

Holtek Semiconductor Inc.

2022 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: <http://mops.twse.com.tw>

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

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I. Letter to the Shareholders

Dear Shareholders,

The year 2022 was certainly one of many changes. Originally, it was anticipated that the imposed controls regarding COVID restrictions could be removed, that borders could re-open and that we would experience a general re-opening of society. The semiconductor industry was full of hope for a revitalization of global economic activity. However, with the escalation of the Ukrainian situation, the intensification of Sino-US trade and technology frictions along with some transitory stagnation due to the China mainland lockdown, the global economy has experienced a major inflation crisis. From the strong demand in various application areas causing a shortage of semiconductor devices to a sharp shrinkage of demand, this has all affected the semiconductor industry. As a result of these pressures it has been difficult for related upstream to downstream consumer electronics companies to achieve exceptional operating performance. These combined factors and pressures were beyond the expectations of IC industry management teams. Holtek was not immune to the negative effects of sharp declines in global consumption, mainland demand and export stagnation, therefore overall performance in 2022 was not as ideal as we would have liked.

In 2022, Holtek's annual revenue was 6.016 billion NT (New Taiwan Dollars), a decrease of 16% from 7.128 billion NT in 2021, with a gross profit rate reducing to 50.6%. The after-tax net profit attributable to the parent company was 1.106 billion NT, which is down by 46% from the previous year's value of 2.044 billion NT, providing an after-tax profit per share of 4.89 NT.

During 2022, market demand saw a rapid decline. For Holtek's key products, which included touch switch application MCUs, 32-bit MCUs, USB application MCUs, RF wireless communication MCUs, power management devices, health measurement MCUs, wireless charging applications, etc., under the negative influences of inflation and lockdown, these products failed to reach their revenue targets and exhibited negative growth. However, products such as smoke and gas detectors, brushless DC motor control devices and a range of other devices continued to show good performance. Overall, Holtek's performance in 2022 could be viewed as unsatisfactory with several areas requiring improvement and attention. In this regard the company looks forward to a more positive situation during 2023.

Holtek's overall operating situation in 2022 is subdivided into product development, business operations and production:

Looking at product development, a wide range of new product releases were made during 2022. These included 8-bit and 32-bit MCUs, LCD and LED drivers, touch switch devices, RF wireless communication hopping code MCUs, BLDC motor control and driver MCUs, smart card reader application MCUs, safety products including smoke detectors, smoke detector network devices as well as power tool charger devices, etc., a total of 52 various new MCU types. There was an additional release of eight second-generation proximity sensing modules and gas detection digital sensors as well as three new developments platforms to provide customers with the tools to improve their design and production efficiency.

In terms of business promotion, this was influenced by global epidemic prevention policies which differed from country to country. China continued to implement lockdown policies for epidemic prevention which resulted in production stagnation and a reduction of domestic demand. In addition to this, end customers shifted the manufacturing focus from mainland China, which in turn affected the entire business promotional activities, resulting in a 2022 revenue reduction of 60% when compared to the previous year. As a result of this, there was new market expansion and new customers emerging in India and other developing countries. According to established goals and

plans, new product projects and customer sources continued to increase, resulting in an overall overseas revenue increase of 26%, which was in fact a very good development.

Regarding production, 2022 could be seen as one of the more turbulent years for production and sales with unfinished orders in the first half of the year and then seeing a rapid reduction in market demand during the second half of the year. As wafer packaging prices will remain at a high level, this will result in sharp inventory increases. These are the main reasons why production in 2022 failed to respond to changes in customer demand and failed to meet annual shipment targets.

2023 Main business focus:

An examination of news regarding the COVID-19 pandemic reveals that there will be much improvement during 2023. However, due to the situation in Ukraine, interest rate increases in various countries, rising geopolitical risks along with weak domestic demand in China, etc., inflationary pressures will continue on their upward trajectory. This rapid rise has impacted the end-user consumer market provoking heightened concerns about a global economic recession. Presently, the demand for downstream consumer electronics continues to decline with a slow reduction of inventoried final products. Although the supply of wafer production capacity in 2023 remains stable, prices have not reduced as much as was expected. Holtek will keep its priority on inventory elimination and also continue with key product development, actively reduce internal costs and strengthen the development of overseas markets to provide global customers with a full range of services.

Product Development

Holtek will continue to keep the MCU as its main product axis and actively maintain its development efforts in IC development related to "smart life and security protection applications", to enhance the functions and performance of its MCU products. The company will continue to develop 32-bit Arm® core dedicated MCUs which will see usage in applications such as image recognition, motor control, fingerprint recognition, health measurement, security protection, music synthesis, etc. Other development areas will include integrated AES encryption and decryption functions, CRC operational functions, 24-bit high-resolution Delta-Sigma A/D converters, multi-channel music synthesisers, CAN Bus devices and front-end AFEs and other peripherals. At the same time, the company will continue with its development of a range of digital sensing module products which will combine Bluetooth and Sub-1GHz radio frequency technology to actively seize business opportunities in the Internet of Things (IoT) market enabling it to respond to the trend for AIoT (Artificial Intelligence Internet of Things).

Production and Marketing

Holtek aims to provide a full range of total solution services. In this regarding, in addition to its standard MCU range, Holtek continues to develop ASSP MCUs for special application areas. The company is continually striving to strengthen its existing research and development capabilities, pursuing product originality to increase product value. As production capacity in 2023 will not be as constricted as it was during 2022, the company envisions that wafer foundry, packaging and testing resources will not be problematical during 2023, so Holtek sees the elimination of existing inventory as a primary goal. As for the key objectives of the company's production and sales department, this will be focused on how to reduce wafer purchase price and decrease wafer, mask and package production times.

Since Holtek will continue to face pressures due to a global economic downturn in 2023, in addition to focusing on the development and sales of microcontroller products and peripheral ICs, all relevant internal departments will need to focus their efforts on revenue increase and expenditure

reduction. This will include the implementation of internal IC development IP modules, more effective use of R&D environment and resources, improve overall efficiencies and continue to promote internal cost reduction and expense controls. In addition, Holtek is also actively involved in corporate sustainable development activities. The company will continue to promote environmental sustainability, corporate governance, employee care, product responsibility and social inclusion. Holtek will adhere to the "Task Force on Climate-Related Financial Disclosures" (TCFD) by implementing its four core elements. These core elements are governance, strategy, risk management and metrics and targets. This will establish a risk framework to identify major risks and opportunities that may be created due to operations and which will propose relevant management actions and mitigating strategies. We believe that Holtek, in 2023, relying on the long-term technical experience in MCU development and following ESG-related laws and regulations, is well placed to create maximum value from its activities from product development to energy saving and carbon reduction. This enables the company to return stable profits to all shareholders and colleagues and to fulfill its corporate social responsibilities. Finally, it goes without saying for us to thank all our shareholders for their continued support and encouragement.

Chairman: Wu, Chi-Yung

General Manager: Gau, Kuo-Tung

II. Company Profile

2.1 Date of Incorporation:

The Company was found on October 1st, 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 th 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.

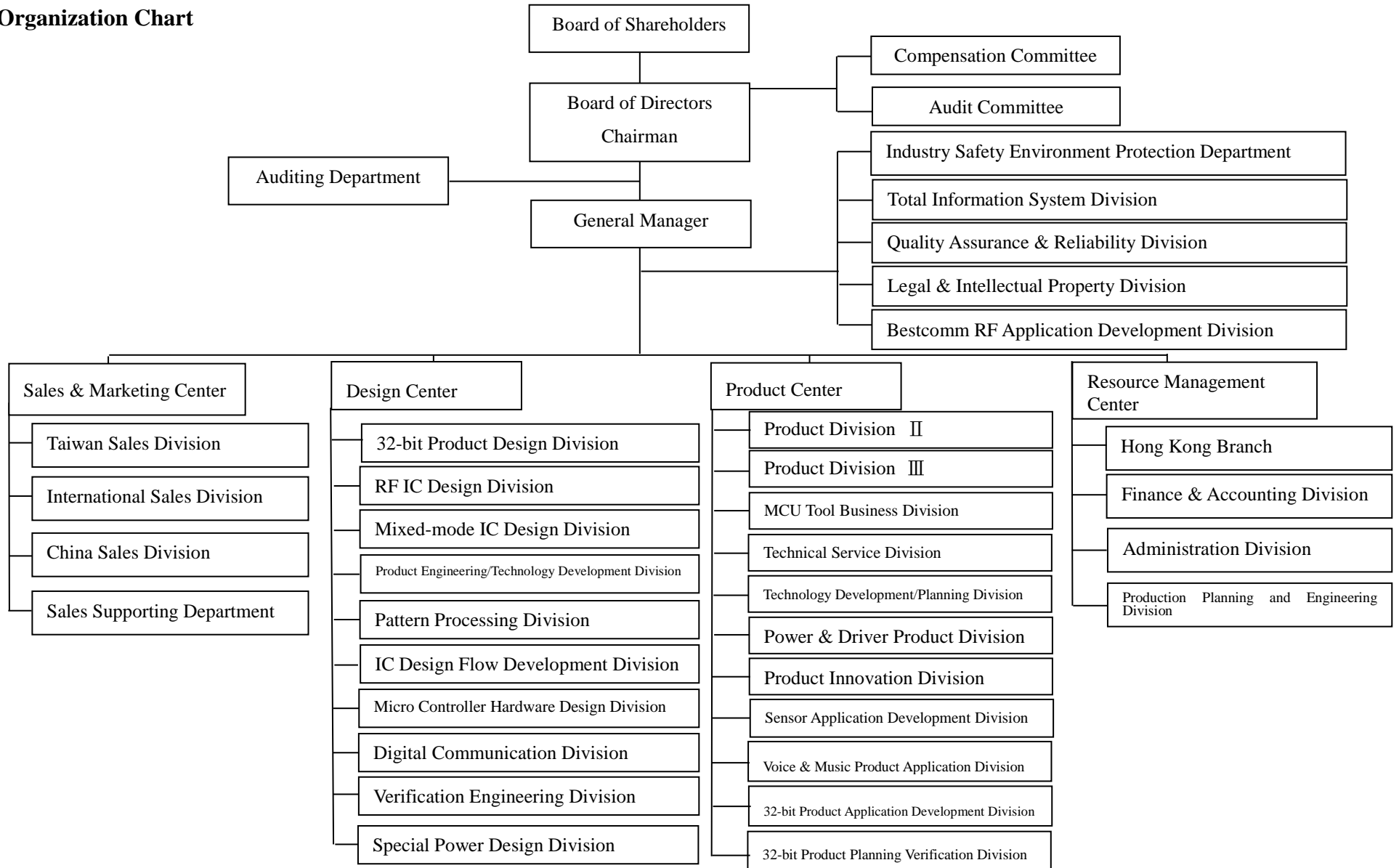
Year	Month	Milestones
2007	January	Released first 8-bit Flash MCU which conformed to industrial specifications.
	May	Obtained IECQ QC080000HSPM Certification.
	December	Holtek Wireless USB Audio MCU HT82A850R/HT82A851R won the Chinese Electronic Innovation Award.
2008	February	Established Xiamen Office (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 rd Taiwan Middlestand Award.
	September	Power Bank MCU obtained Qualcomm Quick Charge 2.0 Certification.
	December	Holtek to Run its 10 th 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 rd 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 th 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	December	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.

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.
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.
IC Design Flow Development Division	(A) R&D environment integration and technical support of design tools, process and test engineering. (B) Coordinate the development and outsourcing of test technology and introduce testing processes into volume production and management.
Micro Controller Hardware Design Division	Responsible for technology strategic planning and product design planning management for the development of MCU devices.

Department	Functions
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.
Power & Driver Design Division	Responsible for the design evaluation and circuit design of Power Management driver ICs.
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>
Product Innovation Division	Innovation product analysis and project planning, Human-machine interface project research and specification formulation, Computer software/APP design planning and development, Product IC specification formulation and planning, Configuration and mechanical design and Introduce mechanical engineering mass production.

Department	Functions
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 26, 2023, Unit: Shares

Title	Nation ality/ Count ry 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
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Wu Chi-Yung	Male/ 61~70	May 24, 2022	3	Sep. 7, 1998	3,932,905	1.74%	3,932,905	1.74%	-	-	-	-	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., Holtek Semiconductor (Xiamen) Inc., Holtek Semiconductor (China) Inc., BestComm RF Electronics Inc. and Best Modules Corp. Independent director, Greatek Electronics Inc.	-	-	-	None
Entity represented by Chairman	R.O.C.	Bo-Kang Investment Ltd	-	May 24, 2022	3	May 24, 2022	6,578,502	291%	6,578,502	291%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
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%	-	-	-	-	Bachelor of Electronic Engineering Department, Hwa Hsia University of Technology	General Manager, Holtek Semiconductor Inc. Representative of a juridical person director, Holtek Semiconductor Holding (BVI) Ltd., Kingtek Semiconductor	-	-	-	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
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														General Manager, Holtek Semiconductor Inc.	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., Holtek 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 General Manager, 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%	-	-	Master of Electrical Engineering Department, National Cheng Kung University	Executive Vice President of Design and Product Center, Holtek Semiconductor Inc. Representative of a juridical person director, Holtek Semiconductor	-	-	-	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
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Executive Vice President of Design and Product Center, Holtek Semiconductor Inc.	(Suzhou) Inc., Holtek Semiconductor (Xiamen) Inc. and Holtek Investment Co., Ltd.					
Director	R.O.C.	Tsai, Jung-Tsung	Male/ 51~60	May 24, 2022	3	May 29, 2019	322,684	0.14%	300,000	0.13%	186,580	0.08%	-	-	Bachelor of Automatic Control Engineering Department, Feng Chia University VP of Sales & Marketing Center, Holtek Semiconductor Inc.	Vice President of Sales & Marketing Center, Holtek Semiconductor Inc. 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 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.,	-	-	-	None

Title	Nation ality/ Count ry 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
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															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 General Manager, Holtek Semiconductor (India) Private Limited.					
Director	R.O.C.	Liu, Yuan-Ho	Male/ 61~70	May 24, 2022	3	May 24, 2022	50,422	0.02%	10,000	0.00%	-	-	-	-	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
Director	R.O.C.	Wang, Jen-Chung	Male/ 61~70	May 24, 2022	3	June 1, 2004	2,137,209	0.94%	2,137,209	0.94%	1,500,000	0.66%	-	-	Master of Institute of Technology Management, Nation Tsing Hua University	None	-	-	-	None
Independent Director	R.O.C.	Lu, Cheng-Yueh	Male/ 71~75	May 24, 2022	3	April 17, 2002	-	-	-	-	-	-	-	-	Master of Accounting Department, Soochow	CPA, Lee, Lin & CO. Independent Director, YUAN JEN Enterprises Co., Ltd.	-	-	-	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
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														University CPA, Lee, Lin & CO.						
Independent Director	R.O.C.	Hsing, Chih-Tien	Male/ 71~75	May 24, 2022	3	June 1, 2004	36,000	0.02%	36,000	0.02%	-	-	-	-	Ph.D., Electrical Department, University of Florida Senior Vice President, Quanta Computer Inc. and President of Quanta Research Institute	Independent Director, Innovision Flex Tech Corp.	-	-	-	None
Independent Director	R.O.C.	Hsu, Jui-Ting	Female /51~60	May 24, 2022	3	May 24, 2022	-	-	-	-	-	-	-	-	Bachelor of Accounting Department, Tunghai University AVP of Management, Evest Corporation	AVP of Management, Evest Corporation	-	-	-	None

Note : 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

Form 1: Major Shareholders of Corporate Shareholders

March 26, 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

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
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 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	None
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	None
Director Tsai, Jung-Tsung	Mr. Tsai has marketing and technology industry, practical experience, industry knowledge, business management and crisis management skills. There are no violations arising out of Article 30 of the Company Act.	Not applicable	None
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	None
Director Wang, Jen-Chung	Mr. Wang has experience in corporate governance, financial accounting, practical experience, operational management and decision-making skills. There are no violations arising out of Article 30 of the Company Act.	Not applicable	None

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 Lu, Cheng-Yueh	<p>Mr. Lu has experience in the fields of law, financial accounting and corporate governance. He is currently a partner in the Lee, Lin & CO Accounting Firm and has passed the required national accountant examinations and has obtained professional and technical personnel certificates. He has been an independent director for more than three terms (nine years). Mr. Lu provides guidance on corporate governance and operational management. When exercising his duties as an independent director, he is able to use his expertise and board supervision to provide advice. 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: 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.</p>	1
Independent Director 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. 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: 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.</p>	1

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 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.	None

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:

1. The company has a diversification policy for the board of directors. According to this policy, all members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities :
 - (1) Ability to make operational judgments
 - (2) Ability to perform accounting and financial analysis
 - (3) Ability to conduct management administration
 - (4) Ability to conduct crisis management
 - (5) Knowledge of the industry
 - (6) International market perspective
 - (7) Ability to lead
 - (8) Ability to make policy decisions
2. The specific management objectives of the Company's board member diversity policy are that each of the eight abilities that the board of directors shall possess is at least possessed by five directors, and at least four of the eight abilities are possessed by individual board members. The management objective of diversity policy is reached by the Company's current board of directors and individual board members.
3. For implementing the diversity of directors and considering the Company’s business model and development needs, the objective policies are determined, including (1) keeping the balance of composition of internal, external, and independent directors, (2) half of the independent directors have a term of not more than 9 years, (3) at least one female director.

4. Implementation status of the diversity policy of the Board of Directors:

Implementation of diversification in the Board:

	Gender	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	International market perspective	Ability to lead	Ability to make policy decisions
Wu, Chi-Yung	Male	√	√	√	√	√	√	√	√
Gau, Kuo-Tung	Male	√	√	√	√	√	√	√	√
Chang, Chih	Male	√	√	√	√	√	√	√	√
Tsai, Jung-Tsung	Male	√	√	√	√	√	√	√	√
Liu, Yuan-Ho	Male	√		√	√	√	√	√	√
Wang, Jen-Chung	Male	√	√	√	√		√	√	√
Lu, Cheng-Yueh	Male	√	√	√	√		√	√	√
Hsing, Chih-Tien	Male	√	√	√	√	√	√	√	√
Hsu, Jui-Ting	Female		√	√	√		√	√	√

Currently, there are nine directors including three independent directors, one external director, and five directors who are employees of the Company. The independent director proportion is 33%. The board of directors include personnel who have professional backgrounds in the areas of science and engineering, finance and economics which includes relevant experience in the semiconductor industry. This includes semiconductor foundries (Director Wu Chi-Yung, Director Gau, Kuo-Tung and Director Hsing, Chih-Tien - a total of 3), IC design (Director Chang, Chih), final product applications (Director Tsai, Jung-Tsung and Director Liu, Yuan-Ho - a total of 2) and also financial experience (Director Wang, Jen-Chung, Director Lu, Cheng-Yueh and Director Hsu, Jui-Ting - a total of 3).

5. To strengthen the Board structure of the Company by adding a female Director. All directors are not a spouse or relative within the second degree of kinship to any of other directors, complying with the provisions of Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act. Each independent director meets the provisions of Article 3, Item 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

3.2.3 Management Team

As of March 26, 2023, 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
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Executive Officer	R.O.C.	Wu Chi-Yung	Male	Oct. 01, 1998	3,932,905	1.74%	-	-	-	-	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., Holtek Semiconductor (Xiamen) Inc., Holtek Semiconductor (China) Inc., BestComm RF Electronics Inc. and Best Modules Corp. Independent director, Greatek Electronics Inc.	-	-	-	-
General Manager	R.O.C.	Gau, Kuo-Tung	Male	Oct. 01, 1998	6,701,176	2.96%	-	-	-	-	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) Private Limited, Holtek Semiconductor (China) Inc., Holtek Semiconductor (Xiamen) Inc., BestComm RF	-	-	-	-

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
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
												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 General Manager, 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%	-	-	Master of Electrical Engineering Department, National Cheng Kung University	Representative of a juridical person director, Holtek Semiconductor (Suzhou) Inc., Holtek Semiconductor (Xiamen) Inc. and Holtek Investment Co., Ltd.	-	-	-	-
Vice President	R.O.C.	Tsai, Jung-Tsung	Male	June 15, 2010	300,000	0.13%	186,580	0.08%	-	-	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	-	-	-	-

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
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
												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 and General Manager, Holtek Semiconductor (India) Private Limited.				
Vice President	R.O.C.	Liu, Yuan-Ho	Male	January 1, 2017	50,422	0.02%	10,000	0.00%	-	-	Bachelor of Electronic Engineering Department, National Taipei University of Technology	None	-	-	-	-
Vice President (Note1)	R.O.C.	Wang, Min-Kun	Male	April 01, 2011	27,349	0.01%	1,000	0.00%	-	-	Bachelor of Electronic Engineering Department, National Taiwan	Representative of a juridical person director, BestComm RF Electronics (BVI) Inc., BestComm RF				

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
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											Institute of Technology	Electronics Inc., BestComm RF Electronics (Dongguan) Inc., ETEK technology Company Ltd., Bestway Electronics Inc., Bestway Electronics (Shenzhen) Inc., Fine Chip Electronics Inc., Fine Chip Electronics (Shanghai) Inc., Anchip Technology Corporation, Anchip Technology (Dongguan) 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%	-	-	Bachelor of Physics Department, Tung Hai University	None	-	-	-	-
Assistant Vice President	R.O.C.	Wu, Der-Chwan	Male	April 15, 2005	1,117,317	0.49%	75,080	0.03%	-	-	Master of Electrical Engineering	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
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											Department, National Cheng Kung University					
Assistant Vice President	R.O.C.	Yu, Kuo-Cheng	Male	May 02, 2011	131,654	0.06%	29,839	0.01%	-	-	Bachelor of Electronic Engineering Department, Feng Chia University	None	-	-	-	-
Assistant Vice President (Note2)	R.O.C.	Wang, Yuh-Dinhn	Male	July 01, 2009	-	-	-	-	-	-	Master of Electrical Engineering Department, National Cheng Kung University	None	-	-	-	-
Assistant Vice President	R.O.C.	Pan, Chien-Chou	Male	May 20, 2019	120,000	0.05%	10,000	0.00%	-	-	Bachelor of Electrical Engineering Department, National Taiwan Institute of Technology	None	-	-	-	-
Head of Accounting Department	R.O.C.	Liao, Ming-Tung	Male	June 01, 2018	18,000	0.01%	-	-	-	-	Master of Accounting Department, National Chung Cheng University	Representative of a juridical person supervisor, Holtek Semiconductor (Suzhou) Inc., Holtek Semiconductor (China) Inc., Holtek 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	-	-	-	-
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
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
												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 (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: Vice President Wang, Min-Kun assumed office on July 25, 2022.

Note2: Assistant Vice President, Wang, Yuh-Dinh, was dismissed on May 31, 2022.

- (2) In accordance with the "Board of Directors' Self-Assessment of Performance", the Company minimizes the possibility and relevance of future risks happened while considering the business performance, and timely reviews the remuneration system according to the actual business situation and relevant laws and regulations, so as to achieve the management balance between risks and rewards.
2. 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.

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	—	—	—	—
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (not incl.)	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)	Bo-Kang Investment Ltd. Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung Liu, Yuan-Ho	Bo-Kang Investment Ltd. Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung Liu, Yuan-Ho	Bo-Kang Investment Ltd.	Bo-Kang Investment Ltd.
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)	—	—	—	—
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)	—	—	Wu, Chi-Yung, Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung Liu, Yuan-Ho	Wu, Chi-Yung, Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung Liu, Yuan-Ho
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	9 persons	9 persons	10 persons	10 persons

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 general managers, vice presidents, other managers and employees) in the latest year.
- Note 6: This means that directors and employees (including part-time general managers, 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 General Manager and Vice President

Date: December 31, 2022; 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)				Ratio of total Remuneration (A+B+C+D) to Net Income (%) (Note 8)		Remuneration Paid to the General Managers 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	11,188	11,188	0	0	6,194	6,194	10,588	0	10,588	0	2.53%	2.53%	None
General Manager	Gau, Kuo-Tung													
Executive Vice President	Chang, Chi													
Vice President	Tsai, Jung-Tsung													
Vice President	Liu, Yuan-Ho													
Vice President	Wang, Jen-Chung (Note)													

Note: Vice President Wang, Min-Kun assumed office on July 25, 2022.

Range of Remuneration	Name of General Managers 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.)	Wang, Jen-Chung	Wang, Jen-Chung
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)	Gau, Kuo-Tung, Tsai, Jung-Tsung, Liu, Yuan-Ho	Gau, Kuo-Tung, Tsai, Jung-Tsung, Liu, Yuan-Ho
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)	Wu, Chi-Yung, Chang, Chi,	Wu, Chi-Yung, Chang, Chi,
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 persons	6 persons

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

Note 2: The remunerations paid to general manager 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 general manager 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 general manager 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 general manager and vice president of the Company by all companies in the Consolidated Report (including the Company) shall be disclosed.

Note 6: For the total value of various remunerations paid to general manager and vice president by the Company, disclose the name of the general manager and vice president in the respective bracket.

Note 7: For the total value of various remunerations paid to general manager and vice president of the Company by all companies (including the Company) in the Consolidated Report, disclose the name of the general manager 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 general managers and vice presidents of the Company.
- b. If the general managers 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 general managers 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, 2022; 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	17,647	17,647	1.60%
	General Manager	Gau, Kuo-Tung				
	Executive Vice President	Chang, Chi				
	Vice President	Tsai, Jung-Tsung				
	Vice President	Liu, Yuan-Ho				
	Vice President (Note 3)	Wang, Min-Kun				
	Assistant Vice President	Wu, Shao-Nan				
	Assistant Vice President	Wu, Der-Chwan				
	Assistant Vice President	Yu, Kuo-Cheng				
	Assistant Vice President (Note 4)	Wang, Yuh-Dinhn				
	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) General Managers 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: Vice President Wang, Min-Kun assumed office on July 25, 2022.

Note 4: Assistant Vice President, Wang, Yuh-Dinhn, was dismissed on May 31, 2022.

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

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

Unit: Value in NT\$ thousands

Title	Item	The Company				All companies in the consolidated financial statements			
		2021		2022		2021		2022	
		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)		66,386	3.25%	42,535	3.84%	66,386	3.25%	42,535	3.84%
Remuneration of the General Manager and Vice President		32,355	1.58%	27,970	2.53%	32,355	1.58%	27,970	2.53%

2. 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 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.

(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 2022.

(C) To reward employees for their hard work and dedication, the remuneration structure is designed with profit sharing through bonuses and quarterly bonuses.

(3) The Linkage with remuneration amount

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 6 sessions in 2022. 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	6	0	100%	
Director	Gau, Kuo-Tung	6	0	100%	
Director	Chang, Chi	6	0	100%	
Director	Lin, Cheng-Fung	3	0	100%	Resigned on May 24, 2022
Director	Liu, Yuan-Ho	3	0	100%	Newly appointed on May 24, 2022
Director	Tsai, Jung-Tsung	6	0	100%	
Director	Wang, Jen-Chung	6	0	100%	
Independent Director	Lu, Cheng-Yueh	6	0	100%	
Independent Director	Hsing, Chih-Tien	6	0	100%	
Independent Director	Kuo, Tai-Haur	3	0	100%	Resigned on May 24, 2022
Independent Director	Hsu, Jui-Ting	3	0	100%	Newly appointed on May 24, 2022

Other mentionable items:

1. 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:
 - (1) 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.
 - (2) Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None.
2. Execution of the directors' interests evasion: The directors have avoided the proposal with personal stake.
3. 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 2022/01/01 to 2022/12/31.
 - (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.

The performance evaluation results have been submitted to the Board of Directors meeting convened on February 16, 2023.

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 2021 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 Transactions".
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 2021 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 Yu, Wan Yuan 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 02 2022, the Company issued an audit report in accordance with the requirements of the Audit Committee and submitted a report to the 111th Annual General Meeting.

Upon resolution from the Audit Committee on March 02, 2022, the Company issued an audit report in accordance with the requirements of the Audit Committee and submitted a report to the 111th shareholders' Meeting.

- Assessment of the effectiveness of the internal control system

The Audit Committee approved the Statement of 2021 Internal Control System on March 02 2022. 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 regularly (at least once a year) evaluate the independence and suitability of the CPA.

The Company has assessed by the Audit Committee and the Board of Directors that CPAs have not violated the requirements of Statement of Ethics No. 10, that the two CPAs do not hold any director, management or positions of significant influence over the Company, nor do they have any other financial interests or business relationships, that the same CPAs have not performed the services for more than seven years, and that the members of the family of CPAs do not violate the independence requirements and meet the independence and competence criteria. The independence and competence conditions are met. The Audit Committee of the Company on March 2, 2022 and the Board of Directors of the Company on March 3, 2022 approved the appointment of Ms. Lu, Chien-Hui CPA and Mr. Yu, Wan Yuan, CPA, both of KPMG & Associates, as the Company's certifying accountants for the 2023.

The Audit Committee held 5 sessions in 2022. 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)	Lu, Cheng-Yueh	5	0	100%	
Independent Director	Hsing, Chih-Tien	5	0	100%	
Independent Director	Kuo, Tai-Haur	3	0	100%	Resigned on May 24, 2022
Independent Director	Hsu, Jui-Ting	2	0	100%	Newly appointed on May 24, 2022

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
202.01.25 The 2 th Term, the 14 th Meeting	<ol style="list-style-type: none"> 1. Approved the withdraw investment of Holtek Investment Co., Ltd., 2. Approved the internal audit report for the fourth quarter of 2021. 3. Approved the allocation of 2021 employee bonuses and directors' remuneration. 4. Approved 2021 consolidated and individual financial statements. 	Approved by all Audit Committee Members.	None
2022.03.02 The 2 th Term, the 15 th Meeting	<ol style="list-style-type: none"> 1. Approved the internal audit report for January 2022. 2. Approved the amendment to the Procedures for Acquisition or Disposal of Assets and Financial 	Approved by all Audit Committee	None

	<p>Derivatives.</p> <p>3. Approved the permit of directors' engagement in competitive conducts.</p> <p>4. Approved the Internal Control System Statement.</p> <p>5. Approved the Change of Certified Public Accountant (CPA) from Q1 2022.</p> <p>6. Approved the assessment report of CPA's independence and competence.</p> <p>7. Approved the withdraw investment of MCU Holdings Ltd..</p>	Members.	
2022.04.22 The 2 th Term, the 16 th Meeting	<p>1. Approved the internal audit report from February to March 2022.</p> <p>2. Approved the company's consolidated financial statements for the first quarter of 2022.</p> <p>3. Approved the withdraw investment of MCU Holdings Ltd..</p> <p>4. Approved the adjust investment of MCU Holdings Ltd..</p>	Approved by all Audit Committee Members.	None
2022.07.22 The 3 th Term, the 1 th Meeting	<p>1. Approved the internal audit report for the second quarter of 2022.</p> <p>2. Approved the company's consolidated financial statements for the second quarter of 2022.</p>	Approved by all Audit Committee Members.	None
2022.10.28 The 3 th Term, the 2 th Meeting	<p>1. Approved the internal audit report for the third quarter of 2022.</p> <p>2. Approved the company's consolidated financial statements for the third quarter of 2022.</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 Sinopac Hsinchu Branch.</p> <p>5. Approved the investment of Best Modules Corp.</p> <p>6. Approved the withdraw investment of MCU Holdings Ltd..</p> <p>7. Approved the 2023 audit operational risk assessment reports and annual audit plans.</p> <p>8. Approved the 2023 business plan.</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
2022.01.25	Audit Committee	1. Proposed internal audit report of 4Q21.	No comments
2022.03.02	Audit Committee Pre-meeting	1. Proposed internal audit report (January 2022) 2. Proposed the 2021 internal control system statement.	No comments
2022.04.22	Audit Committee	1. Proposed internal audit report (February /March 2022)	No comments
2022.07.22	Audit Committee	1. Proposed internal audit report of 2Q22.	No comments
2022.10.28	Audit Committee Pre-meeting	1. Proposed internal audit report of 3Q22. 2. Proposed the 2023 audit operational risk assessment reports and annual audit plans.	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
2022.01.25	Audit Committee Pre-meeting	1. Proposed reports on audited 2021 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) 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	
<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>	✓		<p>(1)</p> <p>A. The company has a diversification policy for the board of directors. According to this policy, all members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: (1) Ability to make operational judgments, (2) Ability to perform accounting and financial analysis, (3) Ability to conduct management administration, (4) Ability to conduct crisis management, (5) Knowledge of the industry, (6) International market perspective, (7) Ability to lead, (8) Ability to make policy decisions.</p> <p>B. The specific management objectives of the Company's board member diversity policy are that each of the eight abilities that the board of directors shall possess is at least possessed by five directors, and at least four of the eight abilities are possessed by individual board members. The management objective of diversity policy is reached by the Company's current board of directors and individual board members.</p> <p>C. For implementing the diversity of directors and considering the Company’s business model and development needs, the objective policies are determined, including (1) keeping the balance of composition of internal, external, and independent directors, (2) half of the independent directors have a term of not more than 9 years, (3) at least one female director.</p> <p>D. Currently, there are nine directors including three independent directors, one external director, and five directors who are employees of the Company. The independent director proportion is 33%. The</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>board of directors include personnel who have professional backgrounds in the areas of science and engineering, finance and economics which includes relevant experience in the semiconductor industry. This includes semiconductor foundries (Director Wu Chi-Yung, Director Gau, Kuo-Tung and Director Hsing, Chih-Tien - a total of 3), IC design (Director Chang, Chih), final product applications (Director Tsai, Jung-Tsung and Director Liu, Yuan-Ho - a total of 2) and also financial experience (Director Wang, Jen-Chung, Director Lu, Cheng-Yueh and Director Hsu, Jui-Ting - a total of 3).</p> <p>E. To strengthen the Board structure of the Company by adding a female Director. All directors are not a spouse or relative within the second degree of kinship to any of other directors, complying with the provisions of Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act. Each independent director meets the provisions of Article 3, Item 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. (Please refer to the annual report on page 11~19)</p>	
(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?	✓		(3) <p>A. The "Board of Directors' Self-Assessment of Performance" was approved by the Company Board of Directors on January 25, 2016. The performance assessment of the Board of Directors and the functional committees shall include at least the following five aspects: (1) The degree of participation in the operation of the Company; (2) Improving the decision-making quality of the Board of Directors and functional committees; (3) Composition and structure of the Board of Directors and functional committees; (4) Appointment and continuous</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				
(4) Does the Company regularly evaluate its external auditors’ independence?	✓		<p>education of directors and (5) Internal control.</p> <p>B. Collecting relevant information of the Board of Directors, individual directors, the Audit Committee and the Compensation Committee at the end of the year. After a return of questionnaires, the evaluation index scores will be formulated and reported to the Board of Directors. It is taken as a reference for the remuneration, nomination and re-appointment of each directors.</p> <p>C. The Company has reported to the Board of Directors on February 16, 2023. The self-evaluation of the Board of Directors, Board members, and other functional committee members were all “outstanding” in 2022.</p>	None			
			(4)		<p>A. The Company shall review the professional qualification and independence of independent certified public accountants (CPA) regularly every year. In addition to requiring certified public accountants to provide a statement of independence and audit quality indicators (AQI), the evaluation is also conducted in accordance with the "Standards for Appraisal Accountants" and 13 AQI indicators.</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 15 February 2023 and presented to the Board of Directors for approval on 16 February 2023.</p> <p>C. Independence assessment standards for accountant(s)</p>		
					<table border="1"> <thead> <tr> <th>Assessment Items</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1. The CPAs do not have direct or significantly indirect</td> <td>V</td> <td></td> </tr> </tbody> </table>	Assessment Items	Yes
Assessment Items	Yes	No					
1. The CPAs do not have direct or significantly indirect	V						

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>financial interest with the Company.</p> <p>2. The CPAs do not have financing and guarantee behaviors with the Company or Company’s Directors.</p> <p>3. The CPAs do not intermeditate the stocks or other securities issued by the Company.</p> <p>4. The CPAs and its audit team do not currently or use to serve in the Company as director, manager or other position having major influence on the company audit work in last two years.</p> <p>5. The CPAs do not have close business relationship and potential employment relationship with the company.</p> <p>6. The CPAs do not ever serve as Company’s defender or represent the Company in coordinating the conflicts with other third parties.</p> <p>7. The CPAs and its audit team are not related in the kinship and marriage with the Company’s director, manager or other person having major influence on audit work.</p> <p>8. The CPAs 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'	✓		The resolution has been passed by the Board of Directors for assigning Mr. Liao, Ming-Tung, the head of finance department to be a chief corporate governance officer of the Company. His personnel responsible for corporate governance affairs include at least the following items: (1) Handling matters relating to board meetings and shareholders meetings according to laws; (2) Producing minutes of board meetings and shareholders meetings; (3) Assisting in onboarding and continuous development of directors; (4) Assisting directors and supervisors with legal compliance and (5) Furnishing information required for business execution by directors. (Please refer to the further education of chief corporate governance officer on Page 68)	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
meeting on the basis of the laws, and prepared the minutes of the board of directors and shareholders' meetings, etc.?				
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.	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			(3) The Company publishes and reports its annual financial report within	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	✓		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 operating status for each month before the specified deadline in accordance with relevant laws and regulations.	None
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 67~68)</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. All management units regularly</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>conduct evaluation and review of risk items, and report the evaluation results to president. The president will then summarize major risk items and report them to the board of directors on a regular basis.</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 28, 2022 and October 31, 2022. The insurance amount for 2022 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 improvement status for the result of 2022 corporate governance evaluation, which include: formulating “Insider Trading Policy”, and notifying the Directors and the Manager by mail on a quarterly basis of the closed period prior to the announcement of each 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. In 2022, one female director was elected to improve the diversity of directors. Holtek has made the succession plan for Board members and important managerial officers. The plan is disclosed on company’s official website. The Company conducts "Risk Management Methods and Procedures”, serving as the highest guidelines for the Company's risk management.</p> <p>Holtek’s priority enhancement measures in 2022: Strengthen the disclosure of corporate governance on the Company’s English official 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:

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 (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	Lu, Cheng-Yueh	<p>Mr. Lu has experience in the fields of law, financial accounting and corporate governance. He is currently a partner in the Lee, Lin & CO Accounting Firm and has passed the required national accountant examinations and has obtained professional and technical personnel certificates. He has been an independent director for more than three terms (nine years). Mr. Lu provides guidance on corporate governance and operational management. When exercising his duties as an independent director, he is able to use his expertise and board supervision to provide advice. 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>	1

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	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 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

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 3 sessions in 2022. 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	0	100%	
Committee Member	Lu, Cheng-Yueh	3	0	100%	
Committee Member	Kuo, Tai-Haur	1	0	100%	Resigned on May 24, 2022
Committee Member	Hsu, Jui-Ting	2	0	100%	Newly appointed on May 24, 2022

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
2022.01.25 The 4 th Term, the 10 th Meeting	<ol style="list-style-type: none"> 1. Approved the Company's "Regulations Governing the Compensation System of the Directors and the Managers" of 2022. 2. Approved the managers' annual bonuses for 2021. 3. Approved the managers' payroll adjustments of 2022. 4. Approved the managers' quarterly performance allowances. 5. Approved the managers' monthly position allowances of 2022. 6. Approved the managers' quarterly business performance bonus. 7. Approval the managers' retirement. 	Approved by all Compensation Committee Members.	None
2022.07.22 The 5 th Term, the 1 th Meeting	<ol style="list-style-type: none"> 1. Approved the managers' quarterly performance allowances. 2. Approved the directors' remuneration for 2021. 3. Approved the allocation of 2021 employee bonuses. 4. Approved the managers' quarterly business performance bonus. 	Approved by all Compensation Committee Members.	None
2022.10.28 The 5 th Term, the 2 th Meeting	<ol style="list-style-type: none"> 1. Approved the managers' quarterly performance allowances. 	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 general manager as the chairman under which there are six working groups. These are environmental sustainability, corporate governance, employee care, R&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 at least once a year. The most recent report to the Board of Directors was on July 22, 2022, including motions of (1) Identify the sustainable issues that require attention and make corresponding action plan (2) Amendment to goals and policies of sustainable issues (3) In response to climate change, continue to be in line with global sustainability standards and management trends, and promote the systematization of the TCFD framework.</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	✓		<p>(1) The disclose information covers the sustainable development performance in the main branches between January and December 2021. The risk assessment boundary is primarily based on Hsinchu branch.</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	
to company operation, and establish risk management related policy or strategy?			<p>(2) 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. All management units regularly conduct evaluation and review of risk items, and report the evaluation results to president. The president will then summarize major risk items and report them to the board of directors on a regular basis.</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 61).</p>	
<p>3. Environmental Topic</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p> <p>(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p>	<p>✓</p> <p>✓</p>		<p>(1)The Company obtained the ISO 14001:2015 environment management (Valid until 2024/11/23), covering the Hsinchu headquarter, and passed the certification of third-party independent verification agencies. 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> <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 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. Measures include refitting LED lighting, reducing packaging materials, recycling packaging materials and upgrading the air-conditioning monitoring system to enable accurate energy usage. (Please refer to</p>	<p>None</p> <p>None</p>

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>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 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>	None						
(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>(4)</p> <p>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 style="text-align: center;">Year</th> <th style="text-align: center;">2021</th> <th style="text-align: center;">2022</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"></td> <td></td> <td></td> </tr> </tbody> </table>	Year	2021	2022				None
Year	2021	2022								

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>Category 1 (Ton CO2e/year)</td> <td>35.02</td> <td>87.58</td> </tr> <tr> <td>Category 2 (Ton CO2e/year)</td> <td>1,344.31</td> <td>1,435.05</td> </tr> <tr> <td>Total</td> <td>1,379.33</td> <td>1,522.63</td> </tr> <tr> <td>Greenhouse gas emission intensity (Ton CO2e/million dollars)</td> <td>0.21</td> <td>0.25</td> </tr> </table> <p>Note: Greenhouse gas emission intensity: data scope (category 1 + category 2)/revenue (million dollars)</p> <p>Energy-saving measures in offices: There is an energy-saving plan with original lighting changed to LED lamps to improve efficiency and reduce heat generated by traditional lamps. The offices on each floor have lighting areas partitioned into switchable separate areas for energy saving purposes. Energy-saving measures in computer rooms: Implementing server virtualization to save energy. The Company has set a goal of reducing electricity bills by 1% per year during the next five years.</p> <p>B. HOLTEK’s water is supplied by Taiwan Water Corporation under the shared customer number with Device Foundry 6A of Episil Technologies. With ratio calculation based on the water consumption, the number of employees, etc. by each water use item, the Company’s main consumptions are service water and air-conditioning water, with no consumption of manufacturing process water. The split ratio in period 2021~2022 was 8.4%.</p> <p>Water consumption statistic from 2020 to 2021 Unit: Cubic Meter</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Total water consumption</td> <td>15,674</td> <td>15,638</td> </tr> </tbody> </table> <p>Water saving measures: Water supply devices are all equipped with</p>	Category 1 (Ton CO2e/year)	35.02	87.58	Category 2 (Ton CO2e/year)	1,344.31	1,435.05	Total	1,379.33	1,522.63	Greenhouse gas emission intensity (Ton CO2e/million dollars)	0.21	0.25	Year	2021	2022	Total water consumption	15,674	15,638	
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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>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's waste data is mainly based on the headquarters in Hsinchu.</p> <p>Industrial waste output and treatment statistics from 2021 to 2022 Unit: Ton</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Domestic waste</td> <td>8.32</td> <td>9.31</td> </tr> <tr> <td>Recycling</td> <td>3.46</td> <td>1.79</td> </tr> <tr> <td>Hazardous industrial waste</td> <td>0.17</td> <td>0.35</td> </tr> <tr> <td>Total weight</td> <td>11.95</td> <td>11.45</td> </tr> </tbody> </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>	Year	2021	2022	Domestic waste	8.32	9.31	Recycling	3.46	1.79	Hazardous industrial waste	0.17	0.35	Total weight	11.95	11.45	
Year	2021	2022																	
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<p>4. Social Topic</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>	✓		<p>(1)</p> <p>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 also complies with the requirement</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	
(2) Has the Company have formulated and implemented reasonable employee benefits measures (including salary, leave and other benefits, etc.), and appropriately reflect the operating performance or results on the compensation of employees?	✓		<p>of local laws and regulations. The Company’s human-rights policy specifically includes: prohibiting forced labor, child labor, discrimination, and ensure humane treatment and freedom of association. Please refer to Company’s “ESG report -5.5 healthy workplace” for more detail.</p> <p>B. Total 1607 employees join internal and/or external training courses in related human rights, totaling 2474 hours in 2022.</p> <p>(2)</p> <p>A. Article 24 of 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.</p> <p>B. The Administrative Division of the Company evaluates employees’ operating performances based on the personnel salary system, performance evaluation method, reward and punishment mechanism and code of practice for employees. These evaluation criteria include work ability (including workloads/ difficulties/ achievement rate/ efficiency and quality/ knowledge and skills), management and communication ability and contribution for the current year. Report of operating performances on the compensation of employees is presented to the general manager meeting for assessment. Moreover, event of out-performance of any employees will be a plus.</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</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>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>64%</td> <td>36%</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 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>	Position type	Male	Female	Regular employees	64%	36%	Supervisors	76%	24%	
Position type	Male	Female											
Regular employees	64%	36%											
Supervisors	76%	24%											
(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 104~106)	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 103~104)	None									
(5) Has the Company complied with relevant laws and regulations and international	✓		(5)	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>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> <p>(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>	✓	(6)	<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 standards in its R&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 & Intellectual Property Division engaged in legal affairs, intellectual property management and advisory services, etc.</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</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	
			courses for its suppliers irregularly through the system or site communication, so as to meet the requirements of the Company. (Please refer to Chapter 3 of the “ESG Report” for information on product liability)	
<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>	✓		(1) The Company compiled its Corporate Social Responsibility Report of the past years and the ESG Report in accordance with the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards). The policy of corporate social responsibility is declared on the Holtek website to show information related to corporate social responsibility. Refer to the Holtek website and the TWSE's Market Observation Post System.	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 has formulated the Code of Practice for “Sustainable Development Best Practice Principles”. Operations are subject to and in high degree of compliance with the Code.</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: https://www.holtek.com.tw/web/guest/responsibility.</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"> 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. 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. 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.
Society	Occupational safety	<ol style="list-style-type: none"> 1. The company has obtained ISO45001 occupational safety and health management system certification, and the certification will be obtained regularly in future. 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.
	Product safety	<ol style="list-style-type: none"> 1. All Holtek products comply with RoHS, REACH, no halogen requirements, and provide customers with a guarantee that they do not use hazardous substances. 2. 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.
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"> 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. 2. The company files director's liability insurance for our Directors to protect them against litigations or claims.
	Information security	According to the needs of information security, regularly evaluate the appropriateness and effectiveness of information security operation. The company use system audits, backup recovery, remote backup, changing the personal computer boot (and e mail) password regularly, and emergency response drills to reduce information security risks and protect the Company's information assets.

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) 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.	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 conducts the "Ethical Corporate Management Best Practice Principles". The directors and managers shall analyze which business activities within their business scopes which are possibly at a higher risk of being involved in an unethical conduct. All prevention measures for the behaviors in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" has been taken, in order to strengthen the preventive measures for achieving better implementation of ethical management.	None
(3) Has the Company clearly established and implemented operating procedures, code of conduct, penalties for violation and complaint system in the prevention	✓		(3) In accordance with the "Ethical Corporate Management Best Practice Principles" and the "Whistleblowing System", the Company has defined its operating procedures, guidelines on conduct, disciplinary and grievance systems for non-compliance, and established a stringent	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	
programs against unethical behaviors as well as reviewed and revised the aforementioned programs regularly?			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) 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 25, 2022).	None
(3) Does the company establish policies to prevent conflicts of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(3) 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.	None
(4) Has the Company established effective accounting systems and internal control systems for implementing Ethical Corporate Management and has its	✓		(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	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	
<p>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?</p> <p>(5) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>	✓		<p>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’.</p> <p>(5) The Company general manager 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 2022, 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 158 participants, totaling 537 hours.</p>	None
<p>3. Implementation of Complaint Procedures</p> <p>(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?</p> <p>(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?</p>	✓		<p>(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.</p> <p>(2)</p> <p>A. 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</p>	<p>None</p> <p>None</p>

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 adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓		<p>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.</p> <p>B. 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.</p> <p>(3) The Company shall provide the legitimate and independent whistleblowing channel and keep confidentiality of the identity of whistle-blowers and the content of reported cases to maintain the personal safety of the whistleblowers.</p>	None
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:

Please refer to Holtek's Website: <http://www.holtek.com.tw> and Market Observation Post System <http://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	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Director	Gau, Kuo-Tung	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Director	Chang, Chi	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Director	Tsai, Jung-Tsung	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Director	Liu, Yuan-Ho	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/07/07	Taiwan Stock Exchange Corporation	SUSTAINABLE DEVELOPMENT ROADMAP	2
		2022/10/06	Taiwan Stock Exchange Corporation	2022 Release of Reference Guidelines for Independent Directors and Audit Committee to Exercising Powers and Directors' Supervisors Publicity Meeting	3
		2022/10/12	Securities & Futures Institute	The compliance of insider equity trading regulations of listed companies advocacy meeting in 2022	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Director	Wang, Jen-Chung	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Independent Director	Lu, Cheng-Yueh	2022/03/03	The National Federation of CPA Associations of the R.O.C.	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Independent Director	Hsing, Chih-Tien	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and	3

Position	Name	Date	Professional Development Institutions	Course Name	Hours
				crisis management	
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Independent Director	Hsu, Jui-Ting	2022/06/22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Seminar	3
		2022/07/20	Taiwan Stock Exchange Corporation	SUSTAINABLE DEVELOPMENT ROADMAP	2
		2022/10/05	Securities & Futures Institute	The compliance of insider equity trading regulations of listed companies advocacy meeting in 2022	3
		2022/10/19	Taiwan Corporate Governance Association	2022 Corporate Governance Summit XVIII-Improve the functions of directors and implement the company's sustainable management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	3
Head of Accounting	Liao, Ming-Tung	2022/08/22 ~ 2022/08/23	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	2022/03/28	Accounting Research and Development Foundation	The development trend of Internet technology and the new thinking of internal auditors	6
Head of Internal Audit	Lee, Wen-Te	2022/04/19	Accounting Research and Development Foundation	The latest policy development and internal control management practices related to "ESG sustainability" and "self-compilation of financial reports"	6
Chief corporate governance officer	Liao, Ming-Tung	2022/03/03	Taiwan Corporate Governance Association	How do directors and supervisors supervise the company to do well in corporate management and crisis management	3
		2022/07/07	Taiwan Stock Exchange Corporation	SUSTAINABLE DEVELOPMENT ROADMAP	2
		2022/10/05	Securities & Futures Institute	The compliance of insider equity trading regulations of listed companies advocacy meeting in 2022	3
		2022/10/19	Taiwan Corporate Governance Association	2022 Corporate Governance Summit XVIII-Improve the functions of directors and implement the company's sustainable management	3
		2022/11/16	Taiwan Corporate Governance Association	Business case of Climate Governance and TCFD Disclosure Practices	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: February 16, 2023

For the Company's internal control system of 2022, 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, 2022 (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 February 16, 2023 with no Directors expressing dissent out of the 8 Directors in attendance.

Holtek Semiconductor Inc.

Chairman: Wu, Chi-Yung

General Manager: Gau, Kuo-Tung

- (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 2022 Annual Shareholders' Meeting:

Items	Major Resolutions	Implementation Status
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\$8.1229/per shares. The record date was August 15, 2022. The amount of cash dividend was NT\$ 1,837,141,672 which was distributed on August 30, 2022.
Discussion items and Election	A. Approved the Amendment to the "Procedures for Acquisition or Disposal of Assets and Financial Derivatives Transactions". B. Approved the Election of the 9th term Directors (including independent directors). C. Approved the Release from Non-competition Restrictions on Directors.	A. Resolution passed. B. Election of nine Directors for the 9th Board of Directors (including three independent Directors) Elected list of Directors: Mr. Wu, Chi-Yung, Representative of Bo-Kang Investment Ltd., Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung, Liu, Yuan-Ho, Wang, Jen-Chung, Elected list of Independent Directors: Lu, Cheng-Yueh, Hsing, Chih-Tien, Hsu, Jui-Ting The change registration for the ninth election of directors has been applied to the Hsinchu Science Park Bureau, Ministry of Science and Technology in accordance with regulations, and a letter of approval has been obtained on May 31, 2022. C. Resolution passed.

- (2) During the 2022 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
2022.01.26 The 8 th Term, the 17 th Meeting	1. Approved the withdraw investment of Holtek Investment Co., Ltd., 2. Approved the allocation of 2021 employee bonuses and directors' remuneration. 3. Approved 2021 consolidated and individual financial statements. 4. Approved the "The Risk Management Policy". 5. Approved the performance assessments and remuneration of directors and managers.
2022.03.03 The 8 th Term, the 18 th Meeting	1. Approved the 2021 business report. 2. Approved the 2021 earnings distribution. 3. Approved the amendment to the Procedures for Acquisition or Disposal of Assets and Financial Derivatives.

Date	Major Resolutions
	<ol style="list-style-type: none"> 4. Election of the 9th term Directors (including independent directors) will be proposed at 2022 Annual Shareholders' Meeting in accordance with the Company's Articles of Incorporation. 5. Approval of the Board's nomination of the Company's directors (including independent directors) candidates, and the resolution of candidacy. 6. Approved the permit of directors' engagement in competitive conducts. 7. Approved the convention of 2022 Annual Shareholders' Meeting. 8. Approved the Internal Control System Statement. 9. Approved the Change of Certified Public Accountant (CPA) from Q1 2022. 10. Approved the assessment report of CPA's independence and competence. 11. Approved the withdraw investment of MCU Holdings Ltd..
<p>2022.04.25 The 8th Term, the 19th Meeting</p>	<ol style="list-style-type: none"> 1. Approved the company's consolidated financial statements for the first quarter of 2022. 2. Approved the withdraw investment of MCU Holdings Ltd.. 3. Approved the adjust investment of MCU Holdings Ltd.. 4. Approved the resignation of managers.
<p>2022.05.24 The 9th Term, the 1th Meeting</p>	<ol style="list-style-type: none"> 1. The Election of the 9th Term Chairman of Holtek Semiconductor Inc. 2. Approved the appointment of the 5th Term Compensation Committee members.
<p>2022.07.25 The 9th Term, the 2th Meeting</p>	<ol style="list-style-type: none"> 1. Approved the company's consolidated financial statements for the second quarter of 2022. 2. Approved the ex-dividend record date and cash dividend distribution date for 2021 earnings distribution. 3. Approved the amendment to the Corporate Social Responsibility Best Practice Principles. 4. Approved the amendment to the Corporate Governance Best Practice Principles. 5. Approved the amendment to the Ethical Corporate Management Best Practice Principles. 6. Approved the amendment to the Insider Trading Policy. 7. Approved the amendment to the Procedures for Handling Material Inside Information and Insider Trading Policy. 8. Approved the assignment of managers. 9. Approved the performance assessments and remuneration of directors and managers.
<p>2022.10.31 The 9th Term, the 3th Meeting</p>	<ol style="list-style-type: none"> 1. Approved the company's consolidated financial statements for the third quarter of 2022. 2. Approved the purchase of the directors and managers liability insurance. 3. Approved the issuance of short-term currency exchange credit of Bank Sinopac Hsinchu Branch. 4. Approved the investment of Best Modules Corp. 5. Approved the withdraw investment of MCU Holdings Ltd.. 6. Approved the 2023 audit operational risk assessment reports and annual audit plans. 7. Approved the 2023 business plan. 8. Approved the performance assessments and remuneration of directors and managers.
<p>2023.02.16</p>	<ol style="list-style-type: none"> 1. Approved the allocation of 2022 employee bonuses and directors' remuneration.

Date	Major Resolutions
The 9 th Term, the 4 th Meeting	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. 8. Approved the performance assessments and remuneration of directors and managers.
2023.03.08 The 9 th Term, the 5 th Meeting	1. Approved the 2022 business report. 2. Approved the 2022 earnings distribution. 3. Approved the amendment to the Articles of Incorporation. 4. Approved the Rules and Procedures of Shareholders' Meeting. 5. Approved the amendment to the Procedures for Acquisition or Disposal of Assets and Financial Derivatives. 6. Approved the by-election of one Seat of Directors. 7. Approval of the Board's nomination of the Company's directors candidates, and the resolution of candidacy. 8. Approved the permit of directors' engagement in competitive conducts. 9. Approved the convention of 2023 Annual Shareholders' Meeting.

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: None.

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	2022/01/01 ~	3,610	1,040	4,650	Tax Service
	Cheng, An-Chih	2022/12/31				

3.5.2 Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.

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:

3.6.1 Former CPAs:

Date of change	Approved by BOD on March 03, 2022		
Reasons and explanation of changes	Due to its internal personal changes, KPMG updated the audit partners for Holtek from Lu, Chien-Hui and Yu, Wan-Yuan to Lu, Chien-Hui and Cheng, An-Chih since 2022Q1.		
State whether the appointment is terminated or rejected by the consignor or CPAs	Client	CPA	Consignor
	Appointment terminated automatically	Not available	Not available
	Appointment rejected (discontinued)	Not available	Not available
The opinions other than unmodified opinion issued in the last two years and the reasons for the said opinions	Not available		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	V	
Explanation			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

3.6.2 Successor CPAs:

Accounting firm	KPMG
CPA	Lu, Chien-Hui and Cheng, An-Chih
Date of Engagement	Approved by BOD on March 3, 2022
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

3.6.3 The reply of former CPAs on Article 10.6.1 and Article 10.6.2.3 of the standards:

Not available.

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	2022		As of March 31, 2023	
		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 General Manager	Gau, Kuo-Tung	—	—	—	—
Director and Vice President	Chang, Chi	—	—	—	—
Director	Lin, Cheng-Fung (Note 1)	—	—	—	—
Director and Vice President	Tsai, Jung-Tsung	(10,000)	—	(22,684)	—
Director and Vice President	Liu, Yuan-Ho	—	—	—	—
Director	Wang, Jen-Chung	—	—	—	—
Independent Director	Lu, Cheng-Yueh	—	—	—	—
Independent Director	Hsing, Chih-Tien	—	—	—	—
Independent Director	Kuo, Tai-Haur (Note 1)	—	—	—	—
Independent Director	Hsu, Jui-Ting	—	—	—	—
Vice President	Wang, Min-Kun (Note 2)	—	—	—	—
Assistant Vice President	Wu, Shao-Nan	—	—	—	—
Assistant Vice President	Wu, Der-Chwan	(125,000)	—	—	—
Assistant Vice President	Yu, Kuo-Cheng	—	—	—	—
Assistant Vice President	Wang, Yuh-Dinhn (Note 3)	(393)	—	—	—
Assistant Vice President	Pan, Chien-Chou	11,000	—	—	—
Head of Finance and Accounting	Liao, Ming-Tung	—	—	—	—

Note 1: Director, Lin, Cheng-Fung and Kuo, Tai-Haur were dismissed on May 24, 2022.

Note2: Vice President, Wang, Min-Kun assumed office on July 25, 2022.

Note3: Assistant Vice President, Wang, Yuh-Dinhn, was dismissed on May 31, 2022.

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 26, 2023; 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: Chang, An-Hua	6,578,502	2.91%	—	—	—	—	Wu, Chi-Yung	Spouse	
Bo-Ding Investment Ltd. Representative: Chang, An-Hua	4,597,841	2.03%	—	—	—	—	Wu, Chi-Yung	Spouse	
Wu, Chi-Yung	3,932,905	1.74%	—	—	—	—	Bo-Kang Investment Ltd. Representative: Chang, An-Hua Bo-Ding Investment Ltd. Representative: Chang, An-Hua	Spouse	
Small-cap Capital Stock Fund of Jaketti Emerging Market Managed by HSBC	3,275,000	1.45%	—	—	—	—	None	None	
Su, Shiou-Jen	3,003,286	1.33%	—	—	—	—	None	None	
Government of Singapore	2,678,000	1.18%	—	—	—	—	None	None	
TAIPEIFUBON COMMERCIAL BANK CO., LTD Representative: Chen, Sheng-De	2,309,000	1.02%	—	—	—	—	None	None	
National Culture and Arts Foundation Representative: Lin, Ci-Yang	2,153,000	0.95%	—	—	—	—	None	None	

3.10 Ownership of Shares in Affiliated Enterprises

As of December 31, 2022

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 26, 2023

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	10	217	35,759	174	36,163
Shareholding (shares)	2,313,671	6,323,897	40,999,362	137,330,556	39,200,714	226,168,200
Percentage (%)	1.02%	2.80%	18.13%	60.72%	17.33%	100%

4.1.3 Shareholding Distribution Status

1. Common Shares

As of March 26, 2023

Class of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	8,341	872,240	0.39
1,000 ~ 5,000	23,793	44,516,207	19.68
5,001 ~ 10,000	2,267	17,746,427	7.85
10,001 ~ 15,000	614	7,784,678	3.44
15,001 ~ 20,000	387	7,212,785	3.19
20,001 ~ 30,000	267	6,774,219	2.99
30,001 ~ 40,000	126	4,541,209	2.01
40,001 ~ 50,000	83	3,886,054	1.72
50,001 ~ 100,000	121	8,468,648	3.74
100,001 ~ 200,000	66	8,920,193	3.94
200,001 ~ 400,000	43	12,000,100	5.31
400,001 ~ 600,000	16	8,135,728	3.60
600,001 ~ 800,000	4	2,753,000	1.22
800,001 ~ 1,000,000	4	3,739,045	1.65
1,000,001 or over	31	88,817,667	39.27
Total	36,163	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 26, 2023; 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.	4,597,841	2.03%
Wu, Chi-Yung	3,932,905	1.74%
Small-cap Capital Stock Fund of Jaketti Emerging Market Managed by HSBC	3,275,000	1.45%
Su, Shiou-Jen	3,003,286	1.33%
Government of Singapore	2,678,000	1.18%
TAIPEIFUBON COMMERCIAL BANK CO., LTD	2,309,000	1.02%
National Culture and Arts Foundation	2,153,000	0.95%

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	2021	2022	01/01/2023-03/31/2023
Market Price per Share			
Highest Market Price	151.50	126.50	77.80
Lowest Market Price	70.30	59.50	68.00
Average Market Price	102.94	87.01	73.65
Net Worth per Share			
Before Distribution	25.25	20.98	—
After Distribution	17.12	Note 5	—
Earnings per Share			
Weighted Average Shares (thousand shares)	226,168	226,168	226,168
Earnings Per Share	9.04	4.89	—
Dividends per Share			
Cash Dividends	8.1229	Note 5	—
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends (Note 1)	—	—	—
Return on Investment			
Price / Earnings Ratio (Note 2)	11.39	17.79	—
Price / Dividend Ratio (Note 3)	12.67	Note 5	—
Cash Dividend Yield Rate (Note 4)	7.89%	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 2022 cash dividends of NT\$4.0 per share. It also needs to be approved in 2023 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\$904,672,800 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\$4.0 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:

The company shall, in accordance with the provisions of the articles of association of the company, provide remuneration for employees and directors in proportion to the current period expenses. If there is any difference between the amount as determined by the board of directors or the board of shareholders and the estimated amount, the difference shall be adjusted in the resolution year as to the current period expenses.

3. The Board of Directors has approved the remuneration:

(1) The annual remuneration for employees and directors in 2022 which has been approved by the Board of Directors, shall be NT\$160,429,812 and NT\$19,098,787, 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\$299,874,570 for employees' bonuses in 2021, as well as NT\$35,499,354 for directors' remunerations in 2021, 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	2022
MCUs	81%
Peripheral ICs	19%
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) 24-bit Delta Sigma A/D Flash MCUs
- (2) Advanced Touch Key Flash MCUs with high noise immunity features to meet the dynamic CS 10V requirements
- (3) Proximity Sensing MCUs and 1D/2D digital proximity sensor mini-module
- (4) Continuous monitoring glucose meter MCUs and its solutions
- (5) Special MCUs and Digital Sensor Module Solutions for temperature/humidity measurement.
- (6) Transmitter MCUs and Solutions
- (7) MCUs and solution for EMC interference reduction in half bridge induction cooker.

- (8) MCUs and solutions for NFC communication & power acquisition
- (9) PD Fast charger and identification MCUs and its solutions
- (10) Li-battery management during charge/discharge operations and solar battery management and their solutions
- (11) Power battery charger MCUs and solutions
- (12) BLDC motor MCUs and solutions
- (13) Security and fire protection MCUs and solutions (e.g. CO / GAS detectors, smoke fire alarms, fire residual pressure detectors).
- (14) 8-bit ultra-low power Standard Flash MCUs
- (15) Ultrasonic distance measurement/Ultrasonic parking assist Flash MCUs
- (16) RF Sub-1GHz and OOK+FSK wireless transceiver Flash MCUs and SoC solutions
- (17) Bluetooth (BLE) Beacon transceiver and solutions
- (18) 2.4GHz RF high-speed transmission chip and SoC Flash MCUs solution.
- (19) 32-bit MCUs for Music STREAM application platforms and solutions
- (20) 32-bit MCUs for voice recognition platforms and solutions
- (21) 32-bit MCUs for IoT application platforms and solutions
- (22) 32-bit MCUs for low power consumption Bluetooth(BLE) platforms and solutions
- (23) 32-bit Arm® Cortex®-M0+, M3 and M4 core Flash MCUs

5.1.2 Industry Overview

1. Industry Overview and Development

(1) Global Semiconductor Market

Although the novel coronavirus (COVID-19) pandemic is gradually under control, the issues of the Russo-Ukrainian War, interest rate hikes in many countries, rising geopolitical risks, China's city lockdown, weak domestic demand and exchange rate and other political and economic issues have rapidly increased the inflation pressure, impacting the end consumer market and deepening the worries of global economic recession. The demand for downstream consumer electronics has slowed down, and the inventory of finished products has been moving slowly. The business of the semiconductor supply chain in the second half of 2022 has cooled down significantly.

According to the statistics from the World Semiconductor Trade Statistics (WSTS), the total annual sales value of the global semiconductor market reached US\$580.1 billion in 2022, an increase of only 4.4% compared with 2021 (US\$555.9 billion). It is expected that the overall production value of the semiconductor industry next year will decline from the record high this year. WSTS pointed out that the U.S. semiconductor market has grown by about 17% annually, and is the region with the largest growth momentum in the global semiconductor market, while the Asian market has declined by 2%, becoming the worst performing region in the global semiconductor market.

As the US-China trade conflict heats up, President Biden of the United States officially signed the "United States Chips and Science Act" in August 2022, which set additional provisions to restrict investment in China. The establishment of the Chip 4 Alliance also pressurized the supply chain of the chip industry in China. In October 2022, the United States once again imposed four new export controls on China to prevent China from acquiring high-end chip technology and developing the

semiconductor industry. Due to the increased awareness of national defense and security in developed countries, semiconductor chips have become strategic assets. All countries advocate the localization of chip manufacturing, which will drive the restructuring of the global supply chain. The issue of strengthening the global supply chain remain crucial.

(2) Taiwan Semiconductor Market

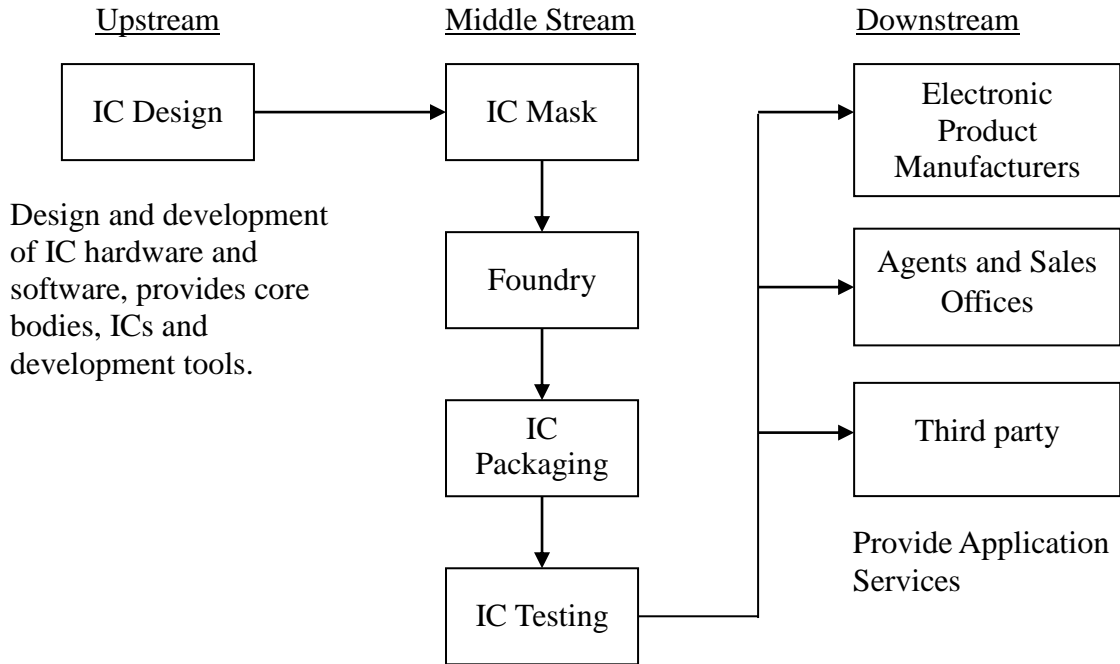
According to the statistics compiled by the Industrial Economics and Knowledge Center of the Industrial Technology Research Institute, the 2022 IC industry production value in Taiwan has reached NT\$4.7204 trillion, an increase of 15.6% compared with 2021. Among them, the output value of the IC design industry was NT\$1.237 trillion, an increase of 1.8% compared with 2021; the IC manufacturing industry was NT\$2.7824 trillion, an increase of 24.8% compared with 2021, of which, the wafer foundry accounted for NT\$2.5563 trillion, an increase of 31.7% compared with 2021; memory and other manufacturing accounted for NT\$226.1 billion, a 21.5% decline compared with 2021; IC packaging industry accounted for NT\$479.5 billion, an increase of 10.1% compared with 2021; IC testing industry accounted for NT\$221.5 billion, an increase of 9.1% over 2021. Taiwan's semiconductor industry was still outperforming the global market in 2022. However, due to factors such as demand reversal, inflation, war, etc., the demand for end consumer product has declined rapidly, further impacting the revenue growth of the IC design, IC packaging and testing, and memory industries in the second half of 2022. The semiconductor industry has entered the phase of inventory adjustment. Looking forward to 2023, due to the fact that external environmental factors have not yet been cleared, the buying momentum in the consumer market has continued to be sluggish, and the purchasing power remains weak, the inventory of the supply chain partners is still too high. The trends of slow-moving inventory and overcapacity of memory will continue to the first half of 2023, further affecting the performance of Taiwan's semiconductor industry in 2023.

(3) China's Semiconductor Market

According to the statistics compiled by the China Semiconductor Industry Association, the sales of China's IC design industry in 2022 was RMB 534.57 billion, mainly due to the strong support of China's huge market. According to the latest report released by the IC Design Branch of China Semiconductor Industry Association, there are 3,243 IC design companies in China, which is an increase of 15.4% (433 more than last year). Shaojun Wei, chairman of the China Semiconductor Industry Association, said that although the growth rate of the number of IC design companies in China declined for the first time in recent years in 2022, the industry is still in a phase of rapid growth, as it showed an increase of 16.5% over the 2021 sales of RMB 458.69 billion. Despite the impact of U.S. chip control measures, China is vigorously supporting the development of its own chip industry, and is expected to roll out one of its largest financial incentive programs in the next five years, mainly in the form of subsidies and tax credits, to promote local semiconductor production and research activities to achieve self-sufficiency of chips.

2. Industry Upstream, Middle Stream and Downstream Relations

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, BLDC motor control and financial products.

Main Product	Application Area
MCUs	<ol style="list-style-type: none"> 1. Arm® Cortex®-M core series 32-bit Flash MCUs. 2. HT8 core series 8-bit Flash MCUs. 3. BA series security product MCUs. 4. BC series RF MCUs. 5. BD series BLDC motor control MCUs. 6. BH series health measurement MCUs. 7. BP series power management MCUs. 8. BS series touch MCUs and proximity sensor MCUs .
RF SoC MCU products	<ol style="list-style-type: none"> 1. Vehicle alarms, bicycle anti-theft, smart home wireless remote control, smart doorbell chimes and security. 2. Low-power Bluetooth (BLE) for health measurement products, home appliances and smart device information enquiry applications. 3. IoT products and applications such as Sub-1GHz, 2.4GHz wireless communication products and smart meters. 4. Sub-1GHz motorcycle and automobile TPMS product applications.
Home Appliance products	Wide range of small household appliance microcontrollers, home appliance panel display control MCUs and various home appliances touch key MCUs.

Main Product	Application Area
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.
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.

4. Competitive Situation

Due to the low barriers to entry for establishing a company in China, and the Chinese government's release of the "National Integrated Circuit Industry Development Promotion Outline" and the "Outline of the 14th Five-Year Plan", which has shown strong support of the leapfrog development of China's IC industry, China's small or Innovative design companies are able to receive support, which increase the pressure of industry competition faced by Taiwan's IC design companies. Due to the decline in the end consumer market demand, IC design companies in China are also facing issues such as order cuts and sluggish inventory. IC Insights has pointed out that the global semiconductor demand will experience a cyclical decline in 2023, and the total annual sales will decrease by 5%. In order to reduce the impact on business brought by the future consumer market, Chinese MCU companies realize that improving chip performance is the only way to an important quality market. In order to satisfy the design requirements of high-performance computing applications, smart upgrades of various electronic products, and expansion requirements of IoT devices, 32-bit MCUs meeting the requirements of high-performance and low-power consumption will expand to various application fields more quickly. The Company aims to provide customers with more functional and complete solutions. In addition to the continuous development of various products, we consolidate the upstream and downstream resources based on our advantages in the vertical division of labor in the semiconductor

industry. With our specialized integrated circuit design, wafer manufacturing and packaging testing, we can provide customers with all-round services and greatly improve their performance in the industry. In this increasingly challenging information age, we will continue to take a steady pace in our journey of growth.

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
Research and Development Expense	1,136,791
Operating Income	6,015,968
R&D expense as a percentage of operating income	19%

2. Development of Successful Technologies or Products

Each year the Company invests 15% to 20% of its annual turnover in new products and new technologies. Relying on the continuous release of new products has created stable growth and profit increases.

During 2022, the main research and development achievements were based on MCUs, which when added to its peripheral ICs series of devices, can provide a comprehensive set of solutions and services. A summary of the different applications can be summarised as follows:

(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 (TinyPower™ MCU): 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. Completed the development of the dedicated MCU for servo motors (or steering gear). In terms of the control mode, they can be divided into PWM steering gear and UART steering gear. The development of the parameter adjustment platform has been completed, and users can use this platform to easily achieve steering gear product development. The communication protocol for the UART steering gear in robots has also been developed and has been evaluated by major smart robot manufacturers.
- G. 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.
- H. 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.
- I. 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.

The various series of MCUs shown above at the minimum all meet industrial grade specifications (wide temperature operating range of -40°C to +85°C), and the anti-noise performance is at the same level as the product of leading manufacturers in Europe, America and Japan. The product quality has been recognized by a wide range of customers.

(2) Arm® Cortex® M Series 32-bit MCUs:

- A. Arm® Cortex®- M0+ core 2.5V~5.5V Flash MCU.
- B. Arm® Cortex®- M3 core 72/ 96 MHz Flash MCU.
- C. Arm® Cortex®- M0+ core 60 MHz Flash MCU
- D. Arm® Cortex®-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® Cortex®-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. Ultrasonic atomiser Flash MCUs: Integrated automatic frequency tracking, water empty power-on, water shortage detection, etc. Can be used with a range of different atomising frequencies, such as 100KHz, 1.7MHz, 2.4MHz, 3MHz, etc. Complete support for atomisers, effectively reducing customer costs.
- D. 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.
- E. 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 μ 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.
- F. 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.
 - F. Support up to 5Mbit CAN 2.0 and CAN FD controller peripheral IC. It can be applied to general automotive and industrial products.

5.1.4 Long-term and Short-term Development

1. Short term development plans

(1) Marketing and Operating Strategy

With over 30 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 105°C 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 2022, HOLTEK shipped out about 29 million units of 32-bit MCU, with a year-over-year decrease 31%, 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/I²C/I²S 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	2021		2022	
	Sales	Percentage (%)	Sales	Percentage (%)
Taiwan	771,966	11	739,501	12
China/HK	5,593,338	78	4,044,393	67
Overseas	762,446	11	1,232,074	21
Total	7,127,750	100	6,015,968	100

2. Market Share

The Company is mainly focused in the area of MCU and peripheral IC development. These devices are deeply embedded in huge numbers of products within a wide range of application fields. These applications not only include Consumer, Communication, Computers, Cars (4C) areas, but also include non-volatile memory ICs, display driver ICs, power management ICs, analog ICs, ASSP/ASIC MCUs, etc. Each product has a strong marketing position within highly competitive international markets.

According to IC Insights forecast, MCU revenues reached US\$21.5 billion in 2022. The Company's total MCU revenues were NT\$4.842billion (US\$158million) in 2022, (exchange rate of NT\$30.62 per U.S. Dollar) which accounted for about 0.73% of the MCU market. In addition, in 2022, the total MCU shipments of the Company were 632million dice, decreasing by 28% when compared to 2021. It is estimated that in 2023, with the expansion of the application range and the strong terminal momentum, this will push up the demand for MCUs and it will continue to increase the existing market share.

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

(1) Supply and Demand Situation

Microcontrollers (MCUs) provides high performance and cost-effective embedded solutions for the smart, secure and booming IoT market due to their ease of use character, real-time operation and low power consumption. As the overall semiconductor market heats up in the first half of 2022 due to the novel coronavirus (COVID-19) factor, the home economy market such as personal computers, e-sports related and small home appliances, as well as ear/ forehead thermometers and blood oximeters due to the outbreak of demand for epidemic prevention. However, the issues of the Russo-Ukrainian War, interest rate hikes in many countries, rising geopolitical risks, China's city lockdown, weak domestic demand and exchange rate and other

political and economic issues have rapidly increased the inflation pressure, impacting the end consumer market and deepening the worries of global economic recession.

In 2023, the Company will continue to digest inventory, while continuing to develop key products, reduce internal expenses, and strengthen its efforts to develop overseas markets and provide comprehensive services to global customers.

(2) Future Growth

According to the research conducted by the IC Insights, the global MCU market sales will grow by 10% in 2022, and the market size is expected to reach US\$21.5 billion, hitting a record high. Sales of 32-bit MCUs are expected to grow at a compound annual growth rate of 9.4% over the next five years, reaching US\$28.5 billion by 2026.

In response to the various needs of the Internet of Things, we integrate MCUs, RF and sensors, with NFC (near-field communication), Bluetooth Low Energy (BLE) and wireless communication modules such as Sub-1GHz. We also incorporate the use of AI into the future IoT. MCU manufacturers around the world will need more advanced technology to meet the market challenges and diverse needs of the AIoT era.

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) Strong R&D Ability and Development of Leading Products:

The Company actively recruits highly skilled employees and provides accumulated experience through education and training. These exceptional human resources and team spirit developed through long-term cooperation are the key factors that have enabled the Company to cultivate a superior Company culture to guarantee long-term prosperity and deliver continuous innovation.

(2) Update the Auxiliary Design and Test Equipment:

The Company provides precision instruments and equipment to improve employee work efficiency and to ensure product stability and reliability. Depending upon the interaction between customers and the markets, the development of high-tech applications will remain in line with niche markets.

(3) Complete Global Marketing Network:

The Company has many global agents and distributors, such as in Taiwan, Hong Kong, Shenzhen, Dongguan, Xiamen, Shanghai, Suzhou, Hangzhou, Chengdu, Beijing, Qingdao, the United States and Northeast Asia, southeast Asia, South America, Europe, Middle East, etc., to rapidly collect market information and to grasp opportunities in these leading market. These complete sales networks ensure that the provision of fast sales, quick after-sales services and technical support is possible.

(4) Strong Upstream Foundry Relationship:

The Company works closely with upstream foundry vendors, packaging and testing companies. These suppliers have been able to ensure supply security, high quality and

low cost procurement, so as to improve the long-term competitiveness of the Company.

(5) Excellent Management Systems:

The Company has obtained ISO9001 certification for its Quality Management System and ISO14001 for its Environmental Management System. All internal operating system processes are in accordance with standardized and specified management. Stable product qualities are appreciated by all customers.

5. Favorable and unfavorable factors of further development and the response to each issue

(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. Leading and complete product series

- (a) With the increasingly abundant IPs and improved design ability, ASSP/ASIC MCUs have highly integrated functions according to customers' demands. These total solutions for reference designs provided by the Company are able to increase the IC functions and competitiveness of customers' products which creates barriers to competitors entering the market.
- (b) Diversified products effectively reduce market risks.
- (c) The growth target of the Company is relatively spatial and flexible.

B. Establishment of global marketing network

- (a) To effectively establish global distributors to provide timely and localised product technical services and respond to market demands immediately; localised services include providing development tools, FAE, safety verification, software services, etc.
- (b) Long-term established distribution systems have spread all over the world which is conducive to full product range promotion and the expansion of revenues. These products have been certified and adopted by the United States/Europe/Japan/South Korea and other international companies, etc.
- (c) To pay full and continuous attention to the development and care of customers so as to pave a stable and sound path to the market.
- (d) The combination of production and marketing develops long-term mutual benefits to support customer relationships.
- (e) Alliance with upstream and downstream companies to enhance dependence to strengthen industrial competitiveness.
- (f) A computerised support system enables an estimate of sales demand, pre-scheduling productivity, inventory and outsourced processing to be fully implemented to the coordination of productivity and sales. The effective in-time product control to achieve cost minimisation, output maximisation and service optimisation.

C. Product development capability

- (a) Accumulated long-term experience of excellent R&D technology skills.
- (b) Experienced and well-qualified R&D teams.
- (c) Introducing new technologies through strategic cooperation and industry-academic cooperation to accelerate product and technology upgrading.
- (d) Developing diversified products to reduce the impact of industrial volatility.

D. Overall environmental support

- (a) Concentration of industrial support enhances business efficiency.
- (b) Industrial specialisation enhances cooperation and dependence.
- (c) High industrial integration and strong competitiveness enhances product advantages.

(2) Unfavorable Factors:

- A. Products which are too similar to each other, results in strong competition and reduced profits. The Company shall improve the technical level and product quality to avoid conflicts and develop a series of products and ASSP MCUs to meet various customer niches, so as to obtain unique advantages.
- B. The lowering of European and American competitors product prices. The Company shall provide cost-effective products with more rapid services and complete total solutions to obtain recognition and adoption by customers.
- C. The ecosystem cycle is shortened and the development cost is increased. The Company shall improve the development environment and collect market information quickly and accurately to achieve opportunities in advance.
- D. Facing strong competition from integrated device manufactures. The Company will make strategic alliances with wafer foundries, packaging and testing companies to preserve its necessary competitiveness.
- E. With the increasing importance attached to intellectual property right protection, the room for the survival of IC design companies is also shrinking. The Company shall continuously increase the strength of its intellectual property rights and strive to improve the dominance of its products.
- F. Faced with the vigorous development of the IC design companies in China and the deliberate neglect of intellectual property rights, IC design companies in Taiwan have experienced such threats and have been affected by this. Therefore, the Company shall not only focus more on the development of products to consolidate the market through product transformation, diversification and improvements to obtain higher quality, but also to protect its rights in law through efficient legal procedures.
- G. The lack of IC design skills and long duration required for staff training, coupled with the rapid turnover of launched products. The Company shall work closely with tertiary institutions to recruit highly skilled talents and regularly hold training schemes for new R&D employees, to provide a good working environment and promotion channels to maintain a low employee turnover rate.
- H. Lack of sufficient confidence in the adoption of Taiwan brands. The Company shall choose suitable customers for long-term cooperation to reach the stage of mass production, so as to enhance its popularity in MCU markets. In addition, according to insufficient parts of the product matrix, the short-term solution is to actively seek

vendors with complementary products to implement strategic alliances jointly promoting the market. Moreover, in the long term, by means of new technology introduction, its approach will be to increase the integrity of its product scope and breadth.

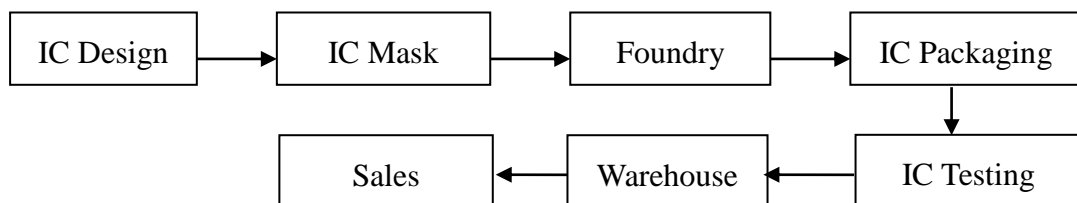
5.2.2 Purposes of the Major Products and the Production Process

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.
Memory	Used in computers, communications, consumer electronics, education and entertainment products and smart 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	2021				2022			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	1,304,969	36	None	A	1,585,248	41	None
2	B	768,308	21	None	B	538,567	14	None
3	C	437,112	12	None	C	505,755	13	None
4	D	301,259	8	None	D	342,473	9	None
	Others	790,024	23	None	Others	895,988	23	None
	Net Total Supplies	3,601,672	100		Net Total Supplies	3,868,031	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.

2. Major Clients in the Last Two Calendar Years

Unit: Value in NT\$ thousands

Item	2021				2022			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	SIGNAL	1,229,732	17	(Note 2)	SIGNAL	1,156,587	19	(Note 2)
	Others	5,898,018	83		Others	4,859,381	81	
	Net Sales	7,127,750	100		Net Sales	6,015,968	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.

5.2.5 Production in the Last Two Years

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

Output	Year	2021			2022		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
MCU ICs		--	942,180	2,934,996	--	665,284	2,585,838
Peripheral ICs		--	485,704	669,361	--	238,428	487,786
Others		--	929	7,195	--	429	6,088
Total		--	1,428,813	3,611,552	--	904,141	3,079,712

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	2021				2022			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products									
MCU ICs		63,306	564,264	813,424	5,072,325	56,149	567,101	575,698	4,275,880
Peripheral ICs		43,173	192,622	407,846	1,233,993	27,239	157,448	191,989	970,805

Sales Major Products	Year	2021				2022			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Others		35	15,080	870	49,466	55	14,952	432	29,782
Total		106,514	771,966	1,222,140	6,355,784	83,443	739,501	768,119	5,276,467

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:

Year		2021	2022	January 1, 2023 to March 31, 2023
Number of employees	R&D	674	704	697
	Management	159	158	155
	Manufacturing	47	40	39
	Total	880	902	891
Average age		36.12	36.04	36.27
Average years of service (Year)		7.60	8.25	8.46
Education	PhD	0.4%	0.4%	0.4%
	Master	28.9%	28.0%	28.2%
	Bachelor	64.9%	66.6%	66.6%
	High School	5.8%	5.0%	4.8%

5.4 Information on the expenditures for environmental protection

In the most recent two years and up to the publication date of 2022 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, 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) Pre-service training courses - orientation training programs :

- A. Courses to promote company culture: The Company has held orientation training programs which enable new employees to become familiar with the Company's organisational structure, internal personnel regulations, quality policies, work safety, labor health, personnel and environmental training, etc.
- 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: Professional lecturers are occasionally invited to present professional training courses. These include technical training, management training, quality training, industry safety environment protection training, intellectual property right (IP) training and computer training courses etc. These are set up by a training committee and are based on the professional requirements of each department.
- C. Online learning courses: The Company has not only established educational and training platforms which have integrated a range of course information, training systems and data queries but have also developed e-learning and knowledge management systems as well as establishing an online teaching satisfaction survey mechanism.
- 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 2021:

	Total number of training hours	Total number of people trained
Management Training	1,986	1,647
Professional Training	1,861	655

Orientation Training	624	39
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(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:

The Company obtained the International OHSAS 18001 Occupational Health and Safety Management System Certification in 2006 and completed the ISO 45001: 2018 Transition Certification in 2019 (Valid until 2024/11/26). The Management System is in Hsinchu HQ.

In order to implement occupational safety and health management, we have established a safety and health policy, and regularly convene the Occupational Safety and Health Management Review Committee with senior management and the Occupational Safety and Health Committee (OSHC) on a quarterly basis to review and track the implementation and continuous improvement activities to create an excellent working environment and to protect the physical and mental health and safety of our employees.

(1) Employee Training on Environmental Safety and Health

The Environmental, Safety and Health Education and Training Programme and the Labour Health Service Programme are implemented annually with the approval of the Safety and Health Committee, covering general safety and health, chemical hazard awareness, professional licensing, health talks and employee health education, etc. More than 1,200 participants attended the training programme in 2022, with a total of 1,381.50 hours..

(2) Health management

In accordance with the Occupational Safety and Health Act, we promote the "Labour Health Service Plan", "Human Factors Hazard Prevention Plan", "Maternal Health Protection Plan" and "Abnormal Workload Disease Prevention Plan". Health management: The company has professional nursing staff to provide health management and services (such as: health education for new recruits with physical examinations, weekly health information, etc.), and regularly invite professional medical practitioners to the company to conduct health assessments and provide health lectures. It also entrusts medical institutions to conduct various physical health examinations, focusing on the physical and mental health of employees.

(3) Occupational accidents

In 2022, there were no occupational accidents in the workplace (including employees and contractors) and no occupational diseases diagnosed by occupational medicine specialists. In response to the sporadic traffic accidents involving employees, a review was conducted based on the causes of the accidents, and all employees' safety awareness was enhanced, for example, through the promotion of the "Points to Note on Traffic Safety Inside and Outside the Company" and the "Safety Rules for Driving in Rainy Weather".

(4) Environmental Safety and Health 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. An external company is commissioned to maintain and repair the fire prevention equipment (e.g., fire alarms and fire extinguishers). The company also utilizes designated personnel to ensure records are kept after regular inspections.
- C. In order to maintain the hygienic quality of the company's drinking water for the benefit of employee's health, the drinking fountain water is sampled and tested on a quarterly basis. The water dispenser company also conducts regular maintenance on the drinking fountains.
- D. The company regularly implements office cleaning and disinfection and provides 75% alcohol disinfectant liquid in the toilet areas to ensure hygiene, safety and comfort in the working environment.
- E. In response to the health crisis resulting from the COVID-19 epidemic, HOLTEK as established the "Epidemic Prevention Command Group" performing roll

adjustment to its epidemic prevention measures at any time according to epidemic development to protect the health of its employees, to fulfill various epidemic prevention policies, and to implement the following epidemic prevention action plans.

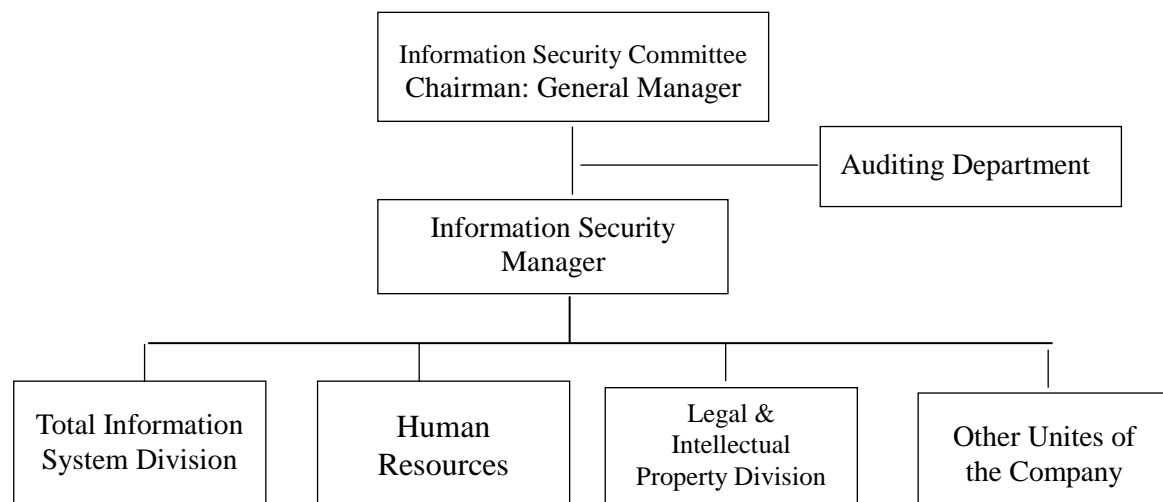
5.5.2 List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect: No significant impact.

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, 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. The Information Security Committee holds annual meetings, and the president reports the effectiveness of information security implementation to the board of directors 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	Dispatch updates and monitor update status	Reinforce endpoint security
Application/Authentication	Passwords to Apps may have been leaked or cracked	Adopt multi-factor authentication	Reduce the possibility of the system being logged in by others
Internet/Certification	Passwords to the domain may have been leaked or cracked	Adopt multi-factor authentication	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	Confidential information can only

		which restricts specific users to access confidential information only when they are in the company	be accessed when inside the Company
Data/Loss	Data loss due to failure of storage devices	Local and off-site backup	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	Reinforce internal staff education and training	Improve information security awareness to make employees become the best line of defense
Personnel/Information personnel	Unable to grasp the latest information security technology	Participate in information security conferences and external education and training sessions	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. Dedicated personnel are assigned to participate in the SSCP information security professional certification courses every year. A total of 41 person-times attended a total of 320 course hours in 2022.

(3) Information security audit practices

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. Accountants conduct regular audits on information operations, and request for improvement if any deficiencies are found, and then follow up on the improvement results.

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)					
	2018	2019	2020	2021	2022	
Current assets	4,322,111	3,984,290	4,478,921	6,438,279	5,208,350	
Property, plant and equipment	398,515	358,515	343,343	343,793	326,243	
Right-of-use Assets	—	92,073	100,047	108,902	83,802	
Intangible assets	35,153	66,751	62,501	39,211	23,498	
Other assets	799,721	872,039	1,202,512	1,613,648	1,176,103	
Total assets	5,555,500	5,373,668	6,187,324	8,543,833	6,819,996	
Current liabilities	Before distribution	1,079,483	932,568	1,248,920	2,239,032	1,509,818
	After distribution	2,142,474	1,848,549	2,280,247	4,076,173	(Note 2)
Non-current liabilities	251,918	361,677	456,001	594,553	565,537	
Total liabilities	Before distribution	1,331,401	1,294,245	1,704,921	2,833,585	2,075,355
	After distribution	2,394,392	2,210,226	2,736,248	4,670,726	(Note 2)
Equity attributable to stockholders of the parent	4,199,170	4,052,665	4,441,796	5,656,852	4,678,997	
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	1,832,565	1,680,336	1,785,003	2,794,950	2,072,434
	After distribution	769,574	764,355	753,676	957,809	(Note 2)
Other equity	(37,386)	(31,662)	252,802	457,911	202,572	
Treasury shares	—	—	—	—	—	
Non-controlling interests	24,929	26,758	40,607	53,396	65,644	
Total equity	Before distribution	4,224,099	4,079,423	4,482,403	5,710,248	4,744,641
	After distribution	3,161,108	3,163,442	3,451,076	3,873,107	(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)				
	2018	2019	2020	2021	2022
Revenues	4,862,807	4,584,105	5,614,539	7,127,750	6,015,968
Gross profits	2,406,974	2,235,715	2,626,935	3,815,846	3,086,195
Operating income	1,110,730	986,738	1,124,132	1,774,341	1,231,897
Non-operating income and expenses	134,859	81,078	137,276	816,808	159,063
Income before income tax	1,245,589	1,067,816	1,261,408	2,591,149	1,390,960
Net income from operations of continued segments	1,070,366	922,313	1,048,117	2,069,002	1,132,307
Net income from operations of discontinued segments	—	—	—	—	—
Net income (Loss)	1,070,366	922,313	1,048,117	2,069,002	1,132,307
Other comprehensive income (income after tax)	(76,197)	1,233	274,378	202,440	(246,624)
Total comprehensive income	994,169	923,546	1,322,495	2,271,442	885,683
Net income attributable to shareholders of the parent	1,063,990	914,902	1,031,063	2,044,064	1,106,374
Net income attributable to non-controlling interests	6,376	7,411	17,054	24,938	25,933
Total comprehensive income attributable to shareholders of the parent	987,931	916,486	1,305,112	2,246,383	859,286
Total comprehensive income attributable to non-controlling interests	6,238	7,060	17,383	25,059	26,397
Earnings per share (NT\$)	4.70	4.05	4.56	9.04	4.89

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)				
		2018	2019	2020	2021	2022
Current assets		3,546,143	3,077,656	3,279,472	4,837,370	3,238,720
Property, plant and equipment		151,248	135,756	126,132	136,830	127,558
Right-of-use Assets		—	78,084	84,442	94,399	79,295
Intangible assets		34,376	66,727	61,701	38,630	22,384
Other assets		1,715,068	1,858,693	2,464,593	3,147,626	3,158,604
Total assets		5,446,835	5,216,916	6,016,340	8,254,855	6,626,561
Current liabilities	Before distribution	1,002,792	813,085	1,133,068	2,015,984	1,397,529
	After distribution	2,065,783	1,729,066	2,164,395	3,853,125	(Note 2)
Non-current liabilities		244,873	351,166	441,476	582,019	550,035
Total liabilities	Before distribution	1,247,665	1,164,251	1,574,544	2,598,003	1,947,564
	After distribution	2,310,656	2,080,232	2,605,871	4,435,144	(Note 2)
Equity attributable to stockholders of the parent		4,199,170	4,052,665	4,441,796	5,656,852	4,678,997
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	1,832,565	1,680,336	1,785,003	2,794,950	2,072,434
	After distribution	769,574	764,355	753,676	957,809	(Note 2)
Other equity		(37,386)	(31,662)	252,802	457,911	202,572
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	4,199,170	4,052,665	4,41,796	5,656,852	4,678,997
	After distribution	3,136,179	3,136,684	3,410,469	3,819,711	(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)				
	2018	2019	2020	2021	2022
Revenues	4,358,758	4,052,932	4,606,133	6,631,977	4,891,641
Gross profits	2,084,309	1,851,161	1,983,698	3,457,625	2,129,674
Operating income	1,051,333	852,499	809,885	1,413,402	1,121,239
Non-operating income and expenses	181,577	194,313	384,350	1,109,761	227,135
Income before income tax	1,232,910	1,046,812	1,194,235	2,523,163	1,348,374
Net income from operations of continued segments	1,063,990	914,902	1,031,063	2,044,064	1,106,374
Net income from operations of discontinued segments	—	—	—	—	—
Net income (Loss)	1,063,990	914,902	1,031,063	2,044,064	1,106,374
Other comprehensive income (income after tax)	(76,059)	1,584	274,049	202,319	(247,088)
Total comprehensive income	987,931	916,486	1,305,112	2,246,383	859,286
Net income attributable to shareholders of the parent	1,063,990	914,902	1,031,063	2,044,064	1,106,374
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to shareholders of the parent	987,931	916,486	1,305,112	2,246,383	859,286
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (NT\$)	4.70	4.05	4.56	9.04	4.89

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
2018	Tseng, Mei-Yu, Yu, Wan-Yuan	KPMG	Unqualified 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

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)				
			2018	2019	2020	2021	2022
Capital Structure Analysis (%)	Debt ratio	24	24	28	33	30	
	Long-term fund to property, plant and equipment ratio	1,060	905	1,011	1,261	1,151	
Solvency Analysis (%)	Current ratio	400	427	359	288	345	
	Quick ratio	339	353	311	248	222	
	Times interest earned (times)	—	775	938	1,766	674	
Operating Performance Analysis	Accounts collection turnover (times)	5.66	5.60	6.11	7.34	6.65	
	Average collection days	64	65	60	50	55	
	Average inventory turnover (times)	3.93	3.51	4.74	4.61	2.19	
	Average payment turnover (times)	4.04	4.28	5.16	4.21	3.75	
	Average days in sales	93	104	77	79	167	
	Property, plant and equipment turnover (times)	11.96	10.8	12.56	15.91	13.91	
	Total assets turnover (times)	0.88	0.85	0.91	0.83	0.78	
Profitability Analysis	Return on total assets (%)	19	17	18	28	15	
	Return on equity attributable to owners of the parent (%)	26	22	24	40	22	
	Pre-tax income to paid-in capital (%)	55	47	56	115	62	
	Net profit margin (%)	22	20	18	29	19	
	Earnings per share (NT\$)	4.70	4.05	4.56	9.04	4.89	
Cash Flow	Cash flow ratio (%)	114	96	90	121	35	
	Cash flow adequacy ratio (%)	104	94	102	124	88	
	Cash reinvestment ratio (%)	6	(3)	4	25	(22)	
Leverage	Operating leverage	1.85	1.91	2.03	1.92	2.02	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

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

1. Increase in Current ratio: Mainly from the decrease of current liabilities in 2022.
2. Decrease of Times interest earned: Mainly from the decrease of profit before tax in 2022.
3. Decrease of Average inventory turnover: Mainly from the increase of inventory in 2022.
4. Increase in Average days in sales: Mainly from the increase of inventory in 2022.
5. Decrease of Profitability: Mainly from the decrease in operating income and net income after tax.
6. Decrease of cash flow: Owing to decrease of cash inflow from operating activities.

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)				
		2018	2019	2020	2021	2022
Capital structure analysis (%)	Debt ratio	23	22	26	31	29
	Long-term fund to property, plant and equipment ratio	2,776	1,895	2,109	2,446	2,262
Liquidity Analysis (%)	Current ratio	354	379	289	240	232
	Quick ratio	300	321	255	216	136
	Times interest earned (times)	—	891	1,063	2,076	705
Operating performance analysis	Accounts collection turnover (times)	5.68	5.11	5.13	6.62	5.35
	Average collection days	64	71	71	55	68
	Average inventory turnover (times)	4.46	4.42	6.14	7.35	3.06
	Average payment turnover (times)	4.02	4.44	4.93	4.32	3.79
	Average days in sales	82	83	59	50	119
	Property, plant and equipment turnover (times)	27.56	22.20	21.71	30.02	22.33
	Total assets turnover (times)	0.80	0.78	0.77	0.80	0.66
Profitability	Return on total assets (%)	20	17	18	29	15
	Return on equity attributable to owners of the parent (%)	26	22	24	40	21
	Pre-tax income to paid-in capital (%)	55	46	53	112	60
	Net profit margin (%)	24	23	22	31	23
	Earnings per share (NT\$)	4.70	4.05	4.56	9.04	4.89
Cash flow	Cash flow ratio (%)	116	85	80	124	33
	Cash flow adequacy ratio (%)	97	97	90	118	83
	Cash reinvestment ratio (%)	5	(8)	(0)	22	(25)
Leverage	Operating leverage	1.72	1.84	2.08	2.20	1.57
	Financial leverage	1.00	1.00	1.00	1.00	1.00

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

1. Decrease in Quick ratio: Mainly from the decrease of current assets in 2022.
2. Decrease of Times interest earned: Mainly from the decrease of profit before tax in 2022.
3. Increase in Average collection days: Mainly from the decrease of net sales in 2022.
4. Decrease of Average inventory turnover: Mainly from the increase of inventory in 2022.
5. Increase in Average days in sales: Mainly from the increase of inventory in 2022.
6. Decrease in Property, plant and equipment turnover: Mainly from the decrease of net sales in 2022.
7. Decrease of Profitability: Mainly from the decrease in operating income and net income after tax.
8. Decrease of cash flow: Owing to decrease of cash inflow from operating activities.
9. Decrease in Operating leverage: Mainly due to decrease of revenues in 2022.

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 2022 Business Report, financial statements and proposal for distribution of profits. The 2022 financial statements were audited by independent auditors, Lu, Chien-Hui and Cheng, An-Chih of KPMG and issued an Independent Audit Report. The 2022 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. 2023 Annual Shareholders' Meeting

Holtek Semiconductor Inc.

Chairman of the Audit Committee: Lu, Cheng-Yueh

March 08, 2023

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

Please refer to Page 136~206.

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

Please refer to Page 207~268.

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	2021	2022	Difference	
			Amount	%
Current Assets	6,438,279	5,208,350	(1,229,929)	(19)
Property, Plant and Equipment	343,793	326,243	(17,550)	(5)
Right-of-use Assets	108,902	85,802	(23,100)	(21)
Other Assets	1,652,859	1,199,601	(453,258)	(27)
Total Assets	8,543,833	6,819,996	(1,723,837)	(20)
Current Liabilities	2,239,032	1,509,818	(729,214)	(33)
Non-current Liabilities	594,553	565,537	(29,016)	(5)
Total Liabilities	2,833,585	2,075,355	(758,230)	(27)
Ordinary share capital	2,261,682	2,261,682	0	0
Capital surplus	142,309	142,309	0	0
Retained Earnings	2,794,950	2,072,434	(722,516)	(26)
Total Equity	5,710,248	4,744,641	(965,607)	(17)
<p>Analysis of changes in financial ratios:</p> <p>(1) Decrease of right-of-use assets was mainly due to the de-accounting of the subsidiary's plant lease due.</p> <p>(2) The decrease of other assets was due to the decrease of unrealised gains from investments in equity instruments measured at fair value through other comprehensive income</p> <p>(3) Current liabilities decrease due to decrease of tax liabilities.</p> <p>(4) Retained earnings decrease was mainly from decrease of net profit in 2022.</p>				

7.2 Analysis of Operating Results

Unit: NT\$ thousands

Item	Year		Difference	
	2021	2022	Amount	%
Net operating revenue	7,127,750	6,015,968	(1,111,782)	(15.60)
Operating costs	3,311,904	2,929,773	(382,131)	(11.54)
Gross profit	3,815,846	3,086,195	(729,651)	(19.12)
Unrealized profit (loss) from sales	174,147	41,826	(132,321)	(75.98)
Realized gross profit	3,641,699	3,044,369	(597,330)	(16.40)
Operating expenses	1,867,358	1,812,472	(54,886)	(2.94)
Net operating income	1,774,341	1,231,897	(542,444)	(30.57)
Non-operating income and expenses	816,808	159,063	(657,745)	(80.53)
Income before income tax	2,591,149	1,390,960	(1,200,189)	(46.32)
Income tax expenses	522,147	258,653	(263,494)	(50.46)
Net income	2,069,002	1,132,307	(936,695)	(45.27)
Other comprehensive income (net of income tax)	202,440	(246,624)	(449,064)	(221.83)
Total comprehensive income	2,271,442	885,683	(1,385,759)	(61.01)
Total comprehensive income profit (loss) attributable to shareholders of the company	2,044,064	1,106,374	(937,690)	(45.87)
Total comprehensive income profit (loss) attributable to non-controlling interests	24,938	25,933	995	3.99
Total comprehensive income (loss) attributable to shareholders of the company	2,246,383	859,286	(1,387,097)	(61.75)
Total comprehensive income (loss) attributable to non-controlling interests	25,059	26,397	1,338	5.34

Analysis of changes in financial ratios:

- (1) Decrease of unrealized profit (loss) from sales among affiliated companies: Decrease in the unrealized profit (loss) from sales among affiliated companies illustrated that products has been delivered to the re-invested companies, but products was on the way to the end customers.
- (2) Decrease of non-operating income and interest: Decrease of other gains.
- (3) Decrease of tax expense: Decrease of profit before tax.
- (4) Decrease of other comprehensive income: Increase of the unrealised losses on equity instruments 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
1,199,759	530,412	(796,193)	933,978	—	—

Analysis of change in cash flow in 2022:

- (1) Operating activities: The Company continues to make profits which result in net cash inflows from operating activities.
- (2) Investing activities: The decrease of three-months term deposit which results in the net cash inflows from investing activities.
- (3) Financing activities: Paying cash dividends to shareholders which results in net cash outflows 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
933,978	700,000	(900,000)	733,978	—	—

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) Financing activities: This refers mainly to the increase of expected cash dividend distributed from unappropriated retained earnings, resulting in the net cash outflow of 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 income recognized by the equity method in 2022 is NT\$26,294 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 impact of interest rate fluctuation does not currently have a significant impact on the Company's profits and business operations. 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: 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. The Company did not engage in high-risk, high-leveraged investments, lending funds to other parties, Endorsements/Guarantees in the previous year. If required, financial derivatives transactions are mainly done to avoid the risk of exchange rate fluctuations of foreign currency deposits, foreign currency receivables and accounts payable. Therefore, the Company executes proper hedging strategies and other capital markets financing instruments to ensure that their financing costs are at a comparatively low level.
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). The case is currently in progress by relevant procedures. The Company has assessed that this case has no material impact on the operations of the Company and its subsidiary, Holtek Semiconductor USA Inc.

7.6.13 Other Major Risks

None

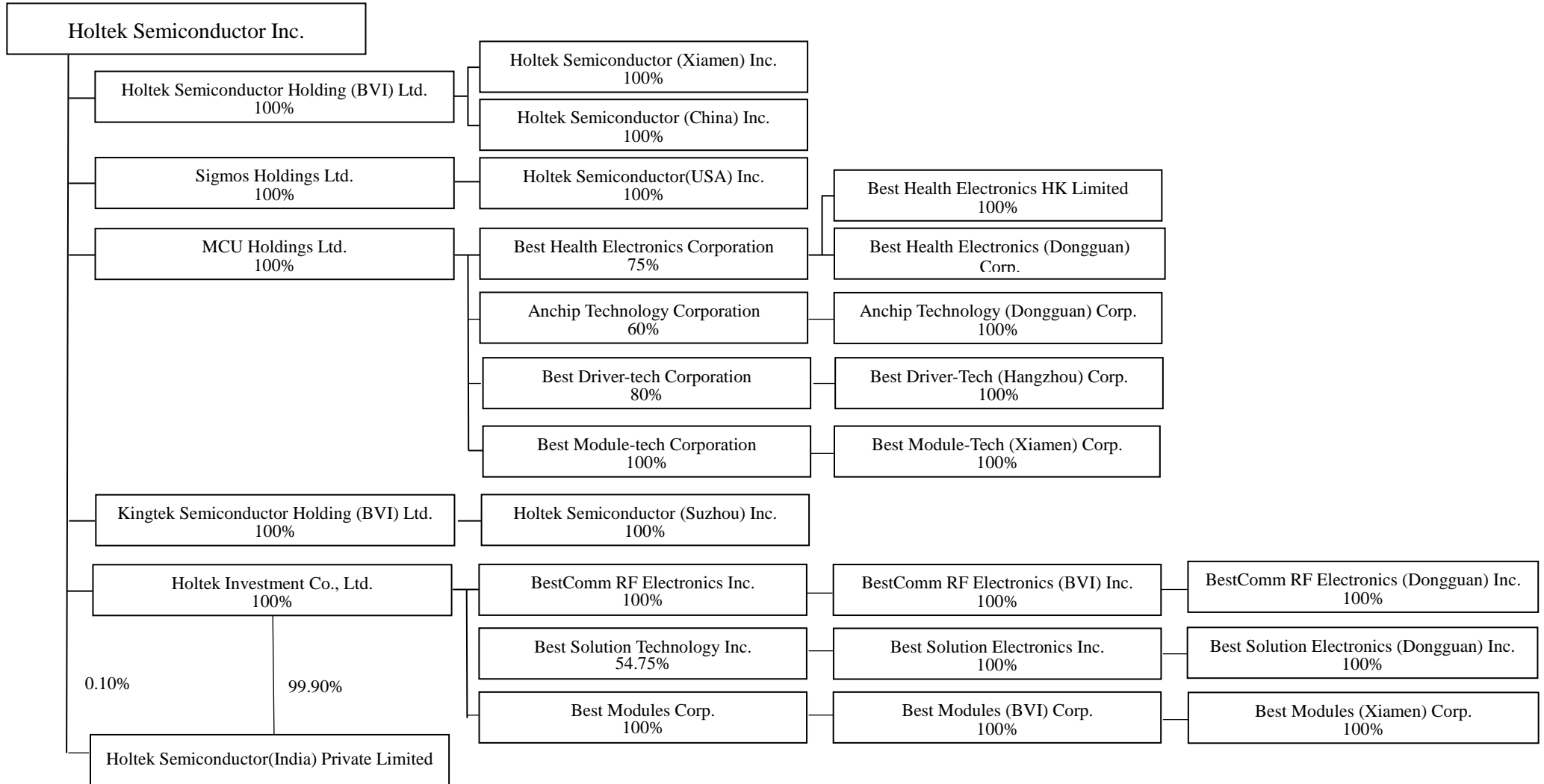
7.7 Other Material Events

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, 2022

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 th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 22,053,360	Investment activities
Holtek 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 th 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 th 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 th 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 th 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 401, 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 th 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 th 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 th 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	2F., No.136, Datong Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	NTD 429,826,000	Investment activities
BestComm RF Electronics Inc.	2014.01	2F., No.136, Datong Rd., 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 th 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 th 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 407、408, 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 th 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	Unit 1304, No. 11, Duying Road, Jimei 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, 2022

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		
Holtek 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	-	-
MCU Holdings Ltd.	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung	500,000	100%

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
	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	MCU Holdings Ltd. Rep.: Chou, Ling-Na		
	Director	Mao Qiang	400	40%
Anchip Technology (Dongguan) Corporation	Chairman	Anchip Technology Corporation Rep.: Mao Qiang	-	100%
	Director	Anchip Technology Corporation Rep.: Wang, Min-Kun		
	Director	Anchip Technology Corporation Rep.: Chou, Ling-Na		
	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		

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
		Rep.: Wang, Min-Kun		
	Supervisor	Best Driver-tech Corporation Rep.: Liao, Ming-Tung		
	General Manager	Pan, Chien-Chang	-	-
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		

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
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		
	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		

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
	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%
	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, 2022; 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	1,341,014	-	1,341,014	-	(123)	61,814	2.8
Holtek Semiconductor (Xiamen) Inc.	322,726	930,650	512,668	417,982	1,225,204	(54,655)	(45,513)	Note 2
Holtek Semiconductor (China) Inc.	292,423	996,449	157,870	838,579	1,981,383	83,057	87,295	Note 2
Sigmos Holdings Ltd.	6,898	23,034	-	23,034	-	-	1,556	7.78
Holtek Semiconductor (USA), Inc.	6,898	25,145	2,111	23,034	19,286	1,756	1,556	0.78
MCU Holdings Ltd.	16,333	1,224,832	-	1,224,832	-	(214)	62,178	124.36
Best Health Electronics Corporation	26,410	63,932	-	63,932	-	(36)	23,221	3,870.21
Best Health Electronics HK Limited	1,299	18,559	54	18,505	29,889	16,548	14,897	49.66
Best Health Electronics (Dongguan) Corporation	23,057	51,114	10,586	40,528	188,228	7,987	8,305	Note 2
Anchip Technology Corporation	5,071	55,495	-	55,495	-	(38)	28,298	28,297.85
Anchip Technology (Dongguan) Corporation	1,521	122,707	71,542	51,165	335,106	30,019	28,311	Note 2
Best Driver-tech Corporation	8,441	23,616	-	23,616	-	(39)	10,807	5,403.67
Best Driver-tech (Hangzhou) Corporation	6,361	22,844	1,993	20,851	24,662	10,645	10,803	Note 2
Best Module-tech Corporation	12,426	13,470	-	13,470	-	(38)	144	47.83
Best Module-tech (Xiamen) Corporation	10,573	11,013	1	11,012	-	(5)	141	Note 2
Kingtek Semiconductor Holding (BVI) Ltd.	69,542	193,416	-	193,416	-	-	(22,601)	(11.30)
Holtek Semiconductor (Suzhou) Inc.	69,712	223,626	30,251	193,375	265,170	(23,837)	(22,605)	Note 2
Holtek Investment Co., Ltd.	429,826	794,353	-	794,353	-	(1)	68,910	1.60
BestComm RF Electronics Inc.	40,000	22,397	784	21,613	13,365	4,697	6,539	1.63
BestComm RF Electronics (BVI) Inc.	14,054	13,841	-	13,841	-	(39)	1,813	60.44
BestComm RF Electronics (Dongguan) Inc.	13,634	15,556	2,485	13,071	30,518	1,733	1,733	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	87,392	37,137	50,255	169,174	9,204	16,193	8.10
Best Solution Electronics Inc.	6,140	41,416	-	41,416	-	(55)	9,872	49.36
Best Solution Electronics (Dongguan) Inc.	4,285	107,078	67,837	39,241	492,009	8,506	9,948	Note 2
Best Modules Corp.	105,000	97,991	2,470	95,521	5,706	(4,916)	(3,508)	(0.33)
Best Modules (BVI) Corp.	28,236	12,124	-	12,124	-	(4)	1,086	167.06
Best Modules (Xiamen) Corp.	28,307	13,190	1,061	12,129	5,023	1,123	1,126	Note 2
Holtek Semiconductor (India) Private Limited	2,948	2,736	420	2,316	2,572	(986)	(1,237)	(0.19)

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\$ 30.66=US\$ 1.00, NT\$ 4.3843= RMB 1.00 and NT\$ 0.3713= 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, 2022 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: February 16, 2023

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, 2022 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: February 16, 2023

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, 2022 and 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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)

February 16, 2023

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, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2022		December 31, 2021			Liabilities and Equity	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (note 6(1))	\$ 933,978	14	1,199,759	14	2150	Notes payable	\$ 104,072	2	235,294	3
1110 Financial assets measured at fair value through profit or loss — current (note 6(2))	242,418	3	970,068	11	2170	Accounts payable	560,097	8	661,967	8
1170 Notes and accounts receivable, net (note 6(4))	94,178	1	114,000	1	2181	Accounts payable from related parties (note 7)	178	-	56	-
1180 Accounts receivable from related parties (notes 6(4) and 7)	819,670	12	780,971	9	2201	Salary and bonus payable	529,177	8	616,740	7
130X Inventories (note 6(5))	1,822,934	27	858,202	10	2230	Current income tax liabilities	47,843	1	439,049	5
1476 Other financial assets — current (notes 6(6) 、7 and 8)	1,226,291	18	2,399,794	28	2280	lease liabilities — current (note 6(11))	16,484	-	24,048	-
1479 Other current assets	68,881	1	115,485	2	2310	Advance receipts	25,098	-	111,860	1
	<u>5,208,350</u>	<u>76</u>	<u>6,438,279</u>	<u>75</u>	2399	Other current liabilities	<u>226,869</u>	<u>3</u>	<u>150,018</u>	<u>2</u>
							<u>1,509,818</u>	<u>22</u>	<u>2,239,032</u>	<u>26</u>
Non-current assets:						Non-current liabilities:				
1518 Equity instruments measured at fair value through other comprehensive income — non-current (note 6(3))	503,111	8	773,946	9	2570	Deferred tax liabilities (note 6(13))	422,707	6	400,251	5
1550 Investments accounted for using equity method (notes 6(7) and 7)	422,000	6	615,409	7	2580	lease liabilities — non-current (note 6(11))	71,637	1	86,719	1
1600 Property, plant and equipment (note 6(8))	326,243	5	343,793	4	2640	Net defined benefit liabilities (note 6(12))	48,497	1	81,503	1
1755 Right-of — use assets (note 6(9))	85,802	1	108,902	1	2645	Guarantee deposit received	22,696	-	26,080	-
1780 Intangible assets (note 6(10))	23,498	-	39,211	1			<u>565,537</u>	<u>8</u>	<u>594,553</u>	<u>7</u>
1840 Deferred tax assets (note 6(13))	146,803	2	201,838	3		Total liabilities	<u>2,075,355</u>	<u>30</u>	<u>2,833,585</u>	<u>33</u>
1900 Other non-current assets	104,189	2	22,455	-		Equity (note 6(14)) :				
	<u>1,611,646</u>	<u>24</u>	<u>2,105,554</u>	<u>25</u>		Equity attributable to shareholders of the parent				
					3110	Ordinary share capital	2,261,682	33	2,261,682	26
					3200	Capital surplus	142,309	2	142,309	2
					3300	Retained earnings	2,072,434	31	2,794,950	33
					3400	Other equity	202,572	3	457,911	5
						Total equity attributable to shareholders of the parent	<u>4,678,997</u>	<u>69</u>	<u>5,656,852</u>	<u>66</u>
					36XX	Non-controlling interests	65,644	1	53,396	1
						Total equity	<u>4,744,641</u>	<u>70</u>	<u>5,710,248</u>	<u>67</u>
Total assets	\$ 6,819,996	100	8,543,833	100		Total liabilities and equity	\$ 6,819,996	100	8,543,833	100

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung

General Manager : Gau, Kuo Tung

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, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars, except for Earnings per Share)

		<u>2022</u>		<u>2021</u>	
		Amount	%	Amount	%
4000	Revenues (notes 6(17) 、 7)	\$ 6,015,968	100	7,127,750	100
5000	Cost of Goods Sold (notes 6(5) 、 (10) 、 (12) 、 (16) 、 7 and 12)	<u>2,929,773</u>	49	<u>3,311,904</u>	46
	Gross profits	3,086,195	51	3,815,846	54
5910	Unrealized gross profits on sales to associates	<u>41,826</u>	1	<u>174,147</u>	3
	Realized gross profits	<u>3,044,369</u>	50	<u>3,641,699</u>	51
	Operating expenses (notes 6(10) 、 (12) 、 (16) and 12) :				
6100	Selling	171,493	3	186,391	3
6200	General and administrative	391,188	6	473,216	6
6300	Research and development	1,136,791	19	1,207,751	6
6450	Expected credit impairment loss (note 6(4))	<u>113,000</u>	2	<u>-</u>	-
		<u>1,812,472</u>	30	<u>1,867,358</u>	26
	Operating income	<u>1,231,897</u>	20	<u>1,774,341</u>	25
	Non-operating income and expenses:				
7020	Other gains and losses (notes 6(18) and 7)	70,094	2	434,923	6
7070	Investment income accounted for using equity method (note 6(7))	26,294	-	342,454	5
7100	Interest income	28,818	-	12,807	-
7130	Dividends income (note 6(3))	35,923	1	28,092	-
7510	Interest expense (note 6(11))	<u>(2,066)</u>	-	<u>(1,468)</u>	-
		<u>159,063</u>	3	<u>816,808</u>	11
	Income before income tax	1,390,960	23	2,591,149	36
7950	Income tax (note 6(13))	<u>258,653</u>	4	<u>522,147</u>	7
	Net income	<u>1,132,307</u>	19	<u>2,069,002</u>	29
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of the defined benefit plans(note 6(12))	10,314	-	(3,487)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	<u>(283,835)</u>	(4)	<u>196,601</u>	3
8349	Income tax relating to items that will be not reclassified subsequently (note 6(13))	<u>2,063</u>	-	<u>(697)</u>	-
	Total items that will not be reclassified subsequently to profit or loss	<u>(275,584)</u>	(4)	<u>193,811</u>	3
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of financial statements of foreign affiliates	23,689	-	6,494	-
8371	Exchange differences on translation of financial statements of invested associates accounted for using equity method (note 6(7))	12,395	-	4,262	-
8399	Income tax relating to items that may be reclassified subsequently (note 6(13))	<u>7,124</u>	-	<u>2,127</u>	-
	Total items that may be reclassified subsequently to profit or loss	<u>28,960</u>	-	<u>8,629</u>	-
8300	Other comprehensive income	<u>(246,624)</u>	(4)	<u>202,440</u>	3
	Total comprehensive income	<u>\$ 885,683</u>	<u>15</u>	<u>2,271,442</u>	<u>32</u>
	Net income attributable to:				
8610	Shareholders of the parent	\$ 1,106,374	19	2,044,064	29
8620	Non-controlling interests	<u>25,933</u>	-	<u>24,938</u>	-
		<u>\$ 1,132,307</u>	<u>19</u>	<u>2,069,002</u>	<u>29</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the parent	\$ 859,286	15	2,246,383	32
8720	Non-controlling interests	<u>26,397</u>	-	<u>25,059</u>	-
		<u>\$ 885,683</u>	<u>15</u>	<u>2,271,442</u>	<u>32</u>
	Earnings per share (New Taiwan Dollars) (note 6(15))				
9750	Basic earnings per share	<u>\$ 4.89</u>		<u>9.04</u>	
9850	Diluted earnings per share	<u>\$ 4.83</u>		<u>8.93</u>	

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung General Manager : Gau, Kuo Tung 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, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	Equity attributed to shareholders of the parent						Total other equity interest					
	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 attributed to shareholders of the parent	Non- controlling interests	Total equity
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings						
Balance as of January 1, 2021	\$ 2,261,682	142,309	732,672	31,662	1,020,669	1,785,003	(66,714)	319,516	252,802	4,441,796	40,607	4,482,403
Net income for the period	-	-	-	-	2,044,064	2,044,064	-	-	-	2,044,064	24,938	2,069,002
Other comprehensive income for the period	-	-	-	-	(2,790)	(2,790)	8,508	196,601	205,109	202,319	121	202,440
Total comprehensive income for the period	-	-	-	-	2,041,274	2,041,274	8,508	196,601	205,109	2,246,383	25,059	2,271,442
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	102,065	-	(102,065)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(29,020)	29,020	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	(83,705)	-	(947,622)	(1,031,327)	-	-	-	(1,031,327)	-	(1,031,327)
Cash dividends from subsidiaries	-	-	-	-	-	-	-	-	-	-	(12,270)	(12,270)
Balance as of December 31, 2021	<u>2,261,682</u>	<u>142,309</u>	<u>751,032</u>	<u>2,642</u>	<u>2,041,276</u>	<u>2,794,950</u>	<u>(58,206)</u>	<u>516,117</u>	<u>457,911</u>	<u>5,656,852</u>	<u>53,396</u>	<u>5,710,248</u>
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)
Cash dividends from subsidiaries	-	-	-	-	-	-	-	-	-	-	(16,829)	(16,829)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,680	2,680
Balance as of December 31, 2022	<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>

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung

General Manager : Gau, Kuo Tung

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, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Income before income tax	\$ 1,390,960	2,591,149
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	80,730	79,305
Amortization	61,940	68,530
Expected credit impairment loss	113,000	-
Interest expense	2,066	1,468
Interest income	(28,818)	(12,807)
Dividends income	(35,923)	(28,092)
Investment income accounted for using equity method	(26,294)	(342,454)
Unrealized gross profit on sales to associates	41,826	174,147
Other items not affecting cash flows, net	9,261	5,517
Changes in operating assets and liabilities:		
Financial assets measured at fair value through profit or loss	724,359	(187,460)
Notes and accounts receivable (including related parties)	(101,480)	159,037
Inventories	(956,002)	(282,040)
Other operating assets	45,231	(50,036)
Notes and accounts payable (including related parties)	(298,285)	258,633
Advance receipts	(93,208)	106,779
Net defined benefit liabilities	(23,182)	(12,735)
Other operating liabilities	23,357	242,457
Cash flows from operations	929,538	2,771,398
Interest received	24,204	11,727
Dividends received	147,053	78,525
Interest paid	(1,391)	(1,468)
Income tax paid	(568,992)	(155,122)
Net cash flows from operating activities	<u>530,412</u>	<u>2,705,060</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(13,000)	-
Acquisitions of investments accounted for using equity method	-	(15,603)
Proceeds from capital reduction of investments accounted for using equity method	40,676	22,387
Acquisitions of property, plant and equipment	(34,938)	(55,047)
Increase in Guarantee deposit paid	(44,290)	(9,821)
Acquisition of intangible assets	(46,105)	(45,236)
Decrease (Increase) in other financial assets	1,177,528	(1,558,173)
Increase in other non-current assets	(38,319)	(2,953)
Dividends received	35,923	28,092
Net cash flows from (used in) investing activities	<u>1,077,475</u>	<u>(1,636,354)</u>
Cash flows from financing activities:		
Increase (Decrease) in Guarantee deposit received	(3,363)	14,095
Payments of lease liabilities	(24,743)	(22,612)
Cash dividends paid	(1,837,141)	(1,031,327)
Decrease in non-controlling interests	(14,149)	(12,270)
Net cash flows used in financing activities	<u>(1,879,396)</u>	<u>(1,052,114)</u>
Effect of foreign exchange changes	<u>5,728</u>	<u>(15,426)</u>
Net increase (decrease) in cash and cash equivalents	(265,781)	1,166
Cash and cash equivalents at beginning of period	1,199,759	1,198,593
Cash and cash equivalents at end of period	<u>\$ 933,978</u>	<u>1,199,759</u>

(See accompanying notes to consolidated financial statements.)

Chairman : Wu, Chi Yung General Manager : Gau, Kuo Tung 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, 2022 and 2021
(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 February 16, 2023.

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, 2022 :

- Amendments to IAS 16 “*Property, Plant and Equipment—Proceeds before Intended Use*”
- Amendments to IAS 37 “*Onerous Contracts—Cost of Fulfilling a Contract*”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “*Reference to the Conceptual Framework*”

Holtek Semiconductor and Subsidiaries

Notes to Consolidated Financial Statements

(2) The impact of IFRS issued 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, 2023, would not have a significant impact on its consolidated financial statements:

- 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*”

(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 IAS 1 “*Classification of Liabilities as Current or Non-current*”
- Amendments to IAS 1 “*Non-current Liabilities with Covenants*”
- Amendments to IFRS 17 “*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*”
- IFRS16 “*Requirements for Sale and Leaseback Transactions*”

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.

Holtek Semiconductor and Subsidiaries

Notes to 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.

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.

Holtek Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at,	
			December 31, 2022	December 31, 2021
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% (Note 1)	80% (Note 1)
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 Power Electronics Corp. (Best Power)	Investment holding company	-% (Note 5)	100% (Note 5)
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%
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 Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at,	
			December 31, 2022	December 31, 2021
Holtek BVI	Holtek Semiconductor (Xiamen) Inc.	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 2)	100% (Note 2)
Holtek Investment	Best Solution Technology Inc. (Best Solution)	Manufacturing, sales and technical services	54.75% (Note 3)	54.75% (Note 3)
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% (Note 4)	100% (Note 4)
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%
BestComm BVI	BestComm RF Electronics (Dongguan) Inc.	Manufacturing, sales and technical services	100%	100%

Holtek Semiconductor and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 : The Group sold 5% shares of Best Health in May 2022, and shareholding ratio is 75% owned.

Note 2 : The combined shareholding ratio is calculated both 99.9% owned by Holtek Investment and 0.1% owned by the Company.

Note 3 : 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.

Note 4 : The Group established a wholly-owned subsidiary in 3Q21.

Note 5 : Best Power has reduced its capital and the Group received the capital from reduction in 4Q22.

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.

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.

Holtek Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements

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.

(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.

Holtek Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements

(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.

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.

Holtek Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements

(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 are measured at FVTPL, including derivative financial assets.

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through 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, notes and accounts receivable, guarantee deposits paid and other financial assets).

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.

Holtek Semiconductor and Subsidiaries

Notes to Consolidated Financial Statements

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.

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.

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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.

(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.

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(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.

(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.

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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.

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.

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(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.

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:

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- (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.

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.

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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.

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.

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(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.

(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

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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.

(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.

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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.

(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 for financial reporting purposes 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:

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- (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 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.

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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.

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(19) for assumptions used in measuring fair value.

6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31,	
	2022	2021
Cash and cash in bank	\$ 784,175	836,654
Time deposits	149,803	363,105
	\$ 933,978	1,199,759

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

	December 31,	
	2022	2021
Beneficiary certificates	\$ 242,418	970,068

A. Please refer to note 6(19) for the sensitivity analysis, fair value and market risk.

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

(3) Equity investments at FVOCI- non-current

	December 31,	
	2022	2021
Equity securities – unlisted company		
Shieh Yong Investment Co., Ltd. (Shieh Yong)	\$ 453,828	667,747
Unitech Capital Inc. (Unitech)	45,697	104,669
Precision Sensor Design Inc. (Precision)	3,485	-
Gingy Technology Corporation. (Gingy)	101	1,530
	\$ 503,111	773,946

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(19) 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, 2022 and 2021, the dividends of \$35,923 and \$28,092, respectively, related to equity investments at fair value through other comprehensive income held on December 31, 2022 and 2021, respectively, were recognized.

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

	December 31,	
	2022	2021
Notes receivable	\$ 357	8,648
Accounts receivable	98,483	112,745
Receivables from related parties	935,755	780,971
	1,034,595	902,364
Less: allowance for doubtful accounts	(120,747)	(7,393)
	\$ 913,848	894,971

The notes and accounts receivable, net (including related parties) was \$1,048,268 as of January 1, 2021.

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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:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
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
	\$ 1,034,595		120,747

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Not past due	\$ 837,105	0.5%~1.5%	4,130
Past due 0~90days	65,259	5%	3,263
	\$ 902,364		7,393

The movement in the allowance for notes and trade receivable was as follows:

	For the year ended December 31,	
	2022	2021
Beginning balance	\$ 7,393	7,393
Impairment losses recognized	113,000	-
Effect of foreign exchange changes	354	-
Ending balance	\$ 120,747	7,393

(5) Inventories

	December 31,	
	2022	2021
Raw materials	\$ 616,123	82,573
Work in process	522,963	341,666
Finished goods and merchandise inventories	683,848	433,963
	\$ 1,822,934	858,202

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The details of operating costs were as follows:

	For the year ended December 31,	
	2022	2021
Cost of goods sold	\$ 2,924,894	3,305,548
Cost of scrap materials	4,879	6,356
	\$ 2,929,773	3,311,904

The Group did not provide any inventories as collateral for its loans.

(6) Other financial assets-current

	December 31,	
	2022	2021
Time deposits (more than 3 months)	\$ 1,202,926	2,386,863
Restricted cash in banks	8,918	8,913
Others	14,447	4,018
	\$ 1,226,291	2,399,794

No impairment loss of other financial assets-current were occurred and recognized for the year ended December 31, 2022 and 2021.

Please refer to note 6(19) 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:

	December 31,	
	2022	2021
Total amount of equities in associates	\$ 754,290	905,873
Less: unrealized gross profits on sales to associates	(332,290)	(290,464)
	\$ 422,000	615,409

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.

	For the year ended December 31,	
	2022	2021
Other comprehensive income attributable to the Group:		
Net income from continuing operation	\$ 26,294	342,454
Other comprehensive income	12,395	4,262
Total comprehensive income	\$ 38,689	346,716

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Risingtech Corporation has reduced its capital and the Group received \$15,603 from the capital reduction in 2022.

EST Technology Integration Corp. has reduced its capital and the Group received \$25,073 and \$22,387 from the capital reduction in 2022 and 2021, 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, 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>
Balance on January 1, 2021	\$ 26,676	510,818	345,923	112,985	996,402
Additions	-	6,992	39,233	8,822	55,047
Disposals	-	-	(20,755)	(11,283)	(32,038)
Effect of foreign exchange changes	-	1,416	797	303	2,516
Balance on December 31, 2021	<u>\$ 26,676</u>	<u>519,226</u>	<u>365,198</u>	<u>110,827</u>	<u>1,021,927</u>
Accumulated depreciation:					
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>
Balance on January 1, 2021	\$ -	289,421	280,152	83,486	653,059
Depreciation for the period	-	12,121	28,758	14,786	55,665
Disposals	-	-	(20,581)	(11,249)	(31,830)
Effect of foreign exchange changes	-	461	541	238	1,240
Balance on December 31, 2021	<u>\$ -</u>	<u>302,003</u>	<u>288,870</u>	<u>87,261</u>	<u>678,134</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying amount:					
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 December 31, 2021	<u>\$ 26,676</u>	<u>217,223</u>	<u>76,328</u>	<u>23,566</u>	<u>343,793</u>
Balance on January 1, 2021	<u>\$ 26,676</u>	<u>221,397</u>	<u>65,771</u>	<u>29,499</u>	<u>343,343</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, 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>
Balance at January 1, 2021	\$ 67,341	72,106	139,447
Additions	-	34,431	34,431
Disposals	-	(31,083)	(31,083)
Balance at December 31, 2021	<u>\$ 67,341</u>	<u>75,454</u>	<u>142,795</u>
Accumulated depreciation :			
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>
Balance at January 1, 2021	\$ 6,122	33,278	39,400
Depreciation for the year	3,061	20,579	23,640
Disposals	-	(29,147)	(29,147)
Balance at December 31, 2021	<u>\$ 9,183</u>	<u>24,710</u>	<u>33,893</u>
Carrying amount :			
Balance at December 31, 2022	<u>\$ 55,352</u>	<u>30,450</u>	<u>85,802</u>
Balance at December 31, 2021	<u>\$ 58,158</u>	<u>50,744</u>	<u>108,902</u>
Balance at January 1, 2021	<u>\$ 61,219</u>	<u>38,828</u>	<u>100,047</u>

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(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, 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>
Balance at January 1, 2021	\$ 206,642	117,222	323,864
Additions	45,236	-	45,236
Disposals	(46,490)	(10,463)	(56,953)
Effect of foreign exchange changes	28	-	28
Balance at December 31, 2021	<u>\$ 205,416</u>	<u>106,759</u>	<u>312,175</u>
Accumulated amortization :			
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>
Balance at January 1, 2021	\$ 178,680	82,683	261,363
Amortization for the year	51,069	17,461	68,530
Disposals	(46,490)	(10,463)	(56,953)
Effect of foreign exchange changes	24	-	24
Balance at December 31, 2021	<u>\$ 183,283</u>	<u>89,681</u>	<u>272,964</u>
Carrying amount :			
Balance at December 31, 2022	<u>\$ 16,837</u>	<u>6,661</u>	<u>23,498</u>
Balance at December 31, 2021	<u>\$ 22,133</u>	<u>17,078</u>	<u>39,211</u>
Balance at January 1, 2021	<u>\$ 27,962</u>	<u>34,539</u>	<u>62,501</u>

The Group did not provide any intangible assets as collaterals for its loans.

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(11) Lease liabilities

The amount of lease liabilities was as follows:

	December 31,	
	2022	2021
Current	\$ 16,484	24,048
Non-current	\$ 71,637	86,719

For the maturity analysis, please refer to note 6(19).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31,	
	2022	2021
Interest on lease liabilities	\$ 1,391	1,468
Expenses relating to short-term leases	\$ 4,950	5,481
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 680	725

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year ended December 31,	
	2022	2021
Total cash outflow for leases	\$ 31,764	30,286

As of December 31, 2022 and 2021, 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.

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(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 Group were as follows:

	December 31,	
	2022	2021
Present value of the defined benefit obligation	\$ 52,256	146,707
Fair value of plan assets	(3,759)	(65,204)
Net defined benefit liabilities	\$ 48,497	81,503

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.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$3,759 as of December 31, 2022. 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.

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(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:

	For the year ended December 31,	
	2022	2021
Defined benefit obligation as of January 1	\$ 146,707	146,956
Benefits paid from plan assets	(89,695)	(4,999)
Current service costs and interest	1,027	436
Remeasurements of the net defined benefit liabilities		
— Actuarial loss arising from changes in financial assumptions	(3,336)	(6,307)
— Actuarial loss arising from changes in population assumptions	-	3,844
— Actuarial loss arising from experience adjustments	(2,447)	6,777
Defined benefit obligation as of December 31	<u>\$ 52,256</u>	<u>146,707</u>

(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:

	For the year ended December 31,	
	2022	2021
Fair value of plan assets as of January 1	\$ 65,204	56,468
Benefits paid from plan assets	(89,534)	(2,008)
Interest income	537	173
Contributions made	23,021	9,744
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	4,531	827
Fair value of plan assets as of December 31	<u>\$ 3,759</u>	<u>65,204</u>

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(d) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss were as follows:

	For the year ended December 31,	
	2022	2021
Net interest on the net defined benefit liabilities	\$ 490	263
Cost of goods sold	\$ 31	17
Selling expenses	34	19
General and administrative expenses	67	36
Research and development expenses	358	191
	\$ 490	263

(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:

	December 31,	
	2022	2021
Discount rate	1.30%	0.70%
Future salary increase rate	2.00%	2.00%

The Group expects to make a contribution of \$11,296 to its defined benefit plans in the following year, beginning December 31, 2022.

The weighted-average duration of the defined benefit obligation is 10 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>	Impact on the defined benefit obligation	
	0.1% increase	0.1% decrease
December 31, 2022		
Discount rate	\$ (526)	534
Future salary increase rate	\$ 488	(482)
December 31, 2021		
Discount rate	\$ (1,521)	1,543
Future salary increase rate	\$ 1,386	(1,371)

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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 2022 and 2021.

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 \$31,307 and \$27,329 for the years ended December 31, 2022 and 2021, respectively.

Except for the above, the total pension costs of the Group's overseas branch and subsidiaries under their respective defined contribution plan were \$40,815 and \$31,274 for the years ended December 31, 2022 and 2021, which were recognized in accordance with their local regulations.

(13) Income tax

A. Income tax expenses

The amount of income tax expenses was as follows:

	For the year ended December 31,	
	2022	2021
Current income tax expense		
Current period	\$ 197,587	494,528
Adjustment to prior years	(7,238)	6,231
	<u>190,349</u>	<u>500,759</u>
Deferred income tax expense		
Temporary differences and reversal	68,304	21,388
Income tax expenses	<u>\$ 258,653</u>	<u>522,147</u>

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The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	For the year ended December 31,	
	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	\$ 2,063	(697)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign affiliates	\$ 4,738	1,299
Exchange differences on translation of financial statements of invested associates accounted for using equity method	2,386	828
	\$ 7,124	2,127

The reconciliation of income tax expenses and income before income tax was as follows:

	For the year ended December 31,	
	2022	2021
Income before income tax	\$ 1,390,960	2,591,149
Income tax at the Company's domestic tax rate	278,192	518,230
Effect of tax rates in foreign jurisdiction	(13,755)	(14,013)
Permanent differences adjustment	(42,704)	(67,696)
Share of profit (loss) of subsidiaries accounted for using equity method, net	47,589	100,725
Estimated increase in investment tax credit	(5,381)	(19,878)
Change in unrecognized temporary differences	4,383	(956)
Change in provision in prior periods	(7,238)	6,231
Other	(2,433)	(496)
	\$ 258,653	522,147

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B. The changes of deferred tax assets and liabilities were as follows:

Deferred tax assets

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Unrealized loss from Inventory devaluation	\$ 12,000	-	-	12,000	-	-	12,000
Unrealized gross profit from sales to associates	48,300	112,855	-	161,155	(46,933)	-	114,222
Allowance for doubtful accounts over the quota	-	-	-	-	6,898	-	6,898
Net defined benefit liabilities	18,098	(2,494)	697	16,301	(4,539)	(2,063)	9,699
Loss from exchange differences on translation of financial statements of foreign affiliates	12,892	-	(2,127)	10,765	-	(7,124)	3,641
Others	2,387	(770)	-	1,617	(1,274)	-	343
	<u>\$ 93,677</u>	<u>109,591</u>	<u>(1,430)</u>	<u>201,838</u>	<u>(45,848)</u>	<u>(9,187)</u>	<u>146,803</u>

Deferred tax liabilities

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Foreign investment gains under the equity method	\$ 268,281	130,635	-	398,916	20,705	-	419,621
Others	991	344	-	1,335	1,751	-	3,086
	<u>\$ 269,272</u>	<u>130,979</u>	<u>-</u>	<u>400,251</u>	<u>22,456</u>	<u>-</u>	<u>422,707</u>

C. The tax authorities have assessed the Company's income tax returns through 2020.

(14) Capital and other equity interest

A. Ordinary shares

As of December 31, 2022 and 2021, 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, 2022 and 2021.

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B. Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	December 31,	
	2022	2021
Capital surplus — premium	\$ 142,309	142,309

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.

(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

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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 carrying amount of special reserve both amounted to \$2,642 as of December 31, 2022 and 2021.

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 2021 and 2020 which were approved in the shareholders' meeting held on May 24, 2022 and July 15, 2021, respectively :

	<u>2021</u>		<u>2020</u>	
	<u>NT dollars</u>	<u>Total</u>	<u>NT dollars</u>	<u>Total</u>
	<u>per share</u>	<u>amount</u>	<u>per share</u>	<u>amount</u>
Cash dividends distributed to ordinary shareholders:	<u>\$ 8.1229</u>	<u>1,837,141</u>	<u>4.56</u>	<u>1,031,327</u>

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(15) Earnings per share

The Company's calculation of basic earnings per share was as follows:

	For the year ended December 31,	
	2022	2021
Basic earnings per share:		
Net income for the period	<u><u>\$ 1,106,374</u></u>	<u><u>2,044,064</u></u>
Weighted-average number of ordinary shares outstanding during the year (in thousands)	<u><u>226,168</u></u>	<u><u>226,168</u></u>
Basic earnings per share (NT dollars)	<u><u>\$ 4.89</u></u>	<u><u>9.04</u></u>
Diluted earnings per share:		
Net income for the period	<u><u>\$ 1,106,374</u></u>	<u><u>2,044,064</u></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>2,737</u>	<u>2,815</u>
Weighted-average number of ordinary shares outstanding during the year (diluted) (in thousands)	<u><u>228,905</u></u>	<u><u>228,983</u></u>
Diluted earnings per share (NT dollars)	<u><u>\$ 4.83</u></u>	<u><u>8.93</u></u>

(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.

The remunerations to employees amounted to \$160,430 and \$299,875, and the remunerations to directors amounted to \$19,099 and \$35,499 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021. 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

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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.

Remuneration to employees and directors for 2021 in the amounts of \$299,875 and \$35,499, respectively. The aforementioned approved amounts are the same as the amounts charged against earnings of 2021. Remuneration to employees and directors for 2020 in the amounts of \$125,414 and \$13,735, respectively, which were paid in cash. The aforementioned approved amounts are the same as the amounts charged against earnings of 2020. The information is available on the Market Observation Post System website.

(17) 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.

(18) Non-operating income and expenses

The details of other gains and losses were as follows:

	For the year ended December 31,	
	2022	2021
Foreign exchange gains	\$ 8,586	16,380
Others	61,508	418,543
	\$ 70,094	434,923

Others included service income of the Group receiving from customers were \$27,748 and \$394,778 for the year ended December 31, 2022 and 2021, respectively.

(19) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk

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(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, 2022 and 2021, customers (including related parties) whose notes and accounts receivables that accounted for more than 10% have amounted to \$344,065 and \$215,170, 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.

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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>
December 31, 2022				
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>
	<u>\$ 1,374,321</u>	<u>1,384,053</u>	<u>1,281,085</u>	<u>102,968</u>
December 31, 2021				
Non-derivative financial liabilities				
Notes and accounts payables (including related parties)	\$ 897,317	897,317	897,317	-
Salary and bonus payable	616,740	616,740	616,740	-
Accrued expenses (recorded in other current liabilities)	95,776	95,776	95,776	-
Guarantee deposit received	26,080	26,080	-	26,080
Lease liabilities	<u>110,767</u>	<u>121,830</u>	<u>25,421</u>	<u>96,409</u>
	<u>\$ 1,746,680</u>	<u>1,757,743</u>	<u>1,635,254</u>	<u>122,489</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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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, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 13,719	30.66	420,627	12,597	27.63	348,048
RMB	114,009	4.3843	499,849	88,149	4.3196	380,770
<u>Non-monetary items</u>						
USD	\$ 19,382	30.66	594,239	25,022	27.63	691,360
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 15,126	30.66	463,752	13,635	27.63	376,733
RMB	3,481	4.3843	15,260	8,702	4.3196	37,589

(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 \$3,532 and \$2,516 for the years ended December 31, 2022 and 2021, 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 \$8,586 and \$16,380 for the years ended December 31, 2022 and 2021, respectively.

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(d) Other price risk

For the years ended December 31, 2022 and 2021, 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:

Prices of securities at the reporting date	For the year ended December 31,			
	2022		2021	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
1% increase	\$ 4,025	1,939	6,192	7,761
1% decrease	\$ (4,025)	(1,939)	(6,192)	(7,761)

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:

	December 31, 2022				
	Carrying amount	Fair value			
		Level1	Level2	Level3	Total
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
	\$ 745,529	242,418	-	503,111	745,529

	December 31, 2021				
	Carrying amount	Fair value			
		Level1	Level2	Level3	Total
Financial assets measured at fair value through profit or loss	\$ 970,068	970,068	-	-	970,068
Financial assets measured at fair value through other comprehensive income	773,946	-	-	773,946	773,946
	\$ 1,744,014	970,068	-	773,946	1,744,014

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(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, 2022 and 2021.

(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.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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"> • Price per book value multiplier (2022.12.31 and 2021.12.31: 1.20~1.44 and 2.31) • Discount for lack of marketability (2022.12.31 and 2021.12.31 : 25%) 	<ul style="list-style-type: none"> • The higher the price-equity ratio, the higher the fair value. • The higher the discount for lack of marketability, The lower the fair value.

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<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	Net Asset Value Method	<ul style="list-style-type: none"> • Net Asset Value • Discount for lack of marketability (2022.12.31 and 2021.12.31: 10%) 	<ul style="list-style-type: none"> • Not applicable • The higher the discount for lack of marketability, The lower the fair value.

(e) Reconciliation for fair value measurements categorized within Level 3

	Financial assets measured at FVOCI — equity investments	
	For the year ended December 31,	
	2022	2021
Balance at beginning of the period	\$ 773,946	577,345
Additions	13,000	-
Net (loss) gains included in other comprehensive income	<u>(283,835)</u>	<u>196,601</u>
Balance at end of the period	<u>\$ 503,111</u>	<u>773,946</u>

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, 2022 and 2021.

(20) 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(19).

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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.

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(19) for the credit risk analyses of cash and cash equivalents, and accounts receivables. As of December 31, 2022 and 2021, no guarantees were outstanding.

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.

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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, 2022, the Group's unused credit line were amounted to \$154,700, 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, interest risk, and other price risk (such as risk related to equity instruments). 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.

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.

(21) 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.

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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, 2022.

The Group's debt-to-adjusted-capital ratio at the reporting date was as follows:

	December 31,	
	2022	2021
Total liabilities	\$ 2,075,355	2,833,585
Total equity	\$ 4,744,641	5,710,248
Debt-to-adjusted-capital ratio	44%	50%

(22) 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:

	January 1,	Cash flow	Other	December
	2022			31, 2022
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	\$ 136,847	(28,106)	2,076	110,817

	January 1,	Cash flow	Other	December
	2021			31, 2021
Lease liabilities	\$ 100,893	(22,612)	32,486	110,767
Guarantee deposit received	11,985	14,095	-	26,080
Total liabilities from financing activities	\$ 112,878	(8,517)	32,486	136,847

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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.

<u>Name of related parties</u>	<u>Relationship with the Group</u>
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
Bestway Electronic Inc.(Bestway)	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
EST Technology Integration Corp. (EST)	An associate of the Group

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(2) Significant related-party transactions

A. Sales

The amounts of significant sales by the Group to related parties were as follows:

	For the year ended December 31,	
	2022	2021
SIGNAL	\$ 1,156,587	1,229,732
Associates	2,681,949	3,995,799
	\$ 3,838,536	5,225,531

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, 2022 and 2021, the Group recognized unrealized gross profits of sales to associates amounting to \$332,290 and \$290,464 respectively.

The receivables from related parties (including allowance for doubtful accounts) were as follows:

	December 31,	
	2022	2021
SIGNAL	\$ 241,551	215,170
TRUETEK	102,514	76,134
Associates	475,605	489,667
	\$ 819,670	780,971

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B. Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	For the year ended December 31,	
	2022	2021
Associates	\$ 23,349	86

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:

	December 31,	
	2022	2021
Associates	\$ 178	56

C. Other transactions

The Group's revenue from related parties about the human support service charge and disbursement have amounting to \$21,782 and \$197,546 for the year ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the receivables classified under abovementioned other financial assets – current have amounting to \$2,349 and \$1,350, respectively.

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	\$ 37,612	47,007
Post-employment benefits	432	432
	\$ 38,044	47,439

8. Pledged Assets

Assets	Purpose of Pledged	December 31,	
		2022	2021
Time deposits (recorded in other financial assets – current)	Guarantee deposits of customs duty	\$ 8,918	8,913

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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 and operating costs.

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, 2022			For the year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	36,885	1,028,101	1,064,986	45,789	1,261,431	1,307,220
Labor and health insurance	2,872	62,617	65,489	2,801	56,498	59,299
Pensions	1,826	70,786	72,612	1,732	57,134	58,866
Others	1,721	24,313	26,034	1,884	25,055	26,939
Depreciation	5,614	75,116	80,730	7,667	71,638	79,305
Amortization	23	61,917	61,940	561	67,969	68,530

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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: None.
- iii. Securities held as of December 31, 2022 (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	7,422	115,414	-	115,414	-	
The Company	UPAMC James Bond Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	7,495	127,004	-	127,004	-	
Holtek Semiconductor Holding (BVI) Ltd.	Unitech Capital Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	2,500	45,697	5.00%	45,697	5.00%	
Holtek Investment Co., Ltd	Shieh Yong Investment Co., Ltd.	-	Equity-investments measured at fair value through other comprehensive income-non current	48,736	453,828	3.03%	453,828	3.03%	
Holtek Investment Co., Ltd	Gingy Technology Co.	-	Equity-investments measured at fair value through other comprehensive income-non current	127	101	2.49%	101	6.08%	
Holtek Investment Co., Ltd	Precision Sensor Design Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	650	3,485	17.81%	3,485	17.81%	

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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	-	28,354	476,558	40,805	690,220	61,664	1,042,764	1,039,778	2,986	7,495	127,000 (Note)
The Company	Yuanta De-Bao Money Market Fund	Financial assets measured at fair value through profit or loss – current	Yuanta	-	28,039	339,029	8,233	100,000	36,272	440,779	439,029	1,749	-	- (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 (Note3)	Percentage of total notes/accounts receivable (payable)	
The Company	Holtek (China)	Subsidiary of the Company	Sales	1,343,653	27%	Open account 120 days	No significant difference	No significant difference	64,023	8%	Note 1
The Company	Holtek (Xiamen)	Subsidiary of the Company	Sales	792,360	16%	Open account 120 days	No significant difference	No significant difference	448,424	57%	Note 1
The Company	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	258,936	5%	Open account 60 days	No significant difference	No significant difference	54,175	7%	
The Company	Holtek (Suzhou)	Subsidiary of the Company	Sales	173,727	4%	Open account 120 days	No significant difference	No significant difference	5,220	1%	Note 1
The Company	Truetek	Investee of the Company's subsidiary evaluated under the equity method	Sales	167,083	3%	Open account 60 days	No significant difference	No significant difference	27,921	4%	
The Company	Tech Wave	Investee of the Company's subsidiary evaluated under the equity method	Sales	160,576	3%	Open account 60 days	No significant difference	No significant difference	46,581	6%	
The Company	Best Solution	Subsidiary of the Company	Sales	148,526	3%	Open account 60 days	No significant difference	No significant difference	24,835	3%	Note 1
Holtek (China)	Anchip	Subsidiary of the Company	Sales	285,044	14%	Open account 60 days	No significant difference	No significant difference	68,609	23%	Note 1
Holtek (China)	New Wave	Investee of the Company's subsidiary evaluated under the equity method	Sales	140,155	7%	Open account 60 days	No significant difference	No significant difference	9,403	4%	

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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)	
Holtek (China)	Best Solution (Dongguan)	Subsidiary of the Company	Sales	466,351	24%	Open account 60 days	No significant difference	No significant difference	63,344	21%	Note1
Holtek (China)	Newtek	Investee of the Company's subsidiary evaluated under the equity method	Sales	113,176	6%	Open account 60 days	No significant difference	No significant difference	27,585	8%	
Holtek (China)	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	224,014	11%	Open account 60 days	No significant difference	No significant difference	50,962	18%	
Holtek (Xiamen)	Crown Rich	Investee of the Company's subsidiary evaluated under the equity method	Sales	126,140	10%	Open account 60 days	No significant difference	No significant difference	22,865	7%	
Holtek (Xiamen)	New Wave	Investee of the Company's subsidiary evaluated under the equity method	Sales	140,794	11%	Open account 60 days	No significant difference	No significant difference	57,653	15%	
Holtek (Xiamen)	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	276,895	23%	Open account 60 days	No significant difference	No significant difference	93,841	29%	
Best Solution (Dongguan)	Crown Rich	Investee of the Company's subsidiary evaluated under the equity method	Sales	175,844	36%	Open account 60 days	No significant difference	No significant difference	26,811	29%	
Anchip	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	140,008	42%	Open account 60 days	No significant difference	No significant difference	15,648	15%	

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:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover days	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Holtek (Xiamen)	Subsidiary	450,059	2.07	-	Collection on demand	81,948 (Note)	1,635

Note1 : The amount is collected by February 10, 2023.

Note2 : The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

ix. Trading in derivative instruments: None.

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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	1,343,653	Open account 120 days	22 %
0	The Company	HOLTEK (China)	Parent company to subsidiary	Accounts receivable	64,023	Open account 120 days	1 %
0	The Company	HOLTEK (Xiamen)	Parent company to subsidiary	Sales	792,360	Open account 120 days	13 %
0	The Company	HOLTEK (Xiamen)	Parent company to subsidiary	Accounts receivable	448,424	Open account 120 days	7 %
0	The Company	Holtek (Suzhou)	Parent company to subsidiary	Sales	173,727	Open account 120 days	3 %
0	The Company	Best Solution	Parent company to subsidiary	Sales	148,526	Open account 60 days	2 %
1	Holtek (China)	Anchip	Subsidiary to subsidiary	Sales	285,044	Open account 60 days	5 %
1	Holtek (China)	Anchip	Subsidiary to subsidiary	Accounts receivable	68,609	Open account 60 days	1 %
1	Holtek (China)	Best Health (Dongguan)	Subsidiary to subsidiary	Sales	92,815	Open account 60 days	2 %
1	Holtek (China)	Best Solution (Dongguan)	Subsidiary to subsidiary	Sales	466,351	Open account 60 days	8 %
1	Holtek (China)	Best Solution (Dongguan)	Subsidiary to subsidiary	Accounts receivable	63,344	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.

(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, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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%	1,341,014	100.00%	61,814	61,814 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%	193,416	100.00%	(22,601)	(22,601) Note2	The Company's Subsidiary
The Company	Sigmos Holdings Ltd.	B.V.I.	Overseas investment activities	6,898	6,898	200	100.00%	23,034	100.00%	1,556	1,556 Note2	The Company's Subsidiary

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Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
Sigmos Holdings Ltd.	Holtek Semiconductor (USA) Inc.	California, USA	Sales of integrated circuits and technical services	6,898	6,898	2,000	100.00%	23,034	100.00%	1,556	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%	1,224,832	100.00%	62,178	62,178 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%	41,409	40.00%	(11,515)	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%	16,436	100.00%	1,894	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%	34,424	100.00%	5,244	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%	70,189	40.00%	6,019	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%	89,547	100.00%	13,623	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%	52,276	40.00%	5,939	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%	24,494	100.00%	225	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%	67,829	40.00%	12,451	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%	92,934	100.00%	23,133	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	3,470	800	40.00%	6,909	40.00%	(73,061)	Note1	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%	90,908	40.00%	23,551	Note1	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%	77,569	40.61%	(14,271)	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%	22,045	100.00%	3,308	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%	141,239	40.00%	23,396	Note1	The Subsidiary's investee company by equity method

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, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
MCU Holdings Ltd.	Fine Chip Electronics Inc.	B.V.I.	Overseas investment activities	7,039	7,039	1	40.00%	(140)	40.00%	(7,209)	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%	33,297	60.00%	28,298	Note1, 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%	26,835	40.00%	3,058	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%	9,115	33.33%	1,639	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%	10,102	40.00%	(1,401)	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Best Health Electronics Corp.	B.V.I.	Overseas investment activities	19,808	20,965	5	75.00%	47,949	80.00%	23,221	Note1, 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%	18,505	100.00%	14,897	Note1, 2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Power Electronics Corporation	B.V.I.	Overseas investment activities	-	8,844	-	-%	-	100.00%	72	Note1, 2, 3	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%	18,893	80.00%	10,807	Note1, 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%	13,470	100.00%	144	Note1, 2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Risingtek Corporation	B.V.I.	Overseas investment activities	-	15,603	-	-%	-	40.00%	(97)	Note1, 4	The Subsidiary's investee company by equity method
The Company	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	3	3	6	0.10%	3	0.10%	1,237	(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%	794,353	100.00%	68,910	68,910 Note2	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%	142,845	40.00%	66,713	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%	138,567	100.00%	10,254	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%	159,923	100.00%	56,247	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%	18,531	36.88%	16,193	Note1, 2	The Company's second-tier 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, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
Holtek Investment Co., Ltd.	EST Technology Integration Corp.	New Taipei City	Sales of integrated circuits and technical services	11,191	15,113	1,119	22.38%	24,618	22.38%	55,916	Note1	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%	20,102	40.00%	16,193	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%	41,416	100.00%	9,872	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%	662	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%	21,613	100.00%	6,539	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%	13,841	100.00%	1,813	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	25,000	10,500	100.00%	95,521	100.00%	(3,508)	Note1, 2	The Company's second-tier subsidiary
Best Modules Corp.	Best Modules (BVI) Corp.	B.V.I.	Overseas investment activities	28,236	10,789	7	100.00%	12,124	100.00%	1,086	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%	2,313	99.90%	(1,237)	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 : Best Power Electronics Corporation has reduced its capital and the Group received the capital from reduction in November 2022.

Note4 : Risingtech Corporation has reduced its capital and the Group received the capital from reduction in March 2022.

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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							
Holtek Semiconductor (Xiamen) Inc	Sales of integrated circuits and technical services	322,726	(Note1)	290,645	-	-	290,645	(45,513)	100%	100%	(45,513) (Note5)	417,982	-
Holtek Semiconductor (China) Inc.	Sales of integrated circuits and technical services	292,423	(Note1)	272,221	-	-	272,221	87,295	100%	100%	87,295 (Note 5)	838,579	-
Bestway Electronics (Shenzhen) Inc.	Sales of integrated circuits and technical services	6,769	(Note1)	3,383	-	-	3,383	(44,468)	40%	40%	(17,787)	11,803	-
Santek Electronics (Xiamen) Ltd.	Sales of integrated circuits and technical services	6,398	(Note1)	2,506	-	-	2,506	(11,188)	40%	40%	(4,475)	75,063	-
New Wave Electronics (Shenzhen) Ltd.	Sales of integrated circuits and technical services	9,287	(Note1)	3,928	-	-	3,928	21,479	40%	40%	8,591 (Note 5)	184,757	-
ForIc Electronics (Beijing) Ltd.	Sales of integrated circuits and technical services	19,361	(Note1)	3,601	-	-	3,601	(18,636)	40%	40%	(7,454)	30,703	-
E-Micro Technology (Qingdao) Ltd.	Sales of integrated circuits and technical services	6,315	(Note1)	2,634	-	-	2,634	1,893	40%	40%	757	16,042	-
Newtek Electronics (Shenzhen) Ltd	Sales of integrated circuits and technical services	65,860	(Note1)	2,647	-	-	2,647	(17,563)	40.61%	40.61%	(7,132) (Note 5)	131,130	-
Truetek Technology (Shanghai) Ltd.	Sales of integrated circuits and technical services	30,293	(Note1)	3,911	-	-	3,911	(7,654)	40%	40%	(3,061)	79,617	-
Crown Rich Technology (Shenzhen) Ltd.	Sales of integrated circuits and technical services	18,446	(Note1)	1,964	-	-	1,964	22,954	40%	40%	9,182 (Note 5)	341,039	-
Quanding Technology (Suzhou) Ltd.	Sales of integrated circuits and technical services	21,670	(Note1)	1,600	-	-	1,600	5,939	40%	40%	2,376	79,878	-
Holtek Semiconductor (Suzhou) Inc.	Sales of integrated circuits and technical services	69,712	(Note1)	69,712	-	-	69,712	(22,605)	100%	100%	(22,605) (Note 5)	193,375	-
Fine Chip Electronics (Shanghai) Inc.	Sales of integrated circuits and technical services	7,541	(Note1)	-	-	-	-	(7,197)	40%	40%	(2,879)	(1,375)	-

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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)	-	-	-	-	28,311	60%	60%	16,987	51,165	-
JXY Electronics (Shenzhen) Corporation	Sales of integrated circuits and technical services	11,974	(Note1)	-	-	-	-	(1,416)	40%	40%	(567)	23,953	-
Best Health Electronics (Dongguan) Corporation	Sales of integrated circuits and technical services	23,057	(Note1)	-	-	-	-	8,305	75%	80%	6,229	40,528	-
BestComm RF Electronics (Dongguan) Inc.	Sales of integrated circuits and technical services	13,634	(Note1)	9,392	-	-	9,392	1,773	100%	100%	1,773	13,071	-
Best Solution Technology (Dongguan) Inc.	Sales of integrated circuits and technical services	4,285	(Note1)	-	-	-	-	9,948	54.75%	54.75%	5,446 (Note 5)	39,241	-
Best Driver-tech (Hangzhou) Corporation	Sales of integrated circuits and technical services	6,361	(Note1)					10,803	80%	80%	8,642	20,851	
Best Module-tech (Xiamen) Corporation	Sales of integrated circuits and technical services	10,573	(Note1)					141	100%	100%	141	11,012	
Best Modules Electronic Commerce (Xiamen) Corp.	Sales of integrated circuits and technical services	28,307	(Note1)	10,806	17,501		28,307	1,126	100%	100%	1,126	12,129	

Holtek Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements

ii. Limit of investments in Mainland China:

Name of company	Accumulated Investments in Mainland China as of December 31, 2022 (Note2)	Investment Amounts Authorized by Investment Commission, MOEA (Note3)	Maximum Limit of Investment (Note4)
The Company	658,752 (US\$21,851 in thousands)	825,634 (US\$26,929 in thousands)	2,807,398
Best Modules	28,307 (US\$962 in thousands)	11,997 (US\$391 in thousands)	80,000
BestComm	9,392 (US\$314 in thousands)	13,962 (US\$455 in thousands)	80,000
Best Solution	-	4,378 (US\$143 in thousands)	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 \$670,033 (US\$21,854 in thousands); and from the third regions for \$155,601 (US\$5,075 in thousands); and BestComm accumulated remittances from Taiwan for \$9,612 (US\$314 in thousands); and from the third regions for \$4,350 (US\$141 in thousands); and Best Solution accumulated remittances from the third regions for \$4,378 (US\$143 in thousands) ; and Best Modules accumulated remittances from Taiwan for \$11,997 (US\$391 in thousands) ; and Best Modules was remitted from Taiwan for \$17,501 (US\$571 in thousands) in December 2022, pending approval from the Investment Commission, MOEA.

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 \$4,678,997 x 60% = \$2,807,398; 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,			
	2022		2021	
	Amount	% of net sales	Amount	% of net sales
Sales of integrated circuits	\$ 5,989,804	99	7,084,106	99
Design and IC programming	26,164	1	43,644	1
	\$ 6,015,968	100	7,127,750	100

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.

	For the year ended December 31,			
	2022		2021	
	Amount	% of net sales	Amount	% of net sales
Revenues from external customers:				
China	\$ 4,044,393	67	5,593,338	78
Taiwan	739,501	12	771,966	11
Other countries	1,232,074	21	762,446	11
	\$ 6,015,968	100	7,127,750	100

	December 31,			
	2022		2021	
	Amount	% of total assets	Amount	% of total assets
Non-current assets				
Taiwan	\$ 226,067	3	254,794	3
China	311,771	5	257,549	3
Other countries	1,894	-	2,018	-
	\$ 539,732	8	514,361	6

(4) Major customer information

Sales to individual customers for greater than 10% of total sales were as follows:

	For the year ended December 31,			
	2022		2021	
	Amount	% of net sales	Amount	% of net sales
SIGNAL	\$ 1,156,587	19	1,229,732	17

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, 2022 and 2021, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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)

February 16, 2023

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, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 214,847	3	258,575	3	2150	Notes payable	\$ 104,072	2	235,294	3
1110	Financial assets measured at fair value through profit or loss — current (note 6(2))	242,418	4	970,068	12	2170	Accounts payable	524,280	8	578,795	7
1170	Notes and accounts receivable, net (note 6(3))	84,371	1	89,525	1	2180	Accounts payable to related parties (note 7)	8,136	-	8,092	-
1180	Accounts receivable from related parties (notes 6(3) and 7)	697,794	11	956,945	12	2201	Salary and bonus payable	484,906	7	567,312	7
130X	Inventories (note 6(4))	1,332,326	20	473,526	6	2230	Current income tax liabilities	46,138	1	423,029	5
1476	Other financial assets — current (notes 6(5) 、7 and 8)	633,858	10	2,054,567	25	2280	Lease liabilities-current(note 6(10))	11,471	-	14,880	-
1479	Other current assets	33,106	-	34,164	-	2310	Advance receipts	6,896	-	47,017	-
		<u>3,238,720</u>	<u>49</u>	<u>4,837,370</u>	<u>59</u>	2399	Other current liabilities (note 7)	<u>211,630</u>	<u>3</u>	<u>141,565</u>	<u>2</u>
								<u>1,397,529</u>	<u>21</u>	<u>2,015,984</u>	<u>24</u>
Non-current assets:						Non-current liabilities:					
1550	Investments accounted for using equity method (notes 6(6) and 7)	3,005,542	46	2,939,919	36	2570	Deferred tax liabilities (note 6(12))	415,651	6	393,448	5
1600	Property, plant and equipment (note 6(7))	127,558	2	136,830	2	2580	Lease liabilities-non-current(note 6(10))	69,767	1	80,988	1
1755	Right-of-use assets (note 6(8))	79,295	1	94,399	1	2640	Net defined benefit liabilities-non-current (note 6(11))	48,497	1	81,503	1
1780	Intangible assets (note 6(9))	22,384	-	38,630	-	2645	Guarantee deposit received	16,120	-	26,080	-
1840	Deferred tax assets (note 6(12))	146,734	2	201,647	2			<u>550,035</u>	<u>8</u>	<u>582,019</u>	<u>7</u>
1900	Other non-current assets	6,328	-	6,060	-	Total liabilities		<u>1,947,564</u>	<u>29</u>	<u>2,598,003</u>	<u>31</u>
		<u>3,387,841</u>	<u>51</u>	<u>3,417,485</u>	<u>41</u>	Equity (note 6(13)) :					
						3110	Ordinary share capital	2,261,682	34	2,261,682	27
						3200	Capital surplus	142,309	2	142,309	2
						3300	Retained earnings	2,072,434	32	2,794,950	34
						3400	Other equity	202,572	3	457,911	6
						Total equity		<u>4,678,997</u>	<u>71</u>	<u>5,656,852</u>	<u>69</u>
Total assets		<u>\$ 6,626,561</u>	<u>100</u>	<u>8,254,855</u>	<u>100</u>	Total liabilities and equity		<u>\$ 6,626,561</u>	<u>100</u>	<u>8,254,855</u>	<u>100</u>

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung

General Manager : Gau, Kuo Tung

Accounting Manager : Liao, Ming Tung

Holtek Semiconductor Inc.**Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in thousands of New Taiwan Dollars, except for Earnings per Share)**

	2022		2021	
	Amount	%	Amount	%
4000 Revenue (notes 6(16) and 7)	\$ 4,891,641	100	6,631,977	100
5000 Cost of Goods Sold (notes 6(4)、(9)、(11)、(15)、7 and 12)	<u>2,761,967</u>	<u>57</u>	<u>3,174,352</u>	<u>48</u>
Gross profits	2,129,674	43	3,457,625	52
5910 Unrealized gross profit on sales to associates	<u>(234,666)</u>	<u>(5)</u>	<u>564,276</u>	<u>8</u>
Realized gross profits	<u>2,364,340</u>	<u>48</u>	<u>2,893,349</u>	<u>44</u>
Operating expenses (notes 6(9)、(11)、(15) and 12) :				
6100 Selling	129,091	2	154,728	3
6200 General and administrative	237,619	5	311,378	5
6300 Research and development	841,037	17	1,013,841	15
6450 Expected credit impairment loss (note 6(3))	<u>35,354</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>1,243,101</u>	<u>25</u>	<u>1,479,947</u>	<u>23</u>
Operating income	<u>1,121,239</u>	<u>23</u>	<u>1,413,402</u>	<u>21</u>
Non-operating income and expenses:				
7020 Other gains and losses (notes 6(17) and 7)	43,758	1	348,186	5
7070 Investment income accounted for using equity method (note 6(6))	171,856	4	757,278	12
7100 Interest income	13,437	-	5,513	-
7510 Interest expense (note 6(10))	<u>(1,916)</u>	<u>-</u>	<u>(1,216)</u>	<u>-</u>
	<u>227,135</u>	<u>5</u>	<u>1,109,761</u>	<u>17</u>
Income before income tax	1,348,374	28	2,523,163	38
7950 Income tax (note 6 (12))	<u>242,000</u>	<u>5</u>	<u>479,099</u>	<u>7</u>
Net income	<u>1,106,374</u>	<u>23</u>	<u>2,044,064</u>	<u>31</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Remeasurements of the defined benefit plans (note 6(11))	10,314	-	(3,487)	-
8330 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(283,835)	(6)	196,601	3
8349 Income tax relating to items that will be not reclassified subsequently (note 6(12))	<u>2,063</u>	<u>-</u>	<u>(697)</u>	<u>-</u>
	<u>(275,584)</u>	<u>(6)</u>	<u>193,811</u>	<u>3</u>
8360 Items that may be reclassified subsequently to profit or loss				
8381 Exchange differences on translation of subsidiaries and associates for using equity method	35,620	1	10,635	-
8399 Income tax relating to items that may be reclassified subsequently (note 6(12))	<u>7,124</u>	<u>-</u>	<u>2,127</u>	<u>-</u>
	<u>28,496</u>	<u>1</u>	<u>8,508</u>	<u>-</u>
8300 Other comprehensive income	<u>(247,088)</u>	<u>(5)</u>	<u>202,319</u>	<u>3</u>
Total comprehensive income	<u>\$ 859,286</u>	<u>18</u>	<u>2,246,383</u>	<u>34</u>
Earnings per share (New Taiwan Dollars) (note 6(14))				
9750 Basic earnings per share	<u>\$ 4.89</u>		<u>9.04</u>	
9850 Diluted earnings per share	<u>\$ 4.83</u>		<u>8.93</u>	

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung

General Manager : Gau, Kuo Tung

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, 2022 and 2021
(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
Balance as of January 1, 2021	\$ 2,261,682	142,309	732,672	31,662	1,020,669	1,785,003	(66,714)	319,516	252,802	4,441,796
Net income for the period	-	-	-	-	2,044,064	2,044,064	-	-	-	2,044,064
Other comprehensive income for the period	-	-	-	-	(2,790)	(2,790)	8,508	196,601	205,109	202,319
Total comprehensive income for the period	-	-	-	-	2,041,274	2,041,274	8,508	196,601	205,109	2,246,383
Appropriation and distribution of retained earnings:										
Appropriation for legal reserve	-	-	102,065	-	(102,065)	-	-	-	-	-
Reversal of special reserve	-	-	-	(29,020)	29,020	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	(83,705)	-	(947,622)	(1,031,327)	-	-	-	(1,031,327)
Balance as of December 31, 2021	<u>2,261,682</u>	<u>142,309</u>	<u>751,032</u>	<u>2,642</u>	<u>2,041,276</u>	<u>2,794,950</u>	<u>(58,206)</u>	<u>516,117</u>	<u>457,911</u>	<u>5,656,852</u>
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)
Balance as of December 31, 2022	<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>

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung

General Manager : Gau, Kuo Tung

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, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 1,348,374	2,523,163
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	47,736	44,432
Amortization	61,205	68,045
Expected credit impairment loss	35,354	-
Interest expense	1,916	1,216
Interest income	(13,437)	(5,513)
Investments income accounted for using equity method	(171,856)	(757,278)
Unrealized gross profit on sales to associates	(234,666)	564,276
Other items not affecting cash flows, net	9,159	5,310
Changes in operating assets and liabilities:		
Financial assets measured at fair value through profit or loss	724,359	(187,460)
Accounts receivable (including related parties)	228,951	(88,754)
Inventories	(864,178)	(89,529)
Other operating assets	732	(11,128)
Accounts payable (including related parties)	(185,693)	175,242
Advance receipts	(40,121)	43,161
Net defined benefit liability	(23,182)	(12,735)
Other operating liabilities	(13,016)	298,241
Cash flows from operations	911,637	2,570,689
Interest received	11,607	4,876
Dividend received	92,684	15,390
Interest paid	(1,241)	(1,216)
Income tax paid	(550,962)	(97,995)
Net cash flows from operating activities	463,725	2,491,744
Cash flows from investing activities:		
Acquisitions of investments accounted for using equity method	-	(189,618)
Acquisitions of property, plant and equipment	(23,097)	(42,338)
Decrease (increase) in Guarantee deposits paid	36	(45)
Acquisition of intangible assets	(44,848)	(44,974)
Decrease (increase) in other financial assets	1,422,895	(1,414,289)
Increase in other non-current assets	(445)	(454)
Net cash flows from (used in) investing activities	1,354,541	(1,691,718)
Cash flows from financing activities:		
Increase (decrease) in Guarantee deposits received	(9,960)	14,095
Payments of lease liabilities	(14,893)	(12,271)
Cash dividends paid	(1,837,141)	(1,031,327)
Net cash flows used in financing activities	(1,861,994)	(1,029,503)
Net decrease in cash and cash equivalents	(43,728)	(229,477)
Cash and cash equivalents at beginning of period	258,575	488,052
Cash and cash equivalents at end of period	\$ 214,847	258,575

(See accompanying notes to parent company only financial statements.)

Chairman : Wu, Chi Yung General Manager : Gau, Kuo Tung Accounting Manager : Liao, Ming Tung

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

(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, 2022 and 2021
(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 February 16, 2023.

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, 2022 :

- Amendments to IAS 16 “*Property, Plant and Equipment—Proceeds before Intended Use*”
- Amendments to IAS 37 “*Onerous Contracts—Cost of Fulfilling a Contract*”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “*Reference to the Conceptual Framework*”

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

(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, 2023, would not have a significant impact on its parent company only financial statements:

- 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*”

(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 IAS 1 “*Classification of Liabilities as Current or Non-current*”
- Amendments to IAS 1 “*Non-current Liabilities with Covenants*”
- Amendments to IFRS 17 “*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*”
- IFRS16 “*Requirements for Sale and Leaseback Transactions*”

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).

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

(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.

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

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

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
- 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.

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

(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.

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 are measured at FVTPL, including derivative financial assets.

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through 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, 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.

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.

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

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.

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.

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

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.

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.

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

(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.

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.

Holtek Semiconductor Inc.
Notes to Parent Company Only Financial Statements

(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.

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,

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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.

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

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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.

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.

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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

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.

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(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:

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.

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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.

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.

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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 for financial reporting purposes 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 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.

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(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.

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(18) for assumptions used in measuring fair value.

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6. Description of Significant Accounts

(1) Cash and cash equivalents

	December 31,	
	2022	2021
Cash and cash in bank	\$ 138,197	44,818
Time deposits	76,650	213,757
	\$ 214,847	258,575

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

	December 31,	
	2022	2021
Beneficiary certificates	\$ 242,418	970,068

A. Please refer to note 6(18) 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)

	December 31,	
	2022	2021
Notes receivable	\$ 342	8,082
Accounts receivable	85,425	88,836
Accounts receivable from related parties	739,145	956,945
	824,912	1,053,863
Less: allowance for doubtful accounts	(42,747)	(7,393)
	\$ 782,165	1,046,470

The notes and accounts receivable, net (including related parties) was \$957,716 as of January 1, 2021.

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:

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	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
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
	\$ 824,912		42,747

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Not past due	\$ 1,051,102	0.5%~1.5%	7,255
Past due 0~90days	2,761	5%	138
	\$ 1,053,863		7,393

The movement in the allowance for notes and trade receivable was as follows:

	For the year ended December 31,	
	2022	2021
Beginning balance	\$ 7,393	7,393
Impairment losses recognized	35,354	-
Ending balance	\$ 42,747	7,393

(4) Inventories

	December 31,	
	2022	2021
Raw materials	\$ 549,622	73,645
Work in process	469,605	190,085
Finished goods and merchandise inventories	313,099	209,796
	\$ 1,332,326	473,526

The details of operating costs were as follows:

	For the year ended December 31,	
	2022	2021
Cost of goods sold	\$ 2,756,589	3,167,797
Cost of scrap materials	5,378	6,555
	\$ 2,761,967	3,174,352

The Company did not provide any inventories as collateral for its loans.

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(5) Other current financial assets-current

	December 31,	
	2022	2021
Time deposits (more than 3 months)	\$ 619,500	2,042,400
Restricted cash in banks (note 8)	8,818	8,813
Others	5,540	3,354
	\$ 633,858	2,054,567

No impairment loss of other financial assets-current were occurred and recognized for the year ended December 31, 2022 and 2021.

Please refer to note 6 (18) 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:

	December 31,	
	2022	2021
Subsidiaries	\$ 3,576,652	3,745,695
Less: unrealized gross profits on sales to associates	(571,110)	(805,776)
	\$ 3,005,542	2,939,919

Please refer to consolidated financial statements for the year ended December 31, 2022 for the subsidiaries information.

Share of the profit of subsidiaries accounted for using equity method were \$171,856 and \$757,278 for the years ended December 31, 2022 and 2021, respectively.

The Company did not provide any investment accounted for using equity method as collaterals for its loans.

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(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, 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>
Balance on January 1, 2021	\$ 26,676	272,261	219,822	60,012	578,771
Additions	-	6,992	28,408	6,938	42,338
Disposals	-	-	(19,021)	(10,944)	(29,965)
Balance on December 31, 2021	<u>\$ 26,676</u>	<u>279,253</u>	<u>229,209</u>	<u>56,006</u>	<u>591,144</u>
Accumulated depreciation:					
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>
Balance on January 1, 2021	\$ -	216,421	192,031	44,187	452,639
Depreciation for the period	-	4,018	17,551	10,071	31,640
Disposals	-	-	(19,021)	(10,944)	(29,965)
Balance on December 31, 2021	<u>\$ -</u>	<u>220,439</u>	<u>190,561</u>	<u>43,314</u>	<u>454,314</u>
Carrying amount:					
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 December 31, 2021	<u>\$ 26,676</u>	<u>58,814</u>	<u>38,648</u>	<u>12,692</u>	<u>136,830</u>
Balance on January 1, 2021	<u>\$ 26,676</u>	<u>55,840</u>	<u>27,791</u>	<u>15,825</u>	<u>126,132</u>

The Company did not provide any property, plant and equipment as collaterals for its loans.

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(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, 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>
Balance at January 1, 2021	\$ 67,341	41,006	108,347
Additions	-	22,749	22,749
Disposals	-	(22,522)	(22,522)
Balance at December 31, 2021	<u>\$ 67,341</u>	<u>41,233</u>	<u>108,574</u>
Accumulated depreciation :			
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>
Balance at January 1, 2021	\$ 6,122	17,783	23,905
Depreciation for the year	3,061	9,731	12,792
Disposals	-	(22,522)	(22,522)
Balance at December 31, 2021	<u>\$ 9,183</u>	<u>4,992</u>	<u>14,175</u>
Carrying amount :			
Balance at December 31, 2022	<u>\$ 55,352</u>	<u>23,943</u>	<u>79,295</u>
Balance at December 31, 2021	<u>\$ 58,158</u>	<u>36,241</u>	<u>94,399</u>
Balance at January 1, 2021	<u>\$ 61,219</u>	<u>23,223</u>	<u>84,442</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, 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>
Balance at January 1, 2021	\$ 201,421	117,222	318,643
Additions	44,974	-	44,974
Disposals	(44,177)	(10,463)	(54,640)
Balance at December 31, 2021	<u>\$ 202,218</u>	<u>106,759</u>	<u>308,977</u>

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	<u>Computer Software</u>	<u>Acquired Special Technology</u>	<u>Total</u>
Accumulated amortization :			
Balance at January 1, 2022	\$ 180,666	89,681	270,347
Amortization for the year	50,788	10,417	61,205
Disposals	<u>(51,676)</u>	<u>(18,609)</u>	<u>(70,285)</u>
Balance at December 31, 2022	<u>\$ 179,778</u>	<u>81,489</u>	<u>261,267</u>
Balance at January 1, 2021	\$ 174,259	82,683	256,942
Amortization for the year	50,584	17,461	68,045
Disposals	<u>(44,177)</u>	<u>(10,463)</u>	<u>(54,640)</u>
Balance at December 31, 2021	<u>\$ 180,666</u>	<u>89,681</u>	<u>270,347</u>
Carrying amount :			
Balance at December 31, 2022	<u>\$ 15,723</u>	<u>6,661</u>	<u>22,384</u>
Balance at December 31, 2021	<u>\$ 21,552</u>	<u>17,078</u>	<u>38,630</u>
Balance at January 1, 2021	<u>\$ 27,162</u>	<u>34,539</u>	<u>61,701</u>

The amortization of intangible assets are included in the statement of comprehensive income:

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of sales	<u>\$ 23</u>	<u>561</u>
Operating expenses	<u>\$ 61,182</u>	<u>67,484</u>

The Company did not provide any intangible assets as collaterals for its loans.

(10) Lease liabilities

The amount of lease liabilities was as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current	<u>\$ 11,471</u>	<u>14,880</u>
Non-current	<u>\$ 69,767</u>	<u>80,988</u>

For the maturity analysis, please refer to note 6(18).

The amounts recognized in profit or loss were as follows:

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 1,241</u>	<u>1,216</u>
Expenses relating to short-term leases	<u>\$ 579</u>	<u>738</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 440</u>	<u>442</u>

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The amounts recognized in the statement of cash flows for the Company was as follows:

	For the year ended December 31,	
	2022	2021
Total cash outflow for leases	\$ 17,153	14,667

As of December 31, 2022, 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.

(11) 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:

	December 31,	
	2022	2021
Present value of the defined benefit obligation	\$ 52,256	146,707
Fair value of plan assets	(3,759)	(65,204)
Net defined benefit liabilities	\$ 48,497	81,503

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.

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(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 \$3,759 as of December 31, 2022. 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:

	For the year ended December 31,	
	2022	2021
Defined benefit obligation as of January 1	\$ 146,707	146,956
Benefits paid from plan assets	(89,695)	(4,999)
Current service costs and interest	1,027	436
Remeasurements of the net defined benefit liabilities		
— Actuarial loss arising from changes in financial assumptions	(3,336)	(6,307)
— Actuarial loss arising from changes in population assumptions	-	3,844
— Actuarial loss arising from experience adjustments	(2,447)	6,777
Defined benefit obligation as of December 31	<u>\$ 52,256</u>	<u>146,707</u>

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(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:

	For the year ended December 31,	
	2022	2021
Fair value of plan assets as of January 1	\$ 65,204	56,468
Benefits paid from plan assets	(89,534)	(2,008)
Interest income	537	173
Contributions made	23,021	9,744
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	4,531	827
Fair value of plan assets as of December 31	<u>\$ 3,759</u>	<u>65,204</u>

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses were as follows:

	For the year ended December 31,	
	2022	2021
Net interest on the net defined benefit liabilities	<u>\$ 490</u>	<u>263</u>
Cost of goods sold	\$ 31	17
Selling expenses	34	19
General and administrative expenses	67	36
Research and development expenses	358	191
	<u>\$ 490</u>	<u>263</u>

(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

	December 31,	
	2022	2021
Discount rate	1.30%	0.70%
Future salary increase rate	2.00%	2.00%

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The Company expects to make a contribution of \$11,296 to its defined benefit plans in the following year, beginning December 31, 2022.

The weighted-average duration of the defined benefit obligation is 10 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>	Impact on the defined benefit obligation	
	<u>Increase 0.1%</u>	<u>Decrease 0.1%</u>
December 31, 2022		
Discount rate	<u>\$ (526)</u>	<u>534</u>
Future salary increase rate	<u>\$ 488</u>	<u>(482)</u>
<u>actuarial assumptions</u>	<u>Increase 0.1%</u>	<u>Decrease 0.1%</u>
December 31, 2021		
Discount rate	<u>\$ (1,521)</u>	<u>1,543</u>
Future salary increase rate	<u>\$ 1,386</u>	<u>(1,371)</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 2022 and 2021.

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. The Company's pension costs under the defined contribution plan were \$30,591 and \$26,604 for the years ended December 31, 2022 and 2021, respectively.

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Except for the above, the total pension costs of the Company's overseas branch under their respective defined contribution plan were \$559 and \$544 for the years ended December 31, 2022 and 2021, which were recognized in accordance with their local regulations.

(12) Income tax

A. Income tax expenses

The amount of income tax expenses was as follows:

	For the year ended December 31,	
	2022	2021
Current income tax expense		
Current period	\$ 181,402	442,468
Adjustment to prior years	(7,331)	14,969
	<u>174,071</u>	<u>457,437</u>
Deferred income tax expense		
Temporary differences	67,929	21,662
Income tax expenses	<u>\$ 242,000</u>	<u>479,099</u>

The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	For the year ended December 31,	
	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	<u>\$ 2,063</u>	<u>(697)</u>
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	<u>\$ 7,124</u>	<u>2,127</u>

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The reconciliation of income tax expenses and income before income tax was as follows:

	For the year ended December 31,	
	2022	2021
Income before income tax	\$ 1,348,374	2,523,163
Income tax at the Company's domestic tax rate	269,675	504,633
Permanent differences adjustment	(14,929)	(20,612)
Estimated increase in investment tax credit	(5,381)	(19,878)
Change in provision in prior periods	(7,331)	14,969
Other	(34)	(13)
	\$ 242,000	479,099

B. The changes of deferred tax assets and liabilities were as follows:

Deferred tax assets

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Unrealized loss from Inventory devaluation	\$ 12,000	-	-	12,000	-	-	12,000
Unrealized gross profit from sales to associates	48,300	112,855	-	161,155	(46,933)	-	114,222
Allowance for doubtful accounts over the quota	-	-	-	-	6,898	-	6,898
Net defined benefit liabilities	18,098	(2,494)	697	16,301	(4,539)	(2,063)	9,699
Loss from exchange differences on translation of financial statements of foreign affiliates	12,892	-	(2,127)	10,765	-	(7,124)	3,641
Others	2,289	(863)	-	1,426	(1,152)	-	274
	\$ 93,579	109,498	(1,430)	201,647	(45,726)	(9,187)	146,734

Deferred tax liabilities

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Foreign investment gains under the equity method	\$ 261,347	130,859	-	392,206	20,589	-	412,795
Others	941	301	-	1,242	1,614	-	2,856
	\$ 262,288	131,160	-	393,448	22,203	-	415,651

C. The tax authorities have assessed the Company's income tax returns through 2020.

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(13) Capital and other equity interest

A. Ordinary shares

As of December 31, 2022 and 2021, 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, 2022 and 2021.

B. Capital surplus

The balance of capital surplus as of December 31, 2022 and 2021, were as follows:

	December 31,	
	2022	2021
Capital surplus — premium	\$ 142,309	142,309

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.

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(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 carrying amount of special reserve both amounted to \$2,642 as of December 31, 2022 and 2021.

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.

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(c) Earnings distribution

The following are the appropriation of earnings in 2021 and 2020 which were approved in the shareholders' meeting held on May 24, 2022 and July 15, 2021, respectively :

	For the year ended December 31,			
	2021		2020	
	NT dollars per share	Total amount	NT dollars per share	Total amount
Cash dividends distributed to ordinary shareholders:	\$ 8.1229	1,837,141	4.56	1,031,327

(14) Earnings per share

The Company's calculation of basic earnings per share was as follows:

	For the year ended December 31,	
	2022	2021
Basic earnings per share:		
Net income for the period	\$ 1,106,374	2,044,064
Weighted-average number of ordinary shares outstanding during the year (in thousands)	226,168	226,168
Basic earnings per share (NT dollars)	\$ 4.89	9.04
Diluted earnings per share:		
Net income for the period	\$ 1,106,374	2,044,064
Weighted-average number of ordinary shares outstanding during the year (in thousands)	226,168	226,168
Remuneration to employees	2,737	2,815
Weighted-average number of ordinary shares outstanding during the year (diluted) (in thousands)	228,905	228,983
Diluted earnings per share (NT dollars)	\$ 4.83	8.93

(15) 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.

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The remunerations to employees amounted to \$160,430 and \$299,875, and the remunerations to directors amounted to \$19,099 and \$35,499 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021. 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.

Remuneration to employees and directors for 2021 in the amounts of \$299,875 and \$35,499, respectively. The aforementioned approved amounts are the same as the amounts charged against earnings of 2021. Remuneration to employees and directors for 2020 in the amounts of \$125,414 and \$13,735, respectively, which were paid in cash. The aforementioned approved amounts are the same as the amounts charged against earnings of 2020. The information is available on the Market Observation Post System website.

(16) Revenue from Contracts with Customers

A. Segmentation of revenue

	For the year ended December 31,	
	2022	2021
Revenues from major regional markets:		
China	\$ 2,994,507	5,182,619
Taiwan	684,871	707,331
Others	1,212,263	742,027
	\$ 4,891,641	6,631,977
Revenue from major products:		
Sales of integrated circuits	\$ 4,878,095	6,612,795
Design revenue	13,546	19,182
	\$ 4,891,641	6,631,977

B. Contract balance

Please refer to note 6(3) for the amount of accounts receivables and impairment loss.

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(17) Non-operating income and expenses

The details of other income and expenses were as follows:

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Foreign exchange income	\$ 1,042	30,949
Others	42,716	317,237
	<u>\$ 43,758</u>	<u>348,186</u>

Others included service income of the Company receiving from customers were \$26,617 and \$305,461 for the year ended December 31, 2022 and 2021, respectively.

(18) 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, 2022 and 2021, customers (including related parties) whose notes and accounts receivables that accounted for more than 10% have amounted to \$448,424 and \$674,980, 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.

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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.

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>
December 31, 2022				
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>
	<u>\$ 1,282,896</u>	<u>1,292,565</u>	<u>1,198,051</u>	<u>94,514</u>
December 31, 2021				
Non-derivative financial liabilities				
Notes and accounts payable (including related parties)	\$ 822,181	822,181	822,181	-
Salary and bonus payable	567,312	567,312	567,312	-
Accrued expenses (recorded in other current liabilities)	91,131	91,131	91,131	-
Guarantee deposit received	26,080	26,080	-	26,080
Lease liabilities	<u>95,868</u>	<u>106,742</u>	<u>16,118</u>	<u>90,624</u>
	<u>\$ 1,602,572</u>	<u>1,613,446</u>	<u>1,496,742</u>	<u>116,704</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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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, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 6,363	30.66	195,083	5,883	27.63	162,553
RMB	162,862	4.3843	714,037	218,667	4.3196	944,551
<u>Non-monetary items</u>						
USD	\$ 90,747	30.66	2,782,299	97,848	27.63	2,703,546
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 15,126	30.66	463,752	13,635	27.63	376,733
RMB	3,481	4.3843	15,260	8,702	4.3196	37,589

(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 \$3,441 and \$5,542 for the years ended December 31, 2022 and 2021, 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 on monetary items amounted to \$1,042 and 30,949 for the years ended December 31, 2022 and 2021, respectively.

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(d) Other price risk

For the years ended December 31, 2022 and 2021, 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>2022</u>	<u>2022</u>
1% increase	\$ 1,939	7,761
1% decrease	\$ (1,939)	(7,761)

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, 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>
	<u>December 31, 2021</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>\$ 970,068</u>	<u>970,068</u>	<u>-</u>	<u>-</u>	<u>970,068</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, 2022 and 2021

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(19) 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 (18).

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 (18) for the credit risk analyses of cash and cash equivalents, and accounts receivables. As of December 31, 2022 and 2021, no guarantees were outstanding.

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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, 2022, the Company's unused credit line were amounted to \$154,700, 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, interest risk, and other price risk (such as risk related to equity instruments). 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.

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(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.

(20) 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, 2022.

The Company's debt-to-adjusted-capital ratio at the reporting date was as follows:

	December 31,	
	2022	2021
Total liabilities	\$ 1,947,564	2,598,003
Total equity	\$ 4,678,997	5,656,852
Debt-to-adjusted-capital ratio	42%	46%

(21) 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:

	January 1, 2022	Cash flow	Other	December 31, 2022
Lease liabilities	\$ 95,868	(14,893)	263	81,238
Guarantee deposit received	26,080	(9,960)	-	16,120
Total liabilities from financing activities	\$ 121,948	(24,853)	263	97,358

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	January 1, 2021	Cash flow	Other	December 31, 2021
Lease liabilities	\$ 85,390	(12,271)	22,749	95,868
Guarantee deposit received	11,985	14,095	-	26,080
Total liabilities from financing activities	\$ 97,375	1,824	22,749	121,948

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.

Name of related parties	Relationship with the Company
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 Power Electronics Cop.(Best Power)	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
Holtek Semiconductor (Xiamen) Inc. (Holtek Xiamen)	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

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<u>Name of related parties</u>	<u>Relationship with the Company</u>
Best Modules (BVI) Corp. (Best Modules BVI)	A subsidiary of the consolidated company
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
Bestway Electronic Inc. (BESTWAY)	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

(2) Significant related-party transactions

A. Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the year ended December 31,	
	2022	2021
Holtek China	\$ 1,343,653	2,373,348
Holtek Xiamen	792,360	882,541
Holtek Suzhou	173,727	674,000
Subsidiaries	177,011	377,010
Associates	767,290	1,116,287
	<u>\$ 3,254,041</u>	<u>5,423,186</u>

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The Company's sales transactions with Holtek China, Holtek Xiamen 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, 2022 and 2021, the Company recognized unrealized gross profits of sales to associates amounting to \$571,110 and \$805,776 respectively.

The receivables from related parties (including allowance for doubtful accounts) were as follows:

	December 31,	
	2022	2021
Holtek China	\$ 64,023	356,918
Holtek Xiamen	448,424	318,062
Subsidiaries	30,874	98,823
Associates	154,473	183,142
	\$ 697,794	956,945

The temporary receipts from related parties were as follows:

	December 31,	
	2022	2021
Temporary receipts –Associates (Other current liabilities)	\$ 21,162	-

B. Purchases and others

The amounts of significant purchases by the Company from related parties were as follows:

	For the year ended December 31,	
	2022	2021
Subsidiaries	\$ 37,804	41,449

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

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The Company has paid to the related parties for consumables, miscellaneous purchase, and sales service of integrated circuit as follows:

	For the year ended December 31,	
	2022	2021
Subsidiaries	\$ 41,507	36,272

The payables to related parties were as follows:

	December 31,	
	2022	2021
Accounts payable to related parties -Subsidiaries	\$ 8,136	8,092

C. Other transactions

The Company's revenue from subsidiaries and related parties about the human support service charge and disbursement have amounting to \$12,273 and \$112,214 for the year ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the receivables classified under abovementioned other financial assets – current have amounting to \$2,349 and \$1,363, respectively.

(3) Transactions with key management personnel

Key management personnel compensation comprised:

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	\$ 26,206	33,886
Post-employment benefits	432	432
	\$ 26,638	34,318

8. Pledged Assets

Assets	Purpose of Pledged	December 31,	
		2022	2021
Time deposits (recorded in other financial assets – current)	Guarantee deposits of customs duty	\$ 8,818	8,813

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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 subsidiaries of 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 and operating costs.

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, 2022			For the year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	36,885	711,960	748,845	45,789	966,377	1,012,166
Labor and health insurance	2,872	49,024	51,896	2,801	45,186	47,987
Pensions	1,826	29,814	31,640	1,732	25,679	27,411
Directors	-	19,099	19,099	-	35,499	35,499
Others	1,721	19,982	21,703	1,884	21,838	23,722
Depreciation	5,614	42,122	47,736	7,667	36,765	44,432
Amortization	23	61,182	61,205	561	67,484	68,045

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The amount of employees and employee benefits for the years ended December 31, 2022 and 2021, was as follows:

	For the year ended December 31,	
	2022	2021
The number of employees	460	448
The number of directors who were not holding as a position of employee	4	4
The Average of employee benefits	1,873	2,503
The Average of Salaries	1,642	2,279
The Average of salary adjust rate	(28)%	34%
Supervisors' remuneration	-	-

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.

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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: None.
- iii. Securities held as of December 31, 2022 (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	7,422	115,414	-	115,414	-	
The Company	UPAMC James Bond Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	7,495	127,004	-	127,004	-	
Holtek Semiconductor Holding (BVI) Ltd.	Unitech Capital Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	2,500	45,697	5.00%	45,697	5.00%	
Holtek Investment Co., Ltd	Shieh Yong Investment Co., Ltd.	-	Equity-investments measured at fair value through other comprehensive income-non current	48,736	453,828	3.03%	453,828	3.03%	
Holtek Investment Co., Ltd	Gingy Technology Co.	-	Equity-investments measured at fair value through other comprehensive income-non current	127	101	2.49%	101	6.08%	
Holtek Investment Co., Ltd	Precision Sensor Design Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	650	3,485	17.81%	3,485	17.81%	

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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	-	28,354	476,558	40,805	690,220	61,664	1,042,764	1,039,778	2,986	7,495	127,000 (Note)
The Company	Yuanta De-Bao Money Market Fund	Financial assets measured at fair value through profit or loss – current	Yuanta	-	28,039	339,029	8,233	100,000	36,272	440,779	439,029	1,749	-	- (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	1,343,653	27%	Open account 120 days	No significant difference	No significant difference	64,023	8%	
The Company	Holtek (Xiamen)	Subsidiary of the Company	Sales	792,360	16%	Open account 120 days	No significant difference	No significant difference	448,424	57%	
The Company	Signal	Investee of the Company's subsidiary evaluated under the equity method	Sales	258,936	5%	Open account 60 days	No significant difference	No significant difference	54,175	7%	
The Company	Holtek (Suzhou)	Subsidiary of the Company	Sales	173,727	4%	Open account 120 days	No significant difference	No significant difference	5,220	1%	
The Company	Truetek	Investee of the Company's subsidiary evaluated under the equity method	Sales	167,083	3%	Open account 60 days	No significant difference	No significant difference	27,921	4%	
The Company	Tech Wave	Investee of the Company's subsidiary evaluated under the equity method	Sales	160,576	3%	Open account 60 days	No significant difference	No significant difference	46,581	6%	
The Company	Best Solution	Subsidiary of the Company	Sales	148,526	3%	Open account 60 days	No significant difference	No significant difference	24,835	3%	

Note1 : One-way expression only for companies recognizing income and assets.

Note2 : Notes and accounts receivable, net include allowance for doubtful accounts.

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viii. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover days	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Holtek (Xiamen)	Subsidiary	450,059	2.07	-	Collection on demand	81,948 (Note)	1,635

Note1 : The amount is collected by February 10, 2023.

ix. Trading in derivative instruments: None.

(2) Information on investees:

The following is the information on investees for the year 2022 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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%	1,341,014	100.00%	61,814	61,814	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%	193,416	100.00%	(22,601)	(22,601)	The Company's Subsidiary
The Company	Sigmos Holdings Ltd.	B.V.I.	Overseas investment activities	6,898	6,898	200	100.00%	23,034	100.00%	1,556	1,556	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%	23,034	100.00%	1,556	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%	1,224,832	100.00%	62,178	62,178	The Company's Subsidiary
MCU Holdings Ltd.	ForIC Electronics Holding Ltd.	B.V.I.	Overseas investment activities	9,733	9,733	300	40.00%	41,409	40.00%	(11,515)	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%	16,436	100.00%	1,894	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%	34,424	100.00%	5,244	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%	70,189	40.00%	6,019	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%	89,547	100.00%	13,623	Note1	The Subsidiary's investee company by equity method invest subsidiary

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Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
MCU Holdings Ltd.	Quanding Technology Holding Ltd.	B.V.I.	Overseas investment activities	31,124	31,124	1,045	40.00%	52,276	40.00%	5,939	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%	24,494	100.00%	225	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%	67,829	40.00%	12,451	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%	92,934	100.00%	23,133	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	3,470	800	40.00%	6,909	40.00%	(73,061)	Note1	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%	90,908	40.00%	23,551	Note1	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%	77,568	40.61%	(14,271)	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%	22,045	100.00%	3,308	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%	141,239	40.00%	23,396	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%	(140)	40.00%	(7,209)	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%	33,297	60.00%	28,298	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%	26,835	40.00%	3,058	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%	9,115	33.33%	1,639	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%	10,102	40.00%	(1,401)	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Best Health Electronics Corp.	B.V.I.	Overseas investment activities	19,808	20,965	5	75.00%	47,949	80.00%	23,221	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%	18,505	100.00%	14,897	Note1	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Power Electronics Corporation	B.V.I.	Overseas investment activities	-	8,844	-	-%	-	100.00%	72	Note1, 2	The Company's second-tier subsidiary

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Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
MCU Holdings Ltd.	Best Driver-Tech Corporation	B.V.I.	Overseas investment activities	6,753	6,753	2	80.00%	18,893	80.00%	10,807	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%	13,470	100.00%	144	Note1	The Company's second-tier subsidiary
MCU Holdings Ltd.	Risingtek Corporation	B.V.I.	Overseas investment activities	-	15,603	-	-%	-	40.00%	(97)	Note1, 3	The Subsidiary's investee company by equity method
The Company	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	3	3	6	0.10%	3	0.10%	1,237	(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%	794,353	100.00%	68,910	68,910	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%	142,845	40.00%	66,713	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%	138,567	100.00%	10,254	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%	159,923	100.00%	56,247	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%	18,531	36.88%	16,193	Note1	The Company's second-tier subsidiary
Holtek Investment Co., Ltd.	EST Technology Integration Corp.	New Taipei City	Investment activities	11,191	15,113	1,119	22.38%	24,618	22.38%	55,916	Note1	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%	20,102	40.00%	16,193	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%	41,416	100.00%	9,872	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%	-	20.00%	662	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%	21,613	100.00%	6,539	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%	13,841	100.00%	1,813	Note1	The Company's third-tier subsidiary

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Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2022			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value				
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	25,000	10,500	100.00%	95,521	100.00%	(3,508)	Note1	The Company's second-tier subsidiary
Best Modules Corp.	Best Modules (BVI) Corp.	B.V.I.	Overseas investment activities	28,236	10,789	7	100.00%	12,124	100.00%	1,086	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%	2,313	99.90%	(1,237)	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 : Best Power Electronics Corporation has reduced its capital and the Company received the capital from reduction in November 2022.

Note3 : Risingtech Corporation has reduced its capital and the Company received the capital from reduction in March 2022.

(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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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							
Holtek Semiconductor (Xiamen) Inc	Sales of integrated circuits and technical services	322,726	(Note1)	290,645	-	-	290,645	(45,513)	100%	100%	(45,513) (Note5)	417,982	-
Holtek Semiconductor (China) Inc.	Sales of integrated circuits and technical services	292,423	(Note1)	272,221	-	-	272,221	87,295	100%	100%	87,295 (Note 5)	838,579	-
Bestway Electronics (Shenzhen) Inc.	Sales of integrated circuits and technical services	6,769	(Note1)	3,383	-	-	3,383	(44,468)	40%	40%	(17,787)	11,803	-
Santek Electronics (Xiamen) Ltd.	Sales of integrated circuits and technical services	6,398	(Note1)	2,506	-	-	2,506	(11,188)	40%	40%	(4,475)	75,063	-
New Wave Electronics (Shenzhen) Ltd.	Sales of integrated circuits and technical services	9,287	(Note1)	3,928	-	-	3,928	21,479	40%	40%	8,591 (Note 5)	184,757	-

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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							
ForIc Electronics (Beijing) Ltd.	Sales of integrated circuits and technical services	19,361	(Note1)	3,601	-	-	3,601	(18,636)	40%	40%	(7,454)	30,703	-
E-Micro Technology (Qingdao) Ltd.	Sales of integrated circuits and technical services	6,315	(Note1)	2,634	-	-	2,634	1,893	40%	40%	757	16,042	-
Newtek Electronics (Shenzhen) Ltd	Sales of integrated circuits and technical services	65,860	(Note1)	2,647	-	-	2,647	(17,563)	40.61%	40.61%	(7,132) (Note 5)	131,130	-
Truetek Technology (Shanghai) Ltd.	Sales of integrated circuits and technical services	30,293	(Note1)	3,911	-	-	3,911	(7,654)	40%	40%	(3,061)	79,617	-
Crown Rich Technology (Shenzhen) Ltd.	Sales of integrated circuits and technical services	18,446	(Note1)	1,964	-	-	1,964	22,954	40%	40%	9,182 (Note 5)	341,039	-
Quanding Technology (Suzhou) Ltd.	Sales of integrated circuits and technical services	21,670	(Note1)	1,600	-	-	1,600	5,939	40%	40%	2,376	79,878	-
Holtek Semiconductor (Suzhou) Inc.	Sales of integrated circuits and technical services	69,712	(Note1)	69,712	-	-	69,712	(22,605)	100%	100%	(22,605) (Note 5)	193,375	-
Fine Chip Electronics (Shanghai) Inc.	Sales of integrated circuits and technical services	7,541	(Note1)	-	-	-	-	(7,197)	40%	40%	(2,879)	(1,375)	-
Anchip Technology (Dongguan) Corporation	Sales of integrated circuits and technical services	1,521	(Note1)	-	-	-	-	28,311	60%	60%	16,987	51,165	-
JXY Electronics (Shenzhen) Corporation	Sales of integrated circuits and technical services	11,974	(Note1)	-	-	-	-	(1,416)	40%	40%	(567)	23,953	-
Best Health Electronics (Dongguan) Corporation	Sales of integrated circuits and technical services	23,057	(Note1)	-	-	-	-	8,305	75%	80%	6,229	40,528	-
BestComm RF Electronics (Dongguan) Inc.	Sales of integrated circuits and technical services	13,634	(Note1)	9,392	-	-	9,392	1,773	100%	100%	1,773	13,071	-
Best Solution Technology (Dongguan) Inc.	Sales of integrated circuits and technical services	4,285	(Note1)	-	-	-	-	9,948	54.75%	54.75%	5,446 (Note 5)	39,241	-
Best Driver-tech (Hangzhou) Corporation	Sales of integrated circuits and technical services	6,361	(Note1)	-	-	-	-	10,803	80%	80%	8,642	20,851	-
Best Module-tech (Xiamen) Corporation	Sales of integrated circuits and technical services	10,573	(Note1)	-	-	-	-	141	100%	100%	141	11,012	-

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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							
Best Modules Electronic Commerce (Xiamen) Corp.	Sales of integrated circuits and technical services	28,307	(Note1)	10,806	17,501		28,307	1,126	100%	100%	1,126	12,129	

ii. Limit of investments in Mainland China:

Accumulated Investments in Mainland China as of December 31, 2022(Note2)	Investment Amounts Authorized by Investment Commission, MOEA (Note3)	Maximum Limit of Investment (Note4)
658,752 (US\$21,851 in thousands)	825,634 (US\$26,929 in thousands)	2,807,398

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 \$670,033 (US\$21,854 in thousands); and from the third regions for \$155,601 (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 \$4,678,997 x 60% = \$2,807,398.

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	Unit : share	
	Shares	Percentage
Shareholder's Name		
United Microelectronics Corporation	22,144,257	9.79%

14. Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2022.

Holtek Semiconductor Inc.

Chairman: Wu, Chi-Yung