business cycle time for single products. In doing so, price fluctuation risks are reduced and through the use of precision instruments and equipment, personnel efficiency, product stability and reliability is much enhanced. Also, through communication between customers and the market, high-tech application ICs can be developed that are in line with market requirements. The above ensures that customers are provided with the best cooperation and service, thereby enhancing the added value of customer products and product competitiveness.

(3) R&D and Design Excellence Capabilities

The company's well qualified technical teams have accumulated many years of expertise in R&D technology. Holtek is well aware that R&D is the lifeblood of the company and a necessary component in maintaining its competitive niche. Holtek is constantly seeking improvements by investing in its human resources, recruiting outstanding design engineers, both at home and overseas. To implement this, the company invests in education and training, imparting skills and accumulating experience, division of labor and cooperation to enhance its experienced R&D teams. By continuing to develop its technological skills and introducing new technologies through strategic cooperation and industry-university cooperation, the company's product design capabilities are greatly accelerated. In response to market application needs, Holtek has established standardized and modular development technology, developed various development platforms as well as forming external alliances with professional manufacturers to improve product yield and reliability, reduce development times and reduce development costs. Together this will accelerate new product launch times to improve product added value and product competitiveness.

(4) Stable Cooperative Relationships with Outsourced OEM Manufacturers

The company has achieved operational stability ever since its establishment. Due to its large operational scales, the company has a greater bargaining power when compared with other IC design companies and will provide a priority service with production capacity. Wafer foundries, packaging and testing companies are all well renowned domestic and foreign companies with whom Holtek maintains good relations. In addition to ensuring supply stability, they also provide greater benefits through long-term cooperation and mass production, thus providing the benefits of lower cost advantages and improved long-term competitiveness.

(5) Patent Threshold

Holtek ensures that its research and development results are protected by patent applications. The accumulation of numerous patents thus effectively raises the entry threshold for the industry. The continuous evolution of products along with new technologies will see new product structures being introduced. When the company has new technical innovations it will ensure that proper patent applications are made to

maintain its competitive advantage.

## 5. Development Outlook Advantages, Disadvantages and Countermeasures

### (1) Favorable Factors:

Most IC design companies operate to produce specific or professional products. Due to concentrated resources and accumulated experience, professional products have more dominant advantages here. But facing strong challenges from competitors or fluctuations within the semiconductor market, their strength and response capability is far less than those of a design house which is able to provide a wide range of different applications and meet the needs of different customer demands. Therefore, the Company aims to provide a full range of products and services to grasp the competitive advantages which are listed as follows:

#### A. Wide range of applications with further room for future product development.

Holtek's development goals are to continue to provide a wide range of ICs for diverse product applications as well as providing all-round services. Due to the increasing abundance of its own IPs and the improvement of its design capabilities, the company can quickly provide ASSP/ASIC MCUs and other highly integrated IC solutions specifically to meet the customer's specific requirements as well as providing complete reference designs. The high degree of functional integration in these IC solutions increases their competitive advantages and raises the competition barrier. The company's products therefore span a wide variety of industries, which effectively reduce market risks and creates more room for growth and flexibility, providing unlimited future development possibilities. Diversified products effectively reduce market risks.

#### B. Product Adaptability, Worldwide Reach and Establishing a Global Marketing Network

As the company's products are marketed globally, it has effectively established regional marketing centers to provide timely and localized product technical services. This allows the company to efficiently reflect market demand. Localized services include development tools, FAE, safety verification, software services, etc. Holtek's long-term distribution system has expanded globally, with its smooth marketing channels contributing to the promotion of its products and revenue expansion. The company's products have been obtained certification by major international manufacturers in the United States, Europe, Japan, and South Korea.

Holtek will continue to build upon its solid market foundation, integrate production and sales as well as actively cultivate long-term mutually beneficial supportive relationships with its customers. It will also form alliances with upstream and downstream industries to strengthen dependence and competitiveness. In addition, and through a computerized support system, estimated sales demand, production line scheduling, inventory, outsourcing processing and other operations will effectively implement production and sales coordination. Effective product control operations can minimize costs and increase output value.

### (2) Managing Unfavorable Factors:

#### A. Difficulties in Recruiting Professional R&D Skills

The IC design industry is a high-tech industry requiring a range of highly skilled personnel. The lifeblood of the business and the development of professional ICs lies in the expertise of research and development personnel. This requires professional staff who are capable of taking on research and development responsibilities and who have accumulated technical expertise over a long period of

time. Therefore, being able to obtain and retain well qualified technical personnel has a major impact on the overall future development of the company.

Countermeasures:

- (a) The company will recruit outstanding skills and talent by cooperating with universities and colleges, regularly organizing education and training to attract R&D talent, strengthen pre-employment and on-the-job training for employees to improve the quality of our personnel as well as enhancing productivity. Improving our existing R&D capabilities will also be done through cooperation with domestic and foreign academic institutions to enhance our personnel’s technical capabilities and guide new personnel to quickly integrate into our R&D operation teams.
- (b) The company will establish a competitive salary structure, provide a good working environment and promotion channels as well as implementing employee benefits, education and training opportunities to enhance our employees sense of company belonging. This will enhance employee retention and help employees to grow with the company to lay the foundation for a sustainable future development. Doing so will ensure employees are motivated and also that we are able to attract the best skills and talents to join the company.

**B. Aggressive Market Competition and Generational Products Rapid Change**

As the similarity between domestic and foreign products is high, this results in aggressive competition, reduced profits, shortened product life cycles and increased development costs. In addition, competition has to be faced from large European and American manufacturers which are lowering their product prices, as well as strong competition from integrated component manufacturers.

Countermeasures:

- (a) Holtek will continue its R&D and innovation activities with existing product technologies to provide chipsets with superior performance. In addition, the company will make itself aware of product trend changes and improve its product technology capabilities and product quality. Holtek will continue to design general series products as well as ASSP products to meet a wide variety of customer requirements to maintain its market competitiveness.
- (b) Improve the development environment and accumulate market information rapidly and accurately to improve the company’s competitive position and reduce development costs.
- (c) In facing competition from low-price and integrated component manufacturers, Holtek intends to strengthen its customer service and supporting services to better grasp changes in end-product market demand and specifications. This will allow the company to develop products that meet customer needs with superior cost/performance ratios as well as provide faster service and complete design solutions. Holtek will also form strategic alliances with wafer foundries as well as packaging and testing manufacturers to enhance its competitiveness.

**5.2.2 Purposes of the Major Products and the Production Process**

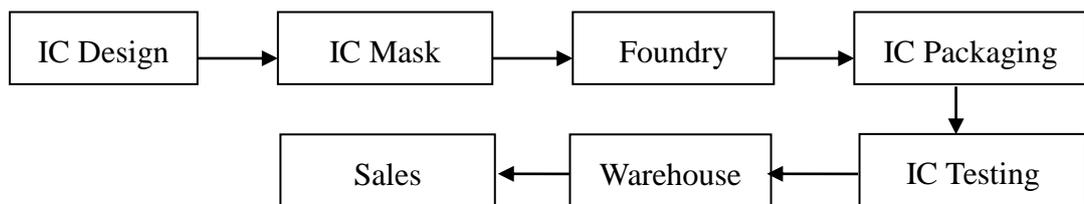
1. Major Products and Their Main Uses

Major Products	Main Uses
----------------	-----------

MCU	Used in home appliances, health care products, vehicles, industrial instrument control, measurement, consumer electronics, touch products, communication products and computer products, etc.
Display Driver	Used in home appliances, education, musical products, instruments, home safety, alarms, health and medical equipment and automotive application display drive products, including LCD, VFD and LED, etc.
Power Management	Power management applications for a wide range of computers and consumer products, including voltage stabilisation, voltage detection, DC-DC and AC-DC conversion applications, etc.
RF IC	Used in security, anti-theft, health measurement, smart home appliances, and NFC financial cards., etc.

## 2. The Production Process

- (1) The Company is focused in the area of IC design and marketing. The previous or backend phase of the production of products is outsourced to manufacture. The production process is shown below:



- (2) Foundry resources

The Company cooperates with well-known domestic and overseas manufacturers, such as UMC, TSMC, EPISIL, Macronix, etc., to establish long-term product development and production cooperation.

- (3) IC packaging

The Company cooperates with several manufacturers, such as Greatek, Orient, ASE, etc. to ensure packaging capacity remains adequate.

- (4) IC testing

The Company cooperates with many testing organisations such as Greatek, YTEC, etc., to provide testing technology and equipment needed to meet the full capacity.

- (5) Warehouse

### A. Main storage items:

- (a) Categories: wafers/packaged ICs/semi-finished products/materials.
- (b) Test status: This is divided into two categories which are tested and untested.
- (c) Availability: Divided into three categories which are good, defective and rejected products.

### B. Good warehouse planning and management and quality assurance:

- (a) Automatic warehousing operations.
- (b) Quality maintenance of stored items.
- (c) The management and monitoring of the movement control of goods.

(d) Actively tracking the turnover efficiency of goods.

### 5.2.3 The supply of key materials

The Company provides high precision integrated circuits for which its raw materials are silicon wafers whose suppliers are well-known global manufacturers whose products have good quality and stable sources. The Company has established long-term and good cooperation relationships with UMC, TSMC, EPISIL and Macronix, to maintain the advantages of reliable wafer foundry resources and to actively seek the support of other foundries to meet the growth needs of the Company.

### 5.2.4 If any customer in any of the previous two years with purchase (sales) amount exceeding 10% of the total purchase (sales), the name, amount and proportion to total purchase (sales) shall be specified, so shall the reasons for any change if applicable:

#### 1. Major Suppliers in the Last Two Calendar Years

Unit: Value in NT\$ thousands

Item	2022				2023				January 1, 2024 to March 31, 2024			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	1,585,248	41	None	A	370,062	29	None	D	52,955	27	None
2	B	538,567	14	None	C	297,028	23	None	A	45,219	23	None
3	C	505,755	13	None	E	243,557	19	None	B	37,729	19	None
4	D	342,473	9	None	B	104,242	8	None	C	21,536	11	None
	Others	895,988	23	None	Others	276,888	21	None	Others	37,889	20	None
	Net Total Supplies	3,868,031	100		Net Total Supplies	1,291,777	100		Net Total Supplie	195,328	100	

Note 1: List of any suppliers accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each and an explanation of the reason for increases or decreases in the above figures. Where the Company is prohibited by contract from revealing the name of a client or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Reasons for the changes: In 2023, new supplier E was added, mainly due to reducing production costs.

#### 2. Major Clients in the Last Two Calendar Years

Unit: Value in NT\$ thousands

Item	2022				2023				January 1, 2024 to March 31, 2024			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	SIGNAL	1,156,587	19	(Note 2)	SIGNAL	561,937	22	(Note 2)	SIGNAL	69,887	16	(Note 2)
2	CROWN RICH	507,365	9	(Note 2)	CROWN RICH	252,868	10	(Note 2)	CROWN RICH	58,567	13	(Note 2)
	Others	4,352,016	72	None	Others	1,781,262	68	None	Others	315,074	71	None

Item	2022				2023				January 1, 2024 to March 31, 2024			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
	Net Sales	6,015,968	100		Net Sales	2,596,067	100		Net Sales	443,528	100	

Note 1: List of any clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each and an explanation of the reason for increases or decreases in the above figures. Where the company is prohibited by contract from revealing the name of a client or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: The invested companies accounted for using equity method by the Company's subsidiaries.

Reasons for the changes: None

### 5.2.5 Production in the Last Two Years

Unit: Volume in thousands DICE/ Value in NT\$ thousands

Output	Year	2022			2023		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
MCU ICs		--	665,284	2,585,838	--	193,504	782,571
Peripheral ICs		--	238,428	487,786	--	85,708	149,516
Others		--	429	6,088	--	959	10,135
Total		--	904,141	3,079,712	--	280,171	942,222

Note: The products developed and designed by the company are mainly manufactured in wafer foundries and then outsourced for testing and packaging. There is no self-owned capacity limit and the quantity of production is based on the current year sales estimate.

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: Volume in thousands DICE/ Value in NT\$ thousands

Sales	Year	2022				2023			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
MCU ICs		56,149	567,101	575,698	4,275,880	17,408	197,020	281,026	1,859,007
Peripheral ICs		27,239	157,448	191,989	970,805	12,660	62,133	131,046	443,846
Others		55	14,952	432	29,782	222	19,252	692	14,809
Total		83,443	739,501	768,119	5,276,467	30,290	278,405	412,764	2,317,662

### 5.3 Employee Information

In the last two years as of the date this report was printed, the number of employees, average working period, average age and education are shown in the table below:

2024/03/31

Year		2022	2023	January 1, 2024 to March 31, 2024
Number of employees	R&D	704	663	648
	Management	158	147	151
	Manufacturing	40	36	48
	Total	902	846	847
Average age		36.04	37.23	37.45
Average years of service (Year)		8.25	8.89	9.25
Education	PhD	0.4%	0.5%	0.4%
	Master	28.0%	28.1%	27.7%
	Bachelor	66.6%	66.8%	66.1%
	High School	5.0%	4.6%	5.8%

### 5.4 Information on the expenditures for environmental protection

In the most recent two years and up to the publication date of 2023 Annual Report, the Company has not suffered losses and punishment for environmental pollution.

### 5.5 Labor relations

#### 5.5.1 Listed below are the employee welfare, education, training, retirement systems and how they are implemented in the Company, as well as information on the agreements between the Company and various employee rights and maintenance:

##### 1. Employee welfare

###### (1) Welfare

The Company features an employee restaurant, staff recreation area, sports and fitness equipment area, rhythm classroom, medical room and other facilities. All employees are entitled to benefits such as group insurance, regular high-quality health checks etc. Professional medical staff are utilised to provide staff with health management facilities and medical insurance.

###### (2) Employee benefits:

The Employee Welfare Committee holds regular staff travel activities, a range of game based competitions, a year-end party and other activities. In addition, there are birthday gift vouchers, festival vouchers, travel subsidies, marriage/funeral cash gifts, birth and hospitalization time are all covered all the Company.

In order to promote various recreational clubs and enhance good relations among employees, a range of club activities have been established which receive financial subsidies. These include a billiards club, badminton club, yoga club, board games club, swimming club, tai chi club, photography club, etc. These encourage colleagues to have a good life/leisure balance so as to create a sporting culture and improved quality of life.

## 2. Employee further study and training system:

The Company has spared effort in nurturing excellence in its professional talent. It has allocated a budget for continuing employee education. HR and training sessions have prepared training courses for each of the business groups according to the development goals of the Company and the needs of various departments so that each employee can broaden their knowledge and skills within a complete career training system:

### (1) New Employee Orientation :

- A. Cultural Integration and Cultivation in the Company: The company conducts unified training for new Employees to familiarize them with the corporate culture, administrative operations, financial reimbursement and ICP introduction, quality policy, intellectual property rights, information security, and labor safety and health, and other implemented courses.
- B. Professional training: Senior engineers serve as instructors for new employees, and prepare training courses for less senior employees to help them become proficient in the required design technology.

### (2) On-the-job training programs:

- A. Internal department training: each department requires engineers to participate in internal department specialty training according to their professional needs.
- B. Internal training : Internal training is provided through an Education and Training Committee, which hires professional instructors to conduct long-term specialized training courses in the company based on the needs of each department. These courses cover a diverse range of topics including professional technical training, management skills training, quality training, safety and health training, legal intellectual property training, computer training, general education courses, as well as work and life balance.
- C. Online Learning Courses : An e-learning education and training platform has been established to integrate course information and facilitate data search. This platform is aimed at developing a knowledge management system to ensure the comprehensive implementation of the education and training system.
- D. External training: The Company compiles an annual training budget for each employee allowing them to obtain external professional training according to their personal plan requirements.
- E. The following shows what was implemented in terms of internal and external employee training during 2022:

	Total number of training hours	Total number of people trained
Management Training	3,396	2,166
Professional Training	2,021	1,143
Orientation Training	363	44

### (3) In-service training:

Senior engineers may apply for in-service training programs at domestic universities to enhance their professional research and development skills and management capabilities to meet the Company's future development and sustainable business needs.

### (4) Self-development:

The Company cultivates the professional ability of employees to build confidence in technology and increase program management experience and teamworking. In addition, senior employees will be trained to be central Company leaders who can participate in the management training of grassroots, middle and senior managers according to the demands of their level. In this way they will improve their management ability and performance.

3. Retirement system and implementation situation:

(1) Pension contribution:

- A. The Company has formulated labor pension regulations and established a labor retirement reserve supervision committee. According to the Labor Standards Act and the Regulations for the Allocation and Management of Workers' Retirement Reserve Funds, the Company shall allocate 15% of the actual employee's total salary to the retirement fund every month and deposit these pension funds in a Bank of Taiwan dedicated account.
- B. Employees who applied for the new pension system, according to the provisions of the Labor Pension Act, allocate a monthly amount of 6% of their wages which is deposited to their individual retirement accounts.

(2) Implementation situation:

In accordance with the law and relevant regulations, the labor and management of the Company shall jointly organise a "Labor pension reserve supervision committee". Both sides shall hold quarterly meetings of the labor pension reserve supervision committee which shall be responsible for the supervision and review of the fund allocation, storage and expenditure of the retirement reserve.

4. Agreements between labor and management and various employee rights and interests protection measures:

The Company regularly holds labor meetings every quarter. Those resolutions which need to be discussed are fully communicated by both sides of labor and management and implemented after reaching a consensus. Up to the present date the relationship and interaction between both labor and management have remained excellent.

5. Code of conduct and ethics for employees:

The Company's the "Codes of Ethical Conduct of Directors' and Managers", "Employee Code" and "Rules of Integrity for the Employees" regulate the business of all employees for management or supervision. There must be no influencing of the beneficiaries, directly or indirectly, to gain improper benefit or other improper activities. The above items are within the Company's rules and new staff training materials.

6. Work environment and staff safety measures:

Our company has obtained ISO 45001:2018 transition certification (valid until 2024/11/26), which has been verified by an independent third-party verification body and is continuously effective. The management system covers the Hsinchu headquarters' work activities, including employees and contractors involved in integrated circuit design, development, sales, quality inspection, and contracting.

Our company, in line with the principles of occupational safety and health policies, has developed several management plans. These include an occupational safety and health management plan, a hazard communication plan, an unlawful occupational harm prevention plan, an abnormal work-related illness prevention plan, an ergonomics hazard prevention plan, a maternity health protection plan, and an appropriate work plan for middle-aged and older workers. These plans are implemented according to their contents.

- (1) Every quarter, the Occupational Safety and Health Committee reviews safety and health matters, promoting ongoing improvement activities in various employee safety and health operations, with the aim of creating an excellent work environment and protecting the physical and mental health and safety of employees.
- (2) Employee Training on Environmental Safety and Health  
Education and Training: An annual Education and Training Committee meeting is held to review the annual education and training plan and its implementation. Safety and health education and training include general safety and health training for new hires and current employees, professional certifications, chemical handling and storage training, emergency response training, etc. In 2023, a total of 1,681 sessions were conducted, amounting to 2,197.5 hours.
- (3) Health management  
The company has professional nursing staff to manage and provide health-related services (such as health education for new hires with abnormal medical examination results, weekly health information dissemination). We regularly invite professional doctors to our company for health assessments and to host health seminars. Additionally, we commission medical institutions to conduct various annual health check-ups, emphasizing the physical and mental health of our employees.
- (4) Occupational accidents  
According to the Occupational Safety and Health Administration's standards for determining occupational disability due to workplace incidents, excluding traffic accidents that occur outside the company premises, there were no injury-related disability cases in the company in 2023.
- (5) Regularly conduct fire drills and emergency evacuation exercises annually to promote awareness and responsibility for prevention among all employees. In 2023, there were no fire incidents or casualties.
- (6) Environmental Health and Safety Management
  - A. In addition to the 24-hour building security personnel, security cameras are installed at all entrances and corners. Security management at night and on holidays is increased to ensure the personal safety of employees.
  - B. In addition to the annual fire safety inspection conducted by an external contractor, all firefighting equipment is inspected monthly and quarterly by designated personnel, with records maintained (e.g., fire alarms, fire extinguishers).
  - C. To ensure the sanitary quality of drinking water for employees, water dispensers are tested quarterly for coliform bacteria, and the water dispenser contractor performs maintenance twice a month.
  - D. Daily cleaning and disinfection are carried out in the office, and 75% alcohol is provided in seated toilets to ensure workplace sanitation.
  - E. Elevators : Maintenance is performed by a certified elevator company every month and every quarter according to regulations, with inspections conducted every six months as required by law.

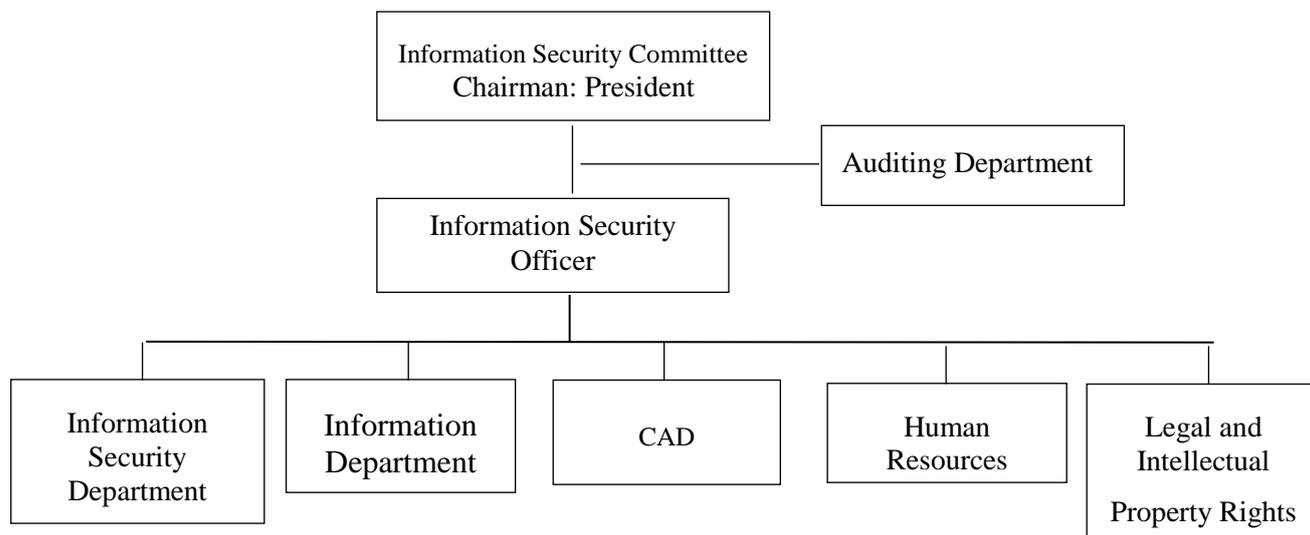
**5.5.2 List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect: None.**

## 5.6 Cyber Security Management

### 5.6.1 The Company's Cyber security management framework, Cyber security policies, management plan and investments in resources for cyber security

#### 1. Cybersecurity risk management framework

We have established an information security committee in October 2022, The Information Security Committee is chaired by the president, and the director of the Information Integration Department serves as the information security officer. The executive members are audit, information security department, information department, CAD (IC design process development department), human resources, legal affairs and intellectual property, etc, composition. It is responsible for establishing and promoting the establishment, implementation and continuous improvement of information security policies to ensure the security of the Company's intellectual property, business secrets and internal information. The Information Security Committee holds regular meetings every year to review the appropriateness and effectiveness of information security policies, and continuously improves information security protection measures to reduce information security risks; and the general manager regularly reports to the Board of Directors on the effectiveness of information security implementation every year.



#### 2. Information security policies

Our information security assets are divided into five categories: Devices, applications, network, data and users. Our information security strategy is formed to cover these five categories.

- (1) Devices: Control the hardware of the Company's endpoints, and only authorized devices can be connected to the network, further reducing the risks caused by unknown devices. The operating system is updated in real time to block vulnerability attacks. The operating system is installed with anti-virus software, which can block viruses and malicious programs. We monitor the software installed on the endpoint in order to conduct inventory of software.
- (2) Applications: We adopt multi-factor authentication to protect identification process. We have incorporated the use of a Web Application Firewall (WAF) to effectively block attacks against our applications. We also establish a cluster structure to ensure application services.
- (3) Network: Remote connection requires multi-factor authentication to protect identification. We have introduced the use of a new generation of firewall to manage our

applications. We have an intrusion detection system to detect attacks early. We have advanced threat detection and protection technology to prevent unknown threats.

(4) Data: Confidential data is encrypted to prevent data leakage. Data is stored in specialized storage equipment to prevent data loss due to hardware failure. Specialized backup software and equipment are used to carry out data backup on a daily basis and retain one copy at a remote site.

(5) Users: Divided into general employees and information personnel.

A. General employees: Education and training sessions for new hires to improve their information security awareness and enhance the overall defense capability. Conduct social engineering drills from time to time to enhance information security awareness, and identify those with relatively weak information security awareness for further education and training.

B. Information personnel: Participate in information security education and training sessions and information security conferences to enhance information security capabilities. Implement a privileged account management system to reduce risks.

Implementation of information security policy:

Adopt the PDCA (Plan-Do-Check-Act) model and integrate it with the risk management process.

3. Information security-specific management plan, and the resources committed to cybersecurity management

(1) Information security risk and countermeasures

Information security control items	Description of risks	Response measures	Projected benefits
Equipment/Endpoint hardware	Unidentified devices connected to the network, causing information security vulnerabilities	Only authorized devices can access the corporate network	Reinforce endpoint security
Equipment/Endpoint software	The operating system is not updated in time, resulting in unpatched information security vulnerabilities	1. Delivery update and monitoring update status 2. Use tools to assess server Vulnerabilities and fix it	Reinforce endpoint security
Application/Authentication	Passwords to Apps may have been leaked or cracked	Adopt multiple-facto certification, implement WAF (Web Application Firewall), using to protect website applications by monitoring website HTTP traffic, comparing virus and malware databases, filtering suspicious traffic and denying malicious traffic from entering	Reduce the possibility of the system being logged in by others

Information security control items	Description of risks	Response measures	Projected benefits
Internet/Certification	Passwords to the domain may have been leaked or cracked	Adopt multiple-factor certification, the introduction of secondary verification for external websites, and the use of mobile phone certification mechanisms to strengthen personal identification	Reduce the possibility of the system being logged in by others
Network/Control connection	Unnecessary connection services, causing the server to be attacked	Use new generation of firewall to control connection	Ensure that only essential connections are provided
Data/Confidential data	Possibility of data leakage	Adopt an encryption management system which restricts specific users to access confidential information only when they are in the company	Confidential information can only be accessed when inside the Company
Data/Loss	Data loss due to failure of storage devices	1. Local backup and offsite backup 2. Establish a cloud backup system for databases and application systems	In case of data loss, the data can be restored from the backup system
Personnel/General employees	Lack of information security awareness leading to a breach	Strengthen internal employee training and regularly announce information security-related notice to employees	Improve information security awareness to make employees become the best line of defense
Personnel/Information personnel	Unable to grasp the latest information security technology	1. Participate in external training 2. Attending SP-ISAC (Science Park Information Sharing and Analysis Center) to receive the latest information on information security via email from time to time.	Grasp the latest information security intelligence and technology

(2) Information security education and training

- A. Promotion of information security awareness: Regularly disseminate information security-related information to employees to improve their information security awareness.
- B. Information security education and training: Every new hire receives information security-related education and training when reporting to work to understand the Company's information security policies and requirements. A total of 22 person-times attended a total of 29.3 course hours in 2023.

(3) Information security audit practices

The audit office regularly checks the implementation of information security management practices, and takes improvement measures based on the audit results to ensure the continuous and effective operation of information security management; accountants regularly conduct audits of information operations on privileged accounts and whether passwords are changed regularly. If deficiencies are found, improvements will be required and the results will be tracked.

(4) Social engineering drills

Regularly conduct email social engineering drills, send phishing drill emails to colleagues, record and count the proportion of content that is opened or clicked, and strengthen education and training for those who open or click.

**5.6.2 Losses Related to Cyber Security for the Most Recent Year and Up To the Publication**

**Date of this Annual Report:** None.

**5.7 Material contracts**

Agreement	Counterparty	Period	Major Contents	Restrictions
Land lease	Hsinchu Science Park Bureau, Ministry of Science and Technology	2021/01/01~2040/12/31	Lease land of self-constructed factory	Usage of self-constructed factory only
Technology licensing	Arm Limited	Contracts commence on 2007/06/25 and continue in force	Arm® Cortex®-M3 Technology licensing	Obey to any related laws or regulations
Technology licensing	Arm Limited	Contracts commence on 2013/09/24 and continue in force	Arm® Cortex®-M0+ Technology licensing	Obey to any related laws or regulations
Technology licensing	Andes Technology	2015/04/01~2025/05/21	Andestech D10 CPU Softcore Technology licensing	Obey to any related laws or regulations
Technology licensing	Arm Limited	Contracts commence on 2018/12/28 and continue in force	Arm® Cortex®-M4 with FPU and system IP products Corstone-101 Technology licensing	Obey to any related laws or regulations
Supply contract	Company A	The Company retains obligation of confidentiality.	Foundry resources	Security regulations

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Consolidated Financial Summary – IFRS

##### 1. Consolidated Condensed Balance Sheet – the Company and Subsidiaries

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Current assets	3,984,290	4,478,921	6,438,279	5,208,350	4,340,643
Property, plant and equipment	358,515	343,343	343,793	326,243	411,557
Right-of-use Assets	92,073	100,047	108,902	83,802	105,866
Intangible assets	66,751	62,501	39,211	23,498	22,994
Other assets	872,039	1,202,512	1,613,648	1,176,103	1,309,879
Total assets	5,373,668	6,187,324	8,543,833	6,819,996	6,190,939
Current liabilities	Before distribution	932,568	1,248,920	2,239,032	1,509,818
	After distribution	1,848,549	2,280,247	4,076,173	2,414,491 (Note 2)
Non-current liabilities	361,677	456,001	594,553	565,537	502,114
Total liabilities	Before distribution	1,294,245	1,704,921	2,833,585	2,075,355
	After distribution	2,210,226	2,736,248	4,670,726	2,980,028 (Note 2)
Equity attributable to stockholders of the parent	4,052,665	4,441,796	5,656,852	4,678,997	4,039,798
Ordinary share capital	2,261,682	2,261,682	2,261,682	2,261,682	2,261,682
Capital surplus	142,309	142,309	142,309	142,309	142,309
Retained earnings	Before distribution	1,680,336	1,785,003	2,794,950	2,072,434
	After distribution	764,355	753,676	957,809	1,167,761 (Note 2)
Other equity	(31,662)	252,802	457,911	202,572	355,914
Treasury shares	—	—	—	—	—
Non-controlling interests	26,758	40,607	53,396	65,644	59,817
Total equity	Before distribution	4,079,423	4,482,403	5,710,248	4,744,641
	After distribution	3,163,442	3,451,076	3,873,107	3,839,968 (Note 2)

Note 1: The data listed here was audited by certified public accountant.

Note 2: Pending on approval of shareholders at Annual Shareholders' Meeting.

2. Consolidated Income Statement – the Company and Subsidiaries

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Revenues	4,584,105	5,614,539	7,127,750	6,015,968	2,596,067
Gross profits	2,235,715	2,626,935	3,815,846	3,086,195	1,100,598
Operating income	986,738	1,124,132	1,774,341	1,231,897	99,257
Non-operating income and expenses	81,078	137,276	816,808	159,063	(21,082)
Income before income tax	1,067,816	1,261,408	2,591,149	1,390,960	78,175
Net income from operations of continued segments	922,313	1,048,117	2,069,002	1,132,307	114,639
Net income from operations of discontinued segments	—	—	—	—	—
Net income (Loss)	922,313	1,048,117	2,069,002	1,132,307	114,639
Other comprehensive income (income after tax)	1,233	274,378	202,440	(246,624)	152,678
Total comprehensive income	923,546	1,322,495	2,271,442	885,683	267,317
Net income attributable to shareholders of the parent	914,902	1,031,063	2,044,064	1,106,374	111,741
Net income attributable to non-controlling interests	7,411	17,054	24,938	25,933	2,898
Total comprehensive income attributable to shareholders of the parent	916,486	1,305,112	2,246,383	859,286	265,474
Total comprehensive income attributable to non-controlling interests	7,060	17,383	25,059	26,397	1,843
Earnings per share (NT\$)	4.05	4.56	9.04	4.89	0.49

Note 1: The data listed here was audited by certified public accountant.

## 6.1.2 Entity Financial Summary – IFRS

### 1. Condensed Balance Sheet – the Parent Company

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		3,077,656	3,279,472	4,837,370	3,238,720	2,650,205
Property, plant and equipment		135,756	126,132	136,830	127,558	104,619
Right-of-use Assets		78,084	84,442	94,399	79,295	87,330
Intangible assets		66,727	61,701	38,630	22,384	21,958
Other assets		1,858,693	2,464,593	3,147,626	3,158,604	3,150,785
Total assets		5,216,916	6,016,340	8,254,855	6,626,561	6,014,897
Current liabilities	Before distribution	813,085	1,133,068	2,015,984	1,397,529	1,491,264
	After distribution	1,729,066	2,164,395	3,853,125	2,302,202	(Note 2)
Non-current liabilities		351,166	441,476	582,019	550,035	483,835
Total liabilities	Before distribution	1,164,251	1,574,544	2,598,003	1,947,564	1,975,099
	After distribution	2,080,232	2,605,871	4,435,144	2,852,237	(Note 2)
Equity attributable to stockholders of the parent		4,052,665	4,441,796	5,656,852	4,678,997	4,039,798
Ordinary share capital		2,261,682	2,261,682	2,261,682	2,261,682	2,261,682
Capital surplus		142,309	142,309	142,309	142,309	142,309
Retained earnings	Before distribution	1,680,336	1,785,003	2,794,950	2,072,434	1,279,893
	After distribution	764,355	753,676	957,809	1,167,761	(Note 2)
Other equity		(31,662)	252,802	457,911	202,572	355,914
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	4,052,665	4,441,796	5,656,852	4,678,997	4,039,798
	After distribution	3,136,684	3,410,469	3,819,711	3,774,324	(Note 2)

Note 1: The data listed here was audited by certified public accountant.

Note 2: Pending on approval of shareholders at Annual Shareholders' Meeting.

## 2. Condensed Income Statement – the Parent Company

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Revenues	4,052,932	4,606,133	6,631,977	4,891,641	1,863,558
Gross profits	1,851,161	1,983,698	3,457,625	2,129,674	648,984
Operating income	852,499	809,885	1,413,402	1,121,239	274,737
Non-operating income and expenses	194,313	384,350	1,109,761	227,135	(203,265)
Income before income tax	1,046,812	1,194,235	2,523,163	1,348,374	71,472
Net income from operations of continued segments	914,902	1,031,063	2,044,064	1,106,374	111,741
Net income from operations of discontinued segments	—	—	—	—	—
Net income (Loss)	914,902	1,031,063	2,044,064	1,106,374	111,741
Other comprehensive income (income after tax)	1,584	274,049	202,319	(247,088)	153,733
Total comprehensive income	916,486	1,305,112	2,246,383	859,286	265,474
Net income attributable to shareholders of the parent	914,902	1,031,063	2,044,064	1,106,374	111,741
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to shareholders of the parent	916,486	1,305,112	2,246,383	859,286	265,474
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (NT\$)	4.05	4.56	9.04	4.89	0.49

Note 1: The data listed here was audited by certified public accountant.

### 6.1.3 Auditors' Opinion in the Most Recent 5 Years

Year	Accounting Firm	Name of Auditor (CPA)	Opinion
2019	Yu, Wan-Yuan Tseng, Mei-Yu,	KPMG	Unqualified opinion
2020	Yu, Wan-Yuan, Lu, Chien-Hui	KPMG	Unqualified opinion
2021	Lu, Chien-Hui Yu, Wan-Yuan,	KPMG	Unqualified opinion
2022	Lu, Chien-Hui Cheng, An-Chih,	KPMG	Unqualified opinion
2023	Lu, Chien-Hui Cheng, An-Chih,	KPMG	Unqualified opinion

## 6.2 Financial Analyses for the past 5 fiscal years

### 6.2.1 Consolidated Financial Analysis – IFRS

Item (Note 2)		Year	Financial Analysis for the Last Five Years (Note 1)				
			2019	2020	2021	2022	2023
Capital Structure Analysis (%)	Debt ratio	24	28	33	30	34	
	Long-term fund to property, plant and equipment ratio	905	1,011	1,261	1,151	792	
Solvency Analysis (%)	Current ratio	427	359	288	345	273	
	Quick ratio	353	311	248	222	172	
	Times interest earned (times)	775	938	1,766	674	11	
Operating Performance Analysis	Accounts collection turnover (times)	5.60	6.11	7.34	6.65	4.19	
	Average collection days	65	60	50	55	87	
	Average inventory turnover (times)	3.51	4.74	4.61	2.19	0.88	
	Average payment turnover (times)	4.28	5.16	4.21	3.75	3.72	
	Average days in sales	104	77	79	167	415	
	Property, plant and equipment turnover (times)	10.8	12.56	15.91	13.91	5.59	
	Total assets turnover (times)	0.85	0.91	0.83	0.78	0.40	
Profitability Analysis	Return on total assets (%)	17	18	28	15	1.86	
	Return on equity attributable to owners of the parent (%)	22	24	40	22	2.59	
	Pre-tax income to paid-in capital (%)	47	56	115	62	3.46	
	Net profit margin (%)	20	18	29	19	4.42	
	Earnings per share (NT\$)	4.05	4.56	9.04	4.89	0.49	
Cash Flow	Cash flow ratio (%)	96	90	121	35	0.27	
	Cash flow adequacy ratio (%)	94	102	124	88	71	
	Cash reinvestment ratio (%)	(3)	4	25	(22)	(17)	
Leverage	Operating leverage	1.91	2.03	1.92	2.02	7.74	
	Financial leverage	1.00	1.00	1.00	1.00	1.09	

Analysis of financial ratio difference exceeding 20% for the last two years:

1. The ratio of long-term funds to property, plant, and equipment decreased compared to 2022, primarily due to an increase in real estate.
2. Solvency declined compared to 2022, mainly due to a decrease in current assets and profit before tax.
3. The accounts receivable turnover ratio decreased and the average collection period increased compared to 2022, primarily due to a reduction in net sales.
4. The inventory turnover ratio decreased and the average inventory holding period increased compared to 2022, mainly due to a decrease in cost of goods sold.
5. The turnover rate for property, plant, and equipment, as well as the total asset turnover ratio, decreased compared to 2022, mainly due to a reduction in net sales.
6. Profitability declined compared to 2022, primarily due to a reduction in net profit after tax.
7. The cash flow ratio decreased compared to 2022, mainly due to a decrease in net cash flow from operating activities.

8. The cash reinvestment ratio decreased compared to 2022, primarily due to a reduction in cash dividends.  
9. The degree of operating leverage decreased compared to 2022, primarily due to a reduction in net operating income.

Note 1: The financial analysis figures above are audited by CPA.

Note 2: The equations for the calculation of the above financial ratios are shown as follows.

### 6.2.2 Entity Financial Analysis – IFRS

Item (Note 2)	Year	Financial Analysis for the Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Capital structure analysis (%)	Debt ratio	22	26	31	29	33
	Long-term fund to property, plant and equipment ratio	1,895	2,109	2,446	2,262	2,105
Liquidity Analysis (%)	Current ratio	379	289	240	232	178
	Quick ratio	321	255	216	136	89
	Times interest earned (times)	891	1,063	2,076	705	10
Operating performance analysis	Accounts collection turnover (times)	5.11	5.13	6.62	5.35	3.79
	Average collection days	71	71	55	68	96
	Average inventory turnover (times)	4.42	6.14	7.35	3.06	0.92
	Average payment turnover (times)	4.44	4.93	4.32	3.79	3.24
	Average days in sales	83	59	50	119	397
	Property, plant and equipment turnover (times)	22.20	21.71	30.02	22.33	9.35
	Total assets turnover (times)	0.78	0.77	0.80	0.66	0.29
Profitability	Return on total assets (%)	17	18	29	15	2
	Return on equity attributable to owners of the parent (%)	22	24	40	21	3
	Pre-tax income to paid-in capital (%)	46	53	112	60	3
	Net profit margin (%)	23	22	31	23	6
	Earnings per share (NT\$)	4.05	4.56	9.04	4.89	0.49
Cash flow	Cash flow ratio (%)	85	80	124	33	1
	Cash flow adequacy ratio (%)	97	90	118	83	67
	Cash reinvestment ratio (%)	(8)	(0)	22	(25)	(18)
Leverage	Operating leverage	1.84	2.08	2.20	1.57	1.69
	Financial leverage	1.00	1.00	1.00	1.00	1.03

Changes that exceed 20% in the past two years and explanation for those changes:

1. Solvency decreased compared to 2022, primarily due to a decrease in current assets and profit before tax.
2. The accounts receivable turnover ratio decreased, while the average collection period increased compared to 2022, mainly due to a reduction in net sales.
3. The inventory turnover ratio decreased, and the average inventory holding period increased compared to 2022, primarily due to a reduction in cost of goods sold.
4. The turnover rate for property, plant, and equipment, as well as the total asset turnover ratio, decreased compared to 2022, mainly due to a reduction in net sales.

5. Profitability decreased compared to 2022, primarily due to a reduction in net profit after tax.
6. The cash flow ratio decreased compared to 2022, mainly due to a reduction in net cash flow from operating activities.
7. The cash reinvestment ratio decreased compared to 2022, primarily due to a reduction in cash dividends.

Note 1: The data listed here was audited by certified public accountant.

Note 2: The equations for the calculation of the above financial ratios are shown as follows.

**The equations for the calculation of the above financial ratios:**

1. Capital Structure Analysis:

- (1) Debt ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity Analysis:

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

- (1) Average collection turnover = Net sales / Average trade receivables
- (2) Average collection days = 365 / Average collection turnover
- (3) Average inventory turnover = Operating costs / Average inventory
- (4) Average payment turnover = operating costs / Average trade payables
- (5) Average inventory turnover days = 365 / Average inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7) Total assets turnover = Net sales / total assets

4. Profitability Analysis:

- (1) Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
- (2) Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3) Net profit margin = Net income / Net sales
- (4) Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

- (1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

- (1) Operating leverage = (Net sales – variable cost) / Operating income
- (2) Financial leverage = Operating income / (Operating income – interest expenses)

### **6.3 Audit Committee's Review Report**

#### **Holtek Semiconductor Inc. Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2023 Business Report, financial statements and proposal for distribution of profits. The 2023 financial statements were audited by independent auditors, Lu, Chien-Hui and Cheng, An-Chih of KPMG and issued an Independent Audit Report. The 2023 Business Report, financial statements and proposal for distribution of profits have been checked by the Audit Committee and no irregularities were found. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To Holtek Semiconductor Inc. 2024 Annual Shareholders' Meeting

Holtek Semiconductor Inc.

Chairman of the Audit Committee: Hsu, Jui-Ting

March 07, 2024

### **6.4 Consolidated Financial Statements and Independent Auditors' Report-the Company & Subsidiaries**

Please refer to Page 144~215.

### **6.5 Financial Statements and Independent Auditors' Report-the Parent Company**

Please refer to Page 216~279.

### **6.6 Any insolvency for the Company and the affiliates in the last fiscal period and to the date this annual report was printed, and the effect on the financial position: None**

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Financial Status

Unit: NT\$ thousands

Item \ Year	2022	2023	Difference	
			Amount	%
Current Assets	5,208,350	4,340,643	(867,707)	(17)
Property, Plant and Equipment	326,243	411,557	85,314	26
Right-of-use Assets	85,802	105,866	20,064	23
Other Assets	1,199,601	1,332,873	133,272	11
<b>Total Assets</b>	<b>6,819,996</b>	<b>6,190,939</b>	<b>(629,057)</b>	<b>(9)</b>
Current Liabilities	1,509,818	1,589,210	79,392	5
Non-current Liabilities	565,537	502,114	(63,423)	(11)
<b>Total Liabilities</b>	<b>2,075,355</b>	<b>2,091,324</b>	<b>15,969</b>	<b>1</b>
Ordinary share capital	2,261,682	2,261,682	0	0
Capital surplus	142,309	142,309	0	0
Retained Earnings	2,072,434	1,279,893	(792,541)	(38)
Other equity	202,572	355,914	153,342	76
Non-controlling interests	65,644	59,817	(5,827)	(9)
<b>Total Equity</b>	<b>4,744,641</b>	<b>4,099,615</b>	<b>(645,026)</b>	<b>(14)</b>

Analysis of changes in financial ratios:

1. Property, plant, and equipment increased compared to the end of fiscal year 2022, primarily due to the subsidiary's acquisition of a factory building.
2. Right-of-use assets increased compared to the end of fiscal year 2022, primarily due to the subsidiary's new factory lease.
3. Retained earnings decreased compared to the end of fiscal year 2022, mainly due to a decrease in net income for the current period.
4. Other equity increased compared to the end of 2022, primarily due to unrealized gains from financial assets measured at fair value through other comprehensive income.

## 7.2 Analysis of Operating Results

Unit: NT\$ thousands

Item	Year		Difference	
	2022	2023	Amount	%
Net operating revenue	6,015,968	2,596,067	(3,419,901)	(56.85)
Operating costs	2,929,773	1,495,469	(1,434,304)	(48.96)
Gross profit	3,086,195	1,100,598	(1,985,597)	(64.34)
Unrealized profit (loss) from sales	41,826	(208,698)	(250,524)	(598.97)
Realized gross profit	3,044,369	1,309,296	(1,735,073)	(56.99)
Operating expenses	1,812,472	1,210,039	(602,433)	(33.24)
Net operating income	1,231,897	99,257	(1,132,640)	(91.94)
Non-operating income and expenses	159,063	(21,082)	(180,145)	(113.25)
Income before income tax	1,390,960	78,175	(1,312,785)	(94.38)
Income tax expenses (benefit)	258,653	(36,464)	(295,117)	(114.10)
Net income	1,132,307	114,639	(1,017,668)	(89.88)
Other comprehensive income (net of income tax)	(246,624)	152,678	399,302	(161.91)
Total comprehensive income	885,683	267,317	(618,366)	(69.82)
Total comprehensive income profit (loss) attributable to shareholders of the company	1,106,374	111,741	(994,633)	(89.90)
Total comprehensive income profit (loss) attributable to non-controlling interests	25,933	2,898	(23,035)	(88.83)
Total comprehensive income (loss) attributable to shareholders of the company	859,286	265,474	(593,812)	(69.11)
Total comprehensive income (loss) attributable to non-controlling interests	26,397	1,843	(24,554)	(93.02)

### Analysis of changes in financial ratios:

1. Net operating income, operating costs, operating gross profit, realized operating gross profit, operating profit, profit before tax, net profit for the period, and total comprehensive income all decreased, primarily due to a reduction in net operating income.
2. The change in unrealized sales profit decreased, primarily due to a reduction in unrealized sales profit from shipments to invested subsidiaries that were not shipped to end customers in fiscal year 2023.
3. Operating expenses decreased, mainly due to a reduction in bonuses.
4. Non-operating income decreased, primarily due to an increase in the share of losses from associates accounted for using the equity method.
4. Income tax expenses decreased, primarily due to a decrease in profit before tax and the reversal of overestimated income tax expenses from previous years.
5. Other comprehensive income increased, primarily due to an increase in unrealized valuation gains on equity investments measured at fair value through other comprehensive income.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Net Cash flow from fund-raising	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plan	Financing Plan
933,978	4,243	(106,811)	831,410	—	—

Analysis of change in cash flow in 2023:

- (1) Operating activities: The Company continues to make profits which result in net cash inflows from operating activities.
- (2) Investing activities: Acquisition of property, plant, and equipment resulted in a net cash outflow from investing activities.
- (3) Financing activities: The increase in short-term borrowings resulted in a net cash inflow from financing activities.

#### 7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Net Cash flow from fund-raising	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plan	Financing Plan
831,410	250,000	(163,000)	918,410	—	—

Analysis of change in cash flow in 2024:

- (1) Operating activities: It is expected that the warming of business operations and reduced inventory will lead to a net cash inflow from operating activities.
- (2) Financing activities: It is expected that the repayment of short-term borrowings and the distribution of cash dividends from retained earnings will lead to a net cash outflow from financing activities.

**7.4 Impact of the Latest Major Capital Expenditures on Financial Business:** None.

#### 7.5 Main Reasons for Profits or Losses of Latest Reinvestment Policy, Improvement Plan, and Investment Plan for the Coming Year

Investment is mainly to meet the needs of the company's operation and development to establish a complete sales and technical service system. The net investment loss recognized by the equity method in 2023 is NT\$84,843 thousand.

1. The profit or loss of the reinvested company is mainly related to the amount of revenue. The Company will work to improve the revenue growth of the reinvested company and control the cost to improve its profitability.
2. Future investment plans are still based on business development needs and evaluate various investment plans at the appropriate time.

## 7.6 Risk Management Analysis

### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finances and Future Response Measures

1. Interest rate: The company's borrowings consist of short-term loans, so the cash flow risk from interest rate fluctuations is minimal. Additionally, the company maintains good relationships with banks, regularly evaluating potential interest rate risks. There have been no significant impacts on the company's profits or losses due to interest rate fluctuations. The cash equivalent position of the Company is mainly located in fixed deposits and bond funds and the financial institutions that the Company deals with have global records and capital so as to obtain stable and safe investment returns.
2. Foreign exchange rates: The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, and accounts payable that are denominated in foreign currency. A fluctuation in the NTD/USD and NTD/RMB exchange rate on the reporting date, with other factors remaining constant, would have increased or decreased the net income amounted to \$3,684 and \$3,532 for the years ended December 31, 2023 and 2022, respectively. In order to avoid the significant impact of foreign exchange rate fluctuations on the Company's revenue and profit, the Company has a designated finance department to monitor exchange rate movements in the foreign exchange market, to collect relevant information and to take the following specific measures:
  - (1) The Sales Division will carefully evaluate foreign exchange rate trends before offering customer quotes. It will also comprehensively consider the factors affecting exchange rate fluctuations and adopt a market-based exchange rate as the basis of sales quotation so as to reduce the impact of spot exchange rate changes on the Company's revenues and profits.
  - (2) In addition to remaining in close contact with banks and financial institutions in order to fully follow foreign exchange rate trends, the finance department will regularly review their operating strategies and risk control procedures to be able to respond to forex volatility. The Company uses foreign currency derivative contracts such as currency forwards to protect against currency exchange rate risks associated with non-NT dollar denominated currency positions.
  - (3) In adjusting to their foreign currency position according to the actual capital demand or exchange rate trends, the Company takes revenues to pay accounts payable using the same currency from multiple foreign currency accounts. This acts as a natural hedge, which is a principle of the Company's exchange strategy.
3. Inflation: The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

### 7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending Funds to Other Parties, Endorsements/Guarantees, and Financial Derivatives Transactions

1. Our company does not engage in high-risk, high-leverage investments, lending funds to others, or derivative transactions. In fiscal year 2023, in response to the operational needs of subsidiaries, our company provided endorsement guarantees for 100% owned subsidiaries. As of now, all procedures have been conducted in accordance with relevant regulations.
2. The Company has conducted the "Procedures for Lending Funds to Other Parties", the "Procedures for Endorsements/Guarantees", and "Procedures for Acquisition or Disposal of Assets and Financial Derivatives Transactions". A dedicated department has been assigned to

execute operating procedures and risk management in accordance with the aforementioned procedures for which no significant loss has occurred.

### **7.6.3 Future Research & Development Projects and Corresponding Budget**

The Company is focused in the area of MCU and peripheral ICs. To increase their product competitiveness, the Company consistently re-invests 15%~20% of annual turnover in improving its R&D technology and remains close to customer market demands. It also works in close coordination with upstream and downstream manufacturers to meet customers' delivery requirements and maintain the stability of both supply and delivery.

### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company consistently monitors any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2021 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

### **7.6.5 The Impact and Response to Technology Changes (including information security risks) and Industrial Transformation relating to Corporate Finance and Business.**

In the face of the continuous improvement of semiconductor industry technology, the company not only invests about 15%~20% of the annual revenue as research and development funds, but also responds to the increasingly obvious trend of the division in the IC design industry, focusing on MCU and peripheral ICs' product research and development and market development, and the use of advanced technology in cooperation with upstream manufacturers. Enable the company fully responding to technological changes and industrial transformation, bringing positive injections to the company's finance and business.

We have established an information security committee, with the president servicing as the chairperson of the committee, and is composed of personnel from audit, information, human resources, legal and intellectual property and related departments. It is responsible for establishing and promoting the formulation, implementation and continuous improvement of information security policies to ensure the intellectual property, business confidentiality and internal information security. Regularly disseminate information security-related information to employees to improve their information security awareness. The Audit Office regularly inspects the implementation of information security management practices, and adopts improvement measures based on the inspection results to ensure the continuous and effective operation of the information security management.

### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The Company retains a prudent business philosophy and maintains its existing good corporate brand image. Also, the strict internal control and crisis management mechanism has been regulated to effectively prevent any crisis from occurring to ensure the sustainable operation of the Company.

### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

Not Applicable.

### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

Not Applicable.

### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

1. The Company has been in excellent operating condition since its establishment in 1998. Fabs collaborated with the Company have always provided priority giving adequate capacity during times of large scale operations. In addition, when considering risk reduction associated with any consolidation of sales or purchasing operations and considering the comprehensive factors such as production capacity, process technology, quality yield and delivery date, the Company also actively looks for alternative fab production capacity. Currently, the Company cooperates with several large fabs, packaging and testing companies. There is no over-concentration in one particular area.
2. The Company has been actively expanding niche markets for many years. Here the customer base is spread over all major global markets, including China, to fully achieve risk diversification and avoid the risk of excessive concentration of sales. In addition, the Company will strengthen credit management, require the provision of corresponding collateral, and continuously track the collection of accounts, so as to maintain stable business results.

**7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%**

None

**7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

None

**7.6.12 Major Law Suits, Non-Contentious Matters, or Administrative Actions involving the Directors, general manager, owners, shareholders that hold more than 10% of the equity shares, with sentence or pending on court decision, the result of which may significantly affect the shareholders' equity or stock price of the Company, the action taken in response to the aforementioned disputes, the target amount involved, the date on which the law suit started, the parties concerned, and the status as of the day this report was printed**

1. On November 30, 2022, Heritage IP LLC filed a patent infringement lawsuit against the Company's subsidiary, Holtek Semiconductor USA Inc. in the U.S. District Court for the Central District of California (CDCA). Heritage IP LLC alleges that the Company's chips infringe its U.S. patent (Patent No. 7,221,200). Pursuant to the plaintiff's notice, the court dismissed the claims against Holtek Semiconductor USA Inc. on May 18, 2023.

**7.6.13 Other Major Risks**

None

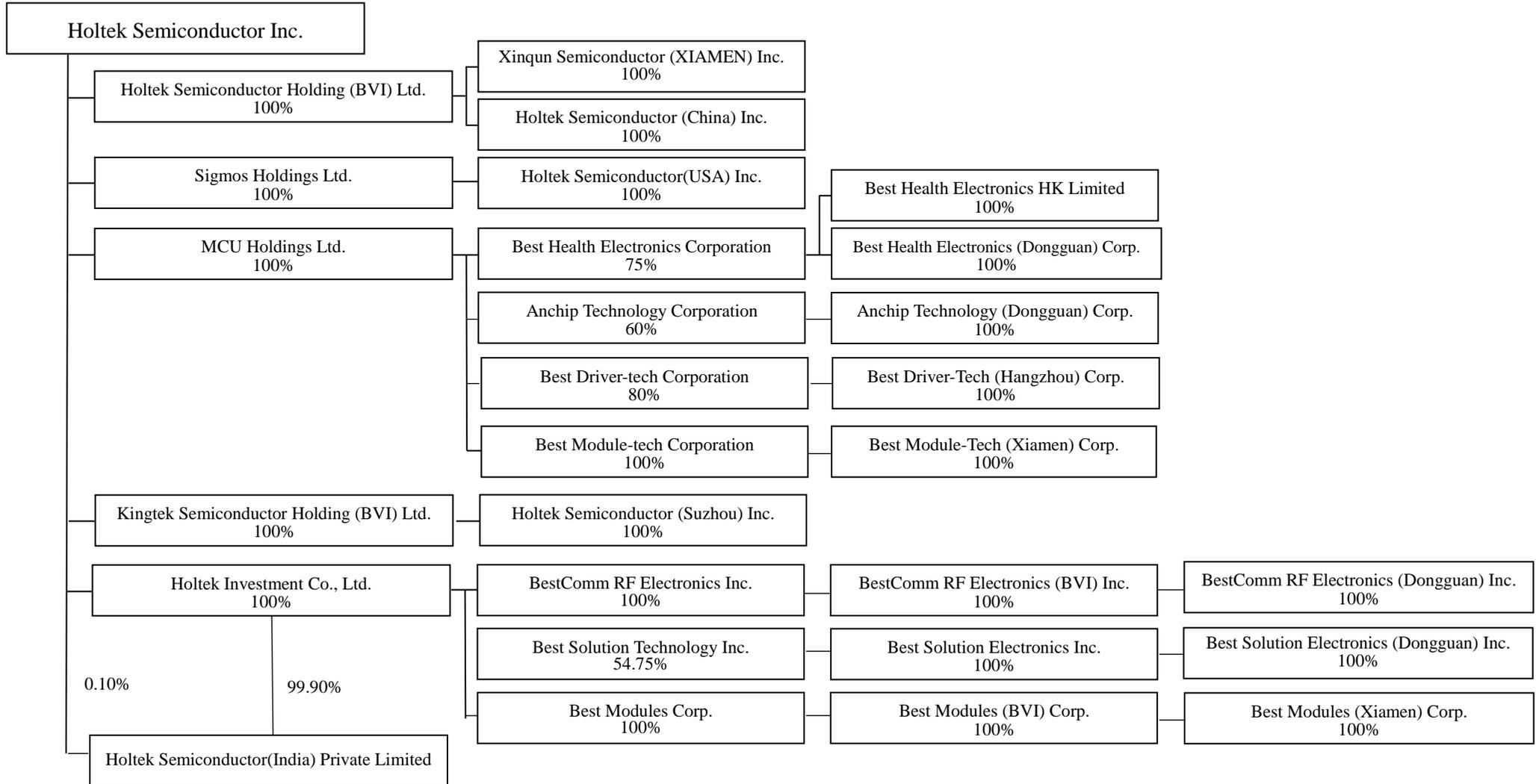
**7.7 Other Material Events**

None

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Affiliated Companies Chart



### 8.1.2 Profile of various associated enterprises:

As of Dec. 31, 2023

Company Name	Date of Establishment	Address	Paid-in capital size	Main scope of operations or production
Holtek Semiconductor Holding (BVI) Ltd.	1999.10	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 22,053,360	Investment activities
Xinqun Semiconductor (XIAMEN) Inc.	2008.01	Room 202, No.34, Guanri Road, Software Park (Phase 2), Xiamen, China	USD 11,000,000	Providing sales of integrated circuit and technical support.
Holtek Semiconductor (China) Inc.	2012.06	Room 101, Building No. 10, Xinzhu Court, (No. 1 Headquarters), No. 4 Xinzhu Road, Songshan Lake, Dongguan, China	CNY 62,000,000	Providing sales and technical services of electronic components and integrated circuits.
Sigmos Holdings Ltd.	2000.12	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 200,000	Investment activities
Holtek Semiconductor (USA), Inc.	2001.05	19 Hammond, Suite 513, Irvine, CA 92618, USA	USD 200,000	Providing sales and technical services of electronic components and integrated circuits.
MCU Holdings Ltd.	2002.05	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 500,000	Investment activities
Best Health Electronics Corporation	2017.04	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 6,000,000	Investment activities
Best Health Electronics HK Limited	2019.09	15/F., BOC Group Life Assurance Tower 136 Des Voeux Road Central, Central, Hong Kong	CNY 300,000	Providing sales and technical services of electronic components and integrated circuits using in health & measurement applications.
Best Health Electronics (Dongguan) Corporation	2017.07	Room 301, Building No. 10, Xinzhu Court, No. 4 Xinzhu Road, Songshan Lake, Dongguan, China	CNY 5,000,000	Providing sales and technical services of electronic components and integrated circuits using in health & measurement applications.
Anchip Technology Corporation	2015.10	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 1,000,000	Investment activities
Anchip Technology (Dongguan) Corporation	2016.02	Room 102, Building No. 10, Xinzhu Court, No.4 Xinzhu Road, Songshan Lake, Dongguan, China	CNY 300,000	Providing sales and technical services of electronic components and integrated circuits using in security & safe applications.
Best Driver-tech Corporation	2020.02	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 2,000,000	Investment activities
Best Driver-tech (Hangzhou) Corporation	2020.09	Room 1203, 12/F, Building A, Yanxiang Science and Technology Building, No. 333, Jianghong Road, Changhe Street, Binjiang District, Hangzhou, China	CNY 1,500,000	Providing sales and technical services of electronic components and integrated circuits using in motor control applications.
Best Module-tech Corporation	2020.04	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 3,000,000	Investment activities
Best Module-tech (Xiamen) Corporation	2020.09	Room 203, No.34 Guanri Road, Software Park II, Xiamen City, China	CNY 2,500,000	Providing sales and technical services of electronic

Company Name	Date of Establishment	Address	Paid-in capital size	Main scope of operations or production
				components and integrated circuits.
Kingtek Semiconductor Holding (BVI) Ltd.	2002.01	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 2,000,000	Investment activities
Holtek Semiconductor (Suzhou) Inc.	2002.04	Unit 7/8, 3F., Building D, No.5, Xinghan Street, Suzhou Industrial Park, Suzhou, China	USD 2,000,000	Providing sales and technical services of electronic components and integrated circuits.
Holtek Investment Co., Ltd.	2003.03	No. 17, Ln. 576, Sec. 1, Guangfu Rd., Longshan Vil., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	NTD 429,826,000	Investment activities
BestComm RF Electronics Inc.	2014.01	No. 17, Ln. 576, Sec. 1, Guangfu Rd., Longshan Vil., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	NTD 40,000,000	Providing sales and technical services of electronic components and integrated circuits using in RF related applications.
BestComm RF Electronics (BVI) Inc.	2014.02	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 3,000,000	Investment activities
BestComm RF Electronics (Dongguan) Inc.	2018.01	Room 201, Building No. 10, Xinzhu Court, No.4 Xinzhu Road, Songshan Lake, Dongguan, China	CNY 3,000,000	Providing sales and technical services of electronic components and integrated circuits using in RF related applications.
Best Solution Technology Inc.	2008.05	4F.-2, No.3-2, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	NTD 20,000,000	Providing sales and technical services of electronic components and integrated circuits using in touch related applications.
Best Solution Electronics Inc.	2008.06	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 200,000	Investment activities
Best Solution Electronics (Dongguan) Inc.	2019.10	Room 401, Building No. 9, Xinzhu Court, No.4 Xinzhu Road, Songshan Lake, Dongguan, China	CNY 1,000,000	Providing sales and technical services of electronic components and integrated circuits using in touch related applications.
Best Modules Corp.	2016.05	1F., No. 18, Ln. 20, Jinshan 11th St., East Dist., Hsinchu City, Taiwan (R.O.C.)	NTD 105,000,000	Providing sales and technical services of MCU Modules.
Best Modules (BVI) Corp.	2020.08	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 6,500,000	Investment activities
Best Modules (Xiamen) Corp.	2021.08	Room 302, No. 110, Yongcuo Road, Haicang District, Xiamen, China	CNY 6,500,000	Providing sales and technical services of MCU Modules.
Holtek Semiconductor (India) Private Limited	2018.03	Room 1004, 10th Floor, Prestige Meridian Building 1, 29/30, M.G Road, Bengaluru 560001	INR 6,485,000	Providing sales and technical services of electronic components and integrated circuits.

### 8.1.3 Common Shareholders of Holtek and its Subsidiaries or its Affiliates with Actual of Deemed

**Control:** None

### 8.1.4 Business Scope of Holtek and its Affiliated Companies

The business scope of the Company and its affiliated companies includes providing sales and technical services of electronic components and integrated circuits technical support and performing foreign investment activities.

### 8.1.5 List of Directors and General Manager of Holtek's affiliated companies

As of Dec. 31, 2023

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
Holtek Semiconductor Holding (BVI) Ltd.	Director	Holtek Semiconductor Inc. Rep.: Wu, Chi-Yung	22,053,360	100%
	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung		
Xinqun Semiconductor ( XIAMEN) Inc.	Chairman	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Wu, Chi-Yung	-	100%
	Director	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Gau, Kuo-Tung		
	Director	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Chang, Chih		
	Supervisor	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Liao, Ming-Tung		
	General Manager	Chang, Chia-Chih	-	-
Holtek Semiconductor (China) Inc.	Chairman	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Wu, Chi-Yung	-	100%
	Director	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Gau, Kuo-Tung		
	Director	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Tsai, Jung-Tsung		
	Supervisor	Holtek Semiconductor Holding (BVI) Ltd. Rep.: Liao, Ming-Tung		
	General Manager	Li, Shiou-Ming	-	-
Sigmos Holdings Ltd.	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung	200,000	100%
	Director	Holtek Semiconductor Inc. Rep.: Lin, Cheng-Fung		
Holtek Semiconductor (USA), Inc.	Director	Sigmos Holdings Ltd. Rep.: Gau, Kuo-Tung	2,000,000	100%
	Director	Sigmos Holdings Ltd. Rep.: Tsai, Jung-Tsung		
	General Manager	Wang, Yao-Te	-	-

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
MCU Holdings Ltd.	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung	500,000	100%
	Director	Holtek Semiconductor Inc. Rep.: Lin, Cheng-Fung		
Best Health Electronics Corporation	Director	MCU Holdings Ltd. Rep.: Lin, Cheng-Fung	4,500	75%
	Director	MCU Holdings Ltd. Rep.: Wang, Min-Kun		
Best Health Electronics HK Limited	Director	Best Health Electronics Corporation Rep.: Wang, Min-Kun	300,000	100%
Best Health Electronics (Dongguan) Corporation	Chairman	Best Health Electronics Corporation Rep.: Hung, Hsiang-Wei	-	100%
	Director	Best Health Electronics Corporation Rep.: Gau, Kuo-Tung		
	Director	Best Health Electronics Corporation Rep.: Wang, Min-Kun		
	Supervisor	Best Health Electronics Corporation Rep.: Liao, Ming-Tung		
	General Manager	Hung, Hsiang-Wei	-	-
Anchip Technology Corporation	Director	MCU Holdings Ltd. Rep.: Wang, Min-Kun	600	60%
	Director	Mao Qiang	400	40%
Anchip Technology (Dongguan) Corporation	Execute Director	Anchip Technology Corporation Rep.: Mao Qiang	-	100%
	Supervisor	Anchip Technology Corporation Rep.: Liao, Ming-Tung		
	General Manager	Mao Qiang	-	-
Best Driver-tech Corporation	Director	MCU Holdings Ltd. Rep.: Wang, Min-Kun	1,600	80%
	Director	Pan, Chien-Chang	400	20%
Best Driver-tech (Hangzhou) Corporation	Chairman	Best Driver-tech Corporation Rep.: Pan, Chien-Chang	-	100%
	Director	Best Driver-tech Corporation Rep.: Gau, Kuo-Tung		
	Director	Best Driver-tech Corporation Rep.: Wang, Min-Kun		
	Supervisor	Best Driver-tech Corporation Rep.: Liao, Ming-Tung		
	General	Pan, Chien-Chang	-	-

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
	Manager			
Best Module-tech Corporation	Director	MCU Holdings Ltd. Rep.: Gau, Kuo-Tung	3,000	100%
	Director	MCU Holdings Ltd. Rep.: Wang, Min-Kun		
Best Module-tech (Xiamen) Corporation	Chairman	Best Module-tech Corporation Rep.: Liu, Hung-Yu	-	100%
	Director	Best Module-tech Corporation Rep.: Gau, Kuo-Tung		
	Director	Best Module-tech Corporation Rep.: Wang, Min-Kun		
	Supervisor	Best Module-tech Corporation Rep.: Liao, Ming-Tung		
	General Manager	Liu, Hung-Yu	-	-
Kingtek Semiconductor Holding (BVI) Ltd.	Director	Holtek Semiconductor Inc. Rep.: Wu, Chi-Yung	2,000,000	100%
	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung		
Holtek Semiconductor (Suzhou) Inc.	Chairman	Kingtek Semiconductor Holding (BVI) Ltd. Rep.: Gau, Kuo-Tung	-	100%
	Director	Kingtek Semiconductor Holding (BVI) Ltd. Rep.: Wu, Chi-Yung		
	Director	Kingtek Semiconductor Holding (BVI) Ltd. Rep.: Chang, Chih		
	Supervisor	Kingtek Semiconductor Holding (BVI) Ltd. Rep.: Liao, Ming-Tung		
	General Manager	Gau, Kuo-Tung	-	-
Holtek Investment Co., Ltd.	Chairman	Holtek Semiconductor Inc. Rep.: Wu, Chi-Yung	42,982,600	100%
	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung		
	Director	Holtek Semiconductor Inc. Rep.: Chang, Chih		
	Supervisor	Holtek Semiconductor Inc. Rep.: Liao, Ming-Tung		
BestComm RF Electronics Inc.	Chairman	Holtek Investment Co., Ltd. Rep.: Wu, Chi-Yung	4,000,000	100%
	Director	Holtek Investment Co., Ltd. Rep.: Gau, Kuo-Tung		
	Director	Holtek Investment Co., Ltd. Rep.: Wang, Min-Kun		

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
	Supervisor	Holtek Investment Co., Ltd. Rep.: Liao, Ming-Tung		
	General Manager	Hsiao, Chien-Tung	-	-
BestComm RF Electronics (BVI) Inc.	Director	BestComm RF Electronics Inc. Rep.: Wu, Chi-Yung	30,000	100%
	Director	BestComm RF Electronics Inc. Rep.: Wang, Min-Kun		
BestComm RF Electronics (Dongguan) Inc.	Chairman	BestComm RF Electronics Inc. Rep.: Hsiao, Chien-Tung	-	100%
	Director	BestComm RF Electronics Inc. Rep.: Gau, Kuo-Tung		
	Director	BestComm RF Electronics Inc. Rep.: Wang, Min-Kun		
	Supervisor	BestComm RF Electronics Inc. Rep.: Liao, Ming-Tung		
	General Manager	Hsiao, Chien-Tung	-	-
Best Solution Technology Inc.	Chairman	Zhengyou Co., Ltd. Rep.: Yueh, Cheng-Ping	167,500	8.375%
	Director	Holtek Investment Co., Ltd. Rep.: Wang, Min-Kun	800,000	40%
	Director	Signal Electronic Co. Ltd. Rep.: Lin, Chi-Kuei	737,500	36.875%
	Supervisor	Wu, Neng-Jie	-	-
	General Manager	Yueh, Cheng-Ping	-	-
Best Solution Electronics Inc.	Director	Best Solution Technology Inc. Rep.: Wang, Min-Kun	200,000	100%
Best Solution Electronics (Dongguan) Inc.	Chairman	Best Solution Electronics Inc. Rep.: Yueh, Cheng-Ping	-	100%
	Director	Best Solution Electronics Inc. Rep.: Wang, Min-Kun		
	Director	Best Solution Electronics Inc. Rep.: Lin, Chi-Kuei		
	Supervisor	Best Solution Electronics Inc. Rep.: Liao, Ming-Tung		
	General Manager	Yueh, Cheng-Ping	-	-
Best Modules Corp.	Chairman	Holtek Investment Co., Ltd. Rep.: Wu, Chi-Yung	10,500,000	100%

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
	Director	Holtek Investment Co., Ltd. Rep.: Gau, Kuo-Tung		
	Director	Holtek Investment Co., Ltd. Rep.: Tsai, Jung-Tsung		
	Supervisor	Holtek Investment Co., Ltd. Rep.: Liao, Ming-Tung		
	General Manager	Yeh, Ping-Lin	-	-
Best Modules (BVI) Corp.	Director	Best Modules Corp. Rep.: Gau, Kuo-Tung	6,500	100%
	Director	Best Modules Corp. Rep.: Tsai, Jung-Tsung		
Best Modules (Xiamen) Corp.	Chairman	Best Modules Corp. Rep.: Yeh, Ping-Lin	-	100%
	Director	Best Modules Corp. Rep.: Gau, Kuo-Tung		
	Director	Best Modules Corp. Rep.: Tsai, Jung-Tsung		
	Supervisor	Best Modules Corp. Rep.: Liao, Ming-Tung		
	General Manager	Yeh, Ping-Lin	-	-
Holtek Semiconductor (India) Private Limited	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung	6,485,000	100%
	Director	Holtek Semiconductor Inc. Rep.: Tsai, Jung-Tsung		
	Director	Holtek Semiconductor Inc. Rep.: Krishna Chaitanya Kamasani		
	General Manager	Tsai, Jung-Tsung	-	-

## 8.1.6 Operation Highlights of Holtek's Affiliated Companies

As of December 31, 2023; Unit: NT\$ thousands (except for EPS=NT\$)

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT\$)
Holtek Semiconductor Holding (BVI) Ltd.	665,449	1,221,721	-	1,221,721	-	(135)	(118,571)	(5.38)
Xinqun Semiconductor (XIAMEN) Inc.	322,726	454,608	138,624	315,984	659,485	(112,578)	(95,594)	Note 2
Holtek Semiconductor (China) Inc.	292,423	858,745	59,588	799,157	806,320	(40,357)	(23,747)	Note 2
Sigmos Holdings Ltd.	6,898	19,612	-	19,612	-	-	(3,474)	(17.37)
Holtek Semiconductor (USA), Inc.	6,898	20,660	1,048	19,612	5,719	(3,826)	(3,474)	(1.74)
MCU Holdings Ltd.	16,333	947,276	-	947,276	-	(181)	(61,023)	(122.05)
Best Health Electronics Corporation	26,410	73,926	-	73,926	-	(44)	15,802	2,633.69
Best Health Electronics HK Limited	1,299	18,513	451	18,062	16,121	4,512	4,407	14.69
Best Health Electronics (Dongguan) Corporation	23,057	56,712	2,002	54,710	54,703	11,928	11,430	Note 2
Anchip Technology Corporation	5,071	62,540	-	62,540	-	(47)	8,198	8,197.98
Anchip Technology (Dongguan) Corporation	1,521	78,997	17,547	61,450	168,721	9,683	8,243	Note 2
Best Driver-tech Corporation	8,441	17,024	-	17,024	-	(39)	(6,205)	(3,102.69)
Best Driver-tech (Hangzhou) Corporation	6,361	16,274	1,454	14,820	6,748	(8,341)	(6,205)	Note 2
Best Module-tech Corporation	12,426	13,386	-	13,386	-	-	179	59.64
Best Module-tech (Xiamen) Corporation	10,573	11,147	2	11,145	-	(3)	130	Note 2
Kingtek Semiconductor Holding (BVI) Ltd.	69,542	155,152	-	155,152	-	-	(35,084)	(17.54)
Holtek Semiconductor (Suzhou) Inc.	69,712	163,174	8,063	155,111	111,587	(35,630)	(35,084)	Note 2
Holtek Investment Co., Ltd.	429,826	898,664	2,691	895,973	-	(17)	3,908	0.09
BestComm RF Electronics Inc.	40,000	26,142	654	25,488	7,538	4,157	4,125	1.03
BestComm RF Electronics (BVI) Inc.	14,054	13,495	-	13,495	-	(44)	(96)	(3.20)
BestComm RF Electronics (Dongguan) Inc.	13,634	13,769	1,008	12,761	10,819	(88)	(59)	Note 2

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT\$)
Best Solution Technology Inc.	20,000	37,490	8,950	28,540	18,888	(3,794)	(6,830)	(3.41)
Best Solution Electronics Inc.	6,140	21,456	30	21,426	-	(99)	(4,574)	(22.87)
Best Solution Electronics (Dongguan) Inc.	4,285	36,010	15,943	20,067	166,779	(4,735)	(4,348)	Note 2
Best Modules Corp.	105,000	94,931	2,234	92,697	6,025	(5,264)	(2,215)	(0.21)
Best Modules (BVI) Corp.	28,326	31,596	-	31,596	-	-	2,543	391.29
Best Modules (Xiamen) Corp.	28,307	32,506	941	31,565	10,115	2,621	2,544	Note 2
Holtek Semiconductor (India) Private Limited	2,948	3,820	590	3,230	7,788	1,083	940	0.15

Note 1: If the affiliated company is a foreign company, the listed relevant figures are retranslated at the functional currency rates of exchange ruling at the balance sheet date. The exchange rate are NT\$ 30.655=US\$ 1.00, NT\$ 4.2998= RMB 1.00 and NT\$ 0.3693= INR 1.00, respectively.

Note 2: This affiliated Company is a limited company and has not issued any outstanding shares. Therefore, EPS is not available to calculate.

## 8.1.7 Representation Letter

### Representation Letter

The entities that are required to be included in the combined financial statements of Holtek Semiconductor Inc. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Holtek Semiconductor Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company Name: Holtek Semiconductor Inc.

Chairman: WU, CHI YUNG

Date: January 29, 2024

**8.1.8 Business Reports of Affiliated Companies:** None.

**8.2 Private Placement Securities:** None.

**8.3 Holding or Disposition of the Company's Stock List by Subsidiaries:** None.

**8.4 Other Supplementary Information:** None.

**8.5 The Most Recent Fiscal Year and Up to the Date of This Annual Report Printed, Any Event That Significantly Affects the Shareholders' Equity or Stock Price of the Company as Stated in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act:** None.

## *Appendix*

### *Appendix 1*

#### **Representation Letter**

The entities that are required to be included in the combined financial statements of Holtek Semiconductor Inc. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Holtek Semiconductor Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company Name: Holtek Semiconductor Inc.

Chairman: WU, CHI YUNG

Date: January 29, 2024

## **Independent Auditors' Report**

To the Board of Directors of Holtek Semiconductor Inc.:

### **Opinion**

We have audited the consolidated financial statements of Holtek Semiconductor Inc. and its subsidiaries (collectively as “the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

#### **Revenue recognition – related-party and unrealized gross profits on sales to associates**

Refer to Note 4(15) “Revenue recognition”, and Note 7(2) “Significant related-party transactions” to the consolidated financial statements.

#### **Description of key audit matter:**

The revenue is the basic operational activity of the Group's sustainable operation, which is related to the operational performance of the enterprise, and because the main transaction is the relationship person, it has a high risk of high fraud. Therefore, the valuation of receivables is the key audit matters for our audit.

#### **How the matter was addressed in our audit:**

In relation to the key audit matter above, our principal audit procedures included testing the Group’s controls surrounding revenue recognition, Collection operation cycle and Evaluating the reasonableness of commercial transactions; Evaluating revenue trend analysis; understanding the

transactions of related parties and execution of the accounts; Executing the related party's letter of confirmation; Assessing the correctness and reasonableness of the gross profit margin of sales and the unrealized gross profit on sales to associates; and assessing whether the Group has properly disclosed relevant information about the sales of the related parties and unrealized gross profit on sales to associates.

### **Other Matters**

Holtek Semiconductor Inc. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion with emphasis-of-matter paragraph.

### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with auditing standards in the Republic of China, we exercised professional judgment and 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 auditor's 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 auditor's 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 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 identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated 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 determined 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.

The engagement partners on the audit resulting in this independent auditors' report are Lu, Chien-Hui and Cheng, An-Chih.

KPMG

Hsinchu, Taiwan (Republic of China)

January 29, 2024

**Notice to Readers**

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.*

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor Inc. and Subsidiaries**

**Consolidated Balance Sheets**

**December 31, 2023 and 2022**

(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022			Liabilities and Equity	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(1))	\$ 831,410	13	933,978	14	2100	Short-term loans (note 6(11))	\$ 1,000,000	17	-	-
1110 Financial assets measured at fair value through profit or loss — current (note 6(2))	236,652	4	242,418	3	2150	Notes payable	36,068	1	104,072	2
1170 Notes and accounts receivable, net (note 6(4))	43,959	1	94,178	1	2170	Accounts payable	102,118	2	560,097	8
1180 Accounts receivable from related parties (notes 6(4) and 7)	281,008	4	819,670	12	2181	Accounts payable from related parties (note 7)	414	-	178	-
130X Inventories (note 6(5))	1,593,148	26	1,822,934	27	2201	Salary and bonus payable	314,949	5	529,177	8
1476 Other financial assets — current (notes 6(6)、7 and 8)	1,280,546	21	1,226,291	18	2230	Current income tax liabilities	15,553	-	47,843	1
1479 Other current assets	73,920	1	68,881	1	2280	lease liabilities — current (note 6(12))	19,472	-	16,484	-
	<u>4,340,643</u>	<u>70</u>	<u>5,208,350</u>	<u>76</u>	2310	Advance receipts	21,279	-	25,098	-
					2399	Other current liabilities	79,357	1	226,869	3
							<u>1,589,210</u>	<u>26</u>	<u>1,509,818</u>	<u>22</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>				
1518 Equity instruments measured at fair value through other comprehensive income — non-current (note 6(3))	679,811	11	503,111	8	2570	Deferred tax liabilities (note 6(14))	331,940	6	422,707	6
1550 Investments accounted for using equity method (notes 6(7) and 7)	490,671	8	422,000	6	2580	lease liabilities — non-current (note 6(12))	88,798	1	71,637	1
1600 Property, plant and equipment (note 6(8))	411,557	7	326,243	5	2640	Net defined benefit liabilities (note 6(13))	30,015	-	48,497	1
1755 Right-of — use assets (note 6(9))	105,866	2	85,802	1	2645	Guarantee deposit received	51,361	1	22,696	-
1780 Intangible assets (note 6(10))	22,994	-	23,498	-			<u>502,114</u>	<u>8</u>	<u>565,537</u>	<u>8</u>
1840 Deferred tax assets (note 6(14))	78,011	1	146,803	2		<b>Total liabilities</b>	<u>2,091,324</u>	<u>34</u>	<u>2,075,355</u>	<u>30</u>
1900 Other non-current assets	61,386	1	104,189	2		<b>Equity (note 6(15)) :</b>				
	<u>1,850,296</u>	<u>30</u>	<u>1,611,646</u>	<u>24</u>		Equity attributable to shareholders of the parent				
					3110	Ordinary share capital	2,261,682	36	2,261,682	33
					3200	Capital surplus	142,309	2	142,309	2
					3300	Retained earnings	1,279,893	21	2,072,434	31
					3400	Other equity	355,914	6	202,572	3
						Total equity attributable to shareholders of the parent	<u>4,039,798</u>	<u>65</u>	<u>4,678,997</u>	<u>69</u>
					36XX	Non-controlling interests	59,817	1	65,644	1
						<b>Total equity</b>	<u>4,099,615</u>	<u>66</u>	<u>4,744,641</u>	<u>70</u>
<b>Total assets</b>	<b>\$ 6,190,939</b>	<b>100</b>	<b>6,819,996</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 6,190,939</b>	<b>100</b>	<b>6,819,996</b>	<b>100</b>

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung

President : Tsai, Jung-Tsung

Accounting Manager : Liao, Ming Tung

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2023 and 2022**  
(Expressed in thousands of New Taiwan Dollars, except for Earnings per Share)

	2023		2022	
	Amount	%	Amount	%
4000 Revenues (notes 6(18) 、 7)	\$ 2,596,067	100	6,015,968	100
5000 Cost of Goods Sold (notes 6(5) 、 (13) 、 (17) 、 7 and 12)	<u>1,495,469</u>	<u>58</u>	<u>2,929,773</u>	<u>49</u>
<b>Gross profits</b>	1,100,598	42	3,086,195	51
5910 Unrealized gross profits on sales to associates	<u>(208,698)</u>	<u>(8)</u>	<u>41,826</u>	<u>1</u>
<b>Realized gross profits</b>	<u>1,309,296</u>	<u>50</u>	<u>3,044,369</u>	<u>50</u>
<b>Operating expenses (notes 6(17) and 12) :</b>				
6100 Selling	145,740	5	171,493	3
6200 General and administrative	315,705	12	391,188	6
6300 Research and development	812,619	31	1,136,791	19
6450 Expected credit impairment loss (reversal gain) (note 6(4))	<u>(64,025)</u>	<u>(2)</u>	<u>113,000</u>	<u>2</u>
	<u>1,210,039</u>	<u>46</u>	<u>1,812,472</u>	<u>30</u>
<b>Operating income</b>	<u>99,257</u>	<u>4</u>	<u>1,231,897</u>	<u>20</u>
<b>Non-operating income and expenses:</b>				
7020 Other gains and losses (notes 6(19) and 7)	42,979	1	70,094	2
7060 Investment income accounted for using equity method (note 6(7))	(84,843)	(3)	26,294	-
7100 Interest income	28,979		28,818	-
		1		
7130 Dividends income (note 6(3))	-	-	35,923	1
7510 Interest expense	<u>(8,197)</u>	<u>-</u>	<u>(2,066)</u>	<u>-</u>
	<u>(21,082)</u>	<u>(1)</u>	<u>159,063</u>	<u>3</u>
<b>Income before income tax</b>	78,175	3	1,390,960	23
7950 Income tax (note 6(14))	<u>(36,464)</u>	<u>(1)</u>	<u>258,653</u>	<u>4</u>
<b>Net income</b>	<u>114,639</u>	<u>4</u>	<u>1,132,307</u>	<u>19</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of the defined benefit plans(note 6(13))	489	-	10,314	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	182,561	7	(283,835)	(4)
8349 Income tax relating to items that will be not reclassified subsequently (note 6(14))	<u>98</u>	<u>-</u>	<u>2,063</u>	<u>-</u>
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>182,952</u>	<u>7</u>	<u>(275,584)</u>	<u>(4)</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of financial statements of foreign affiliates	(28,581)	(1)	23,689	-
8371 Exchange differences on translation of financial statements of invested associates accounted for using equity method (note 6(7))	(8,998)	-	12,395	-
8399 Income tax relating to items that may be reclassified subsequently (note 6(14))	<u>(7,305)</u>	<u>-</u>	<u>7,124</u>	<u>-</u>
<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>(30,274)</u>		<u>28,960</u>	<u>-</u>
		(1)		
8300 <b>Other comprehensive income</b>	<u>152,678</u>	<u>6</u>	<u>(246,624)</u>	<u>(4)</u>
<b>Total comprehensive income</b>	<u>\$ 267,317</u>	<u>10</u>	<u>885,683</u>	<u>15</u>
<b>Net income attributable to:</b>				
8610 Shareholders of the parent	\$ 111,741	4	1,106,374	19
8620 Non-controlling interests	<u>2,898</u>	<u>-</u>	<u>25,933</u>	<u>-</u>
	<u>\$ 114,639</u>	<u>4</u>	<u>1,132,307</u>	<u>19</u>
<b>Total comprehensive income (loss) attributable to:</b>				
8710 Shareholders of the parent	\$ 265,474	10	859,286	15
8720 Non-controlling interests	<u>1,843</u>	<u>-</u>	<u>26,397</u>	<u>-</u>
	<u>\$ 267,317</u>	<u>10</u>	<u>885,683</u>	<u>15</u>
<b>Earnings per share (New Taiwan Dollars) (note 6(16))</b>				
9750 Basic earnings per share	<u>\$ 0.49</u>		<u>4.89</u>	
9850 Diluted earnings per share	<u>\$ 0.49</u>		<u>4.83</u>	

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung      President : Tsai, Jung-Tsung      Accounting Manager : Liao, Ming Tung

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Holtek Semiconductor Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

	Equity attributed to shareholders of the parent						Total other equity interest			Total equity attributed to shareholders of the parent	Non- controlling interests	Total equity
	Retained earnings				Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments measured at fair value through other comprehensive income	Total other equity interest			
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve								
<b>Balance as of January 1, 2022</b>	\$ 2,261,682	142,309	751,032	2,642	2,041,276	2,794,950	(58,206)	516,117	457,911	5,656,852	53,396	5,710,248
Net income for the period	-	-	-	-	1,106,374	1,106,374	-	-	-	1,106,374	25,933	1,132,307
Other comprehensive income for the period	-	-	-	-	8,251	8,251	28,496	(283,835)	(255,339)	(247,088)	464	(246,624)
Total comprehensive income for the period	-	-	-	-	1,114,625	1,114,625	28,496	(283,835)	(255,339)	859,286	26,397	885,683
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	204,128	-	(204,128)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(1,837,141)	(1,837,141)	-	-	-	(1,837,141)	-	(1,837,141)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,680	2,680
Cash dividends from subsidiaries	-	-	-	-	-	-	-	-	-	-	(16,829)	(16,829)
<b>Balance as of December 31, 2022</b>	<u>2,261,682</u>	<u>142,309</u>	<u>955,160</u>	<u>2,642</u>	<u>1,114,632</u>	<u>2,072,434</u>	<u>(29,710)</u>	<u>232,282</u>	<u>202,572</u>	<u>4,678,997</u>	<u>65,644</u>	<u>4,744,641</u>
Net income for the period	-	-	-	-	111,741	111,741	-	-	-	111,741	2,898	114,639
Other comprehensive income for the period	-	-	-	-	391	391	(29,219)	182,561	153,342	153,733	(1,055)	152,678
Total comprehensive income for the period	-	-	-	-	112,132	112,132	(29,219)	182,561	153,342	265,474	1,843	267,317
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	111,462	-	(111,462)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(904,673)	(904,673)	-	-	-	(904,673)	-	(904,673)
Cash dividends from subsidiaries	-	-	-	-	-	-	-	-	-	-	(7,670)	(7,670)
Reversal of special reserve	-	-	-	(101)	101	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023</b>	<u>\$ 2,261,682</u>	<u>142,309</u>	<u>1,066,622</u>	<u>2,541</u>	<u>210,730</u>	<u>1,279,893</u>	<u>(58,929)</u>	<u>414,843</u>	<u>355,914</u>	<u>4,039,798</u>	<u>59,817</u>	<u>4,099,615</u>

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung

President : Tsai, Jung-Tsung

Accounting Manager : Liao, Ming Tung

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 78,175	1,390,960
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation	75,757	80,730
Amortization	77,328	61,940
Expected credit impairment loss (reversal gain)	(64,025)	113,000
Interest expense	8,197	2,066
Interest income	(28,979)	(28,818)
Dividends income	-	(35,923)
Investment loss (income) accounted for using equity method	84,843	(26,294)
Gains on disposals of investments	(12,763)	-
Unrealized gross profit on sales to associates	(208,698)	41,826
Other items not affecting cash flows, net	(303)	9,261
Changes in operating assets and liabilities:		
Financial assets measured at fair value through profit or loss	5,586	724,359
Notes and accounts receivable (including related parties)	643,854	(101,480)
Inventories	215,023	(956,002)
Other operating assets	4,902	45,231
Notes and accounts payable (including related parties)	(517,273)	(298,285)
Advance receipts	(2,915)	(93,208)
Net defined benefit liabilities	(18,486)	(23,182)
Other operating liabilities	(362,465)	23,357
Cash flows (used in) from operations	(22,242)	929,538
Interest received	30,336	24,204
Dividends received	33,937	147,053
Interest paid	(8,872)	(1,391)
Income tax paid	(28,916)	(568,992)
<b>Net cash flows from operating activities</b>	<b>4,243</b>	<b>530,412</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(12,180)	(13,000)
Proceeds from disposal of investments accounted for using equity method	15,032	-
Proceeds from capital reduction of investments accounted for using equity method	12,423	40,676
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	18,041	-
Proceeds from disposal of property, plant and equipment	15,382	-
Acquisitions of property, plant and equipment	(151,520)	(34,938)
Decrease (Increase) in Guarantee deposit paid	2,063	(44,290)
Acquisition of intangible assets	(76,838)	(46,105)
(Increase) Decrease in other financial assets	(62,386)	1,177,528
Decrease (Increase) in other non-current assets	50,225	(38,319)
Dividends received	-	35,923
<b>Net cash flows (used in) from investing activities</b>	<b>(189,758)</b>	<b>1,077,475</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	1,000,000	-
Increase (Decrease) in Guarantee deposit received	28,755	(3,363)
Payments of lease liabilities	(23,674)	(24,743)
Cash dividends paid	(904,673)	(1,837,141)
Decrease in non-controlling interests	(7,670)	(14,149)
<b>Net cash flows from (used in) financing activities</b>	<b>92,738</b>	<b>(1,879,396)</b>
<b>Effect of foreign exchange changes</b>	<b>(9,791)</b>	<b>5,728</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(102,568)</b>	<b>(265,781)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>933,978</b>	<b>1,199,759</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 831,410</b>	<b>933,978</b>

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung      President : Tsai, Jung-Tsung      Accounting Manager : Liao, Ming Tung

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2023 and 2022**  
(Amounts expressed in thousands of New Taiwan Dollars,  
except for per share information and unless otherwise noted)

**1. Organization**

Holtek Semiconductor Inc. (“the Company”) was incorporated on October 1, 1998, as a company limited by shares under the laws of the Republic of China (“ROC”) and the ROC Statute for the Establishment and Administration of the Science-Based Industrial Park. The Company began operations on December 11, 1998. The Company established a Hong Kong branch in April 2000. The shares of the Company have been listed on the Taipei Exchange (“TPEX”) since November 4, 2002, and then listed on the Taiwan Stock Exchange (“TWSE”) since September 27, 2004.

The Company and its subsidiaries (collectively as “the Group”) are engaged mainly in the research, development, production, manufacture and sales of integrated circuits.

**2. The Authorization of Financial Statements**

The accompanying consolidated financial statements were passed for issuance by the Board of Directors on January 29, 2024.

**3. New Standards, Amendments and Interpretations Adopted**

(1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023 :

- Amendments to IAS 1 “*Disclosure of Accounting Policies*”
- Amendments to IAS 8 “*Definition of Accounting Estimates*”
- Amendments to IAS 12 “*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023 :

- Amendments to IAS 12 “*International Tax Reform — Pillar Two Model Rules*” (Note)

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

Note : The Group has adopted Amendments to IAS 12 “*International Tax Reform — Pillar Two Model Rules*” on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which applies retrospectively, and require new disclosures about the Pillar Two exposure for annual reporting periods beginning on or after January 1, 2023. However, because on December 31, 2022, no new legislation to implement the top-up tax was enacted or substantively enacted in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group’s condensed interim financial statements. The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax, and expects to disclose the mandatory relief and the new disclosures in the Group’s consolidated financial statements for the year ended December 31, 2023.

#### (2) The impact of IFRS endorsed by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “*Classification of Liabilities as Current or Non-current*”
- Amendments to IAS 1 “*Non-current Liabilities with Covenants*”
- Amendments to IAS 7 and IFRS 7 “*Supplier Finance Arrangements*”
- Amendments to IFRS16 “*Lease Liability in a Sale and Leaseback*”

#### (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “*Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*”
- IFRS 17 “*Insurance Contracts*” and amendments to IFRS 17 “*Insurance Contracts*”
- Amendments to IFRS 17 “*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*”
- Amendments to IAS21 “*Lack of Exchangeability*”

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **4. Summary of Significant Accounting Policies**

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

##### **(1) Statement of compliance**

The consolidated financial statements have been prepared in accordance with the “*Regulations Governing the Preparation of Financial Reports by Securities Issuers*” (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

##### **(2) Basis of preparation**

###### **A. Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

- (a) Financial assets measured at fair value through profit or loss are measured at fair value;
- (b) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- (c) The net defined benefit liability is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

###### **B. Functional and presentation currency**

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

##### **(3) Basis of consolidation**

###### **A. Principle of preparation of the consolidated financial statements**

The consolidated financial statements comprise the Company and its subsidiaries.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total non-controlling interests in the subsidiary are allocated to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

B. List of subsidiaries in the consolidated financial statements

<b>Name of Investor</b>	<b>Name of Subsidiary</b>	<b>Business</b>	<b>Percentage of Ownership at,</b>	
			<b>December 31, 2023</b>	<b>December 31, 2022</b>
the Company	MCU Holdings Ltd. (MCU)	Investment holding company	100%	100%
the Company	Holtek Semiconductor Holding (BVI) Ltd. (Holtek BVI)	Investment holding company	100%	100%
the Company	Sigmos Holdings Ltd. (Sigmos)	Investment holding company	100%	100%
the Company	Kingtek Semiconductor Holding (BVI) Ltd. (Kingtek BVI)	Investment holding company	100%	100%
the Company	Holtek Investment Co., Ltd. (Holtek Investment)	Specialized investment corporation	100%	100%
MCU	Best Health Electronics Corp. (Best Health)	Investment holding company	75%	75%
Best Health	Best Health Electronics (Dongguan) Corporation	Manufacturing, sales and technical services	100%	100%
Best Health	Best Health Electronics HK Limited	Manufacturing, sales and technical services	100%	100%
MCU	Anchip Technology Corporation (Anchip)	Investment holding company	60%	60%
Anchip	Anchip Technology (Dongguan) Corporation	Manufacturing, sales and technical services	100%	100%
MCU	Best Driver-tech Corporation. (Best Driver-tech)	Investment holding company	80%	80%
Best Driver-tech	Best Driver-tech (Hangzhou) Corporation.	Manufacturing, sales and technical services	100%	100%

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

<b>Name of Investor</b>	<b>Name of Subsidiary</b>	<b>Business</b>	<b>Percentage of Ownership at,</b>	
			<b>December 31, 2023</b>	<b>December 31, 2022</b>
MCU	Best Module-tech Corporation. (Best Module-tech)	Investment holding company	100%	100%
Best Module-tech	Best Module-tech (Xiamen) Corporation.	Manufacturing, sales and technical services	100%	100%
Holtek BVI	Xinqun Semiconductor (XIAMEN) Inc. (Xinqun)	Manufacturing, sales and technical services	100%	100%
Holtek BVI	Holtek Semiconductor (China) Inc.	Manufacturing, sales and technical services	100%	100%
Sigmos	Holtek Semiconductor (USA) Inc. (Holtek (USA))	Manufacturing, sales and technical services	100%	100%
Kingtek BVI	Holtek Semiconductor (Suzhou) Inc.	Manufacturing, sales and technical services	100%	100%
the Company and Holtek Investment	Holtek Semiconductor (INDIA) Private Ltd. (Holtek INDIA)	Manufacturing, sales and technical services	100% (Note 1)	100% (Note 1)
Holtek Investment	Best Solution Technology Inc. (Best Solution)	Manufacturing, sales and technical services	54.75% (Note 2)	54.75% (Note 2)
Best Solution	Best Solution Electronics Inc. (Best Solution BVI)	Investment holding company	100%	100%
Best Solution BVI	Best Solution Technology (Dongguan) Inc.	Manufacturing, sales and technical services	100%	100%
Holtek Investment	Best Modules Corp. (Best Modules)	Manufacturing, sales and technical services	100%	100%
Best Modules	Best Modules (BVI) Corp. (Best Modules BVI)	Investment holding company	100%	100%
Best Modules BVI	Best Modules Electronic Commerce ( Xiamen ) Corp.	Manufacturing, sales and technical services	100%	100%
Holtek Investment	BestComm RF Electronics Inc. (BestComm)	Manufacturing, sales and technical services	100%	100%
BestComm	BestComm RF Electronics (BVI) Inc. (BestComm BVI)	Investment holding company	100%	100%

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

<b>Name of Investor</b>	<b>Name of Subsidiary</b>	<b>Business</b>	<b>Percentage of Ownership at,</b>	
			<b>December 31, 2023</b>	<b>December 31, 2022</b>
BestComm BVI	BestComm RF Electronics (Dongguan) Inc.	Manufacturing, sales and technical services	100%	100%

Note 1 : The combined shareholding ratio is calculated both 99.9% owned by Holtek Investment and 0.1% owned by the Company.

Note 2 : The combined shareholding ratio is calculated both 40% owned by Holtek Investment directly and 36.875% indirectly held by the associate company which Holtek Investment owns its 40% shareholdings.

C. List of subsidiaries which are not included in the consolidated financial statements: None.

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

B. Foreign operations

The assets and liabilities of foreign operations are translated to NTD using the exchange rates at the reporting date with the exception of shareholders' equity, which is translated at historical cost rates, and income and expenses, which are translated to NTD at the average rate for the period. Foreign currency differences are recognized in other comprehensive income.

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

#### (5) Classification of current and non-current assets and liabilities

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### (6) Cash and cash equivalents

Cash comprises cash and cash in bank. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

#### (7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### (a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Equity investments measured at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(c) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest income, are recognized in profit or loss.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, guarantee deposits paid and other financial assets).

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due and the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor' s, Baa3 or higher per Moody' s or twA or higher per Taiwan Ratings.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### (e) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

## **B. Financial liabilities**

### (a) Classification of debt

Debt issued by the Company are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(b) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(d) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average method and includes expenditure and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. When the Group holds 20% to 50% of the voting rights of the investee company, it assumes that it has significant influence and adopts equity evaluation.

Under the equity method, investments in associates are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill, which is arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and associates are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has a present legal or constructive obligation or has made payments on behalf of the investees.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- (a) Buildings: 20 to 40 years
- (b) Machinery and equipment: 3 to 5 years
- (c) Other equipment: 2 to 8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lease

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change of its assessment on whether it will exercise a purchase; or
- (d) there is a change of its assessment on whether it will extension or termination option; or
- (e) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of company cars and dormitories that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **B. As a lessor**

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

#### **(12) Intangible assets**

##### **A. Recognition and measurement**

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

##### **B. Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

The estimated useful lives for the current and comparative years of significant items of intangible assets are as follows:

(a) Computer Software: 1 to 5 years

(b) Acquired Special Technology: 1 to 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (except for inventories and deferred income tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(15) Revenue from contract with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

A. Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

B. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(17) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or
  - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

## **Holtek Semiconductor and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### (18) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

#### (19) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

### **5. Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

#### **Judgment of whether the Group has substantive control over its subsidiaries**

The Group holds 20%~41% of the outstanding voting shares of associates. Although the remaining of associate's shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group hasn't substantive control.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(20) for assumptions used in measuring fair value.

**6. Description of Significant Accounts**

**(1) Cash and cash equivalents**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash in bank	\$ 505,353	784,175
Time deposits	326,057	149,803
	<b>\$ 831,410</b>	<b>933,978</b>

**(2) Financial assets measured at fair value through profit or loss**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Beneficiary certificates	<b>\$ 236,652</b>	<b>242,418</b>

A. Please refer to note 6(20) for the sensitivity analysis, fair value and market risk.

B. The Group's financial assets above were not pledged as collateral.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**(3) Equity investments at FVOCI- non-current**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Equity securities – unlisted company		
Shieh Yong Investment Co., Ltd. (Shieh Yong)	\$ 599,353	453,828
Unitech Capital Inc. (Unitech)	67,053	45,697
Precision Sensor Design Inc. (Precision)	13,141	3,485
Gingy Technology Corporation. (Gingy)	264	101
	<b>\$ 679,811</b>	<b>503,111</b>

The purpose that the Group invests in the abovementioned equity securities is for long-term strategies, but rather for trading purpose.

- A. Please refer to note 6(20) for the sensitivity analysis, fair value and market risk .
- B. The Group's financial assets above were not pledged as collateral.
- C. During the year ended December 31, 2023 and 2022, the dividends of nil and \$35,923, respectively, related to equity investments at fair value through other comprehensive income held on December 31, 2023 and 2022, respectively, were recognized.

**(4) Notes and accounts receivable, net (including related parties)**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Notes receivable	\$ 4,597	357
Accounts receivable	45,363	98,483
Receivables from related parties	330,902	935,755
	380,862	1,034,595
Less: allowance for doubtful accounts	(55,895)	(120,747)
	<b>\$ 324,967</b>	<b>913,848</b>

The notes and accounts receivable, net (including related parties) was \$894,971 as of January 1, 2022.

The Group applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for notes and accounts receivable. The ECL on notes and accounts receivable by reference to past default experience of the customers and credit risk characteristics, as well as forward looking information, the loss allowance was determined as follows:

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 303,874	0.5%~7.0%	20,750
Past due 0~90days	57,242	30.03%	17,189
Past due more than 90days	12,966	100%	12,966
	<b>\$ 374,082</b>		<b>50,905</b>

Individual customers' accounts receivable amounted to \$6,780 as of December 31, 2023, which has been assessed as having default risk. Therefore, the Group provides the loss allowance for the customer amounted to \$4,990 as of December 31, 2023.

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 757,376	0.5%~2.5%	17,567
Past due 0~90days	192,478	9.58%	18,439
Past due more than 90days	84,741	100%	84,741
	<b>\$ 1,034,595</b>		<b>120,747</b>

The movement in the allowance for notes and trade receivable was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 120,747	7,393
Impairment losses recognized	(64,025)	113,000
Effect of foreign exchange changes (reversal gains)	(827)	354
Ending balance	<b>\$ 55,895</b>	<b>120,747</b>

**(5) Inventories**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Raw materials	\$ 1,101,841	616,123
Work in process	357,622	522,963
Finished goods and merchandise inventories	133,685	683,848
	<b>\$ 1,593,148</b>	<b>1,822,934</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The details of operating costs were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cost of goods sold	\$ 1,488,717	2,924,894
Cost of scrap materials	6,752	4,879
	<b>\$ 1,495,469</b>	<b>2,929,773</b>

The Group did not provide any inventories as collateral for its loans.

**(6) Other financial assets-current**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Time deposits (more than 3 months)	\$ 1,259,611	1,202,926
Restricted cash in banks	9,024	8,918
Others	11,911	14,447
	<b>\$ 1,280,546</b>	<b>1,226,291</b>

No impairment loss of other financial assets-current were occurred and recognized for the year ended December 31, 2023 and 2022.

Please refer to note 6(20) for further information of credit risk.

**(7) Investments accounted for using equity method**

Investments in equity-accounted investees at the reporting dates consisted of the following:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total amount of equities in associates	\$ 614,263	754,290
Less: unrealized gross profits on sales to associates	(123,592)	(332,290)
	<b>\$ 490,671</b>	<b>422,000</b>

There is no individually significant associate for the Group. The following table summarized the amount recognized by the Group at its share of those associates.

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Other comprehensive income attributable to the Group:		
Net income (loss) from continuing operation	\$ (84,843)	26,294
Other comprehensive income	(8,998)	12,395
Total comprehensive income	<b>\$ (93,841)</b>	<b>38,689</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

Bestway has reduced its capital and the Group received \$3,470 from the capital reduction in May 2023.

EST Technology Integration Corp. has reduced its capital \$8,953 and \$25,073 in July 2023 and June 2022, respectively. The Group sold the remaining equity and received of \$15,032 in July 2023.

Risingtech Corporation has reduced its capital and the Group received \$15,603 from the capital reduction in March 2022.

The Group received dividends of \$33,937 and \$147,053 from the equity method during the year ended December 31, 2023 and 2022, respectively.

The Group did not provide any investment accounted for using equity method as collaterals for its loans.

**(8) Property, plant and equipment**

Changes in the cost, and depreciation of the Group's property, plant and equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2023	\$ 26,676	523,653	393,425	113,260	1,057,014
Additions	-	118,306	10,075	23,139	151,520
Disposals	-	(9,540)	(34,774)	(8,051)	(52,365)
Effect of foreign exchange changes	-	(7,350)	(2,654)	(1,656)	(11,660)
Balance on December 31, 2023	<u>\$ 26,676</u>	<u>625,069</u>	<u>366,072</u>	<u>126,692</u>	<u>1,144,509</u>
Balance on January 1, 2022	\$ 26,676	519,226	365,198	110,827	1,021,927
Additions	-	833	29,600	4,505	34,938
Disposals	-	-	(3,400)	(2,873)	(6,273)
Effect of foreign exchange changes	-	3,594	2,027	801	6,422
Balance on December 31, 2022	<u>\$ 26,676</u>	<u>523,653</u>	<u>393,425</u>	<u>113,260</u>	<u>1,057,014</u>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Total</u>
Accumulated depreciation:					
Balance on January 1, 2023	\$ -	315,875	318,604	96,292	730,771
Depreciation for the period	-	15,365	30,055	6,398	51,818
Disposals	-	(5,293)	(31,767)	(7,522)	(44,582)
Effect of foreign exchange changes	-	(1,921)	(2,031)	(1,103)	(5,055)
Balance on December 31, 2023	<u>\$ -</u>	<u>324,026</u>	<u>314,861</u>	<u>94,065</u>	<u>732,952</u>
Balance on January 1, 2022	\$ -	302,003	288,870	87,261	678,134
Depreciation for the period	-	12,676	31,634	11,223	55,533
Disposals	-	-	(3,369)	(2,830)	(6,199)
Effect of foreign exchange changes	-	1,196	1,469	638	3,303
Balance on December 31, 2022	<u>\$ -</u>	<u>315,875</u>	<u>318,604</u>	<u>96,292</u>	<u>730,771</u>
Carrying amount:					
Balance on December 31, 2023	<u>\$ 26,676</u>	<u>301,043</u>	<u>51,211</u>	<u>32,627</u>	<u>411,557</u>
Balance on December 31, 2022	<u>\$ 26,676</u>	<u>207,778</u>	<u>74,821</u>	<u>16,968</u>	<u>326,243</u>
Balance on January 1, 2022	<u>\$ 26,676</u>	<u>217,223</u>	<u>76,328</u>	<u>23,566</u>	<u>343,793</u>

The Group did not provide any property, plant and equipment as collaterals for its loans.

**(9) Right-of-use assets**

Changes in the cost, and depreciation of the Group's land and buildings were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
Balance at January 1, 2023	\$ 67,604	60,599	128,203
Additions	-	45,874	45,874
Disposals	-	(37,367)	(37,367)
Balance at December 31, 2023	<u>\$ 67,604</u>	<u>69,106</u>	<u>136,710</u>
Balance at January 1, 2022	\$ 67,341	75,454	142,795
Additions	263	1,834	2,097
Disposals	-	(16,689)	(16,689)
Balance at December 31, 2022	<u>\$ 67,604</u>	<u>60,599</u>	<u>128,203</u>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Accumulated depreciation :			
Balance at January 1, 2023	\$ 12,252	30,149	42,401
Depreciation for the year	3,075	20,864	23,939
Disposals	-	(35,496)	(35,496)
Balance at December 31, 2023	<u>\$ 15,327</u>	<u>15,517</u>	<u>30,844</u>
Balance at January 1, 2022	\$ 9,183	24,710	33,893
Depreciation for the year	3,069	22,128	25,197
Disposals	-	(16,689)	(16,689)
Balance at December 31, 2022	<u>\$ 12,252</u>	<u>30,149</u>	<u>42,401</u>
Carrying amount :			
Balance at December 31, 2023	<u>\$ 52,277</u>	<u>53,589</u>	<u>105,866</u>
Balance at December 31, 2022	<u>\$ 55,352</u>	<u>30,450</u>	<u>85,802</u>
Balance at January 1, 2022	<u>\$ 58,158</u>	<u>50,744</u>	<u>108,902</u>

**(10) Intangible assets**

Changes in the cost, and amortization of the Group's intangible assets were as follows:

	<u>Computer Software</u>	<u>Acquired Special Technology</u>	<u>Total</u>
Cost :			
Balance at January 1, 2023	\$ 199,968	88,150	288,118
Additions	76,838	-	76,838
Disposals	(188,631)	(57,405)	(246,036)
Effect of foreign exchange changes	(48)	-	(48)
Balance at December 31, 2023	<u>\$ 88,127</u>	<u>30,745</u>	<u>118,872</u>
Balance at January 1, 2022	\$ 205,416	106,759	312,175
Additions	46,105	-	46,105
Disposals	(51,676)	(18,609)	(70,285)
Reclassified	112	-	112
Effect of foreign exchange changes	11	-	11
Balance at December 31, 2022	<u>\$ 199,968</u>	<u>88,150</u>	<u>288,118</u>
Accumulated amortization :			
Balance at January 1, 2023	\$ 183,131	81,489	264,620
Amortization for the year	71,179	6,149	77,328
Disposals	(188,631)	(57,405)	(246,036)
Effect of foreign exchange changes	(34)	-	(34)
Balance at December 31, 2023	<u>\$ 65,645</u>	<u>30,233</u>	<u>95,878</u>
Balance at January 1, 2022	\$ 183,283	89,681	272,964
Amortization for the year	51,523	10,417	61,940
Disposals	(51,676)	(18,609)	(70,285)
Effect of foreign exchange changes	1	-	1
Balance at December 31, 2022	<u>\$ 183,131</u>	<u>81,489</u>	<u>264,620</u>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

	Computer Software	Acquired Special Technology	Total
Carrying amount :			
Balance at December 31, 2023	\$ 22,482	512	22,994
Balance at December 31, 2022	\$ 16,837	6,661	23,498
Balance at January 1, 2022	\$ 22,133	17,078	39,211

The Group did not provide any intangible assets as collaterals for its loans.

**(11) Short-term loans**

	December 31,	
	2023	2022
Unsecured bank loans	\$ 1,000,000	-
Unused short-term credit lines	\$ 1,200,000	154,700
Range of interest rates	1.85%~1.93%	-

**(12) Lease liabilities**

The amount of lease liabilities was as follows:

	December 31,	
	2023	2022
Current	\$ 19,472	16,484
Non-current	\$ 88,798	71,637

For the maturity analysis, please refer to note 6(20).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31,	
	2023	2022
Interest on lease liabilities	\$ 1,406	1,391
Expenses relating to short-term leases	\$ 8,624	4,950
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 599	680

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year ended December 31,	
	2023	2022
Total cash outflow for leases	\$ 34,303	31,764

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

As of December 31, 2023 and 2022, the Group leases land and buildings for its office space. The leases of land typically run for a period of 20 years, and of buildings for 2 to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lease is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

The rental amount of the land contract shall be adjusted by the fluctuation of the current land value in the local area and the amortized expenditures used in public infrastructures.

**(13) Employee benefits**

A. Defined benefit plans

The present value of the defined benefit obligation and the fair value adjustments of the plan assets for the Group were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Present value of the defined benefit obligation	\$ 36,160	52,256
Fair value of plan assets	(6,145)	(3,759)
Net defined benefit liabilities	<b><u>\$ 30,015</u></b>	<b><u>48,497</u></b>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$6,145 as of December 31, 2023. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(b) Changes in the present value of the defined benefit obligation

The changes in the present value of the defined benefit obligation of the Group were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Defined benefit obligation as of January 1	\$ 52,256	146,707
Benefits paid from plan assets	(16,942)	(89,695)
Current service costs and interest	495	1,027
Remeasurements of the net defined benefit liabilities		
— Actuarial loss arising from changes in financial assumptions	372	(3,336)
— Actuarial loss arising from experience adjustments	(21)	(2,447)
Defined benefit obligation as of December 31	<b><u>\$ 36,160</u></b>	<b><u>52,256</u></b>

(c) Changes in the fair value of the defined benefit plan assets

The changes in the fair value of the defined benefit plan assets of the Group were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Fair value of plan assets as of January 1	\$ 3,759	65,204
Benefits paid from plan assets	(16,942)	(89,534)
Interest income	3	537
Contributions made	18,486	23,021
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	839	4,531
Fair value of plan assets as of December 31	<b><u>\$ 6,145</u></b>	<b><u>3,759</u></b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(d) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net interest on the net defined benefit liabilities	<b>\$ 492</b>	<b>490</b>
Cost of goods sold	\$ 31	31
Selling expenses	38	34
General and administrative expenses	66	67
Research and development expenses	357	358
	<b>\$ 492</b>	<b>490</b>

(e) Actuarial assumptions

The following are the Group's significant actuarial assumptions of the present value of the defined benefit obligation at the reporting date:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.20%	1.30%
Future salary increase rate	2.00%	2.00%

The Group expects to make a contribution of \$8,879 to its defined benefit plans in the following year, beginning December 31, 2023.

The weighted-average duration of the defined benefit obligation is 10.2 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions, the impact on the defined benefit obligation would be as follows:

<u>Actuarial assumptions</u>	<b>Impact on the defined benefit obligation</b>	
	<b>0.1% increase</b>	<b>0.1% decrease</b>
December 31, 2023		
Discount rate	<b>\$ (372)</b>	<b>378</b>
Future salary increase rate	<b>\$ 348</b>	<b>(344)</b>
December 31, 2022		
Discount rate	<b>\$ (526)</b>	<b>534</b>
Future salary increase rate	<b>\$ 488</b>	<b>(482)</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

**B. Defined contribution plans**

In accordance with the provisions of the Labor Pension Act, the Company and domestic subsidiaries should contribute 6% of its employees' monthly wages to their labor pension personal accounts of the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance). Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution plan were \$38,415 and \$31,307 for the years ended December 31, 2023 and 2022, respectively. In addition, the total pension costs of the Group's overseas branch and subsidiaries under their respective defined contribution plan were \$44,606 and \$40,815 for the years ended December 31, 2023 and 2022, which were recognized in accordance with their local regulations.

**(14) Income tax**

**A. Income tax expenses**

The amount of income tax expenses was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current income tax expense		
Current period	\$ 19,035	197,587
Adjustment to prior years	(40,731)	(7,238)
	<u>(21,696)</u>	<u>190,349</u>
Deferred income tax expense		
Temporary differences and reversal	(14,768)	68,304
Income tax expenses	<u><b>\$ (36,464)</b></u>	<u><b>258,653</b></u>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	<b>\$ 98</b>	<b>2,063</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign affiliates	\$ (5,716)	4,738
Exchange differences on translation of financial statements of invested associates accounted for using equity method	(1,589)	2,386
	<b>\$ (7,305)</b>	<b>7,124</b>

The reconciliation of income tax expenses and income before income tax was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Income before income tax	\$ 78,175	1,390,960
Income tax at the Company's domestic tax rate	15,635	278,192
Effect of tax rates in foreign jurisdiction	(610)	(13,755)
Permanent differences adjustment	(187)	(42,704)
Share of profit (loss) of subsidiaries accounted for using equity method, net	(26,948)	47,589
Estimated increase in investment tax credit	(11,950)	(5,381)
Change in unrecognized temporary differences	8,608	4,383
Change in provision in prior periods	(40,731)	(7,238)
Other	19,719	(2,433)
	<b>\$ (36,464)</b>	<b>258,653</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

B. The changes of deferred tax assets and liabilities were as follows:

Deferred tax assets

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Unrealized loss from Inventory devaluation	\$ 12,000	-	-	12,000	-	-	12,000
Unrealized gross profit from sales to associates	161,155	(46,933)	-	114,222	(71,506)	-	42,716
Allowance for doubtful accounts over the quota	-	6,898	-	6,898	(6,799)	-	99
Net defined benefit liabilities	16,301	(4,539)	(2,063)	9,699	(3,598)	(98)	6,003
Loss from exchange differences on translation of financial statements of foreign affiliates	10,765	-	(7,124)	3,641	-	7,305	10,946
Others	1,617	(1,274)	-	343	5,904	-	6,247
	<u>201,838</u>	<u>(45,848)</u>	<u>(9,187)</u>	<u>146,803</u>	<u>(75,999)</u>	<u>7,207</u>	<u>78,011</u>

Deferred tax liabilities

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Foreign investment gains under the equity method	\$ 398,916	20,705	-	419,621	(88,374)	-	331,247
Others	1,335	1,751	-	3,086	(2,393)	-	693
	<u>400,251</u>	<u>22,456</u>	<u>-</u>	<u>422,707</u>	<u>(90,767)</u>	<u>-</u>	<u>331,940</u>

C. The tax authorities have assessed the Company's income tax returns through 2021.

**(15) Capital and other equity interest**

A. Ordinary shares

As of December 31, 2023 and 2022, the authorized capital of the Company amounted to \$3,000,000, of which included the amount of \$200,000 reserved for employee stock options and the amount of \$500,000 for convertible bonds. The Company's issued and outstanding common stock, with par value of \$10 dollars per share, both amounted to \$2,261,682 as at December 31, 2023 and 2022.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**B. Capital surplus**

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Capital surplus — premium	<b>\$ 142,309</b>	<b>142,309</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be distributed as stock or cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

**C. Retained earnings**

According to the Company’s Articles of Incorporation, if the Company has profit as a result of the accounting year, the Company shall first pay taxes, offset its losses in previous years and set aside a legal reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Company, then set aside special capital reserve in accordance with relevant laws or regulations or as requested by business. Any rest balance, added to the accumulated undistributed earnings in previous years, shall be allocated by board of directors and shall be approved in shareholders' meeting.

The amount of dividends distributed to shareholders shall be no less than 50% of the distributable earnings of the year and no less than 50% of the shareholder’s dividends shall be in the form of cash.

**(a) Legal reserve**

Pursuant to the R.O.C. Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company’s paid-in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$18,008. And the Company's actuarial gains and losses be reclassified as retained earnings at the adoption date. The decrease in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$13,410. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve amounted to \$4,598 during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately.

The Company liquidated its subsidiary, Holtek Semiconductor (Shenzhen) Inc. in August, 2014. In accordance with the provisions of the above-mentioned regulations, the special reserve was reclassified to retained earnings amounted to \$1,956. The Company liquidated its investee company by equity method, Bestway Electronics (Shenzhen) Inc. in May, 2023. In accordance with the provisions of the above-mentioned regulations, the special reserve was reclassified to retained earnings amounted to \$101. The carrying amount of special reserve amounted to \$2,541 and \$2,642 as of December 31, 2023 and 2022, respectively.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(c) Earnings distribution

The following are the appropriation of earnings in 2022 and 2021 which were approved in the shareholders' meeting held on May 24, 2023 and May 24, 2022, respectively :

	2022		2021	
	NT dollars per share	Total amount	NT dollars per share	Total amount
Cash dividends distributed to ordinary shareholders:	<u>\$ 4.0000</u>	<u>904,673</u>	<u>8.1229</u>	<u>1,837,141</u>

The information is available on the Market Observation Post System website.

**(16) Earnings per share**

The Company's calculation of basic earnings per share was as follows:

	For the year ended December 31,	
	2023	2022
Basic earnings per share:		
Net income for the period	<u>\$ 111,741</u>	<u>1,106,374</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands)	<u>226,168</u>	<u>226,168</u>
Basic earnings per share (NT dollars)	<u>\$ 0.49</u>	<u>4.89</u>
Diluted earnings per share:		
Net income for the period	<u>\$ 111,741</u>	<u>1,106,374</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands)	226,168	226,168
Effect of potential diluted ordinary shares (in thousands)	<u>397</u>	<u>2,737</u>
Weighted-average number of ordinary shares outstanding during the year (diluted) (in thousands)	<u>226,565</u>	<u>228,905</u>
Diluted earnings per share (NT dollars)	<u>\$ 0.49</u>	<u>4.83</u>

**(17) Remuneration to employees and directors**

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company shall distribute 5~15% of profit of the current year distributable as employees' compensation and no more than 1.5% of profit of the current year distributable as remuneration of directors and supervisors. However, the Company's accumulated losses shall have been covered.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The remunerations to employees amounted to \$8,504 and \$160,430, and the remunerations to directors amounted to \$1,012 and \$19,099 for the years ended December 31, 2023 and 2022, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under cost of goods sold or expenses for the years ended December 31, 2023 and 2022. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing market price of the shares on the day preceding the board of directors' meeting.

For the year ended December 31, 2022 and 2021, the remuneration to employees amounted to \$160,430 and \$299,875, and the remuneration to directors amounted to \$19,099 and \$35,499, respectively, which were paid in cash. The aforementioned approved amounts are the same as the amounts charged against earnings of 2022 and 2021. The information is available on the Market Observation Post System website.

**(18) Revenue from Contracts with Customers**

A. Segmentation of revenue

Please refer to note 14 for the Segment Information.

B. Contract balance

Please refer to note 6(4) for the amount of accounts receivables and impairment loss.

**(19) Non-operating income and expenses**

The details of other gains and losses were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange (losses) gains	\$ (12,590)	8,586
Others	55,569	61,508
	<b>\$ 42,979</b>	<b>70,094</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**(20) Financial instruments**

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk

(b) Concentration of credit risk

The cash and time deposits are deposited in different financial institutions. The Group manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

The main sales of the Group are domestic and foreign companies with good reputation, in addition to the credit line according to the operation procedures, and continue to understand the credit status of customers. As of December 31, 2023 and 2022, customers (including related parties) whose notes and accounts receivables that accounted for more than 10% have amounted to \$186,894 and \$344,065, respectively. The Group have concentration of credit risk arising from sales transactions. The Group have estimated the recoverable amount and recognized allowance for doubtful accounts, the management expected that no significant impairment loss will occurred.

(c) Credit risk of accounts receivables and debt securities

Please refer to note 6(4) for the information of the credit risk exposure of note and account receivables.

Other financial assets at amortized cost include time deposits (more than 3 months) and restricted cash in banks. Please refer to note 6(6) for the information of the details and loss allowance.

Please refer to note 4(7) for the information of the above financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

B. Liquidity risk

The following are the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1year</u>	<u>More than 1 years</u>
<b>December 31, 2023</b>				
Non-derivative financial liabilities				
Short-term loans	\$ 1,000,000	1,013,504	1,013,504	-
Notes and accounts payables (including related parties)	138,600	138,600	138,600	-
Salary and bonus payable	314,949	314,949	314,949	-
Accrued expenses (recorded in other current liabilities)	39,817	39,817	39,817	-
Guarantee deposit received	51,361	51,361	-	51,361
Lease liabilities	<u>108,270</u>	<u>117,604</u>	<u>20,843</u>	<u>96,761</u>
	<b><u>\$ 1,652,997</u></b>	<b><u>1,675,835</u></b>	<b><u>1,527,713</u></b>	<b><u>148,122</u></b>
<b>December 31, 2022</b>				
Non-derivative financial liabilities				
Notes and accounts payables (including related parties)	\$ 664,347	664,347	664,347	-
Salary and bonus payable	529,177	529,177	529,177	-
Accrued expenses (recorded in other current liabilities)	69,980	69,980	69,980	-
Guarantee deposit received	22,696	22,696	-	22,696
Lease liabilities	<u>88,121</u>	<u>97,853</u>	<u>17,581</u>	<u>80,272</u>
	<b><u>\$ 1,374,321</u></b>	<b><u>1,384,053</u></b>	<b><u>1,281,085</u></b>	<b><u>102,968</u></b>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

C. Market risk

Currency risk

(a) Exposure to currency risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 10,617	30.655	325,466	13,719	30.66	420,627
RMB	44,834	4.2998	192,779	114,009	4.3843	499,849
<u>Non-monetary items</u>						
USD	\$ 15,792	30.655	484,095	19,382	30.66	594,239
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 1,672	30.655	51,240	15,126	30.66	463,752
RMB	1,508	4.2998	6,486	3,481	4.3843	15,260

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, and accounts payable that are denominated in foreign currency. A fluctuation in the NTD/USD and NTD/RMB exchange rate on the reporting date, with other factors remaining constant, would have increased or decreased the net income amounted to \$3,684 and \$3,532 for the years ended December 31, 2023 and 2022, respectively.

(c) Foreign exchange gains (losses) on monetary items

Due to the variety of the functional currencies of the Group's entities, the Group's foreign exchange gains (losses) on monetary items amounted to \$(12,590) and \$8,586 for the years ended December 31, 2023 and 2022, respectively.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(d) Other price risk

For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

<b>Prices of securities at the reporting date</b>	<b>For the year ended December 31,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Other comprehensive income after tax</b>	<b>Net income</b>	<b>Other comprehensive income after tax</b>	<b>Net income</b>
1% increase	\$ 5,438	1,893	4,025	1,939
1% decrease	\$ (5,438)	(1,893)	(4,025)	(1,939)

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss and fair value through other comprehensive income is measured on a recurring basis. The Group's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and equity investments which cannot be estimated reliably in an active market) were as follows:

	<b>December 31, 2023</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level1</b>	<b>Level2</b>	<b>Level3</b>	<b>Total</b>
Financial assets measured at fair value through profit or loss	\$ 236,652	236,652	-	-	236,652
Financial assets measured at fair value through other comprehensive income	679,811	-	-	679,811	679,811
	<b>\$ 916,463</b>	<b>236,652</b>	<b>-</b>	<b>679,811</b>	<b>916,463</b>

	<b>December 31, 2022</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			
		<b>Level1</b>	<b>Level2</b>	<b>Level3</b>	<b>Total</b>
Financial assets measured at fair value through profit or loss	\$ 242,418	242,418	-	-	242,418
Financial assets measured at fair value through other comprehensive income	503,111	-	-	503,111	503,111
	<b>\$ 745,529</b>	<b>242,418</b>	<b>-</b>	<b>503,111</b>	<b>745,529</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(b) Valuation techniques for financial instruments that are measured at fair value

- The Group's valuation techniques and assumptions used for financial instruments of financial assets with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- The Group's financial assets at the equity investment without an active market were as follows:

Unquoted equity instruments : The Group invests companies. Asset value method is used to reflect corporate value by evaluating the aggregate value of individual assets and individual liabilities from the target of evaluation.

Unquoted equity instruments : For other investment the market price is established as the fair value if the quoted prices in active markets are available. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

(c) There was no transfer of fair value level as of December 31, 2023 and 2022.

(d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets at FVOCI–equity investments.

The Group classified the equity investments without an active market as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs.

The significant unobservable inputs of the equity investments without an active market are independent; therefore, there is no correlation between them.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at FVOCI -equity investments without an active market	Market approach (Compared to the price-equity ratio of market practice among listed companies)	<ul style="list-style-type: none"> <li>• Price per book value multiplier (2023.12.31 and 2022.12.31: 1.32~1.42 and 1.20~1.44)</li> <li>• Discount for lack of marketability (2023.12.31 and 2022.12.31 : 25%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the price-equity ratio, the higher the fair value.</li> <li>• The higher the discount for lack of marketability, The lower the fair value.</li> </ul>
Financial assets at FVOCI -equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> <li>• Net Asset Value</li> <li>• Discount for lack of marketability (2023.12.31 and 2022.12.31: 10%)</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> <li>• The higher the discount for lack of marketability, The lower the fair value.</li> </ul>

(e) Reconciliation for fair value measurements categorized within Level 3

	<b>Financial assets measured at FVOCI — equity investments</b>	
	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Balance at beginning of the period</b>	\$ 503,111	773,946
Additions	12,180	13,000
Capital reduction	(18,041)	-
Net gains (loss) included in other comprehensive income	182,561	(283,835)
<b>Balance at end of the period</b>	<b><u>\$ 679,811</u></b>	<b><u>503,111</u></b>

Net gains or loss that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income for the years ended December 31, 2023 and 2022.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**(21) Financial risk management**

A. Overview

The Group is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures can be referred to note 6(20).

B. Risk management framework

The Board of Directors has overall responsibility for developing and monitoring of the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, and accounts receivables.

Please refer to Note 6(20) for the credit risk analyses of accounts receivables. As of December 31, 2023 and 2022, the Group is to provide guarantees only to wholly owned subsidiaries.

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Group also monitors the level of expected cash flows on long-term and short-term trades. Group treasury invests surplus cash in time deposits with appropriate maturities or other short-term investments to ensure sufficient liquidity and meet its liabilities when due. As of December 31, 2023, the Group's unused credit line were amounted to \$1,200,000, which ensures compliance with the terms of loan agreements and cope with its operations and avoid liquidity risk.

E. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises currency risk and interest risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The group controls the risks arising from fluctuation of market rate and price change of beneficiary certificates, all significant transactions are approved by the Board of Directors. The relevant financial operations are monitored by internal audit department.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The management regulations are as follows:

- (1) The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the US Dollar (USD), and the Chinese Yuan (RMB).

When a short-term imbalance of financial assets and liabilities in foreign currency occurred, the Group can maintain the net exposure risk at an acceptable level by purchasing or selling foreign currency at current rate.

- (2) Every significant investment of the Group's portfolio is managed individually, and all the decisions on transactions are approved by the Board of Directors.

**(22) Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize owner value.

The strategy of capital structure management is based on the Group's industry scope, the future cost of industry, and products development blueprint. The Board of Directors settled the strategy to determine an applicable market share, and decide the operating capitals to make an overall plan for the various assets scales that the Group can develop continuously. Finally, the Board of Directors will estimate possible marginal utility, operating profit margin, and cash flows based on the competitiveness of the Group's products, and will consider different risk factors like business cycle fluctuation, product life cycle, to determine the appropriate capital structure of the Group.

The Board of Directors monitors the capital structure regularly, and considers the potential risk the Group may be involved in various capital structures.

There were no changes in the Group's approach to capital management during the year ended December 31, 2023.

The Group's debt-to-adjusted-capital ratio at the reporting date was as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total liabilities	<b>\$ 2,091,324</b>	<b>2,075,355</b>
Total equity	<b>\$ 4,099,615</b>	<b>4,744,641</b>
Debt-to-adjusted-capital ratio	<b>51%</b>	<b>44%</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**(23) financing activities not affecting current cash flow**

The Group's financing activities which did not affect the current cash flow, were as follows:

A. Acquisition of right-of-use assets at leases, please refer to notes 6(9).

B. Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2023</b>	<b>Cash flow</b>	<b>Other</b>	<b>December 31, 2023</b>
Lease liabilities	\$ 88,121	(23,674)	43,823	108,270
Guarantee deposit received	22,696	28,755	(90)	51,361
Short-term loans	-	1,000,000	-	1,000,000
Total liabilities from financing activities	<b>\$ 110,817</b>	<b>1,005,081</b>	<b>43,733</b>	<b>1,159,631</b>

	<b>January 1, 2022</b>	<b>Cash flow</b>	<b>Other</b>	<b>December 31, 2022</b>
Lease liabilities	\$ 110,767	(24,743)	2,097	88,121
Guarantee deposit received	26,080	(3,363)	(21)	22,696
Total liabilities from financing activities	<b>\$ 136,847</b>	<b>(28,106)</b>	<b>2,076</b>	<b>110,817</b>

**7. Related-party Transactions**

**(1) Names and relationship with related parties**

The followings are the related parties which had transaction with the Group during the periods covered in the consolidated financial statements.

<b>Name of related parties</b>	<b>Relationship with the Group</b>
Crown Rich Technology Holding Ltd. (Crown Rich)	An associate of the Group
Fine Chip Electronics Inc. (Fine Chip)	An associate of the Group
ForIC Electronics Holding Ltd. (ForIC)	An associate of the Group
JXY Electronics Corporation (JXY)	An associate of the Group
New Wave Electronics Holding Ltd. (New Wave)	An associate of the Group
Newtek Electronics Ltd. (Newtek)	An associate of the Group
Quanding Technology Holding Ltd.(Quanding)	An associate of the Group
Santek Holdings Ltd.(Santek)	An associate of the Group
Truetek Technology Ltd.(Truetek)	An associate of the Group
Signal Electronic Co., Ltd. (Signal)	An associate of the Group
Tech Wave Ltd. (Tech Wave)	An associate of the Group
ETEK technology company Ltd. (ETEK)	An associate of the Group

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

<u>Name of related parties</u>	<u>Relationship with the Group</u>
EST Technology Integration Corp. (EST)	An associate of the Group, but Holtek Investment had sold its equity in July, 2023
Bestway Electronic Inc.(Bestway)	An associate of the Group, which had reduced its capital in May, 2023

**(2) Significant related-party transactions**

A. Sales

The amounts of significant sales by the Group to related parties were as follows:

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
SIGNAL	\$ 561,937	1,156,587
CROWN RICH	252,868	507,364
Associates	767,044	2,174,585
	<u><b>\$ 1,581,849</b></u>	<u><b>3,838,536</b></u>

The Group will determine selling price by product type specification, and offer different discount based on the quantity. The credit terms for sales transactions for related parties ranged 60 days. While the credit terms for routine sales transactions, which are usually decided upon the experiences and the result form credit evaluation, can be varied from advance payment, T/T on demand, or 30 to 60 days on open account.

As for the years ended December 31, 2023 and 2022, the Group recognized unrealized gross profits of sales to associates amounting to \$123,592 and \$332,290 respectively.

The receivables from related parties (including allowance for doubtful accounts) were as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
SIGNAL	\$ 89,411	241,551
FORIC	55,474	69,579
QUANDING	42,009	64,970
TRUETEK	25,482	102,514
Associates	68,632	341,056
	<u><b>\$ 281,008</b></u>	<u><b>819,670</b></u>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

The advance receipts from related parties were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Advance receipts –Associates (recorded in advance receipts)	<b>\$ 11,521</b>	<b>-</b>

**B. Purchases**

The amounts of significant purchases by the Group from related parties were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Associates	<b>\$ 1,782</b>	<b>23,349</b>

The terms and prices of purchase transactions with related parties were not significantly different from those offered by other vendors.

The payables to related parties were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Associates	<b>\$ 414</b>	<b>178</b>

**C. Other transactions**

The Group’s revenue from related parties about the human support service charge and disbursement have amounting to \$2,170 and \$21,782 for the year ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the receivables classified under abovementioned other financial assets – current have amounting to \$333 and \$2,349, respectively.

**(3) Transactions with key management personnel**

Key management personnel compensation comprised:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 27,754	37,612
Post-employment benefits	432	432
	<b>\$ 28,186</b>	<b>38,044</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**8. Pledged Assets**

<u>Assets</u>	<u>Purpose of Pledged</u>	<u>December 31,</u>	
		<u>2023</u>	<u>2022</u>
Time deposits (recorded in other financial assets – current)	Guarantee deposits from customs and HSPB	<u>\$ 9,024</u>	<u>8,918</u>

**9. Significant Commitments and Contingencies**

- (1) The Group has signed the contract of technical authorization with ARM Ltd. When the Group sells products which apply the promised technique, it has to pay the royalty with certain amount according to the contract.
- (2) The Group has signed the contract of production capacity guarantee with one supplier and will paid the deposit (Other non-current assets). In the contract, the Group need to purchase the minimum quantity on the relevant years. Considering the market demand, the Group estimates the relevant provision according to the contract, under other current liabilities.

**10. Losses Due to Major Disasters: None.**

**11. Significant Subsequent Events: None.**

**12. Other**

The following is the summary statement of current-period employee benefits, depreciation, and amortization expenses by function:

By item	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	29,144	686,636	715,780	36,885	1,028,101	1,064,986
Labor and health insurance	2,853	61,195	64,048	2,872	62,617	65,489
Pensions	1,813	81,700	83,513	1,826	70,786	72,612
Others	1,332	18,908	20,240	1,721	24,313	26,034
Depreciation	1,538	74,219	75,757	5,614	75,116	80,730
Amortization	-	77,328	77,328	23	61,917	61,940

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**13. Other disclosures**

(1) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- i. Loans to other parties: None.
- ii. Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollar)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Holtek Semiconductor Inc.	Xinqun Semiconductor (XIAMEN) Inc.	Subsidiary of the Company	807,960	107,293	107,293	-	-	2.66%	2,019,899	Y	N	Y

Note1 : According to the Company 's guarantee and endorsement operating procedures: the amount of guarantee.

Note2 : The total amount of guarantee shall not exceed fifty percent (50%) of the Company’s net equity, and the total amount of the guarantee provided by the Company to any individual entity shall not exceed twenty percent (20%) of the Company’s net equity.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

iii. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	FSITC Taiwan Money Market	-	Financial assets measured at fair value through profit or loss – current	10,206	160,642	-	160,642	-	
The Company	UPAMC James Bond Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	4,433	76,010	-	76,010	-	
Holtek Semiconductor Holding (BVI) Ltd.	Unitech Capital Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	2,500	67,053	5.00%	67,053	5.00%	
Holtek Investment Co., Ltd	Shieh Yong Investment Co., Ltd.	-	Equity-investments measured at fair value through other comprehensive income-non current	65,014	599,353	3.03%	599,353	3.03%	
Holtek Investment Co., Ltd	Gingy Technology Co.	-	Equity-investments measured at fair value through other comprehensive income-non current	127	264	1.74%	264	2.49%	
Holtek Investment Co., Ltd	Precision Sensor Design Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	1,393	13,141	19.48%	13,141	19.91%	

iv. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock :

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	UPAMC James Bond Money Market Fund	Financial assets measured at fair value through profit or loss – current	UPAMC	-	7,495	127,000	35,546	604,900	38,608	658,491	656,392	2,098	4,433	75,508 (Note)

Note : The ending balance is the acquisition cost. Please refer to note 13(1) for the carrying amount evaluated by market price.

v. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

vi. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

vii. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance (Note3)	Percentage of total notes/accounts receivable (payable)	
The Company	Holtek (China)	Subsidiary of the Company	Sales	432,407	23%	Open account 120 days	No significant difference	Note7	24,354	12%	Note1
The Company	Xinqun	Subsidiary of the Company	Sales	334,980	18%	Open account 120 days	No significant difference	Note7	95,273	47%	Note1
The Company	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	109,303	6%	Open account 60 days	No significant difference	Note7	10,628	5%	
Holtek (China)	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	191,192	24%	Open account 60 days	No significant difference	Note7	52,326	43%	
Holtek (China)	Best Solution (Dongguan)	Subsidiary of the Company	Sales	158,211	20%	Open account 60 days	No significant difference	Note7	13,212	12%	Note1
Holtek (China)	Anchip	Subsidiary of the Company	Sales	132,062	16%	Open account 60 days	No significant difference	Note7	14,157	11%	Note1

Note1 : The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

Note2 : One-way expression only for companies recognizing income and assets.

Note3 : Notes and accounts receivable, net include allowance for doubtful accounts.

viii. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None.

ix. Trading in derivative instruments: None.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

x. Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Holtek (China)	Parent company to subsidiary	Sales	432,407	Open account 120 days	17 %
0	The Company	Xinqun	Parent company to subsidiary	Sales	334,980	Open account 120 days	13 %
0	The Company	Xinqun	Parent company to subsidiary	Accounts receivable	95,273	Open account 120 days	2 %
0	The Company	Holtek (Suzhou)	Parent company to subsidiary	Sales	74,158	Open account 120 days	3 %
0	The Company	Best Solution	Parent company to subsidiary	Sales	13,508	Open account 60 days	1 %
1	Holtek (China)	Best Solution	Subsidiary to subsidiary	Sales	158,211	Open account 60 days	6 %
1	Holtek (China)	Anchip	Subsidiary to subsidiary	Sales	132,062	Open account 60 days	5 %
1	Holtek (China)	Xinqun	Subsidiary to subsidiary	Sales	18,500	Open account 60 days	1 %
2	Xinqun	Best Health (Dongguan)	Subsidiary to subsidiary	Sales	14,516	Open account 60 days	1 %
3	Best Health (Dongguan)	Holtek (China)	Subsidiary to subsidiary	Sales	19,858	Open account 60 days	1 %

Note1 : The transactions with amount that account for more than 0.5% of the comprehensive earnings or net assets are disclosed.

Note2 : The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

Note3 : Notes and accounts receivable, net include allowance for doubtful accounts.

## Holtek Semiconductor and Subsidiaries

### Notes to Consolidated Financial Statements

(2) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2023			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
The Company	Holtek Semiconductor Holding (BVI) Ltd.	B.V.I.	Overseas investment activities	665,449	665,449	22,053	100.00%	1,221,721	100.00%	(118,571)	(118,571) Note2	The Company's Subsidiary
The Company	Kingtek Semiconductor Holding (BVI) Ltd.	B.V.I.	Overseas investment activities	69,542	69,542	2,000	100.00%	155,152	100.00%	(35,084)	(35,084) Note2	The Company's Subsidiary
The Company	Sigmos Holdings Ltd.	B.V.I.	Overseas investment activities	6,898	6,898	200	100.00%	19,612	100.00%	(3,474)	(3,474) Note2	The Company's Subsidiary
Sigmos Holdings Ltd.	Holtek Semiconductor (USA) Inc.	California, USA	Sales of integrated circuits and technical services	6,898	6,898	2,000	100.00%	19,612	100.00%	(3,474)	Note1, 2	The Company's second-tier subsidiary
The Company	MCU Holdings Ltd.	B.V.I.	Overseas investment activities	16,333	16,333	500	100.00%	947,276	100.00%	(61,023)	(61,023) Note2	The Company's Subsidiary
MCU Holdings Ltd.	ForIC Electronics Holding Ltd.	B.V.I.	Overseas investment activities	9,733	9,733	300	40.00%	24,059	40.00%	(42,125)	Note1	The Subsidiary's investee company by equity method
ForIC Electronics Holding Ltd.	E-Micro Technology Holding Ltd.(BVI)	B.V.I.	Overseas investment activities	9,473	9,473	300	100.00%	12,568	100.00%	(3,614)	Note1	The Subsidiary's investee company by equity method invest subsidiary
ForIC Electronics Holding Ltd.	ForIC Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	866	866	200	100.00%	32,328	100.00%	(1,400)	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Truetek Technology Ltd.	B.V.I.	Overseas investment activities	16,306	16,306	920	40.00%	52,656	40.00%	(41,107)	Note1	The Subsidiary's investee company by equity method
Truetek Technology Ltd.	Truetek Technology HK Limited	Hong Kong	Sales of integrated circuits and technical services	34,652	34,652	8,000	100.00%	87,705	100.00%	(2,284)	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Quanding Technology Holding Ltd.	B.V.I.	Overseas investment activities	31,124	31,124	1,045	40.00%	51,229	40.00%	(76)	Note1	The Subsidiary's investee company by equity method
Quanding Technology Holding Ltd.	Quanding Technology HK Limited.	Hong Kong	Sales of integrated circuits and technical services	2,137	2,137	500	100.00%	24,546	100.00%	231	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Santek Holdings Ltd.	B.V.I.	Overseas investment activities	3,758	3,758	180	40.00%	52,487	40.00%	(26,864)	Note1	The Subsidiary's investee company by equity method
Santek Holdings Ltd.	Santek Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	8,662	8,662	2,000	100.00%	83,230	100.00%	900	Note1	The Subsidiary's investee company by equity method invest subsidiary

## Holtek Semiconductor and Subsidiaries

### Notes to Consolidated Financial Statements

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2023			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
MCU Holdings Ltd.	Bestway Electronic Inc.	B.V.I.	Overseas investment activities	-	3,470	-	-%	-	-%	(921)	Note 1, 3	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	New Wave Electronics Holding Ltd.	B.V.I.	Overseas investment activities	24,784	24,784	800	40.00%	74,849	40.00%	(12,993)	Note 1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Newtek Electronics Ltd.	B.V.I.	Overseas investment activities	8,105	8,105	1,501	40.61%	68,757	40.61%	(18,026)	Note 1	The Subsidiary's investee company by equity method
Newtek Electronics Ltd.	Newtek Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	8,662	8,662	2,000	100.00%	30,782	100.00%	8,610	Note 1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Crown Rich Technology Holding Ltd.	B.V.I.	Overseas investment activities	2,641	2,641	80	40.00%	128,935	40.00%	(15,645)	Note 1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Fine Chip Electronics Inc.	B.V.I.	Overseas investment activities	7,039	7,039	1	40.00%	-	40.00%	(346)	Note 1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Anchip Technology Corporation	B.V.I.	Overseas investment activities	2,937	2,937	1	60.00%	37,524	60.00%	8,198	Note 1, 2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Tech Wave Ltd.	Hong Kong	Sales of integrated circuits and technical services	9,907	9,907	2,400	40.00%	16,291	40.00%	(23,427)	Note 1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	ETEK technology company Ltd.	Hong Kong	Sales of integrated circuits and technical services	5,427	5,427	1,275	33.33%	6,857	33.33%	(6,874)	Note 1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	JXY Electronics Corporation	B.V.I.	Overseas investment activities	6,405	6,405	1	40.00%	7,975	40.00%	(4,913)	Note 1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Best Health Electronics Corp.	B.V.I.	Overseas investment activities	19,808	19,808	5	75.00%	55,444	75.00%	15,802	Note 1, 2	The Company's second-tier subsidiary
Best Health Electronics Corp.	Best Health Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	1,299	1,299	300	100.00%	18,062	100.00%	4,407	Note 1, 2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Driver-Tech Corporation	B.V.I.	Overseas investment activities	6,753	6,753	2	80.00%	13,619	80.00%	(6,205)	Note 1, 2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Module-Tech Corporation	B.V.I.	Overseas investment activities	12,426	12,426	3	100.00%	13,386	100.00%	179	Note 1, 2	The Company's second-tier subsidiary
The Company	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	3	3	6	0.10%	3	0.10%	940	1 Note 2	The Company's second-tier subsidiary
The Company	Holtek Investment Co., Ltd.	Hsinchu City	Domestic investment activities	429,826	429,826	42,983	100.00%	895,973	100.00%	3,908	3,908 Note 2	The Company's Subsidiary
Holtek Investment Co., Ltd.	Signal Electronic Co., Ltd.	Taipei City	Sales of integrated circuits and technical services	95,941	95,941	7,880	40.00%	134,378	40.00%	(19,451)	Note 1	The Subsidiary's investee company by equity method
Signal Electronic Co. Ltd.	A-ONE Wireless Technology Corp.	B.V.I.	Overseas investment activities	59,204	59,204	2,000	100.00%	118,912	100.00%	(18,897)	Note 1	The Subsidiary's investee company by equity method invest subsidiary

## Holtek Semiconductor and Subsidiaries

### Notes to Consolidated Financial Statements

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2023			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
Signal Electronic Co. Ltd.	Innotek Electronics Inc.	B.V.I.	Overseas investment activities	79,680	79,680	2,000	100.00%	187,458	100.00%	28,828	Note1	The Subsidiary's investee company by equity method invest subsidiary
Signal Electronic Co. Ltd.	Best Solution Technology Inc.	Taipei City	Sales of integrated circuits and technical services	7,375	7,375	738	36.88%	10,524	36.88%	(6,830)	Note1, 2	The Company's second-tier subsidiary
Holtek Investment Co., Ltd.	EST Technology Integration Corp.	New Taipei City	Sales of integrated circuits and technical services	-	11,191	-	-%	-	-%	(5,004)	Note1, 4	The Subsidiary's investee company by equity method
Holtek Investment Co., Ltd.	Best Solution Technology Inc.	Taipei City	Sales of integrated circuits and technical services	8,000	8,000	800	40.00%	11,416	40.00%	(6,830)	Note1, 2	The Company's second-tier subsidiary
Best Solution Technology Inc.	Best Solution Electronics Inc.	B.V.I.	Overseas investment activities	6,140	6,140	200	100.00%	21,426	100.00%	(4,574)	Note1, 2	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	TANGENT Microelectromechanics Corp.	Hsinchu City	Electronic component manufacturing, electronic materials wholesale and retail, telecommunication equipment wholesale and retail, intellectual property rights, information service and international trade	10,002	10,002	380	20.00%	-	20.00%	(459)	Note1	The Subsidiary's investee company by equity method
Holtek Investment Co., Ltd.	BestComm RF Electronics Inc.	Hsinchu City	Sales of integrated circuits and technical services	40,000	40,000	4,000	100.00%	25,488	100.00%	4,125	Note1, 2	The Company's second-tier subsidiary
BestComm RF Electronics Inc.	BestComm RF Electronics (BVI) Inc.	B.V.I.	Overseas investment activities	14,054	14,054	30	100.00%	13,495	100.00%	(96)	Note1, 2	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	Best Modules Corp.	Hsinchu City	Electronic component manufacturing, electronic materials wholesale and retail, retail trade not in stores or stalls, and international trade	105,000	105,000	10,500	100.00%	92,697	100.00%	(2,215)	Note1, 2	The Company's second-tier subsidiary
Best Modules Corp.	Best Modules (BVI) Corp.	B.V.I.	Overseas investment activities	28,236	28,236	7	100.00%	31,596	100.00%	2,543	Note1, 2	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	2,945	2,945	6,479	99.90%	3,227	99.90%	940	Note1, 2	The Company's second-tier subsidiary

Note1 : The share of profits/losses of the investee company is already included in the share of profits/losses of the investor company.

Note2 : The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

Note3 : Bestway Electronics Ltd. had reduced its capital in May 2023.

Note4 : The Group sold the shares of EST Technology Integration Corp. in July 2023.

## Holtek Semiconductor and Subsidiaries

### Notes to Consolidated Financial Statements

(3) Information on investment in mainland China:

i. The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Gains (losses) on investments	Book value	Accumulated remittance of earnings in current period
					Out-flow	Inflow							
Xinqun Semiconductor (XIAMEN) Inc.	Sales of integrated circuits and technical services	322,726	(Note1)	290,645	-	-	290,645	(95,594)	100%	100%	(95,594) (Note5)	315,984	-
Holtek Semiconductor (China) Inc.	Sales of integrated circuits and technical services	292,423	(Note1)	272,221	-	-	272,221	(23,747)	100%	100%	(23,747) (Note 5)	799,157	-
Bestway Electronics (Shenzhen) Inc.	Sales of integrated circuits and technical services	-	(Note1)	3,383	-	3,383	-	(453)	-%	40%	-	-	1,032
Santek Electronics (Xiamen) Ltd.	Sales of integrated circuits and technical services	6,398	(Note1)	2,506	-	-	2,506	(27,492)	40%	40%	(10,997) (Note 5)	18,600	-
New Wave Electronics (Shenzhen) Ltd.	Sales of integrated circuits and technical services	9,287	(Note1)	3,928	-	-	3,928	(12,795)	40%	40%	(5,118) (Note 5)	68,626	-
ForIc Electronics (Beijing) Ltd.	Sales of integrated circuits and technical services	19,361	(Note1)	3,601	-	-	3,601	(36,992)	40%	40%	(14,797)	(4,603)	-
E-Micro Technology (Qingdao) Ltd.	Sales of integrated circuits and technical services	6,315	(Note1)	2,634	-	-	2,634	(3,570)	40%	40%	(1,428)	4,973	-
Newtek Electronics (Shenzhen) Ltd	Sales of integrated circuits and technical services	65,860	(Note1)	2,647	-	-	2,647	(26,546)	40.61%	40.61%	(10,780) (Note 5)	41,423	-
Truetek Technology (Shanghai) Ltd.	Sales of integrated circuits and technical services	30,293	(Note1)	3,911	-	-	3,911	(38,676)	40%	40%	(15,470)	17,344	-
Crown Rich Technology (Shenzhen) Ltd.	Sales of integrated circuits and technical services	18,446	(Note1)	1,964	-	-	1,964	(15,807)	40%	40%	(6,323) (Note 5)	128,038	-
Quanding Technology (Suzhou) Ltd.	Sales of integrated circuits and technical services	21,670	(Note1)	1,600	-	-	1,600	(218)	40%	40%	(87)	31,230	-
Holtek Semiconductor (Suzhou) Inc.	Sales of integrated circuits and technical services	69,712	(Note1)	69,712	-	-	69,712	(35,084)	100%	100%	(35,084) (Note 5)	155,111	-
Fine Chip Electronics (Shanghai) Inc.	Sales of integrated circuits and technical services	7,541	(Note1)	-	-	-	-	(319)	40%	40%	-	-	-

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Gains (losses) on investments	Book value	Accumulated remittance of earnings in current period
					Out-flow	Inflow							
Anchip Technology (Dongguan) Corporation	Sales of integrated circuits and technical services	1,521	(Note1)	-	-	-	-	8,243	60%	60%	4,946 (Note 5)	36,870	-
JXY Electronics (Shenzhen) Corporation	Sales of integrated circuits and technical services	11,974	(Note1)	-	-	-	-	(4,863)	40%	40%	(1,945)	7,796	-
Best Health Electronics (Dongguan) Corporation	Sales of integrated circuits and technical services	23,057	(Note1)	-	-	-	-	11,430	75%	75%	8,573	41,033	-
BestComm RF Electronics (Dongguan) Inc.	Sales of integrated circuits and technical services	13,634	(Note1)	9,392	-	-	9,392	(59)	100%	100%	(59)	12,761	-
Best Solution Technology (Dongguan) Inc.	Sales of integrated circuits and technical services	4,285	(Note1)	-	-	-	-	(4,348)	54.75%	54.75%	(2,381) (Note 5)	10,987	-
Best Driver-tech (Hangzhou) Corporation	Sales of integrated circuits and technical services	6,361	(Note1)	-	-	-	-	(6,205)	80%	80%	(4,964)	11,856	-
Best Module-tech (Xiamen) Corporation	Sales of integrated circuits and technical services	10,573	(Note1)	-	-	-	-	130	100%	100%	130	11,145	-
Best Modules Electronic Commerce (Xiamen) Corp.	Sales of integrated circuits and technical services	28,307	(Note1)	28,307	-	-	28,307	2,544	100%	100%	2,544	31,565	-

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

ii. Limit of investments in Mainland China:

<b>Name of company</b>	<b>Accumulated Investments in Mainland China as of December 31, 2023 (Note2)</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA (Note3)</b>	<b>Maximum Limit of Investment (Note4)</b>
The Company	655,369 (US\$21,751 in thousands)	821,099 (US\$26,785 in thousands)	2,423,879
Best Modules	28,307 (US\$962 in thousands)	29,496 (US\$962 in thousands)	80,000
BestComm	9,392 (US\$314 in thousands)	13,959 (US\$455 in thousands)	80,000
Best Solution	-	Note3	80,000

Note1 : Investment in companies in Mainland China through the existing companies in the third regions.

Note2 : Accumulated investments in Mainland China are calculated in NTD using exchange rate on the remitting date.

Note3 : Investment amounts authorized by Investment Commission, MOEA are calculated in NTD using exchange rate on the reporting date. Including the Company accumulated remittances from Taiwan for \$665,523 (US\$21,710 in thousands); and from the third regions for \$155,576 (US\$5,075 in thousands); and Best Modules accumulated remittances from the third regions for \$29,496 (US\$962 in thousands); and BestComm accumulated remittances from Taiwan for \$9,610 (US\$314 in thousands); and from the third regions for \$4,349 (US\$141 in thousands); and Best Solution accumulated remittances from the third regions for \$4,378 (US\$143 in thousands); and repatriation of cash dividends \$12,171 (US\$397 in thousands) and \$8,067 (US\$263 in thousands) in December, 2023 and November, 2022, respectively.

Note4 : According to "Principle of investment or Technical Cooperation in Mainland China", the Company's accumulated investments in Mainland China do not exceed the maximum limit of investment. Net value \$4,039,798 x 60% = \$2,423,879; and BestComm, Best Solution and Best Modules comply with the SME standards of the "Measures for the Review of Investment or Technical Cooperation in Mainland China". The upper limit on investment in mainland China is capped at 80,000 or sixty percent (60%) of the Company net worth, whichever is higher.

Note5 : The financial statements of the Company were audited by the auditors.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

iii. Significant transactions

The significant intercompany transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the Company please refer to (1) *Information on significant transactions x. Business relationships and significant intercompany transactions* for further information.

(4) Major shareholders:

		Unit : share	
	Shareholding	Shares	Percentage
Shareholder's Name			
United Microelectronics Corporation		22,144,257	9.79%

**14. Segment Information**

(1) General and segment information

The Group operates predominantly in single industry segment which includes the research and development, manufacture, and sales of integrated circuits. The segment financial information is consistent with the consolidated financial statements. For sales to unconsolidated entities and income before income tax, please see the consolidated statements of comprehensive income. For assets, please see the consolidated balance sheets.

(2) Products and services information

Revenues of the Group from external customers:

	For the year ended December 31,			
	2023		2022	
	Amount	% of net sales	Amount	% of net sales
Sales of integrated circuits	\$ 2,587,930	100	5,989,804	99
Design and IC programming	8,137	-	26,164	1
	<b>\$ 2,596,067</b>	<b>100</b>	<b>6,015,968</b>	<b>100</b>

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**

(3) Geographic information

Segment revenues are classified based on the geographical location of customers, and segment assets are classified based on the geographical location of the assets.

	<b>For the year ended December 31,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>% of net sales</b>	<b>Amount</b>	<b>% of net sales</b>
Revenues from external customers:				
China	\$ 1,676,980	64	4,044,393	67
Taiwan	278,405	11	739,501	12
Other countries	640,682	25	1,232,074	21
	<b>\$ 2,596,067</b>	<b>100</b>	<b>6,015,968</b>	<b>100</b>

	<b>December 31,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>% of total assets</b>	<b>Amount</b>	<b>% of total assets</b>
Non-current assets				
Taiwan	\$ 236,140	4	226,067	3
China	353,742	6	311,771	5
Other countries	11,920	-	1,894	-
	<b>\$ 601,802</b>	<b>10</b>	<b>539,732</b>	<b>8</b>

(4) Major customer information

Sales to individual customers for greater than 10% of total sales were as follows:

	<b>For the year ended December 31,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>% of net sales</b>	<b>Amount</b>	<b>% of net sales</b>
SIGNAL	<b>\$ 561,937</b>	<b>22</b>	<b>1,156,587</b>	<b>19</b>

## *Appendix 2*

### **Independent Auditors' Report**

To the Board of Directors of Holtek Semiconductor Inc.:

#### **Opinion**

We have audited the financial statements of Holtek Semiconductor Inc. (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards in the Republic of China. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Revenue recognition – related-party and unrealized gross profits on sales to associates**

Refer to Note 4(15) “Revenue recognition”, and Note 7(2) “Significant related-party transactions” to the parent company only financial statements.

#### **Description of key audit matter:**

The revenue is the basic operational activity of the Company's sustainable operation, which is related to the operational performance of the enterprise, and because the main transaction is the relationship person, it has a high risk of high fraud. Therefore, the valuation of receivables is the key audit matters for our audit.

#### **How the matter was addressed in our audit:**

In relation to the key audit matter above, our principal audit procedures included testing the Company’s controls surrounding revenue recognition, Collection operation cycle and Evaluating the reasonableness of commercial transactions; Evaluating revenue trend analysis; understanding the transactions of related parties and execution of the accounts; Executing the related party's letter of confirmation; Assessing the correctness and reasonableness of the gross profit margin of sales and the unrealized gross profit on sales to associates; and assessing whether the Company has properly disclosed relevant information about the sales of the related parties and unrealized gross profit on sales to associates.

## **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 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 of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

As part of an audit in accordance with auditing standards in the Republic of China, we exercised professional judgment and maintained 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 auditor's 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 auditor's 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 and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using equity method 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 identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

The engagement partners on the audit resulting in this independent auditors' report are Lu, Chien-Hui and Cheng, An-Chih.

KPMG

Hsinchu, Taiwan (Republic of China)

January 29, 2024

**Notices to Readers**

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance, and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.*

*The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.*

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor Inc.**

**Balance Sheets**

**December 31, 2023 and 2022**

(Expressed in thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(1))	\$ 367,511	6	214,847	3	2100	Short-term loans (note 6(10))	\$ 1,000,000	17	-	-
1110	Financial assets measured at fair value through profit or loss — current (note 6(2))	236,652	4	242,418	4	2150	Notes payable	36,068	1	104,072	2
1170	Notes and accounts receivable, net (note 6(3))	36,822	1	84,371	1	2170	Accounts payable	72,115	1	524,280	8
1180	Accounts receivable from related parties (notes 6(3) and 7)	165,541	2	697,794	11	2180	Accounts payable to related parties (note 7)	5,789	-	8,136	-
130X	Inventories (note 6(4))	1,311,441	22	1,332,326	20	2201	Salary and bonus payable	276,603	5	484,906	7
1476	Other financial assets — current (notes 6(5) 、7 and 8)	487,740	8	633,858	10	2230	Current income tax liabilities	10,705	-	46,138	1
1479	Other current assets	44,498	1	33,106	-	2280	Lease liabilities-current (note 6(11))	11,107	-	11,471	-
		<u>2,650,205</u>	<u>44</u>	<u>3,238,720</u>	<u>49</u>	2310	Advance receipts	11,453	-	6,896	-
						2399	Other current liabilities (note 7)	67,424	1	211,630	3
								<u>1,491,264</u>	<u>25</u>	<u>1,397,529</u>	<u>21</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1550	Investments accounted for using equity method (notes 6(6) and 7)	3,026,158	50	3,005,542	46	2570	Deferred tax liabilities (note 6(13))	328,409	5	415,651	6
1600	Property, plant and equipment (note 6(7))	104,619	2	127,558	2	2580	Lease liabilities-non-current (note 6(11))	78,551	1	69,767	1
1755	Right-of-use assets (note 6(8))	87,330	2	79,295	1	2640	Net defined benefit liabilities-non-current (note 6(12))	30,015	-	48,497	1
1780	Intangible assets (note 6(9))	21,958	-	22,384	-	2645	Guarantee deposit received	46,860	1	16,120	-
1840	Deferred tax assets (note 6(13))	77,937	1	146,734	2			<u>483,835</u>	<u>8</u>	<u>550,035</u>	<u>8</u>
1900	Other non-current assets	46,690	1	6,328	-		<b>Total liabilities</b>	<u>1,975,099</u>	<u>33</u>	<u>1,947,564</u>	<u>29</u>
		<u>3,364,692</u>	<u>56</u>	<u>3,387,841</u>	<u>51</u>		<b>Equity (note 6(14)) :</b>				
						3110	Ordinary share capital	2,261,682	38	2,261,682	34
						3200	Capital surplus	142,309	2	142,309	2
						3300	Retained earnings	1,279,893	21	2,072,434	32
						3400	Other equity	355,914	6	202,572	3
							<b>Total equity</b>	<u>4,039,798</u>	<u>67</u>	<u>4,678,997</u>	<u>71</u>
<b>Total assets</b>		<u>\$ 6,014,897</u>	<u>100</u>	<u>6,626,561</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 6,014,897</u>	<u>100</u>	<u>6,626,561</u>	<u>100</u>

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung

President : Tsai, Jung-Tsung

Accounting Manager : Liao, Ming Tung

**Holtek Semiconductor Inc.****Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in thousands of New Taiwan Dollars, except for Earnings per Share)**

	2023		2022	
	Amount	%	Amount	%
4000 Revenue (notes 6(17) and 7)	\$ 1,863,558	100	4,891,641	100
5000 Cost of Goods Sold (notes 6(4)、(9)、(12)、(16)、7 and 12)	1,214,574	65	2,761,967	57
<b>Gross profits</b>	648,984	35	2,129,674	43
5910 Unrealized gross profit on sales to associates	(357,531)	(19)	(234,666)	(5)
<b>Realized gross profits</b>	1,006,515	54	2,364,340	48
<b>Operating expenses (notes 6(9)、(12)、(16) and 12) :</b>				
6100 Selling	86,575	5	129,091	2
6200 General and administrative	156,458	8	237,619	5
6300 Research and development	528,960	28	841,037	17
6450 Expected credit impairment loss (reversal gain) (note 6(3))	(40,215)	(2)	35,354	1
	731,778	39	1,243,101	25
<b>Operating income</b>	274,737	15	1,121,239	23
<b>Non-operating income and expenses:</b>				
7020 Other gains and losses (notes 6(18) and 7)	8,950	-	43,758	1
7070 Investment income accounted for using equity method (note 6(6))	(214,243)	(11)	171,856	4
7100 Interest income	9,985	-	13,437	-
7510 Interest expense (note 6(11))	(7,957)	-	(1,916)	-
	(203,265)	(11)	227,135	5
<b>Income before income tax</b>	71,472	4	1,348,374	28
7950 Income tax (note 6 (13))	(40,269)	(2)	242,000	5
<b>Net income</b>	111,741	6	1,106,374	23
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of the defined benefit plans (note 6(12))	489	-	10,314	-
8330 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	182,561	10	(283,835)	(6)
8349 Income tax relating to items that will be not reclassified subsequently (note 6(13))	98	-	2,063	-
	182,952	10	(275,584)	(6)
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8381 Exchange differences on translation of subsidiaries and associates for using equity method	(36,524)	(2)	35,620	1
8399 Income tax relating to items that may be reclassified subsequently (note 6(13))	(7,305)	-	7,124	-
	(29,219)	(2)	28,496	1
8300 <b>Other comprehensive income</b>	153,733	8	(247,088)	(5)
<b>Total comprehensive income</b>	<b>\$ 265,474</b>	<b>14</b>	<b>859,286</b>	<b>18</b>
<b>Earnings per share (New Taiwan Dollars) (note 6(15))</b>				
9750 Basic earnings per share	\$	<b>0.49</b>	\$	<b>4.89</b>
9850 Diluted earnings per share	\$	<b>0.49</b>	\$	<b>4.83</b>

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung

President : Tsai, Jung-Tsung

Accounting Manager : Liao, Ming Tung

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor Inc.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

	Retained earnings						Total other equity interest			
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments measured at fair value through other comprehensive income	Total other equity interest	Total equity
<b>Balance as of January 1, 2022</b>	\$ 2,261,682	142,309	751,032	2,642	2,041,276	2,794,950	(58,206)	516,117	457,911	5,656,852
Net income for the period	-	-	-	-	1,106,374	1,106,374	-	-	-	1,106,374
Other comprehensive income for the period	-	-	-	-	8,251	8,251	28,496	(283,835)	(255,339)	(247,088)
Total comprehensive income for the period	-	-	-	-	1,114,625	1,114,625	28,496	(283,835)	(255,339)	859,286
Appropriation and distribution of retained earnings:										
Appropriation for legal reserve	-	-	204,128	-	(204,128)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(1,837,141)	(1,837,141)	-	-	-	(1,837,141)
<b>Balance as of December 31, 2022</b>	<u>2,261,682</u>	<u>142,309</u>	<u>955,160</u>	<u>2,642</u>	<u>1,114,632</u>	<u>2,072,434</u>	<u>(29,710)</u>	<u>232,282</u>	<u>202,572</u>	<u>4,678,997</u>
Net income for the period	-	-	-	-	111,741	111,741	-	-	-	111,741
Other comprehensive income for the period	-	-	-	-	391	391	(29,219)	182,561	153,342	153,733
Total comprehensive income for the period	-	-	-	-	112,132	112,132	(29,219)	182,561	153,342	265,474
Appropriation and distribution of retained earnings:										
Appropriation for legal reserve	-	-	111,462	-	(111,462)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(904,673)	(904,673)	-	-	-	(904,673)
Reversal of special reserve	-	-	-	(101)	101	-	-	-	-	-
<b>Balance as of December 31, 2023</b>	<u>\$ 2,261,682</u>	<u>142,309</u>	<u>1,066,622</u>	<u>2,541</u>	<u>210,730</u>	<u>1,279,893</u>	<u>(58,929)</u>	<u>414,843</u>	<u>355,914</u>	<u>4,039,798</u>

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung

President : Tsai, Jung-Tsung

Accounting Manager : Liao, Ming Tung

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor Inc.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 71,472	1,348,374
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss)</b>		
Depreciation	41,844	47,736
Amortization	76,476	61,205
Expected credit impairment loss (reversal gain)	(40,215)	35,354
Interest expense	7,957	1,916
Interest income	(9,985)	(13,437)
Investments loss (income) accounted for using equity method	214,243	(171,856)
Unrealized gross profit on sales to associates	(357,531)	(234,666)
Other items not affecting cash flows, net	7,255	9,159
<b>Changes in operating assets and liabilities:</b>		
Financial assets measured at fair value through profit or loss	5,586	724,359
Accounts receivable (including related parties)	620,017	228,951
Inventories	14,457	(864,178)
Other operating assets	19,015	732
Accounts payable (including related parties)	(522,516)	(185,693)
Advance receipts	4,557	(40,121)
Net defined benefit liability	(18,486)	(23,182)
Other operating liabilities	(351,834)	(13,016)
Cash flows (used in) from operations	(217,688)	911,637
Interest received	12,674	11,607
Dividend received	268,541	92,684
Interest paid	(8,632)	(1,241)
Income tax paid	(34,861)	(550,962)
<b>Net cash flows from operating activities</b>	<b>20,034</b>	<b>463,725</b>
<b>Cash flows from investing activities:</b>		
Prepayments for building	758	-
Acquisitions of property, plant and equipment	(4,669)	(23,097)
Proceeds from disposal of property, plant and equipment	593	-
(Increase) decrease in Guarantee deposits paid	(41,120)	36
Acquisition of intangible assets	(76,050)	(44,848)
Decrease in other financial assets	141,494	1,422,895
Increase in other non-current assets	-	(445)
<b>Net cash flows from investing activities</b>	<b>21,006</b>	<b>1,354,541</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in Guarantee deposits received	30,740	(9,960)
Increase in short-term loans	1,000,000	-
Payments of lease liabilities	(14,443)	(14,893)
Cash dividends paid	(904,673)	(1,837,141)
<b>Net cash flows from (used in) financing activities</b>	<b>111,624</b>	<b>(1,861,994)</b>
Net increase (decrease) in cash and cash equivalents	152,664	(43,728)
Cash and cash equivalents at beginning of period	214,847	258,575
Cash and cash equivalents at end of period	<b>\$ 367,511</b>	<b>214,847</b>

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung

President : Tsai, Jung-Tsung

Accounting Manager : Liao, Ming Tung

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**Holtek Semiconductor Inc.**

**Notes to Parent Company Only Financial Statements**

**December 31, 2023 and 2022**

**(Amounts expressed in thousands of New Taiwan Dollars,  
except for per share information and unless otherwise noted)**

**1. Organization**

Holtek Semiconductor Inc. (“the Company”) was incorporated on October 1, 1998, as a company limited by shares under the laws of the Republic of China (“ROC”) and the ROC Statute for the Establishment and Administration of the Science-Based Industrial Park. The Company began operations on December 11, 1998. The Company established a Hong Kong branch in April 2000. The shares of the Company have been listed on the Taipei Exchange (“TPEX”) since November 4, 2002, and then listed on the Taiwan Stock Exchange (“TWSE”) since September 27, 2004.

The Company is engaged mainly in the research, development, production, manufacture and sales of integrated circuits.

**2. Approval Date and Procedures of the Financial Statements**

The accompanying parent company only financial statements were passed for issue by the Board of Directors on January 29, 2024.

**3. New Standards, Amendments and Interpretations Adopted**

(1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2023 :

- Amendments to IAS 1 “*Disclosure of Accounting Policies*”
- Amendments to IAS 8 “*Definition of Accounting Estimates*”
- Amendments to IAS 12 “*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*”

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023 :

- Amendments to IAS 12 “*International Tax Reform — Pillar Two Model Rules*” (Note)

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Note : The Company has adopted Amendments to IAS 12“*International Tax Reform — Pillar Two Model Rules*” on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which applies retrospectively, and require new disclosures about the Pillar Two exposure for annual reporting periods beginning on or after January 1, 2023. However, because on December 31, 2022, no new legislation to implement the top-up tax was enacted or substantively enacted in any jurisdiction in which the Company operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Company’s condensed interim financial statements. The Company is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax.

(2) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1 “*Classification of Liabilities as Current or Non-current*”
- Amendments to IAS 1 “*Non-current Liabilities with Covenants*”
- Amendments to IAS 7 and IFRS 7 “*Supplier Finance Arrangements*”
- Amendments to IFRS16 “*Lease Liability in a Sale and Leaseback*”

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28 “*Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*”
- IFRS 17 “*Insurance Contracts*” and amendments to IFRS 17 “*Insurance Contracts*”
- Amendments to IFRS 17 “*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*”
- Amendments to IAS21“*Lack of Exchangeability*”

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**4. Summary of Significant Accounting Policies**

The significant accounting policies applied in the preparation of these parent company only financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the “*Regulations Governing the Preparation of Financial Reports by Securities Issuers*” (hereinafter referred to as the Regulations).

(2) Basis of preparation

A. Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

- (a) Financial assets measured at fair value through profit or loss are measured at fair value;
- (b) The net defined benefit liability is recognized as the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**B. Foreign operations**

The assets and liabilities of foreign operations are translated to NTD using the exchange rates at the reporting date with the exception of shareholders' equity, which is translated at historical cost rates, and income and expenses, which are translated to NTD at the average rate for the period. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

**(4) Classification of current and non-current assets and liabilities**

The Company classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(5) Cash and cash equivalents

Cash comprise cash and cash in bank. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including interest or income, are recognized in profit or loss.

(c) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, guarantee deposits paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due and the borrower is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The loss allowance is charged to profit or loss.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

**B. Financial liabilities**

(a) Classification of debt

Debt issued by the Company are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

(b) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(d) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average method and includes expenditure and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over their financial and operating policies. When the Company holds 20% to 50% of the voting rights of the investee company, it assumes that it has significant influence and adopts equity evaluation.

Under the equity method, investments in associates are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill, which is arising from the acquisition, less any accumulated impairment losses.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Company and associates are eliminated to the extent of the Company's interest in the associate.

When the Company's share of losses exceeds its interest in associates, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has a present legal or constructive obligation or has made payments on behalf of the investees.

(9) Investment in subsidiaries

The Company's subsidiaries are accounted for using equity method when preparing their parent company only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent company only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the parent company only financial statements.

The Company's change in the ownership interests of the subsidiaries did not result in loss of control and were treated as an interest transaction with the owner.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- (a) Buildings: 20 to 30 years
- (b) Machinery and equipment: 3 to 5 years
- (c) Other equipment: 2 to 8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lease

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change of its assessment on whether it will exercise a purchase; or
- (d) there is a change of its assessment on whether it will extension or termination option; or
- (e) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of company cars and dormitories that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

B. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(12) Intangible assets

A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The estimated useful lives for the current and comparative years of significant items of intangible assets are as follows:

- (a) Computer Software: 1 to 5 years
- (b) Acquired Special Technology: 1 to 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (except for inventories and deferred income tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(15) Revenue from contract with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

A. Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

B. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(17) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or
  - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(18) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(19) Operating segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent company only financial statements.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**5. Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty**

The preparation of the parent company only financial statements in conformity with “*Regulations Governing the Preparation of Financial Reports by Securities Issuers*” requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

The Company’s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company’s financial instrument valuation company conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation company also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(19) for assumptions used in measuring fair value.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**6. Description of Significant Accounts**

**(1) Cash and cash equivalents**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash in bank	\$ 41,454	138,197
Time deposits	326,057	76,650
	<b><u>\$ 367,511</u></b>	<b><u>214,847</u></b>

**(2) Financial assets measured at fair value through profit or loss-current**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Beneficiary certificates	<b><u>\$ 236,652</u></b>	<b><u>242,418</u></b>

A. Please refer to note 6(19) for the sensitivity analysis, fair value and market risk.

B. The Company's financial assets above were not pledged as collateral.

**(3) Notes and accounts receivable, net (including related parties)**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Notes receivable	\$ 1,671	342
Accounts receivable	35,566	85,425
Accounts receivable from related parties	167,658	739,145
	204,895	824,912
Less: allowance for doubtful accounts	(2,532)	(42,747)
	<b><u>\$ 202,363</u></b>	<b><u>782,165</u></b>

The notes and accounts receivable, net (including related parties) was \$1,046,470 as of January 1, 2022.

The Company applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for notes and accounts receivable. The ECL on notes and accounts receivable by reference to past default experience of the customers and credit risk characteristics, as well as forward looking information, the loss allowance was determined as follows:

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 193,027	0.3%~1.5%	974
Past due 0~90days	11,868	13.13%	1,558
	<b>\$ 204,895</b>		<b>2,532</b>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 751,882	0.3%~1.5%	3,709
Past due 0~90days	37,333	8.95%	3,341
Past due more than 90days	35,697	100%	35,697
	<b>\$ 824,912</b>		<b>42,747</b>

The movement in the allowance for notes and trade receivable was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 42,747	7,393
Impairment losses recognized (reversal gains)	(40,215)	35,354
Ending balance	<b>\$ 2,532</b>	<b>42,747</b>

**(4) Inventories**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Raw materials	\$ 946,420	549,622
Work in process	307,569	469,605
Finished goods and merchandise inventories	57,452	313,099
	<b>\$ 1,311,441</b>	<b>1,332,326</b>

The details of operating costs were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cost of goods sold	\$ 1,208,146	2,756,589
Cost of scrap materials	6,428	5,378
	<b>\$ 1,214,574</b>	<b>2,761,967</b>

The Company did not provide any inventories as collateral for its loans.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(5) Other current financial assets-current**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Time deposits (more than 3 months)	\$ 478,000	619,500
Restricted cash in banks (note 8)	8,824	8,818
Others	916	5,540
	<b>\$ 487,740</b>	<b>633,858</b>

No impairment loss of other financial assets-current were occurred and recognized for the year ended December 31, 2023 and 2022.

Please refer to note 6 (19) for further information of credit risk.

**(6) Investments accounted for using equity method**

Investments accounted for using equity method at the reporting date were as following:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Subsidiaries	\$ 3,239,737	3,576,652
Less: unrealized gross profits on sales to associates	(213,579)	(571,110)
	<b>\$ 3,026,158</b>	<b>3,005,542</b>

Please refer to consolidated financial statements for the year ended December 31, 2023 for the subsidiaries information.

Share of the (loss) profit of subsidiaries accounted for using equity method were \$(214,243) and \$171,856 for the years ended December 31, 2023 and 2022, respectively.

The Company did not provide any investment accounted for using equity method as collaterals for its loans.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(7) Property, plant and equipment**

Changes in the cost, and depreciation of the Company's property, plant and equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2023	\$ 26,676	280,086	247,093	54,861	608,716
Additions	-	280	3,700	689	4,669
Disposals	-	-	(14,914)	(5,207)	(20,121)
Balance on December 31, 2023	<u>\$ 26,676</u>	<u>280,366</u>	<u>235,879</u>	<u>50,343</u>	<u>593,264</u>
Balance on January 1, 2022	\$ 26,676	279,253	229,209	56,006	591,144
Additions	-	833	20,980	1,284	23,097
Disposals	-	-	(3,096)	(2,429)	(5,525)
Balance on December 31, 2022	<u>\$ 26,676</u>	<u>280,086</u>	<u>247,093</u>	<u>54,861</u>	<u>608,716</u>
Accumulated depreciation:					
Balance on January 1, 2023	\$ -	224,838	208,403	47,917	481,158
Depreciation for the period	-	4,460	20,330	2,225	27,015
Disposals	-	-	(14,321)	(5,207)	(19,528)
Balance on December 31, 2023	<u>\$ -</u>	<u>229,298</u>	<u>214,412</u>	<u>44,935</u>	<u>488,645</u>
Balance on January 1, 2022	\$ -	220,439	190,561	43,314	454,314
Depreciation for the period	-	4,399	20,938	7,032	32,369
Disposals	-	-	(3,096)	(2,429)	(5,525)
Balance on December 31, 2022	<u>\$ -</u>	<u>224,838</u>	<u>208,403</u>	<u>47,917</u>	<u>481,158</u>
Carrying amount:					
Balance on December 31, 2023	<u>\$ 26,676</u>	<u>51,068</u>	<u>21,467</u>	<u>5,408</u>	<u>104,619</u>
Balance on December 31, 2022	<u>\$ 26,676</u>	<u>55,248</u>	<u>38,690</u>	<u>6,944</u>	<u>127,558</u>
Balance on January 1, 2022	<u>\$ 26,676</u>	<u>58,814</u>	<u>38,648</u>	<u>12,692</u>	<u>136,830</u>

The Company did not provide any property, plant and equipment as collaterals for its loans.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(8) Right-of-use assets**

Changes in the cost, and depreciation of the Company's land and buildings were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
Balance at January 1, 2023	\$ 67,604	41,233	108,837
Additions	-	22,863	22,863
Disposals	-	(22,749)	(22,749)
Balance at December 31, 2023	<u>\$ 67,604</u>	<u>41,347</u>	<u>108,951</u>
Balance at January 1, 2022	\$ 67,341	41,233	108,574
Additions	263	-	263
Balance at December 31, 2022	<u>\$ 67,604</u>	<u>41,233</u>	<u>108,837</u>
Accumulated depreciation :			
Balance at January 1, 2023	\$ 12,252	17,290	29,542
Depreciation for the year	3,075	11,754	14,829
Disposals	-	(22,750)	(22,750)
Balance at December 31, 2023	<u>\$ 15,327</u>	<u>6,294</u>	<u>21,621</u>
Balance at January 1, 2022	\$ 9,183	4,992	14,175
Depreciation for the year	3,069	12,298	15,367
Balance at December 31, 2022	<u>\$ 12,252</u>	<u>17,290</u>	<u>29,542</u>
Carrying amount :			
Balance at December 31, 2023	<u>\$ 52,277</u>	<u>35,053</u>	<u>87,330</u>
Balance at December 31, 2022	<u>\$ 55,352</u>	<u>23,943</u>	<u>79,295</u>
Balance at January 1, 2022	<u>\$ 58,158</u>	<u>36,241</u>	<u>94,399</u>

**(9) Intangible assets**

Changes in the cost, and amortization of the Company's intangible assets were as follows:

	<u>Computer Software</u>	<u>Acquired Special Technology</u>	<u>Total</u>
Cost :			
Balance at January 1, 2023	\$ 195,501	88,150	283,651
Additions	76,050	-	76,050
Disposals	(188,631)	(57,405)	(246,036)
Balance at December 31, 2023	<u>\$ 82,920</u>	<u>30,745</u>	<u>113,665</u>
Balance at January 1, 2022	\$ 202,218	106,759	308,977
Additions	44,848	-	44,848
Disposals	(51,676)	(18,609)	(70,285)
Reclassified	111	-	111
Balance at December 31, 2022	<u>\$ 195,501</u>	<u>88,150</u>	<u>283,651</u>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

	<b>Computer Software</b>	<b>Acquired Special Technology</b>	<b>Total</b>
Accumulated amortization :			
Balance at January 1, 2023	\$ 179,778	81,489	261,267
Amortization for the year	70,327	6,149	76,476
Disposals	(188,631)	(57,405)	(246,036)
Balance at December 31, 2023	<b><u>\$ 61,474</u></b>	<b><u>30,233</u></b>	<b><u>91,707</u></b>
Balance at January 1, 2022	\$ 180,666	89,681	270,347
Amortization for the year	50,788	10,417	61,205
Disposals	(51,676)	(18,609)	(70,285)
Balance at December 31, 2022	<b><u>\$ 179,778</u></b>	<b><u>81,489</u></b>	<b><u>261,267</u></b>
Carrying amount :			
Balance at December 31, 2023	<b><u>\$ 21,446</u></b>	<b><u>512</u></b>	<b><u>21,958</u></b>
Balance at December 31, 2022	<b><u>\$ 15,723</u></b>	<b><u>6,661</u></b>	<b><u>22,384</u></b>
Balance at January 1, 2022	<b><u>\$ 21,552</u></b>	<b><u>17,078</u></b>	<b><u>38,630</u></b>

The amortization of intangible assets are included in the statement of comprehensive income :

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cost of sales	<b><u>\$ -</u></b>	<b><u>23</u></b>
Operating expenses	<b><u>\$ 76,476</u></b>	<b><u>61,182</u></b>

The Company did not provide any intangible assets as collaterals for its loans.

**(10) Short-term loans**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Unsecured bank loans	<b><u>\$ 1,000,000</u></b>	<b><u>-</u></b>
Unused short-term credit lines	<b><u>\$ 1,200,000</u></b>	<b><u>154,700</u></b>
Range of interest rates	<b><u>1.85%~1.93%</u></b>	<b><u>-</u></b>

**(11) Lease liabilities**

The amount of lease liabilities was as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current	<b><u>\$ 11,107</u></b>	<b><u>11,471</u></b>
Non-current	<b><u>\$ 78,551</u></b>	<b><u>69,767</u></b>

For the maturity analysis, please refer to note 6(19).

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The amounts recognized in profit or loss were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u>\$ 1,166</u>	<u>1,241</u>
Expenses relating to short-term leases	<u>\$ 521</u>	<u>579</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 459</u>	<u>440</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 16,589</u>	<u>17,153</u>

As of December 31, 2023, the Company leases land and buildings for its office space. The leases of land typically run for a period of 20 years, and of buildings for 2 to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of office buildings contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which lease is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

The rental amount of the land contract shall be adjusted by the fluctuation of the current land value in the local area and the amortized expenditures used in public infrastructures.

**(12) Employee benefits**

A. Defined benefit plans

The present value of the defined benefit obligation and the fair value adjustments of the plan assets for the Company were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Present value of the defined benefit obligation	\$ 36,160	52,256
Fair value of plan assets	(6,145)	(3,759)
Net defined benefit liabilities	<u>\$ 30,015</u>	<u>48,497</u>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$6,145 as of December 31, 2023. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(b) Changes in the present value of the defined benefit obligation

The changes in the present value of the defined benefit obligation of the Company were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Defined benefit obligation as of January 1	\$ 52,256	146,707
Benefits paid from plan assets	(16,942)	(89,695)
Current service costs and interest	495	1,027
Remeasurements of the net defined benefit liabilities		
— Actuarial loss arising from changes in financial assumptions	372	(3,336)
— Actuarial loss arising from experience adjustments	(21)	(2,447)
Defined benefit obligation as of December 31	<b><u>\$ 36,160</u></b>	<b><u>52,256</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(c) Changes in the fair value of the defined benefit plan assets

The changes in the fair value of the defined benefit plan assets of the Company were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Fair value of plan assets as of January 1	\$ 3,759	65,204
Benefits paid from plan assets	(16,942)	(89,534)
Interest income	3	537
Contributions made	18,486	23,021
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	839	4,531
Fair value of plan assets as of December 31	<b><u>\$ 6,145</u></b>	<b><u>3,759</u></b>

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net interest on the net defined benefit liabilities	<b><u>\$ 492</u></b>	<b><u>490</u></b>
Cost of goods sold	\$ 31	31
Selling expenses	38	34
General and administrative expenses	66	67
Research and development expenses	357	358
	<b><u>\$ 492</u></b>	<b><u>490</u></b>

(e) Actuarial assumptions

The following are the Company's significant actuarial assumptions of the present value of the defined benefit obligation at the reporting date

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	1.20%	1.30%
Future salary increase rate	2.00%	2.00%

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The Company expects to make a contribution of \$8,879 to its defined benefit plans in the following year, beginning December 31, 2023.

The weighted-average duration of the defined benefit obligation is 10.2 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions, the impact on the defined benefit obligation would be as follows:

<u>actuarial assumptions</u>	<b>Impact on the defined benefit obligation</b>	
	<u>Increase 0.1%</u>	<u>Decrease 0.1%</u>
December 31, 2023		
Discount rate	<u>\$ (372)</u>	<u>378</u>
Future salary increase rate	<u>\$ 348</u>	<u>(344)</u>
December 31, 2022		
Discount rate	<u>\$ (526)</u>	<u>534</u>
Future salary increase rate	<u>\$ 488</u>	<u>(482)</u>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

B. Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company should contribute 6% of its employees' monthly wages to their labor pension personal accounts of the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance). Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The Company's pension costs under the defined contribution plan were \$37,736 and \$30,591 for the years ended December 31, 2023 and 2022, respectively. In addition, the total pension costs of the Company's overseas branch under their respective defined contribution plan were \$970 and \$559 for the years ended December 31, 2023 and 2022, which were recognized in accordance with their local regulations.

**(13) Income tax**

A. Income tax expenses

The amount of income tax expenses (benefit) was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current income tax expense		
Current period	\$ 11,649	181,402
Adjustment to prior years	<u>(40,680)</u>	<u>(7,331)</u>
	<u>(29,031)</u>	<u>174,071</u>
Deferred income tax expense		
Temporary differences	<u>(11,238)</u>	<u>67,929</u>
Income tax expenses	<b><u>\$ (40,269)</u></b>	<b><u>242,000</u></b>

The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	<b><u>\$ 98</u></b>	<b><u>2,063</u></b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of invested associates accounted for using equity method	<b><u>\$ (7,305)</u></b>	<b><u>7,124</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The reconciliation of income tax expenses and income before income tax was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Income before income tax	\$ 71,472	1,348,374
Income tax at the Company's domestic tax rate	14,294	269,675
Permanent differences adjustment	(1,753)	(14,929)
Estimated increase in investment tax credit	(11,950)	(5,381)
Change in provision in prior periods	(40,680)	(7,331)
Other	(180)	(34)
	<b>\$ (40,269)</b>	<b>242,000</b>

B. The changes of deferred tax assets and liabilities were as follows:

Deferred tax assets

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Unrealized loss from Inventory devaluation	\$ 12,000	-	-	12,000	-	-	12,000
Unrealized gross profit from sales to associates	161,155	(46,933)	-	114,222	(71,506)	-	42,716
Allowance for doubtful accounts over the quota	-	6,898	-	6,898	(6,799)	-	99
Net defined benefit liabilities	16,301	(4,539)	(2,063)	9,699	(3,598)	(98)	6,003
Loss from exchange differences on translation of financial statements of foreign affiliates	10,765	-	(7,124)	3,641	-	7,305	10,946
Others	1,426	(1,152)	-	274	5,899	-	6,173
	<b>\$ 201,647</b>	<b>(45,726)</b>	<b>(9,187)</b>	<b>146,734</b>	<b>(76,004)</b>	<b>7,207</b>	<b>77,937</b>

Deferred tax liabilities

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Foreign investment gains under the equity method	\$ 392,206	20,589	-	412,795	(84,934)	-	327,861
Others	1,242	1,614	-	2,856	(2,308)	-	548
	<b>\$ 393,448</b>	<b>22,203</b>	<b>-</b>	<b>415,651</b>	<b>(87,242)</b>	<b>-</b>	<b>328,409</b>

C. The tax authorities have assessed the Company's income tax returns through 2021.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(14) Capital and other equity interest**

A. Ordinary shares

As of December 31, 2023 and 2022, the authorized capital of the Company amounted to \$3,000,000 of which included the amount of \$200,000 reserved for employee share options and the amount of \$500,000 for convertible bonds. The Company's issued and outstanding common stock, with par value of \$10 per share, both amounted to \$2,261,682 as at December 31, 2023 and 2022.

B. Capital surplus

The balance of capital surplus as of December 31, 2023 and 2022, were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Capital surplus — premium	<b>\$ 142,309</b>	<b>142,309</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be distributed as stock or cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received

Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

C. Retained earnings

According to the Company's Articles of Incorporation, if the Company has profit as a result of the accounting year, the Company shall first pay taxes, offset its losses in previous years and set aside a legal reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Company, then set aside special capital reserve in accordance with relevant laws or regulations or as requested by business. Any rest balance, added to the accumulated undistributed earnings in previous years, shall be allocated by board of directors and shall be approved in shareholders' meeting.

The amount of dividends distributed to shareholders shall be no less than 50% of the distributable earnings of the year and no less than 50% of the shareholder's dividends shall be in the form of cash.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(a) Legal reserve

Pursuant to the R.O.C. Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital.

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$18,008. And the Company's actuarial gains and losses be reclassified as retained earnings at the adoption date. The decrease in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$13,410. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve amounted to \$4,598 during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately.

The Company liquidated its subsidiary, Holtek Semiconductor (Shenzhen) Inc. in August, 2014. In accordance with the provisions of the above-mentioned regulations, the special reserve was reclassified to retained earnings amounted to \$1,956. The Company liquidated its investee company by equity method, Bestway Electronics (Shenzhen) Inc. in May, 2023. In accordance with the provisions of the above-mentioned regulations, the special reserve was reclassified to retained earnings amounted to \$101. The carrying amount of special reserve amounted to \$2,541 and \$2,642 as of December 31, 2023 and 2022, respectively.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(c) Earnings distribution

The following are the appropriation of earnings in 2022 and 2021 which were approved in the shareholders' meeting held on May 24, 2023 and May 24, 2022, respectively :

	<b>For the year ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>NT dollars per share</b>	<b>Total amount</b>	<b>NT dollars per share</b>	<b>Total amount</b>
Cash dividends distributed to ordinary shareholders:	<b><u>\$ 4,0000</u></b>	<b><u>904,673</u></b>	<b><u>8.1229</u></b>	<b><u>1,837,141</u></b>

The information is available on the Market Observation Post System website.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(15) Earnings per share**

The Company's calculation of basic earnings per share was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share:		
Net income for the period	<b>\$ 111,741</b>	<b>1,106,374</b>
Weighted-average number of ordinary shares outstanding during the year (in thousands)	<b>226,168</b>	<b>226,168</b>
Basic earnings per share (NT dollars)	<b>\$ 0.49</b>	<b>4.89</b>
Diluted earnings per share:		
Net income for the period	<b>\$ 111,741</b>	<b>1,106,374</b>
Weighted-average number of ordinary shares outstanding during the year (in thousands)	226,168	226,168
Remuneration to employees	397	2,737
Weighted-average number of ordinary shares outstanding during the year (diluted) (in thousands)	<b>226,565</b>	<b>228,905</b>
Diluted earnings per share (NT dollars)	<b>\$ 0.49</b>	<b>4.83</b>

**(16) Remuneration to employees and directors**

According to the Company's Articles of Incorporation, when allocating the net profits for each fiscal year, the Company shall distribute 5~15% of profit of the current year distributable as employees' compensation and no more than 1.5% of profit of the current year distributable as remuneration of directors and supervisors. However, the Company's accumulated losses shall have been covered.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The remunerations to employees amounted to \$8,504 and \$160,430, and the remunerations to directors amounted to \$1,012 and \$19,099 for the years ended December 31, 2023 and 2022, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under cost of goods sold or expenses for the years ended December 31, 2023 and 2022. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing market price of the shares on the day preceding the board of directors' meeting.

For the year ended December 31, 2022 and 2021, the remuneration to employees amounted to \$160,430 and \$299,875, and the remuneration to directors amounted to \$19,099 and \$35,499, respectively, which were paid in cash. The aforementioned approved amounts are the same as the amounts charged against earnings of 2022 and 2021. The information is available on the Market Observation Post System website.

**(17) Revenue from Contracts with Customers**

A. Segmentation of revenue

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues from major regional markets:</b>		
China	\$ 993,659	2,994,507
Taiwan	234,526	684,871
Others	635,373	1,212,263
	<b>\$ 1,863,558</b>	<b>4,891,641</b>
 <b>Revenue from major products:</b>		
Sales of integrated circuits	\$ 1,860,150	4,878,095
Design revenue	3,408	13,546
	<b>\$ 1,863,558</b>	<b>4,891,641</b>

B. Contract balance

Please refer to note 6(3) for the amount of accounts receivables and impairment loss.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(18) Non-operating income and expenses**

The details of other income and expenses were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange income (loss)	\$ (549)	1,042
Others	9,499	42,716
	<b>\$ 8,950</b>	<b>43,758</b>

**(19) Financial instruments**

A. Credit risk

(a) Exposure to credit risk

Maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the balance sheet.

(b) Concentration of credit risk

The main sales of the Company are domestic and foreign companies with good reputation, in addition to the credit line according to the operation procedures, and continue to understand the credit status of customers. As of December 31, 2023 and 2022, customers (including related parties) whose notes and accounts receivables that accounted for more than 10% have amounted to \$142,249 and \$448,424, respectively. The Company has concentration of credit risk arising from sales transactions. The Company has estimated the recoverable amount and recognized allowance for doubtful accounts, the management expected that no significant impairment loss will occurred.

(c) Credit risk of accounts receivables and debt securities

Please refer to note 6(3) for the information of the credit risk exposure of note and trade receivables.

Other financial assets at amortized cost include time deposits (more than 3 months) and restricted cash in banks. Please refer to note 6(5) for the information of the details and loss allowance.

Please refer to note 4(6) for the information of the above financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

B. Liquidity risk

The following are the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1year</u>	<u>More than 5 years</u>
<b>December 31, 2023</b>				
Non-derivative financial liabilities				
Short-term loans	\$ 1,000,000	1,013,504	1,013,504	-
Notes and accounts payable (including related parties)	113,972	113,972	113,972	-
Salary and bonus payable	276,603	276,603	276,603	-
Accrued expenses (recorded in other current liabilities)	35,426	35,426	35,426	-
Guarantee deposit received	46,860	46,860	-	46,860
Lease liabilities	<u>89,658</u>	<u>98,639</u>	<u>12,283</u>	<u>86,356</u>
	<b><u>\$ 1,562,519</u></b>	<b><u>1,585,005</u></b>	<b><u>1,451,789</u></b>	<b><u>133,216</u></b>
<b>December 31, 2022</b>				
Non-derivative financial liabilities				
Notes and accounts payable (including related parties)	\$ 636,488	636,488	636,488	-
Salary and bonus payable	484,906	484,906	484,906	-
Accrued expenses (recorded in other current liabilities)	64,144	64,144	64,144	-
Guarantee deposit received	16,120	16,120	-	16,120
Lease liabilities	<u>81,238</u>	<u>90,907</u>	<u>12,513</u>	<u>78,394</u>
	<b><u>\$ 1,282,896</u></b>	<b><u>1,292,565</u></b>	<b><u>1,198,051</u></b>	<b><u>94,514</u></b>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

C. Market risk

Currency risk

(a) Exposure to currency risk

The Company's financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	2,973	30.655	91,127	6,363	30.66	195,083
RMB		37,223	4.2998	160,053	162,862	4.3843	714,037
<u>Non-monetary items</u>							
USD	\$	76,456	30.655	2,343,764	90,747	30.66	2,782,299
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$	1,672	30.655	51,240	15,126	30.66	463,752
RMB		1,508	4.2998	6,486	3,481	4.3843	15,260

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, and accounts payable that are denominated in foreign currency. A fluctuation in the NTD/USD and NTD/RMB exchange rate on the reporting date, with other factors remaining constant, would have increased or decreased the net income amounted to \$1,548 and \$3,441 for the years ended December 31, 2023 and 2022, respectively.

(c) Foreign exchange gains (losses) on monetary items

Due to the variety of the functional currencies of the Company, the Company's foreign exchange gains (losses) on monetary items amounted to \$(549) and 1,042 for the years ended December 31, 2023 and 2022, respectively.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(d) Other price risk

For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

<u>Prices of securities at the reporting date</u>	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
1% increase	\$ <u>1,893</u>	<u>1,939</u>
1% decrease	\$ <u>(1,893)</u>	<u>(1,939)</u>

D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss and fair value through other comprehensive income is measured on a recurring basis. The Company's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and equity investments which cannot be estimated reliably in an active market) were as follows:

	<u>December 31, 2023</u>				
	<u>Carrying amount</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value through profit or loss	\$ <u>236,652</u>	<u>236,652</u>	<u>-</u>	<u>-</u>	<u>236,652</u>
	<u>December 31, 2022</u>				
	<u>Carrying amount</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value through profit or loss	\$ <u>242,418</u>	<u>242,418</u>	<u>-</u>	<u>-</u>	<u>242,418</u>

(b) Valuation techniques for financial instruments that are measured at fair value

The Company valuation techniques and assumptions used for financial instruments of financial assets with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.

(c) There was no transfer of fair value level as of December 31, 2023 and 2022

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(20) Financial risk management**

A. Overview

The Company is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures can be referred to note 6 (19).

B. Risk management framework

The Board of Directors has overall responsibility for developing and monitoring of the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, and accounts receivables.

Please refer to Note 6 (19) for the credit risk analyses of cash and cash equivalents, and accounts receivables. As of December 31, 2023 and 2022, no guarantees were outstanding.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company also monitors the level of expected cash flows on long-term and short-term trades. Company treasury invests surplus cash in time deposits with appropriate maturities or other short-term investments to ensure sufficient liquidity and meet its liabilities when due. As of December 31, 2023, the Company's unused credit line were amounted to \$1,200,000, respectively, which ensures compliance with the terms of loan agreements and cope with its operations and avoid liquidity risk.

E. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises currency risk and interest risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company controls the risks arising from fluctuation of market rate and price change of beneficiary certificates, all significant transactions are approved by the Board of Directors. The relevant financial operations are monitored by internal audit department.

The management regulations are as follows:

- (1) The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company, primarily the US Dollar (USD), and the Chinese Yuan (RMB).

When a short-term imbalance of financial assets and liabilities in foreign currency occurred, the Company can maintain the net exposure risk at an acceptable level by purchasing or selling foreign currency at current rate.

- (2) Every significant investment of the Company's portfolio is managed individually, and all the decisions on transactions are approved by the Board of Directors.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(21) Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize owner value.

The strategy of capital structure management is based on the Company's industry scope, the future cost of industry, and products development blueprint. The Board of Directors settled the strategy to determine an applicable market share, and decide the operating capitals to make an overall plan for the various assets scales that the Company can develop continuously. Finally, the Board of Directors will estimate possible marginal utility, operating profit margin, and cash flows based on the competitiveness of the Company's products, and will consider different risk factors like business cycle fluctuation, product life cycle, to determine the appropriate capital structure for the Company.

The Board of Directors monitors the capital structure regularly, and considers the potential risk the Company may be involved in various capital structures.

There were no changes in the Company's approach to capital management during the year ended December 31, 2023.

The Company's debt-to-adjusted-capital ratio at the reporting date was as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total liabilities	<b>\$ 1,975,099</b>	<b>1,947,564</b>
Total equity	<b>\$ 4,039,798</b>	<b>4,678,997</b>
Debt-to-adjusted-capital ratio	<b>49%</b>	<b>42%</b>

**(22) Financing activities not affecting current cash flow**

The Company's financing activities which did not affect the current cash flow, were as follows:

A. Acquisition of right-of-use assets at leases, please refer to notes 6(8).

B. Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2023</b>	<b>Cash flow</b>	<b>Other</b>	<b>December 31, 2023</b>
Short-term loans	\$ -	1,000,000	-	1,000,000
Lease liabilities	81,238	(14,443)	22,863	89,658
Guarantee deposit received	16,120	30,740	-	46,860
Total liabilities from financing activities	<b>\$ 97,358</b>	<b>1,016,297</b>	<b>22,863</b>	<b>1,136,518</b>

Note : The Company operations need to lease offices in 2023.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

	<b>January 1,</b>			<b>December</b>
	<b>2022</b>	<b>Cash flow</b>	<b>Other</b>	<b>31, 2022</b>
Lease liabilities	\$ 95,868	(14,893)	263	81,238
Guarantee deposit received	26,080	(9,960)	-	16,120
Total liabilities from financing activities	<b>\$ 121,948</b>	<b>(24,853)</b>	<b>263</b>	<b>97,358</b>

## 7. Related-party Transactions

### (1) Names and relationship with related parties

The followings are the Company's subsidiaries and the related parties which had transaction with the Company during the periods covered in the parent company only financial statements.

<b>Name of related parties</b>	<b>Relationship with the Company</b>
MCU Holdings Ltd. (MCU)	A subsidiary of the consolidated company
Holtek Semiconductor Holding (BVI) Ltd. (HOLTEK (BVI))	A subsidiary of the consolidated company
Sigmos Holdings Ltd. (Sigmos)	A subsidiary of the consolidated company
Kingtek Semiconductor Holding (BVI) Ltd.(Kingtek BVI)	A subsidiary of the consolidated company
Holtek Investment Co., Ltd. (Holtek Investment)	A subsidiary of the consolidated company
Best Health Electronics Corp. (Best Health)	A subsidiary of the consolidated company
Best Health Electronics HK Limited (Best Health HK)	A subsidiary of the consolidated company
Best Health Electronics (Dongguan) Corporation	A subsidiary of the consolidated company
Anchip Technology Corporation (Anchip)	A subsidiary of the consolidated company
Anchip Technology (Dongguan) Corporation	A subsidiary of the consolidated company
Best Driver-tech Corporation. (Best Driver-tech)	A subsidiary of the consolidated company
Best Driver-tech (Hangzhou) Corporation.	A subsidiary of the consolidated company
Best Module-tech Corporation. (Best Module-tech)	A subsidiary of the consolidated company
Best Module-tech (Xiamen) Corporation.	A subsidiary of the consolidated company
Xinqun Semiconductor (XIAMEN) Inc. (Xinqun)	A subsidiary of the consolidated company
Holtek Semiconductor (China) Inc. (Holtek China)	A subsidiary of the consolidated company
Holtek Semiconductor (USA) Inc. (Holtek (USA))	A subsidiary of the consolidated company
Holtek Semiconductor (Suzhou) Inc. (Holtek Suzhou)	A subsidiary of the consolidated company
Holtek Semiconductor (INDIA) Private Ltd. (Holtek INDIA)	A subsidiary of the consolidated company
Best Solution Technology Inc. (Best Solution)	A subsidiary of the consolidated company
Best Solution Electronics Inc. (Best Solution BVI)	A subsidiary of the consolidated company
Best Solution Electronics (Dongguan) Inc.	A subsidiary of the consolidated company
Best Modules Corp. (Best Modules)	A subsidiary of the consolidated company
Best Modules (BVI) Corp. (Best Modules BVI)	A subsidiary of the consolidated company

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Best Modules Electronic Commerce ( Xiamen ) Corp.	A subsidiary of the consolidated company
BestComm RF Electronics Inc. (BestComm)	A subsidiary of the consolidated company
BestComm RF Electronics (BVI) Inc. (BestComm BVI)	A subsidiary of the consolidated company
BestComm RF Electronics (Dongguan) Inc.	A subsidiary of the consolidated company
Crown Rich Technology Holding Ltd. (CROWN RICH)	An associate of the Company
Fine Chip Electronics Inc. (FINE CHIP)	An associate of the Company
ForIC Electronics Holding Ltd. (FORIC)	An associate of the Company
JXY Electronics Corporation (JXY)	An associate of the Company
New Wave Electronics Holding Ltd. (NEW WAVE)	An associate of the Company
Newtek Electronics Ltd. (NEWTEK)	An associate of the Company
Quanding Technology Holding Ltd. (QUANDING)	An associate of the Company
Santek Holdings Ltd. (SANTEK)	An associate of the Company
Truetek Technology Ltd. (TRUETEK)	An associate of the Company
Signal Electronic Co., Ltd. (SIGNAL)	An associate of the Company
Tech Wave Ltd. (TECH WAVE)	An associate of the Company
ETEK technology company Ltd. (ETEK)	An associate of the Company
EST Technology Integration Corp. (EST)	An associate of the Company, but Holtek Investment had sold its equity in July, 2023
Bestway Electronic Inc. (BESTWAY)	An associate of the Company, which had reduced its capital in May, 2023

**(2) Significant related-party transactions**

A. Sales

The amounts of significant sales by the Company to related parties were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Holtek China	\$ 432,407	1,343,653
Xinqun	334,980	792,360
Subsidiaries	93,916	350,738
Associates	228,059	767,290
	<b><u>\$ 1,089,362</u></b>	<b><u>3,254,041</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The Company's sales transactions with Holtek China, Xinqun and Holtek Suzhou are indirect sales through third-party companies.

The Company will determine sales price by product type specification, and offer different discount according to the selling quantity. The credit terms for sales transactions for related parties ranged from 60 to 120 days. While the credit term for routine sales transactions, which are usually based on the experiences and the result form credit evaluation, can be varied from advance payment, T/T on demand, or 30 to 60 days on open account.

As for the years ended December 31, 2023 and 2022, the Company recognized unrealized gross profits of sales to associates amounting to \$213,579 and \$571,110 respectively.

The receivables from related parties (including allowance for doubtful accounts) were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Holtek China	\$ 24,354	64,023
Xinqun	95,273	448,424
FORIC	22,622	4,731
Subsidiaries	4,456	30,874
Associates	18,836	149,742
	<b><u>\$ 165,541</u></b>	<b><u>697,794</u></b>

The temporary receipts and advance receipts from related parties were as follows:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Temporary receipts –Associates (Other current liabilities)	\$ -	21,162
Advance receipts –Subsidiaries (Other current liabilities)	180	-
Advance receipts –Associates (Other current liabilities)	2,280	-
	<b><u>\$ 2,460</u></b>	<b><u>21,162</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

B. Purchases and others

The amounts of significant purchases by the Company from related parties were as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Subsidiaries	<b>\$ 36,913</b>	<b>37,804</b>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

The Company has paid to the related parties for consumables, miscellaneous purchase, and sales service of integrated circuit as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Subsidiaries	<b>\$ 27,816</b>	<b>41,507</b>

The payables to related parties were as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Accounts payable to related parties -Subsidiaries	<b>\$ 5,789</b>	<b>8,136</b>

C. Other transactions

The Company's revenue from subsidiaries and related parties about the human support service charge and disbursement have amounting to \$2,890 and \$12,273 for the year ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the receivables classified under abovementioned other financial assets—current have amounting to \$413 and \$2,349, respectively.

**(3) Transactions with key management personnel**

Key management personnel compensation comprised:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 15,712	26,206
Post-employment benefits	432	432
	<b>\$ 16,144</b>	<b>26,638</b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**8. Pledged Assets**

<u>Assets</u>	<u>Purpose of Pledged</u>	<u>December 31,</u>	
		<u>2023</u>	<u>2022</u>
Time deposits (recorded in other financial assets – current)	Guarantee deposits from customs and HSPB	<u>\$ 8,824</u>	<u>8,818</u>

**9. Significant Commitments and Contingencies**

- (1) The Company has signed the contract of technical authorization with ARM Ltd. When the Company sells products which apply the promised technique, it has to pay the royalty with certain amount according to the contract.
- (2) The Company has signed the contract of production capacity guarantee with one supplier and will paid the deposit (Other non-current assets). In the contract, the Company need to purchase the minimum quantity on the relevant years. Considering the market demand, the Company estimates the relevant provision according to the contract, under other current liabilities.

**10. Losses Due to Major Disasters: None.**

**11. Significant Subsequent Events: None.**

**12. Other**

The following is the summary statement of current-period employee benefits, depreciation, and amortization expenses by function:

<b>By function</b>	<b>For the year ended December 31,</b>			<b>For the year ended December 31,</b>		
	<b>2023</b>			<b>2022</b>		
<b>By item</b>	<b>Classified as operating costs</b>	<b>Classified as operating expenses</b>	<b>Total</b>	<b>Classified as operating costs</b>	<b>Classified as operating expenses</b>	<b>Total</b>
Employee benefits						
Salaries	29,144	397,127	426,271	36,885	711,960	748,845
Labor and health insurance	2,853	44,276	47,129	2,872	49,024	51,896
Pensions	1,813	37,385	39,198	1,826	29,814	31,640
Directors	-	1,012	1,012	-	19,099	19,099
Others	1,332	15,744	17,076	1,721	19,982	21,703
Depreciation	1,538	40,306	41,844	5,614	42,122	47,736
Amortization	-	76,476	76,476	23	61,182	61,205

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The amount of employees and employee benefits for the years ended December 31, 2023 and 2022, was as follows:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
The number of employees	<b>438</b>	<b>460</b>
The number of directors who were not holding as a position of employee	<b>3</b>	<b>4</b>
The Average of employee benefits	<b>\$ 1,218</b>	<b>1,873</b>
The Average of Salaries	<b>\$ 980</b>	<b>1,642</b>
The Average of salary adjust rate	<b>(40)%</b>	<b>(28)%</b>
Supervisors' remuneration	<b>\$ -</b>	<b>-</b>

The Company's salary and remuneration policy, including that for directors, managers and employees, is as follows:

- (1) Directors' remuneration: the remuneration distribution for each director will be proposed by the board chairman and submitted to the salary and remuneration committee for approval.
- (2) Salaries for employees and managers: this will be implemented according to the company's "Initial Salary and Salary Adjustment Process", along with other factors which include years of service and work performance.
- (3) Quarterly bonuses for employees and managers: this will be implemented according to the company's "Employee Quarterly Bonus Standard Announcements".
- (4) Year-end bonuses for employees and managers: according to the company's annual operating results, the general manager's office will propose an amount for the year-end bonus. Relevant supervisors then allocate an amount to each employee based on their individual performance evaluation.
- (5) The Company has established an audit committee to replace the supervisor system.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**13. Other disclosures**

(1) Information on significant transactions

The following is the information on significant transactions required by the “*Regulations Governing the Preparation of Financial Reports by Securities Issuers*” for the Company:

- i. Loans to other parties: None.
- ii. Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollar)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Holtek Semiconductor Inc.	Xinqun Semiconductor (XIAMEN) Inc.	Subsidiary of the Company	807,960	107,293	107,293	-	-	2.66%	2,019,899	Y	N	Y

Note1 : According to the Company 's guarantee and endorsement operating procedures: the amount of guarantee.

Note2 : The total amount of guarantee shall not exceed fifty percent (50%) of the Company’s net equity, and the total amount of the guarantee provided by the Company to any individual entity shall not exceed twenty percent (20%) of the Company’s net equity.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

iii. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	FSITC Taiwan Money Market	-	Financial assets measured at fair value through profit or loss – current	10,206	160,642	-	160,642	-	
The Company	UPAMC James Bond Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	4,433	76,010	-	76,010	-	
Holtek Semiconductor Holding (BVI) Ltd.	Unitech Capital Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	2,500	67,053	5.00%	67,053	5.00%	
Holtek Investment Co., Ltd	Shieh Yong Investment Co., Ltd.	-	Equity-investments measured at fair value through other comprehensive income-non current	65,014	599,353	3.03%	599,353	3.03%	
Holtek Investment Co., Ltd	Gingy Technology Co.	-	Equity-investments measured at fair value through other comprehensive income-non current	127	264	1.74%	264	2.49%	
Holtek Investment Co., Ltd	Precision Sensor Design Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	1,393	13,141	19.48%	13,141	19.91%	

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

iv. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	UPAMC James Bond Money Market Fund	Financial assets measured at fair value through profit or loss – current	UPAMC	-	7,495	127,000	35,546	604,900	38,608	658,491	656,392	2,098	4,433	75,508 (Note)

Note : The ending balance is the acquisition cost. Please refer to note 13(1) for the carrying amount evaluated by market price.

v. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

vi. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

vii. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance (Note2)	Percentage of total notes/accounts receivable (payable)	
The Company	Holtek (China)	Subsidiary of the Company	Sales	432,407	23%	Open account 120 days	No significant difference	Note7	24,354	12%	
The Company	Xinqun	Subsidiary of the Company	Sales	334,980	18%	Open account 120 days	No significant difference	Note7	95,273	47%	
The Company	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	109,303	6%	Open account 60 days	No significant difference	Note7	10,628	5%	

Note1 : One-way expression only for companies recognizing income and assets.

Note2 : Notes and accounts receivable, net include allowance for doubtful accounts.

viii. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock: None.

ix. Trading in derivative instruments: None.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(2) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
The Company	Holtek Semiconductor Holding (BVI) Ltd.	B.V.I.	Overseas investment activities	665,449	665,449	22,053	100.00%	1,221,721	(118,571)	(118,571)	The Company's Subsidiary
The Company	Kingtek Semiconductor Holding (BVI) Ltd.	B.V.I.	Overseas investment activities	69,542	69,542	2,000	100.00%	155,152	(35,084)	(35,084)	The Company's Subsidiary
The Company	Sigmos Holdings Ltd.	B.V.I.	Overseas investment activities	6,898	6,898	200	100.00%	19,612	(3,474)	(3,474)	The Company's Subsidiary
Sigmos Holdings Ltd.	Holtek Semiconductor (USA) Inc.	California, USA	Sales of integrated circuits and technical services	6,898	6,898	2,000	100.00%	19,612	(3,474)	Note1	The Company's second-tier subsidiary
The Company	MCU Holdings Ltd.	B.V.I.	Overseas investment activities	16,333	16,333	500	100.00%	947,276	(61,023)	(61,023)	The Company's Subsidiary
MCU Holdings Ltd.	ForIC Electronics Holding Ltd.	B.V.I.	Overseas investment activities	9,733	9,733	300	40.00%	24,059	(42,125)	Note1	The Subsidiary's investee company by equity method
ForIC Electronics Holding Ltd.	E-Micro Technology Holding Ltd.(BVI)	B.V.I.	Overseas investment activities	9,473	9,473	300	100.00%	12,568	(3,614)	Note1	The Subsidiary's investee company by equity method invest subsidiary
ForIC Electronics Holding Ltd.	ForIC Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	866	866	200	100.00%	32,328	(1,400)	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Truetek Technology Ltd.	B.V.I.	Overseas investment activities	16,306	16,306	920	40.00%	52,656	(41,107)	Note1	The Subsidiary's investee company by equity method
Truetek Technology Ltd.	Truetek Technology HK Limited	Hong Kong	Sales of integrated circuits and technical services	34,652	34,652	8,000	100.00%	87,705	(2,284)	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Quanding Technology Holding Ltd.	B.V.I.	Overseas investment activities	31,124	31,124	1,045	40.00%	51,229	(76)	Note1	The Subsidiary's investee company by equity method
Quanding Technology Holding Ltd.	Quanding Technology HK Limited.	Hong Kong	Sales of integrated circuits and technical services	2,137	2,137	500	100.00%	24,546	231	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Santek Holdings Ltd.	B.V.I.	Overseas investment activities	3,758	3,758	180	40.00%	52,487	(26,864)	Note1	The Subsidiary's investee company by equity method
Santek Holdings Ltd.	Santek Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	8,662	8,662	2,000	100.00%	83,230	900	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Bestway Electronic Inc.	B.V.I.	Overseas investment activities	-	3,470	-	-%	-	(921)	Note1, 2	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	New Wave Electronics Holding Ltd.	B.V.I.	Overseas investment activities	24,784	24,784	800	40.00%	74,849	(12,993)	Note1	The Subsidiary's investee company by equity method

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
MCU Holdings Ltd.	Newtek Electronics Ltd.	B.V.I.	Overseas investment activities	8,105	8,105	1,501	40.61%	68,757	(18,026)	Note1	The Subsidiary's investee company by equity method
Newtek Electronics Ltd.	Newtek Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	8,662	8,662	2,000	100.00%	30,782	8,610	Note1	The Subsidiary's investee company by equity method invest subsidiary
MCU Holdings Ltd.	Crown Rich Technology Holding Ltd.	B.V.I.	Overseas investment activities	2,641	2,641	80	40.00%	128,935	(15,645)	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Fine Chip Electronics Inc.	B.V.I.	Overseas investment activities	7,039	7,039	1	40.00%	-	(346)	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Anchip Technology Corporation	B.V.I.	Overseas investment activities	2,937	2,937	1	60.00%	37,524	8,198	Note1	The Company's second-tier subsidiary
MCU Holdings Ltd.	Tech Wave Ltd.	Hong Kong	Sales of integrated circuits and technical services	9,907	9,907	2,400	40.00%	16,291	(23,427)	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	ETEK technology company Ltd.	Hong Kong	Sales of integrated circuits and technical services	5,427	5,427	1,275	33.33%	6,857	(6,874)	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	JXY Electronics Corporation	B.V.I.	Overseas investment activities	6,405	6,405	1	40.00%	7,975	(4,913)	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Best Health Electronics Corp.	B.V.I.	Overseas investment activities	19,808	19,808	5	75.00%	55,444	15,802	Note1	The Company's second-tier subsidiary
Best Health Electronics Corp.	Best Health Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	1,299	1,299	300	100.00%	18,062	4,407	Note1	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Driver-Tech Corporation	B.V.I.	Overseas investment activities	6,753	6,753	2	80.00%	13,619	(6,205)	Note1	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Module-Tech Corporation	B.V.I.	Overseas investment activities	12,426	12,426	3	100.00%	13,386	179	Note1	The Company's second-tier subsidiary
The Company	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	3	3	6	0.10%	3	940	1	The Company's second-tier subsidiary
The Company	Holtek Investment Co., Ltd.	Hsinchu City	Domestic investment activities	429,826	429,826	42,983	100.00%	895,973	3,908	3,908	The Company's Subsidiary
Holtek Investment Co., Ltd.	Signal Electronic Co., Ltd.	Taipei City	Sales of integrated circuits and technical services	95,941	95,941	7,880	40.00%	134,378	(19,451)	Note1	The Subsidiary's investee company by equity method
Signal Electronic Co. Ltd.	A-ONE Wireless Technology Corp.	B.V.I.	Overseas investment activities	59,204	59,204	2,000	100.00%	118,912	(18,897)	Note1	The Subsidiary's investee company by equity method invest subsidiary
Signal Electronic Co. Ltd.	Innotek Electronics Inc.	B.V.I.	Overseas investment activities	79,680	79,680	2,000	100.00%	187,458	28,828	Note1	The Subsidiary's investee company by equity method invest subsidiary
Signal Electronic Co. Ltd.	Best Solution Technology Inc.	Taipei City	Sales of integrated circuits and technical services	7,375	7,375	738	36.88%	10,524	(6,830)	Note1	The Company's second-tier subsidiary
Holtek Investment Co., Ltd.	EST Technology Integration Corp.	New Taipei City	Investment activities	-	11,191	-	-%	-	(5,004)	Note1, 3	The Subsidiary's investee company by equity method

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
Holtek Investment Co., Ltd.	Best Solution Technology Inc.	Taipei City	Sales of integrated circuits and technical services	8,000	8,000	800	40.00%	11,416	(6,830)	Note1	The Company's second-tier subsidiary
Best Solution Technology Inc.	Best Solution Electronics Inc.	B.V.I.	Overseas investment activities	6,140	6,140	200	100.00%	21,426	(4,574)	Note1	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	TANGENT Microelectromechanics Corp.	Hsinchu City	Electronic component manufacturing, electronic materials wholesale and retail, telecommunication equipment wholesale and retail, intellectual property rights, information service and international trade	10,002	10,002	380	20.00%	-	(459)	Note1	The Subsidiary's investee company by equity method
Holtek Investment Co., Ltd.	BestComm RF Electronics Inc.	Hsinchu City	Sales of integrated circuits and technical services	40,000	40,000	4,000	100.00%	25,488	4,125	Note1	The Company's second-tier subsidiary
BestComm RF Electronics Inc.	BestComm RF Electronics (BVI) Inc.	B.V.I.	Overseas investment activities	14,054	14,054	30	100.00%	13,495	(96)	Note1	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	Best Modules Corp.	Hsinchu City	Electronic component manufacturing, electronic materials wholesale and retail, retail trade not in stores or stalls, and international trade	105,000	105,000	10,500	100.00%	92,697	(2,215)	Note1	The Company's second-tier subsidiary
Best Modules Corp.	Best Modules (BVI) Corp.	B.V.I.	Overseas investment activities	28,236	28,236	7	100.00%	31,596	2,543	Note1	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	2,945	2,945	6,479	99.90%	3,227	940	Note1	The Company's second-tier subsidiary

Note1 : The share of profits/losses of the investee company is already included in the share of profits/losses of the investor company.

Note2 : Bestway Electronics Ltd. had reduced its capital in May 2023.

Note3 : The shares of EST Technology Integration Corp. had been sold in July 2023.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(3) Information on investment in mainland China:

i. The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Gains (losses) on investments	Book value	Accumulated remittance of earnings in current period
					Out-flow	Inflow						
Xinqun Semiconductor (XIAMEN) Inc.	Sales of integrated circuits and technical services	322,726	(Note1)	290,645	-	-	290,645	(95,594)	100%	(95,594) (Note5)	315,984	-
Holtek Semiconductor (China) Inc.	Sales of integrated circuits and technical services	292,423	(Note1)	272,221	-	-	272,221	(23,747)	100%	(23,747) (Note 5)	799,157	-
Bestway Electronics (Shenzhen) Inc.	Sales of integrated circuits and technical services	-	(Note1)	3,383	-	3,383	-	(453)	-%	-	-	1,032
Santek Electronics (Xiamen) Ltd.	Sales of integrated circuits and technical services	6,398	(Note1)	2,506	-	-	2,506	(27,492)	40%	(10,997) (Note 5)	18,600	-
New Wave Electronics (Shenzhen) Ltd.	Sales of integrated circuits and technical services	9,287	(Note1)	3,928	-	-	3,928	(12,795)	40%	(5,118) (Note 5)	68,626	-
ForIC Electronics (Beijing) Ltd.	Sales of integrated circuits and technical services	19,361	(Note1)	3,601	-	-	3,601	(36,992)	40%	(14,797)	(4,603)	-
E-Micro Technology (Qingdao) Ltd.	Sales of integrated circuits and technical services	6,315	(Note1)	2,634	-	-	2,634	(3,570)	40%	(1,428)	4,973	-
Newtek Electronics (Shenzhen) Ltd	Sales of integrated circuits and technical services	65,860	(Note1)	2,647	-	-	2,647	(26,546)	40.61%	(10,780) (Note 5)	41,423	-
Truetek Technology (Shanghai) Ltd.	Sales of integrated circuits and technical services	30,293	(Note1)	3,911	-	-	3,911	(38,676)	40%	(15,470)	17,344	-
Crown Rich Technology (Shenzhen) Ltd.	Sales of integrated circuits and technical services	18,446	(Note1)	1,964	-	-	1,964	(15,807)	40%	(6,323) (Note 5)	128,038	-
Quanding Technology (Suzhou) Ltd.	Sales of integrated circuits and technical services	21,670	(Note1)	1,600	-	-	1,600	(218)	40%	(87)	31,230	-
Holtek Semiconductor (Suzhou) Inc.	Sales of integrated circuits and technical services	69,712	(Note1)	69,712	-	-	69,712	(35,084)	100%	(35,084) (Note 5)	155,111	-
Fine Chip Electronics (Shanghai) Inc.	Sales of integrated circuits and technical services	7,541	(Note1)	-	-	-	-	(319)	40%	-	-	-

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Gains (losses) on investments	Book value	Accumulated remittance of earnings in current period
					Out-flow	Inflow						
Anchip Technology (Dongguan) Corporation	Sales of integrated circuits and technical services	1,521	(Note1)	-	-	-	-	8,243	60%	4,946 (Note 5)	36,870	-
JXY Electronics (Shenzhen) Corporation	Sales of integrated circuits and technical services	11,974	(Note1)	-	-	-	-	(4,863)	40%	(1,945)	7,796	-
Best Health Electronics (Dongguan) Corporation	Sales of integrated circuits and technical services	23,057	(Note1)	-	-	-	-	11,430	75%	8,573	41,033	-
BestComm RF Electronics (Dongguan) Inc.	Sales of integrated circuits and technical services	13,634	(Note1)	9,392	-	-	9,392	(59)	100%	(59)	12,761	-
Best Solution Technology (Dongguan) Inc.	Sales of integrated circuits and technical services	4,285	(Note1)	-	-	-	-	(4,348)	54.75%	(2,381) (Note 5)	10,987	-
Best Driver-tech (Hangzhou) Corporation	Sales of integrated circuits and technical services	6,361	(Note1)	-	-	-	-	(6,205)	80%	(4,964)	11,856	-
Best Module-tech (Xiamen) Corporation	Sales of integrated circuits and technical services	10,573	(Note1)	-	-	-	-	130	100%	130	11,145	-
Best Modules Electronic Commerce (Xiamen) Corp.	Sales of integrated circuits and technical services	28,307	(Note1)	28,307	-	-	28,307	2,544	100%	2,544	31,565	-

ii. Limit of investments in Mainland China:

Accumulated Investments in Mainland China as of December 31, 2023(Note2)	Investment Amounts Authorized by Investment Commission, MOEA (Note3)	Maximum Limit of Investment (Note4)
655,369 (US\$21,751 in thousands)	821,099 (US\$26,785 in thousands)	2,423,879

Note1 : Investment in companies in Mainland China through the existing companies in the third regions.

Note2 : Accumulated investments in Mainland China are calculated in NTD using exchange rate on the remitting date.

Note3 : Investment amounts authorized by Investment Commission, MOEA are calculated in NTD using exchange rate on the reporting date. Including accumulated remittances from Taiwan for \$665,523 (US\$21,710 in thousands); and from the third regions for \$155,576 (US\$5,075 in thousands)

Note4 : According to "Principle of investment or Technical Cooperation in Mainland China", the Company's accumulated investments in Mainland China do not exceed the maximum limit of investment. Net value \$4,039,798 x 60% = \$2,423,879.

Note5 : The financial statements of the Company were audited by the auditors.

iii. Significant transactions

The significant intercompany transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the Company please refer to *Information on significant transactions* for further information.

(4) Major shareholders:

Shareholding Shareholder's Name	Unit : share	
	Shares	Percentage
United Microelectronics Corporation	22,144,257	9.79%

## 14. Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2023.

**Holtek Semiconductor Inc.**

**Chairman: Wu, Chi-Yung**