

# Holtek Semiconductor Inc.

## 2021 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>

Printed on April 8, 2022

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

Spokesperson

Name: Tsai, Jung-Tsung, Vice President of Sales & Marketing Center

Tel: 886-3-563-1999

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

Acting Spokesperson

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

Tel: 886-3-563-1999

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

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

Holtek Semiconductor Inc. (Hsinchu Headquarters)

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

Tel: 886-3-563-1999

Holtek Semiconductor Inc. (Hong Kong Branch)

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

Tel: 852-2745-8288

Holtek Semiconductor Inc. (Taiwan and Overseas Sales Division)

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

Tel: 886-2-2655-7070

Holtek Semiconductor (China) Inc.

Building No. 10, Xinzhu Court, (No. 1 Headquarters), 4 Xinzhu Road, Songshan Lake, Dongguan, China 523808

Tel: 86-769-2626-1300

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

Company: the Transfer Agency Department of SinoPac Securities Corporation

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

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

Tel: 886-2-2381-6288

## **IV. Independent Auditors**

Auditors: Lu, Chien-Hui and Yu, Wan-Yuan

Accounting Firm: KPMG

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

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

Tel: 886-2-8101-6666

## **V. Corporate Website**

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

## Contents

<b>I. Letter to the Shareholders.....</b>	<b>1</b>
<b>II. Company Profile</b>	
2.1 Date of Incorporation.....	4
2.2 History and Milestones of Holtek.....	4
<b>III. Corporate Governance</b>	
3.1 Organization.....	7
3.2 Directors and Management Team.....	11
3.3 Remuneration of Directors, General Manager and Vice Presidents.....	26
3.4 Implementation of Corporate Governance.....	34
3.5 Information on the Fees for CPAs.....	69
3.6 Information on the Replacement of CPAs.....	69
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.....	69
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.....	70
3.9 Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders.....	71
3.10 Ownership of Shares in Affiliated Enterprises.....	72
<b>IV. Capital Overview</b>	
4.1 Capital and Shares.....	73
4.2 Status of Corporate Bonds.....	79
4.3 Status of Preferred Shares.....	79
4.4 Status of Global Depository Receipts.....	79
4.5 Status of Employee Stock Option Plan (ESOP).....	79
4.6 Status of New Restricted Employee Shares.....	79
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	79
4.8 Financing Plans and Implementation.....	79

## **V. Operational Highlights**

5.1 Business Activities.....	80
5.2 Market, Production and Sales Overview.....	91
5.3 Employee Information.....	97
5.4 Information on the Expenditures for Environmental Protection.....	98
5.5 Labor Relations.....	98
5.6 Cyber Security Management.....	101
5.7 Material Contracts.....	103

## **VI. Financial Information**

6.1 Five-Year Financial Summary.....	104
6.2 Five-Year Financial Analysis.....	108
6.3 Audit Committee’s Review Report .....	111
6.4 Consolidated Financial Statements and Independent Auditors’ Report –the Company & Subsidiaries.....	111
6.5 Financial statements and Independent Auditors’ Report – the Parent Company.....	111
6.6 The Impact on the Company’s Financial Status in Cases Where the Company or its Affiliates Have Experienced Financial Difficulties.....	111

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

7.1 Analysis of Financial Status.....	112
7.2 Analysis of Operating Results.....	113
7.3 Analysis of Cash Flow.....	114
7.4 Major Capital Expenditure.....	115
7.5 Investment Policies.....	115
7.6 Risk Management.....	115
7.7 Other Material Events.....	117

## **VIII. Special Disclosure**

8.1 Summary of Affiliated Companies.....	118
8.2 Private Placement Securities.....	129
8.3 Holding or Disposition of the Company’s Stock List by Subsidiaries.....	129
8.4 Other Supplementary Information.....	129
8.5 The Most Recent Fiscal Year and Up to the Date of This Annual Report Printed, Any Events That Significantly Affects the Shareholders’ Equity or Stock Price of the Company as Stated in Subsection 2, Paragraph 3, Article 36 of the Securities and Exchange Act.....	129

## **Appendix**

Appendix 1: Consolidated Financial Statements and Independent Auditors’ Report –the Company & Subsidiaries.....	130
Appendix 2: Financial statements and Independent Auditors’ Report – the Parent Company.....	203

## I. Letter to the Shareholders

Dear Shareholders,

Once again 2021 was a year like no other with the world still facing the difficulties created by the COVID-19 epidemic. However, a new dawn began to shine with us witnessing increased vaccination rates in major countries and with borders gradually opening once more, allowing us to see an improvement in global economic activity during 2021. The trade and technology friction between the US and China continues, however despite this the semiconductor chip market has created unprecedented prosperity, with the strong demand in various application fields creating chip shortages. All relevant upstream and downstream companies in the semiconductor industry achieved outstanding operating performance during 2021, exceeding expectations. Holtek's 2021 revenue and profit continued on its trajectory to new highs, much supported by rising demand for products in various application fields.

Holtek Semiconductor's main product focus remains in the development and sales of microcontroller products (MCUs) and peripheral ICs. To complement this, and very importantly for Holtek, the company has established a sales and technical service network that differs from its competitors in that it places customer needs at the centre of its operations. This has enabled Holtek to obtain customer recognition and affirmation in what is a globally competitive environment. In 2021, the company's annual revenue was NT\$ 7.128 billion, which represents an impressive increase of 27% when compared with NT\$ 5.615 billion during 2020. The company's gross profit margin increased to 51.1%, and the after-tax net profit attributable to the parent company reached NT\$ 2.044 billion. When compared to the previous year's profit of NT\$ 1.031 billion, this demonstrated an annual increase of 98%, and provided an after-tax profit per share of NT\$ 9.04.

In 2021, the company's revenue from its MCUs reached a total of NT\$ 5.637 billion. Some of the key products in this area were its touch key application MCUs, 32-bit MCUs, security smoke gas detector MCUs, BLDC motor MCUs, RF wireless communication MCUs, power management ICs and other products, all of which have performed very well. However, the revenue from health measurement MCUs decreased slightly due to the improved epidemic situation. Overall, the company's performance in 2021 was highly commendable.

The following gives an overview of the company's overall operations during 2021 and includes a summary of product developments, business operations and production information etc.

With regard to new product development, new product releases in 2021 included 32-bit MCUs, high-functionality and low-pin 8-bit MCUs, health measurement devices, RF wireless communication devices and BLDC motor control devices. In the area of safety protection, Holtek released smoke sensors, smoke sensor drivers, smoke sensor network products as well as a range of other MCUs. There were a total of 66 various types of MCUs which included devices for power tool chargers, smart devices, water level sensing, PIR infrared sensing modules, etc. Additionally there were four new development platforms which provided customers with tools to assist them in their product development for various application areas, to help with their product differentiation and volume production efficiency.

In terms of business promotion, Holtek continued to face difficulties brought about by global anti-epidemic policies. In addition to promotion and service activities operating through its worldwide global sales networks, the company also made extensive use of video and online platforms to provide remote services. In mainland China, the company provided customer services operating out of local bases. Unfortunately Holtek's original plan to develop new markets and new customers in India and emerging developing countries failed to achieve the company's desired goals

and plans. The sales of MCUs and modules on our e-commerce websites are presently continuing to progress as planned and here the number of product items and customer sources continues to increase.

As for production, in addition to the 2021 limited wafer production capacity, device packaging and testing capacity also remained a major bottleneck. Production facilities need to closely cooperate with both upstream and downstream manufacturers to obtain both upstream and downstream support to successfully achieve customer needs and annual shipment targets.

**An overview of 2022 Holtek's overall business is provided below:**

Looking forward to 2022, we can infer from present relevant information that the Covid-19 situation will not be completely eradicated. After the epidemic period has been entered, it is expected that economic activities will still suffer from limitations everywhere resulting in uncertain impacts on the overall global economy. At the same time, wafer production capacity will still remain limited during 2022. However, in planning forward, Holtek has already placed a certain amount of orders based on production capacity. In the future, Holtek will focus on serving important customers and important product application fields.

**Product development:**

The company has actively developed and established highly functionally integrated and ultra-low power consumption related product technologies. It has invested heavily in process technology improvements and has introduced various types of sensing product technologies. In the next few years, Holtek will continue to focus its efforts on power supply devices, music/voice related devices including music/voice playback/voice recognition, standard and ASSP MCUs as well as OTP and Flash MCUs, security and environmental devices, BLDC motor control devices, lithium battery charging, health measurement, RF, Arduino, sensor modules and RF modules, 32-bit standard MCUs, low power consumption MCUs as well as other related products developments.

**Sales & Marketing:**

In 2022, taking into account the limited foundry, packaging and testing resources, the internal management mechanisms will continue to be used to optimise production and delivery, with priority provided to meeting the needs of key products and important customer orders. At the same time, Holtek will continue to seek to expand its sales bases in Korea, Southeast Asia, India, Central and South America and other countries or regions to provide timely and localised product technical services.

In addition to focusing on the development and sales of MCUs and related peripheral ICs, Holtek also actively invests in corporate sustainability. Starting from its ESG Sustainability Development Committee, the company has set up various working groups to focus on environmental sustainability, corporate governance, employee care, R&D innovation, product responsibility and social integration. In examining IC design and development, Holtek's MCUs are continually moving in the direction of lower power consumption and devices with ultra-low power consumption, and even having self-powered devices as a development objective. All of this is aimed at developing energy-saving and environmental sensing devices and modules. This will provide customers with high quality and reliable products. The Holtek offices have all fully converted their traditional office lighting into energy-saving LED light sources, a measure which has saved 91,274 kWh of electricity every year.

In cooperation with a number of Science and Technology Universities, the company has also for 16 consecutive years, established its “Holtek Innovation Competition” both in Taiwan and China. Through this academic-industrial framework and in addition to the innovation competition, Holtek aims to cultivate technology talent excellence. Holtek is also committed to improving the company's work environment to provide a safer and motivating workplace environment for all. The company's implementation of sustainable corporate governance has enabled it to obtain a position within the top 20% of governance evaluation performance. On the 16th June 2021, Holtek continued to be included in the "Taiwan High Salary 100 Index" and on the 16th July 2021 Holtek was included in the "Corporate Governance 100 Index" for the first time. Holtek is also delighted to be shortlisted for the “2021 GSA Global Semiconductor Industry Association Best Financial Management Award”. Holtek’s business teams are dedicated to the company’s sustainable development as well as the important issue of environmental protection. The company will continue to create stable revenue and profits, which will be shared with all of its employees and shareholders. Finally and most importantly as we come to end of this report, Holtek wishes to offer its sincere gratitude to all of its shareholders for their support and encouragement over the years and looks forward to many future years together.

Chairman: Wu, Chi-Yung

General Manager: Gau, Kuo-Tung

## II. Company Profile

### 2.1 Date of Incorporation:

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

### 2.2 History and Milestones of Holtek

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

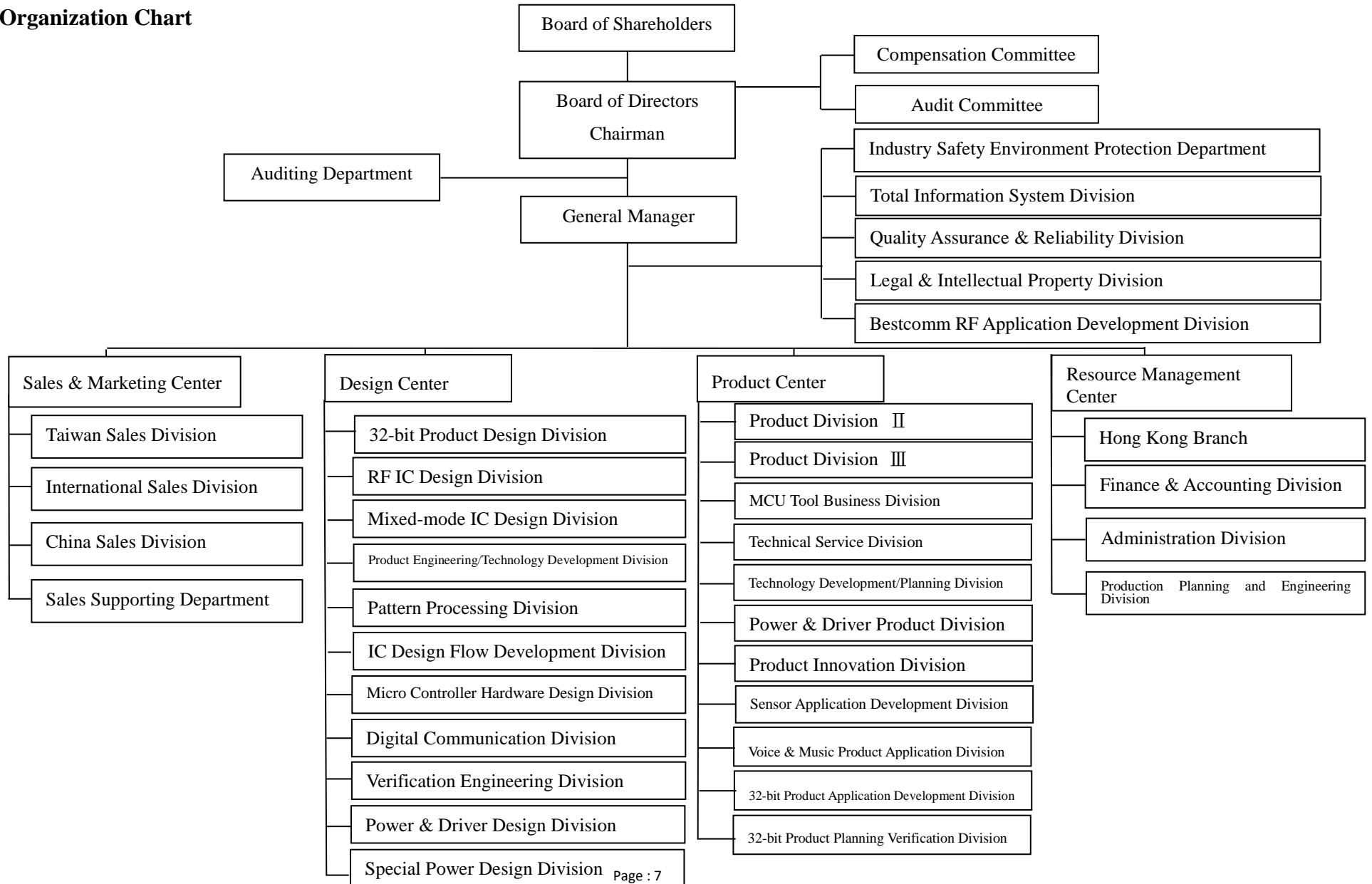
Year	Month	Milestones
2007	January May December	Released first 8-bit Flash MCU which conformed to industrial specifications. Obtained IECQ QC080000HSPM Certification. Holtek Wireless USB Audio MCU HT82A850R/HT82A851R won the Chinese Electronic Innovation Award.
2008	February	Established Xiamen Office (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 June October December	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. Released first 32-bit ARM® Cortex®-M3 Flash MCU. Released Touch Key Flash MCU with LED/LCD Driver. Holtek's 8-bit MCU revenue ranked 18 <sup>th</sup> position globally.
2012	June December	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. Holtek 8-bit MCU revenue ranked 14 <sup>th</sup> position globally. New products in 2012: 1. Smoke Detector ASSP Flash MCU. 2. Power Bank ASSP Flash MCU.
2013	September November December	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. Obtained Qi Spec Certification of Wireless Power Consortium (WPC). Holtek 8-bit MCU revenue ranked 11 <sup>th</sup> position globally. New products in 2013: 1. 20-bit A/D + LCD Flash MCU. 2. Blood Pressure Meter ASSP Flash MCU. 3. Glucose Meter ASSP Flash MCU.
2014	July November	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. Wireless Charger MCU obtained Qi Spec Certification of Wireless Power Consortium

Year	Month	Milestones
		(WPC). New products in 2014: <ol style="list-style-type: none"> <li>1. 1.8V~5.5V Flash MCU.</li> <li>2. 24-bit A/D LCD Flash MCU.</li> <li>3. Wireless Power Transmitter (Qi) ASSP Flash MCU.</li> <li>4. Body Fat ASSP Flash MCU.</li> </ol>
2015	March September December	Obtained the 3 <sup>rd</sup> Taiwan Middlestand Award. Power Bank MCU obtained Qualcomm Quick Charge 2.0 Certification. Holtek to Run its 10 <sup>th</sup> MCU Innovation Competition. New products in 2015 : <ol style="list-style-type: none"> <li>1. The“world’s thinnest” (1mm) and ultra-high resolution optical hybrid fingerprint recognition sensor.</li> <li>2. 32-bit ARM® Cortex®-M0+ Core Flash MCU.</li> <li>3. Fast Charge Power Bank MCU.</li> </ol>
2016	February	Holtek signs Letter of Intent with Sony Mobile. New products in 2016 : <ol style="list-style-type: none"> <li>1. 96MHz High-performance 32-bit Arm® Cortex®-M3 Core Flash MCU.</li> <li>2. BLE Transparent Transmission Module.</li> <li>3. Sub-1GHz Tx/Rx SoC &amp; IC.</li> </ol>
2017	April December	Top 5% of the 3 <sup>rd</sup> Corporate Governance Assessment Award of the TWSE. Holtek 8-bit MCU revenue ranked 9 <sup>th</sup> position globally. New products in 2017: <ol style="list-style-type: none"> <li>1. Series of Arm® Cortex®-M3 MCU, M0+ 5V MCU and Bridge MCU.</li> <li>2. A/D NFC™ MCU, Sub-1 GHz Super Regeneration Rx SoC MCU and LoRa® technology solutions.</li> <li>3. USB Type-C PD ASSP MCU and 15W Wireless Power Tx ASSP MCU.</li> </ol>
2018	December	Holtek Semiconductor Inc. Wins Global Semiconductor Alliance (GSA)’s 2018 Best Financially Managed Semiconductor Company.
2019	April	Top 5% of the 5 <sup>th</sup> Corporate Governance Assessment Award of the TWSE.
2021	December	Holtek Semiconductor Inc. is delighted to be shortlisted for the “2021 GSA Global Semiconductor Industry Association Best Financial Management Award”.

### III. Corporate Governance

#### 1.1 Organization

##### 1.1.1 Organization Chart



## 1.1.2 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.
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.

Department	Functions
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	(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. (B) Specification development, design development, product validation and software and hardware technical support for VFD/LED/LCD display controllers/driver ICs.
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	(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. (B) Research in key technologies and establishment of key IPs for technology-leading products to upgrade product levels and competitiveness.
Power & Driver Product Division	Responsible for planning, design development and new product promotion for Power Management & Driver IC market.
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.
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.

Department	Functions
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, 2022, 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 29, 2019	3	Sep. 7, 1998	7,665,809	339%	3,932,905	174%	-	-	6,578,502	291%	Bachelor of Electronic Engineering Department, Feng Chia University Chairman, Holtek Semiconductor Inc.	Chairman, 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., Best Solution Technology Inc., and Best Modules Corp. Independent director, Greatek Electronics Inc.	-	-	-	-
Director	R.O.C.	Gau, Kuo-Tung	Male/ 61~70	May 29, 2019	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	General Manager, Holtek Semiconductor Inc. Representative of a juridical person director, Holtek Semiconductor Holding (BVI) Ltd., Kingtek Semiconductor Holding (BVI) Ltd., MCU Holdings Ltd., Sigmos Holdings Ltd.,	-	-	-	-

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	
														Semiconductor Inc.	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 29, 2019	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	Executive Vice President of Design and Product Center, Holtek Semiconductor Inc. Representative of a juridical person director, Holtek Semiconductor (Suzhou) Inc., Holtek Semiconductor (Xiamen) Inc. and Holtek	-	-	-	-

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	
														Product Center, Holtek Semiconductor Inc.	Investment Co., Ltd.					
Director	R.O.C.	Lin, Cheng-Fung	Male/ 61~70	May 29, 2019	3	Sep. 7, 1998	1,842,697	0.81%	1,842,697	0.81%	290,513	0.13%	-	-	Bachelor of Electronic Engineering Department, Feng Chia University Vice President of General Manager's Office, Holtek Semiconductor Inc.	Representative of a juridical person director, Sigmos Holdings Ltd., MCU Holdings Ltd., Best Health Electronics Corporation and Best Power Electronics Corporation	-	-	-	-
Director	R.O.C.	Tsai, Jung-Tsung	Male/ 51~60	May 29, 2019	3	May 29, 2019	322,684	0.14%	332,684	0.15%	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)	-	-	-	-

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	
																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.				
Director	R.O.C.	Wang, Jen-Chung	Male/ 61~70	May 29, 2019	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	Representative of a juridical person director, LiVE Technology Co., Ltd.	-	-	-	-
Independent Director	R.O.C.	Lu, Cheng-Yueh	Male/ 71~75	May 29, 2019	3	April 17, 2002	-	-	-	-	-	-	-	-	Master of Accounting Department, Soochow University CPA, Lee, Lin	CPA, Lee, Lin & CO. Independent Director, YUAN JEN Enterprises Co., Ltd.	-	-	-	-

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	
															& CO.					
Independent Director	R.O.C.	Hsing, Chih-Tien	Male/ 71~75	May 29, 2019	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.	-	-	-	-
Independent Director	R.O.C.	Kuo, Tai-Haur	Male/ 61~70	May 29, 2019	3	May 27, 2016	-	-	-	-	-	-	-	-	Ph.D., Electrical Engineering Department, University of Maryland Professor, Electrical Engineering Department, National Cheng Kung University	Professor, Electrical Engineering Department, National Cheng Kung University	-	-	-	-

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

Criteria Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Wu, Chi-Yung	Chairman, Holtek Semiconductor Inc. Work Experience and Education : Bachelor Degree from the Department of Electronic Engineering, Feng Chia University, Taiwan Mr. Wu has accumulated over 40 years of practical experience in the semiconductor industry with a focus in strategic management, leadership skills and day to day operations.	There are no violations arising out of Article 30 of the Company Act.	1
Director Gau, Kuo-Tung	General Manager, Holtek Semiconductor Inc. Work Experience and Education : Associate Degree from the Department of Electronics, Hwa Hsia Jr. College of Technology, Taiwan Mr. Gao has accumulated over 40 years of practical experience in the semiconductor industry with a focus in strategic management and marketing.	There are no violations arising out of Article 30 of the Company Act.	None
Director Chang, Chih	Design and Product Center Executive Vice President, Holtek Semiconductor Inc. Work Experience and Education : Master Degree from the Department of Electrical Engineering, National Cheng Kung University, Taiwan Mr. Chang has accumulated over 40 years of practical experience in the semiconductor industry with a focus on industry knowledge and marketing skills, specialising in industry-related business planning.	There are no violations arising out of Article 30 of the Company Act.	None
Director Lin, Cheng-Fung	Director, Holtek Semiconductor Inc. Work Experience and Education : Bachelor Degree from the Department of Electronic Engineering, Feng Chia University, Taiwan Mr. Lin has accumulated over 40 years of practical experience in the semiconductor industry with a focus in industry knowledge and marketing skills, specialising in semiconductor industry operational planning.	There are no violations arising out of Article 30 of the Company Act.	None
Director Tsai, Jung-Tsung	Sales & Marketing Center Vice President, Holtek Semiconductor Inc. Work Experience and Education : Bachelor Degree from the Department of Automatic Control Engineering, Feng Chia University, Taiwan Mr. Tsai has practical skills in the planning and management in the business, marketing and technology industry areas.	There are no violations arising out of Article 30 of the Company Act.	None

Criteria Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director Wang, Jen-Chung	<p>Director, Holtek Semiconductor Inc. Work Experience and Education : Master Degree from the Institute of Technology Management, National Tsing Hua University, Taiwan Mr. Wang has practical experience in corporate governance, financial accounting, risk management and strategic decision-making.</p>	There are no violations arising out of Article 30 of the Company Act.	None
Independent Director Lu, Cheng-Yueh	<p>Independent Director, YUAN JEN Enterprises Co., Ltd. Work Experience and Education : Master Degree from the Accounting Department, Soochow University, Taiwan CPA, Lee, Lin &amp; CO. Mr. Lu has experience in the fields of law, financial accounting and corporate governance. He is currently a partner in the Lee, Lin &amp; 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) during which time there have been no violations arising out of Article 30 of the Company Act. 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.</p>	<p>The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office.</p> <ol style="list-style-type: none"> <li>(1) Not an employee of the Company or any of its affiliates.</li> <li>(2) Not a director or supervisor of the Company or any of its affiliates.</li> <li>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking as one of its top 10 shareholders.</li> <li>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.</li> <li>(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Paragraph 1 or 2 Article 27 of the Company Act.</li> <li>(6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company.</li> <li>(7) Not a director, supervisor, or employee of a company of which the Chairman or CEO (or equivalent) themselves or their spouse also serve as the Company's Chairman or CEO (or equivalent).</li> </ol>	1
Independent Director Hsing, Chih-Tien	<p>Independent Director, Innovision Flex Tech Corp. Work Experience and Education : Ph.D. from the Department of Electrical Engineering, University of Florida, USA. Senior Vice President, Quanta Computer Inc. and President of the Quanta Research Institute Mr. Hsing is fully conversant with semiconductor industry chain technological developments and additionally has expertise in corporate governance and technology industry management. He has served as an independent director for more than three terms (nine years), during which time there have been no violations arising out of Article 30 of the Company Act. In the area of management and operations, Mr. Hsing provides industry analysis and technology application insights. During the exercising of his duties as an independent director, this expertise is used to provide supervision and advice to the board.</p>	<ol style="list-style-type: none"> <li>(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Paragraph 1 or 2 Article 27 of the Company Act.</li> <li>(6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company.</li> <li>(7) Not a director, supervisor, or employee of a company of which the Chairman or CEO (or equivalent) themselves or their spouse also serve as the Company's Chairman or CEO (or equivalent).</li> </ol>	1

Criteria Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Kuo, Tai-Haur	<p>Work Experience and Education :</p> <p>Ph.D. from the Department of Electrical Engineering, University of Maryland, USA</p> <p>Professor in the Department of, Electrical Engineering Department, National Cheng Kung University, Taiwan</p> <p>Mr. Kuo is currently a professor in the Department of Electrical Engineering at the National Cheng Kung University in Taiwan. He has professional knowledge and practical experience in both electrical and mechanical related fields. Mr. Kuo has the professional qualities that the company requires for its industrial development as well as possessing an excellent international outlook. He is currently in his second term as an independent director and has no violations relating to Article 30 of the Company Act.</p>	<p>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof;</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

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

- 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.
- 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.
- 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) diversity of expertise and backgrounds of directors.
- Amongst the present nine company directors, there are 4 directors who have employee status, two external directors and three independent directors. 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 and Director Lin, Cheng-Fung - a total of 2), final product applications (Director Tsai, Jung-Tsung and Director Kuo, Tai-Haur - a total of 2) and also financial experience (Director Wang, Jen-Chung and Director Lu, Cheng-Yueh - a total of 2).

5. The company's present board of directors and individual directors have implemented diverse policy management objectives and the directors do not have spouses or relatives within a second level of kinship ensuring that the board of directors remains independent.(Refer to the annual report (note 1) on page 45).

### 3.2.3 Management Team

As of March 26, 2022, 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	
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 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 VP of	R.O.C.	Chang, Chi	Male	Dec. 11, 1998	1,111,785	0.49%	276,389	0.12%	-	-	Master of Electrical	Representative of a juridical person director,	-	-	-	-

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	
Design and Product Center											Engineering Department, National Cheng Kung University	Holtek Semiconductor (Suzhou) Inc., Holtek Semiconductor (Xiamen) Inc. and Holtek Investment Co., Ltd.				
VP of General Manager Office (Note1)	R.O.C.	Lin, Cheng-Fung	Male	Dec. 11, 1998	1,842,697	0.81%	290,513	0.13%	-	-	Bachelor of Electronic Engineering Department, Feng Chia University	Representative of a juridical person director, Sigmos Holdings Ltd., MCU Holdings Ltd., Best Health Electronics Corporation and Best Power Electronics Corporation	-	-	-	-
VP of Sales & Marketing Center	R.O.C.	Tsai, Jung-Tsung	Male	June 15, 2010	332,684	0.15%	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 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	-	-	-	-

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	
												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.				
VP of Product Center (Note2)	R.O.C.	Liu, Yuan-Ho	Male	Jan. 01, 2017	50,422	0.02%	10,000	0.00%	-	-	Bachelor of Electronic Engineering Department, National Taipei University of Technology	None	-	-	-	-
AVP of Quality Assurance & Reliability Division	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	-	-	-	-
AVP of Design Center	R.O.C.	Wu, Der-Chwan	Male	April 15, 2005	1,242,317	0.55%	-	-	-	-	Master of Electrical Engineering Department, National Cheng Kung University	None	-	-	-	-
AVP of Design Center	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	-	-	-	-

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	
AVP of Product Center	R.O.C.	Wang, Yuh-Dinhn	Male	July 01, 2009	393	0.00%	-	-	-	-	Master of Electrical Engineering Department, National Cheng Kung University	None	-	-	-	-
AVP of Product Center	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 Institute of Technology	Representative of a juridical person director, BestComm RF Electronics (BVI) Inc., BestComm RF 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 Power Electronics Corporation, Best Driver-tech Corporation, Best Driver-tech (Hangzho) Corporation, Best Module-Tech Corporation, Best Module-Tech (Xiamen) Corporation, Best	-	-	-	-

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	
												Solution Electronic Inc., Best Solution Technology Inc., and Best Solution Technology (Dongguan) Inc.				
AVP of Product Center	R.O.C.	Pan, Chien-Chou	Male	May 20, 2019	109,000	0.05%	8,000	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 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,	-	-	-	-
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	
												Best Module-Tech (Xiamen) Corporation, Best Modules (Xiamen) Corp., Holtek Investment Co., Ltd., BestComm RF Electronics Inc. and Best Modules Corp.				

Note1: Mr. Lin, Cheng-Fung, VP of General Manager Office, has applied for retirement for personal plan with the effective date of February 10, 2021.

Note2: Vice President Liu, Yuan-Ho assumed office on April 26, 2021.

### 3.3 Remuneration of Directors, General Manager, and Vice Presidents

#### 3.3.1 Remuneration of Directors (including independent directors)

Date: December 31, 2021; Unit: Value in NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company (Note 11)		
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 6)						
		The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	Cash	Stock	Cash	Stock		The company	Companies in the consolidated financial statements (Note 7)
Director	Wu Chi-Yung	0	0	0	0	28,499	28,499	0	0	1.39%	1.39%	14,394	14,394	0	0	16,493	0	16,493	0	2.91%	2.91%	None
Director	Gau, Kuo-Tung																					
Director	Chang, Chi																					
Director	Lin, Cheng-Fung																					
Director	Tsai, Jung-Tsung																					
Director	Wang, Jen-Chung	0	0	0	0	7,000	7,000	0	0	0.34%	0.34%	0	0	0	0	0	0	0	0.34%	0.34%	None	
Independent Director	Lu, Cheng-Yueh																					
Independent Director	Hsing, Chih-Tien																					
Independent Director	Kuo, Tai-Haur																					

- Note:
- Please state the policy, system, standard and structure of remuneration payment for independent directors, and state the correlation between remuneration payment and responsibilities, risks, investment time and other factors:
    - The remuneration of independent directors shall be determined by their participation in the operation of the Company and the value of their contribution, and shall be determined by the reference of similar company.
    - 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.
  - 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.)	—	—	—	—
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Kuo, Tai-Haur	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Kuo, Tai-Haur	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Kuo, Tai-Haur	Wang, Jen-Chung, Lu, Cheng-Yueh, Hsing, Chih-Tien, Kuo, Tai-Haur
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, Lin, Cheng-Fung, Tsai, Jung-Tsung	Wu, Chi-Yung, Gau, Kuo-Tung, Chang, Chi, Lin, Cheng-Fung, Tsai, Jung-Tsung	Lin, Cheng-Fung,	Lin, Cheng-Fung,
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (not incl.)	—	—	Wu, Chi-Yung, Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung	Wu, Chi-Yung, Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung
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	9 persons	9 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, 2021; 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			
Chairman	Wu Chi-Yung	9,845	9,845	0	0	6,017	6,017	16,493	0	16,493	0	1.58%	1.58%	None
General Manager	Gau, Kuo-Tung													
Vice President	Chang, Chi													
Vice President	Lin, Cheng-Fung (Note1)													
Vice President	Tsai, Jung-Tsung													
Vice President	Liu, Yuan-Ho (Note2)													

Note1: Mr. Lin, Cheng-Fung, VP of General Manager Office, has applied for retirement for personal plan with the effective date of February 10, 2021.

Note2: Vice President Liu, Yuan-Ho assumed office on April 26, 2021.

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.)	Lin, Cheng-Fung	Lin, Cheng-Fung
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (not incl.)	—	—
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (not incl.)	Liu, Yuan-Ho	Liu, Yuan-Ho
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (not incl.)	Wu, Chi-Yung, Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung	Wu, Chi-Yung, Gau, Kuo-Tung, Chang, Chi, Tsai, Jung-Tsung
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, 2021; 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	Chairman	Wu Chi-Yung	0	15,784	15,784	0.77%
	General Manager	Gau, Kuo-Tung				
	Executive VP of Design and Product Center	Chang, Chi				
	VP of General Manager office (Note 3)	Lin, Cheng-Fung				
	VP of Sales & Marketing Center	Tsai, Jung-Tsung				
	VP of Product Center (Note 4)	Liu, Yuan-Ho				
	AVP of Quality Assurance & Reliability Division	Wu, Shao-Nan				
	AVP of Design Center	Wu, Der-Chwan				
	AVP of Design Center	Yu, Kuo-Cheng				
	AVP of Product Center	Wang, Yuh-Dinhn				
	AVP of Product Center	Wang, Min-Kun				
	AVP of Product Center	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: Mr. Lin, Cheng-Fung, VP of General Manager Office, has applied for retirement for personal plan with the effective date of February 10, 2021.

Note 4: Vice President Liu, Yuan-Ho assumed office on April 26, 2021.

### 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

Title	Ratio of total remuneration paid to directors, general managers and vice presidents to net income (%)	
	2020	2021
Directors	3.74%	3.25%
General Managers and Vice Presidents	2.41%	1.58%

1. Criteria for paying remunerations to directors of the Company and procedures for determining remuneration:

Pursuant to Article 24 of the Company's "Article of Incorporation", which stipulate that " 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."

The Compensation Committee reviews the distribution of director's remuneration within the above amount in accordance with the individual performance and then submits it to the Board of Directors for approval.

2. Criteria for paying remunerations to general manager, vice presidents and managers and procedures for determining remuneration:

- (1) The Company has conducted the "Rules and Procedures for Performance Assessments", "Initial Salary and Salary Adjustment Process", "Employee Quarterly Bonus Standard Announcements", the remunerations of general manager, vice presidents and managers are appraised by the meeting of general manager room for reviewing in accordance with the Company's policy. Its remuneration is measured based on the business content, working experiences, personal achievements, contribution made to the business operation regulated in the "Rules and Procedures for Performance Assessments", which especially subject to personal achievements and contributions.
- (2) The annual distribution of employee remuneration is regulated in the Company's "Article of Incorporation". The Administration Division shall prepare the distribution and submit to the general manager room meeting for reviewing in accordance to the "Rules and Procedures for Performance Assessments", which refers to factors of business content, working experiences, personal achievements, contribution made to the business operation, which especially subject to personal achievements and contributions to the Company. The colleague performance shall be evaluated based on work ability (including workload/ difficulty/ achievement rate/ efficiency of job and quality, knowledge and skills), management and communication skills, as well as the outstanding performance in the current quarter.
- (3) The remunerations of the general managers, vice presidents and managers mentioned above shall be approved at the meeting of the general manager office, and shall be submitted to the Compensation Committee for discussion and then submit to the Board of Directors for approval.

3. Correlation between remuneration payment and business performance and future risks:

- (1) Directors' remuneration is determined by remuneration committee with reference to the industry's usual level of payment, and considerations of the performance evaluation results of the board of directors, individual board members, and functional committees, the time spent, and the responsibilities undertaken, etc. After evaluation of the relevance of individual performance and business performance and future risks, a proposal is submitted to the board of directors for discussion and approval.
- (2) Remuneration of the general managers, vice presidents and managers shall be based on the position, contribution to the Company and reference to the standard of the industry, and is regulated in accordance with the "Rules and Procedures for Performance Assessments".

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.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

The Board of Directors held 7 sessions in 2021. The attendance of the directors is shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Wu Chi-Yung	7	0	100%	
Director	Gau, Kuo-Tung	7	0	100%	
Director	Chang, Chi	7	0	100%	
Director	Lin, Cheng-Fung	6	1	86%	
Director	Tsai, Jung-Tsung	7	0	100%	
Director	Wang, Jen-Chung	6	1	86%	
Independent Director	Lu, Cheng-Yueh	7	0	100%	
Independent Director	Hsing, Chih-Tien	7	0	100%	
Independent Director	Kuo, Tai-Haur	7	0	100%	

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.

(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 2021/01/01 to 2021/12/31.

(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 January 26, 2022.

4. Goals to enhance the Board's operations:

- (1) The Company conducts the "Rules and Procedures of Board of Directors' Meetings" and "Board of Directors Self-Assessment of Performance". 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" and "Corporate Social Responsibility Best Practice Principles". The board and individual directors shall perform evaluation in accordance with "Board of Directors Self-Assessment of Performance" by conducting self-assessment annually.

### 3.4.2 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.

Major resolutions should be reviewed by the Audit committee includes: adoption or amendment of the internal control system, auditing and accounting policies and procedures, matters bearing on the personal interest of a director, material asset or derivatives transaction, material monetary loan, endorsement, or provision of guarantee, the offering or issuance of any equity-type securities, the hiring, discharge, or compensation of an attesting CPA, the appointment or discharge of the head of finance, accounting or auditing department, the Company's financial statements, the Company's merger and acquisition (M&A) matters, etc.

The Audit Committee held 5 sessions in 2021. 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	5	0	100%	

Other mentionable items:

- 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	Independent directors' opinions and the Company's Follow-up
2021.01.29 The 2 <sup>th</sup> Term, the 9 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>Approved the internal audit report for the fourth quarter of 2020.</li> <li>Approved the allocation of 2020 employee bonuses and directors' remuneration.</li> <li>Approved 2020 consolidated and individual financial statements.</li> </ol>	There is no objection or reservation expressed by any Independent Directors in all five Board of Directors Meetings and major resolutions have been fully passed by the Audit Committee member and the Board of Directors.
2021.03.03 The 2 <sup>th</sup> Term, the 10 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>Approved the internal audit report for January 2021.</li> <li>Approved the permit of directors' engagement in competitive conducts.</li> <li>Approved the investment of Holtek Semiconductor Holding(BVI) Ltd..</li> <li>Approved the Internal Control System Statement.</li> <li>Approved the assessment report of CPA's</li> </ol>	

Date	Resolution	Independent directors' opinions and the Company's Follow-up
	independence and competence.	There is no objection or reservation expressed by any Independent Directors in all five Board of Directors Meetings and major resolutions have been fully passed by the Audit Committee member and the Board of Directors.
2021.04.23 The 2 <sup>th</sup> Term, the 11 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the internal audit report from February to March 2021.</li> <li>2. Approved the company's consolidated financial statements for the first quarter of 2021.</li> </ol>	
2021.07.23 The 2 <sup>th</sup> Term, the 12 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the internal audit report for the second quarter of 2021.</li> <li>2. Approved the company's consolidated financial statements for the second quarter of 2021.</li> <li>3. Approved the investment of MCU Holdings Ltd..</li> <li>4. Approved the investment of Newtek Electronics Ltd..</li> </ol>	
2021.10.22 The 2 <sup>th</sup> Term, the 13 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the internal audit report for the third quarter of 2021.</li> <li>2. Approved the company's consolidated financial statements for the third quarter of 2021.</li> <li>3. Approved the purchase of the directors and managers liability insurance.</li> <li>4. Approved the issuance of short-term currency exchange credit of Bank Sinopac Hsinchu Branch.</li> <li>5. Approved the invest of Best Modules Corp.</li> <li>6. Approved the investment of Newtek Electronics Ltd..</li> <li>7. Approved the 2022 audit operational risk assessment reports and annual audit plans.</li> <li>8. Approved the 2022 business plan.</li> </ol>	

(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:
  - (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.
  - (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.

### 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 conducts the “Corporate Governance Best Practice Principles” which has been disclosed and posted on the Company’s website and TWSE’s Market Observation Post System.	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 “Codes of Ethical Conduct of Directors' and Managers” and the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" 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.</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) diversity of expertise and backgrounds of directors.</p> <p>D. Amongst the present nine company directors, there are 4 directors who have employee status, two external directors and three independent directors. 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</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	
(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?	✓		<p>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 and Director Lin, Cheng-Fung - a total of 2), final product applications (Director Tsai, Jung-Tsung and Director Kuo, Tai-Haur - a total of 2) and also financial experience (Director Wang, Jen-Chung and Director Lu, Cheng-Yueh - a total of 2). The management objective of diversity policy is reached by the Company's current board of directors and individual board members. (Refer to the annual report (note 1) on page 45).</p> <p>(2) The Company has set up a Compensation Committee and an Audit Committee. In the future, the Company will decide whether to set up other functional committees according to regulations and operational needs.</p>	None
(3) Has the Company formulated the regulations and method for the performance evaluation of the board of directors, conducts performance evaluation regularly every year, reports the results of the performance evaluation to the board of directors, and takes it as a reference for the remuneration, nomination and re-appointment of each director?	✓		<p>(3)</p> <p>A. 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 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</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>and re-appointment of each directors.</p> <p>C. The Company has reported to the Board of Directors on January 26, 2022. After the assessment, the functions of the Board of Directors, the Audit Committee and the Compensation Committee were found to work well during 2021.</p> <p>(4)</p> <p>A. The Company shall review the professional qualification and independence of independent certified public accountants (CPA) regularly every year. The statement of Independence from Auditors by KPMG was subject to approval by the Audit Committee and Board of Directors on March 2, 2022 and March 3, 2022.</p> <p>B. The evaluation, under the auspices of the Audit Committee and the Board of Directors, was done according to 10 criteria for independence. No violation was found. A relevant certification fee has been paid to two independent certified public accountants (CPA) by the Company. They have never serve as directors, managers or ones who engage in significant positions. The same certified public accountant has not been executing attestation service for more than 7 years. The most recent evaluation of their independence to ensure that they are non-interest parties and that their independence is intact, complies with the requirements for independence and competency.</p>	None
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	✓		<p>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</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	
with laws, handled matters related to meetings of the board of directors and shareholders' meeting on the basis of the laws, and prepared the minutes of the board of directors and shareholders' meetings, etc.?			information required for business execution by directors. Please refer to the further education of chief corporate governance officer on Page 64~65.	
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. (Refer to the annual report (note 2) on page 46~47).	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	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company announce and report 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?	✓		<p>TWSE’s Market Observation Post System.</p> <p>(3) The Company publishes and reports its annual financial report within two months after the end of a fiscal year, and publishes and reports its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline in accordance with relevant laws and regulations.</p>	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. Refer to Page 64 of this annual report.</p> <p>F. Implementation of risk management policies and risk measurement</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>standards: The Company has formulated various risk management mechanisms, internal control, and regulations to evaluate and manage all kinds of risks in accordance with laws.</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 22, 2021 and October 25, 2021. The insurance amount for 2021 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 Company has been ranked as a top 6~20% TPEX company in the 7th Corporate Governance Evaluation. We will continuously cooperate with all competent authorities in promoting and improving corporate governance evaluation to strengthen corporate governance.</p>				

Note1: The abilities possessed by individual board members of the Company

	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	√	√	√	√	√	√	√	√
Lin, Cheng-Fung	Male	√		√	√	√	√	√	√
Tsai, Jung-Tsung	Male	√	√	√	√	√	√	√	√
Wang, Jen-Chung	Male	√	√	√	√		√	√	√
Lu, Cheng-Yueh	Male	√	√	√	√		√	√	√
Hsing, Chih-Tien	Male	√	√	√	√	√	√	√	√
Kuo, Tai-Haur	Male	√			√	√	√	√	√

Note 2: Stakeholders' concerns and communication channels

The Company maintains good communication channels for the rights of its stakeholders. It respects the lawful rights and concerns of stakeholders, integrates the efforts of internal organizations, and effectively implements the mission of corporate social responsibility.

Stakeholders	Concern Items	Communication Channels and Methods	Communication with Stakeholders in 2021
Employees	<ol style="list-style-type: none"> <li>1. Employee benefits</li> <li>2. Career planning and development</li> <li>3. Structured on-the-job training</li> <li>4. Equality in Employment and environmental safety</li> <li>5. Physical and psychological wellness</li> </ol>	<ol style="list-style-type: none"> <li>1. Company announcement (Non-periodic)</li> <li>2. Communication channel with the Administration Division (Non-periodic)</li> <li>3. Labor management meetings (Periodic)</li> <li>4. Employee suggestion box (Non-periodic)</li> <li>5. Occupational safety and health committee (Periodic)</li> <li>6. Medical staff (Non-periodic)</li> </ol> <p>Contact Information: Mr. Li Director of Administrative Division e-mail: liman1103@holtek.com.tw</p>	<ol style="list-style-type: none"> <li>1. Holding annual health check-up and any staff welfare/ society activities.</li> <li>2. Total 549 employees join internal and/or external training courses, totaling 272 hours.</li> <li>3. Holding labor management meetings and occupational safety and health committee meetings quarterly, setting up internal mailbox/ department meetings and other channels for all employees and supervisors to make two-way communication. There were no reported cases in 2020.</li> <li>4. Holding physician consultations for employee's physical and psychological wellness six times in 2020.</li> </ol>
Customers	<ol style="list-style-type: none"> <li>1. Product quality and delivery time</li> <li>2. Ability of engineering technology and application scheme</li> <li>3. Supply chain management</li> <li>4. Sales service and privacy</li> </ol>	<ol style="list-style-type: none"> <li>1. Customer satisfaction survey (Periodic)</li> <li>2. Visiting customers by executives (Non-periodic)</li> <li>3. Customer audits (Non-periodic)</li> <li>4. Agent regular meetings (Periodic)</li> </ol> <p>Contact Information: Designating a stakeholders section on Holtek's website, helping to maintain communication channels, designated officers' names, telephone and E-mail for each area of the sales divisions.</p>	<ol style="list-style-type: none"> <li>1. Conducting the customer satisfaction survey in January every year, and the overall average satisfaction score was 4.35 (the highest score was 5).</li> <li>2. Holding agent regular meetings 12 times in 2020 and technical seminars to grasp market information and customer status.</li> </ol>
Shareholders / investors	<ol style="list-style-type: none"> <li>1. Operation overview, Financial information, Risk management</li> <li>2. Profitability and dividend payment of the Company</li> <li>3. Corporate governance and corporate social responsibility</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual report (Periodic)</li> <li>2. Annual Shareholders' meeting (Periodic)</li> <li>3. Quarterly investor conferences and non-periodic investment forum</li> <li>4. Stakeholders section on Holtek's website (Non-periodic)</li> </ol> <p>Contact Information: Mrs. Hsieh, Investor Relations &amp; Media Contacts e-mail: ir@holtek.com.tw</p>	<ol style="list-style-type: none"> <li>1. Holding Annual Shareholders' Meeting in May every year, and its relevant information of was posted on TWSE's Market Observation Post System /Holtek's website for the inquiry from shareholders timely.</li> <li>2. Holding investor conference quarterly to disclose financial and operational performance.</li> </ol>

Stakeholders	Concern Items	Communication Channels and Methods	Communication with Stakeholders in 2021
Suppliers	<ul style="list-style-type: none"> <li>1.Conflict minerals</li> <li>2.Green product environmental policy</li> <li>3.Supplier services and privacy</li> <li>4.Payment capacity and financial risk</li> </ul>	<ul style="list-style-type: none"> <li>1.Supplier meetings (Periodic)</li> <li>2.Visit suppliers by executives (Non-Periodic)</li> <li>3.Supplier satisfaction survey (Periodic)</li> <li>4.Supplier audits and quality inspection (Periodic)</li> <li>5.Supplier ISO certification (Periodic)</li> </ul> Contact Information: Mr. Li Director of Administrative Division e-mail: liman1103@holtek.com.tw	<ul style="list-style-type: none"> <li>1. Holding meetings monthly with top suppliers to review the quality issues.</li> <li>2. Performing supplier evaluations quarterly in comply with the Suppliers' Code of Conduct.</li> <li>3. Conducting 17 supplier audits with a 100% pass rate.</li> <li>4. 100% of Holtek's qualified suppliers certified to the ISO9001 standard and 90% of the Holtek's qualified suppliers certified to the ISO14001 standard.</li> </ul>
Government	<ul style="list-style-type: none"> <li>1.Material information</li> <li>2.Compliance</li> <li>3.Disclosure of Company information</li> <li>4.Labor relations and gender equality</li> <li>5.Tax payment</li> <li>6.Innovative industry</li> </ul>	<ul style="list-style-type: none"> <li>1.Official document (Non-Periodic)</li> <li>2.Regulatory briefings and seminars (Non-Periodic)</li> <li>3.Market Observation Post System (regulated by the TWSE) (Non-Periodic)</li> <li>4.Communication with government authorities timely (Non-Periodic)</li> <li>5.CPA audits and tax services (Non-Periodic)</li> <li>6.Legal advisory services (Non-Periodic)</li> </ul> Contact Information: Mrs. Hsieh, Investor Relations & Media Contacts e-mail: ir@holtek.com.tw	<ul style="list-style-type: none"> <li>1. Complying laws and regulations. Participation in the publicity meeting, the Company communicates with the government authorities timely.</li> <li>2. Confirming the situation of audited or and attested (or reviewed) financial statements by CPA and other major accounting and auditing issues with CPAs irregularly.</li> </ul>
General Public	<ul style="list-style-type: none"> <li>1.Participation in welfare activities and industry-academic cooperation</li> <li>2.Social welfare and charitable donations</li> </ul>	<ul style="list-style-type: none"> <li>1.Industry-academic cooperation (Non-Periodic)</li> <li>2.Providing training and internship opportunities for students in the Company (Non-Periodic)</li> <li>3.Holtek MCU Innovation Competition (Periodic)</li> <li>4.Donations and procurement of products for disadvantaged groups (Non-Periodic)</li> </ul> Contact Information: Mrs. Hsieh, Investor Relations & Media Contacts e-mail: ir@holtek.com.tw	<ul style="list-style-type: none"> <li>1. Holtek University Program: Holtek donated microcontroller development system worth of NT\$ 4.5 million to five universities in Taiwan in 2020. With the effort of Holtek University Program, more than 3,000 students enter the workforce around the world. Besides it, there are eleven students who win a prize or recommended by Professors in the university were enrolled by Holtek.</li> <li>2. Holtek MCU Innovation Competition: The 15th Holtek MCU Innovation Competition provides free microcontroller boards worth of NT\$ 2,500 to the participating teams for each as well as development system and prize money worth more than NT\$ 2.6 million in 2020.</li> <li>3. Holtek donated the St. Teresa Day Children's Center and public health and epidemic prevention programme in Hsinchu and Miaoli in 2020 for contributing to global environment and society.</li> </ul>

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

1. The duties of Compensation Committee:
  - (1) Prescribe and periodically review the annual and long-term performance and remuneration policy, system, standards and structure for directors and managers.
  - (2) Periodically evaluate achievement of performance targets by directors and managers and prescribe their individual scope and amount of remuneration.
2. Professional qualifications and independence analysis of Compensation Committee members:

Title	Criteria	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
	Name			
Independent Director (Convener)	Hsing, Chih-Tien	<p>Independent Director, Innovision Flex Tech Corp. Work Experience and Education :</p> <p>Ph.D. from the Department of Electrical Engineering, University of Florida, USA. Senior Vice President, Quanta Computer Inc. and President of the Quanta Research Institute</p> <p>Mr. Hsing is fully conversant with semiconductor industry chain technological developments and additionally has expertise in corporate governance and technology industry management. He has served as an independent director for more than three terms (nine years), during which time there have been no violations arising out of Article 30 of the Company Act. In the area of management and operations, Mr. Hsing provides industry analysis and technology application insights. During the exercising of his duties as an independent director, this expertise is used to provide supervision and advice to the board.</p>	<p>The directors have been met the following independence criteria during the two years prior to being elected or during the term of the office.</p> <p>(1)Not an employee of the Company or any of its affiliates.</p> <p>(2)Not a director or supervisor of the Company or any of its affiliates.</p> <p>(3)Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking as one of its top 10 shareholders.</p> <p>(4)Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.</p> <p>(5)Not a director, supervisor, or employee of a corporate/institutional shareholder</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	Lu, Cheng-Yueh	<p>Independent Director, YUAN JEN Enterprises Co., Ltd.</p> <p>Work Experience and Education : Master Degree from the Accounting Department, Soochow University, Taiwan CPA, Lee, Lin &amp; CO.</p> <p>Mr. Lu has experience in the fields of law, financial accounting and corporate governance. He is currently a partner in the Lee, Lin &amp; 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) during which time there have been no violations arising out of Article 30 of the Company Act. 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.</p>	<p>that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Paragraph 1 or 2 Article 27 of the Company Act.</p> <p>(6)Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company.</p> <p>(7)Not a director, supervisor, or employee of a company of which the Chairman or CEO (or equivalent) themselves or their spouse also serve as the Company's Chairman or CEO (or equivalent).</p> <p>(8)Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(9)Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof;</p> <p>(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	1
Independent Director	Kuo, Tai-Haur	<p>Work Experience and Education : Ph.D. from the Department of Electrical Engineering, University of Maryland, USA Professor in the Department of, Electrical Engineering Department, National Cheng Kung University, Taiwan</p> <p>Mr. Kuo is currently a professor in the Department of Electrical Engineering at the National Cheng Kung University in Taiwan. He has professional knowledge and practical experience in both electrical and mechanical related fields. Mr. Kuo has the professional qualities that the company requires for its industrial development as well as possessing an excellent international outlook. He is currently in his second term as an independent director and has no violations relating to Article 30 of the Company Act.</p>	<p>(9)Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof;</p> <p>(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	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 29, 2019 to May 28, 2022. The Compensation Committee held 3 sessions in 2021. 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	3	0	100%	

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.

Date	Resolution	Independent directors' opinions and the Company's Follow-up
2021.01.29 The 4 <sup>th</sup> Term, the 7 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the Company's "Regulations Governing the Compensation System of the Directors and the Managers" of 2021.</li> <li>2. Approved the managers' annual bonuses for 2020.</li> <li>3. Approved the managers' payroll adjustments of 2021.</li> <li>4. Approved the managers' quarterly performance allowances.</li> <li>5. Approved the managers' monthly position allowances of 2021.</li> <li>6. Approved the managers' quarterly business performance bonus.</li> <li>7. Approval the managers' retirement.</li> </ol>	There is no objection or reservation expressed by any independent director in all three Compensation Committee Meetings and major resolutions have been fully passed by the Compensation Committee members and the Board of Directors.
2021.07.23 The 4 <sup>th</sup> Term, the 8 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the managers' quarterly performance allowances.</li> <li>2. Approved the directors' remuneration for 2020.</li> <li>3. Approved the allocation of 2020 employee bonuses.</li> <li>4. Approved the managers' quarterly business performance bonus.</li> </ol>	
2021.10.22 The 4 <sup>th</sup> Term, the 9 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the managers' quarterly performance allowances.</li> <li>2. Approved the managers' quarterly business performance bonus.</li> </ol>	

### 3.4.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

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?	✓		The company has established an ESG sustainable development committee. Here, the chairman of the board appointed the general manager as the chairman under which there are several 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 as well as reporting annually to the board of directors on sustainable development promotion and future strategic objectives. (These were reported to the board of directors on 25th July 2021)	None
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	✓		(1) 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.  (2) 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. (Refer to the annual report (note 1) on page 58~59).	None
3. Environmental Topic  (1) Has the Company set an environmental management system designed to industry characteristics?	✓		(1)The company has obtained ISO14001 environmental management system certification (valid until 2024/11/23) and ISO45001 occupational health and safety management system certification (valid until 2024/11/26).	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) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2)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.	None
(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?	✓		(3)The company is located within the upstream of the semiconductor industry supply chain. In recent years, climate change has resulted in the frequent occurrence of natural disasters (such as floods, droughts, typhoons etc.) and major adverse effects on the environment such as water and electricity restrictions, rising raw material costs as well as supply chain disruptions. These external environmental and operational risks are becoming increasingly apparent, which could impact upon the company’s control of the midstream product supply and downstream customer delivery times. The company will therefore pay special attention to these issues while complying with relevant environmental protection regulations and issues to effectively mitigate any relevant risks in these areas.	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?	✓		(4)The company is a specialised IC design company, whose product manufacturing is implemented using external professional foundries, consequently relieving the company of the need to have its own manufacturing facilities. Therefore, the company's energy consumption, which is mainly electrical, is mainly based around its employee’s requirement for general air-conditioning and lighting. The Company has gathered statistics of greenhouse gas emissions, water consumption and total weight of waste during the past two years. Refer to the environmental protection section in the CSR Report for relevant information. In order to promote energy conservation and carbon reduction, the Company has set a goal of reducing electricity bills by 1% per year during the next five years. The implementation methods are as follows:	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>A. Energy-saving measures in offices:</p> <p>(a)The Company controls the air conditioning system depending upon the season. The air conditioning system will maintain a constant temperature of 26 degrees when it is operating.</p> <p>(b)Lighting: 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.</p> <p>(c)Energy-saving measures in computer rooms: Implementing server virtualization to save energy.</p> <p>(d)All company employees have to switch off computers, air conditioners and lighting when leaving the office area.</p> <p>B. Water saving measures:</p> <p>(a)Water supply devices are all equipped with frequency converters to stabilize water pressure.</p> <p>(b)The company’s restrooms all use automatic sensor taps to efficiently reduce unnecessary water wastage.</p> <p>C. Waste:</p> <p>(a)Renting environmentally friendly copy machines, using recycled copying paper and environmentally friendly toner to lessen the environmental impact. Due to the adoption of electronic forms, the amount of used copy paper has decreased every year.</p> <p>(b)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>D. Others:</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	
			(a) Encourage colleagues to take part in personal exercise and to use the staircase rather than the elevator. (b) Strengthen environmental issue awareness, such as garbage classification, environmental protection courses for new recruits, etc.	
4. Social Topic  (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(1) A. Holtek understands and follows related international standards, including the Responsible Business Alliance (RBA) Code of Conduct, UN Universal Declaration of Human Rights and Principles of the UN Global Compact, etc. The Company also complies with the requirement of local laws and regulations.  B. The Company abides by the rules, policies, and procedures of the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees. The Company implements human resources that does not discriminate based on gender, race, age, marriage status. In order to protect rights of our employees or job-seekers, the Company conducts the “Measures for Preventing and Managing Unlawful Infringement While Performing Duties at Work” to prevent illegal infringement in the performance of duties, to ensure employees’ physical and psychological health, as well as protect the rights of its employees and job-seekers.  C. Total 187 employees join internal and/or external training courses in related human rights, totaling 564 hours in 2021.	None
(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?	✓		(2) 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. However, the	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>Company shall have reserved a sufficient amount to offset its accumulated losses.</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.</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>77%</td> <td>23%</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</p>	Position type	Male	Female	Regular employees	64%	36%	Supervisors	77%	23%	
Position type	Male	Female											
Regular employees	64%	36%											
Supervisors	77%	23%											

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>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>	
(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. Refer to Page 100~101 of this annual report.	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. Refer to Page 98~100 of this annual report.	None
(5) Has the Company complied with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulated relevant consumer protection policies and complaint procedures?	✓		<p>(5)</p> <p>A. The Company conducts relevant policies and complaint procedures to protect consumers' rights, such as the "Regulations of Customer Satisfaction", the "Regulations of Handling Customer Complaints", the "Regulations of Handling Customer Returns or Refunds" , the "The procedure of Emergent Accident Response with impact to customer's interests" and "The Whistle-blowing System", so as to safeguard customers' rights.</p> <p>B. The Company conducts “Ethical Corporate Management Best Practice Principles” and the Legal &amp; Intellectual Property Division engaged in legal affairs, intellectual property management and advisory services, etc.</p>	None
(6) Has the Company have formulated a supplier management policy which	✓		(6)	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	
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>A. The Company communicates with and encourages its suppliers to meet the requests for quality and environmental protection, in addition to meet the Company's supplier management policy to become qualified suppliers, continue to claim to supplier to compliance with the green environmental protection laws or regulations, and promote all kinds of policies for environmental protection.</p> <p>B. The Company requires its suppliers to conduct self-evaluation, and site audits according to the self-evaluation results, and design training courses for its suppliers irregularly through the system or site communication, so as to meet the requirements of the Company. Please refer to the supply chain management in the ESG Report for relevant information.</p>	
<p>5. Enhanced Information Disclosure</p> <p>(1) Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?</p>	✓		<p>(1) The Company compiled its 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.</p>	None
<p>6. If the company has its own sustainable development best practice principles formulated in accordance with the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operations and the said principles:</p> <p>The Company has formulated the Code of Practice for “Corporate Social Responsibility 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 corporate social responsibility implementation status: <a href="http://www.holtek.com.tw/web/guest/responsibility">http://www.holtek.com.tw/web/guest/responsibility</a>.</p>				

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

Materiality principles	Issues in risk assessment	Policies of risk management
Environment	Environmental Protection	<p>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.</p> <ol style="list-style-type: none"> <li>1. The company is committed to environmental protection. The Company has established an environmental management system (ISO 14001) to promote environmental management policies.</li> <li>2. The Company has implemented energy-saving policies to increase the efficiency in the use of energy resources and achieve sustainable development goals for energy conservation and carbon emissions reduction.</li> <li>3. All Holtek products comply with RoHS, REACH, no halogen requirements, and provide customers with a guarantee that they do not use hazardous substances.</li> </ol>
Society	Operational Risk Management	<p>Supply Chain Management: To take appropriate contingency measures in case of any emergencies or accidents that may occur to the supplier due to human or natural factors when considering the relevant impacts on the R&amp;D development, production, sales and lead time and the interests of the customers:</p> <ol style="list-style-type: none"> <li>1. Regular measures: Keep a proper quantity of inventory in repository which is located in any warehouses of the cooperated factories according to the place where products are stored.</li> <li>2. Extraordinary measures: An emergency response team will be formed to cope with business assessment and contingency plan will be prepared, and then these plans will be transferred to relevant departments for execution until the situation is resolved or production returns to normal.</li> </ol> <p>Information Security Management: The Total Information System Division is responsible for information security planning and regular reports to the general manager's office on the implementation of information security policies to control and maintain important operational functions such as operations and accounting, etc. The control operations are as follows:</p> <ol style="list-style-type: none"> <li>1. Endpoint protection: It includes antivirus software and maintain updates. Operating systems and software will be kept updated at all times to effectively decrease vulnerability and reduce risks.</li> <li>2. Network security: It includes new generation firewall, web access protection and threat Prevention mechanism.</li> <li>3. Data protection: The Company's important data is backed up using its backup systems. The backup data is immediately saved and transferred to a remote location for the network and backup systems.</li> <li>4. Network system checking mechanism: Executing self-detection and outsourcing testing so as to ensure the safety of the server of the Company.</li> </ol>
Corporate Governance	Financial Risk Management	<ol style="list-style-type: none"> <li>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.</li> </ol>

Materiality principles	Issues in risk assessment	Policies of risk management
		<p>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:</p> <ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(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.</li> </ol> <p>3. Inflation: The impact of inflation does not currently have a significant impact on the Company's profits and business operations.</p>
	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.

### 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) The Company conducts the "Whistle-blowing System", the " Codes of Ethical Conduct of Directors' and Managers" and the " Rules of Integrity for the employees". The Company has contained these abovementioned regulations in the Company's internal policies 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	
programs against unethical behaviors as well as reviewed and revised the aforementioned programs regularly?			new staff training materials. Through the internal audit system, the Company establishes a strict prevention system to prevent dishonest behavior from taking place in a more effective manner.	
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 Quality Assurance & Reliability 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 26, 2021).	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. 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	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>conduct and report results to the Audit committee and the Board of Directors’.</p> <p>(5) Internal and/or external training courses of ethical management training programs in 2021, 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 242 participants, totaling 588 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 conducts the "Whistle-blowing System" and the "Rules of Integrity for the employees", which will be handled by the designated personnel. If the whistleblowing issues involve general employees, it shall be reported to the head of department; Any tip involving a director or senior manager, the designated personnel shall prepare a report and notify the independent directors.</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 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>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?	✓		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.  (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.	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.				

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>.

## 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	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Director	Gau, Kuo-Tung	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Director	Chang, Chi	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Director	Lin, Cheng-Fung	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Director	Tsai, Jung-Tsung	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Director	Wang, Jen-Chung	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Independent Director	Lu, Cheng-Yueh	2021/09/17	The National Federation of CPA Associations of the R.O.C.	Virtual Currency and Anti-Money Laundering Program	3
		2021/11/03	Taiwan Corporate Governance Association	Corporate Internal Control and Risk Management - Top 10 Global Risks Analysis	3
Independent Director	Hsing, Chih-Tien	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Independent Director	Kuo, Tai-Haur	2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR、ESG & SDGs	3
		2021/11/03	Taiwan Corporate Governance Association	The new business management thinking after the pandemic	3
Head of Accounting	Liao, Ming-Tung	2021/11/08 ~ 2021/11/09	Accounting Research and Development Foundation	Professional training courses for the principal accounting officer of issuers, securities firms and securities exchanges	12
Chief corporate governance	Liao, Ming-Tung	2020/12/29 ~ 2020/12/30	Securities & Futures Institute	Seminar of directors and supervisors (including independent) and corporate governance executive practice	12

Position	Name	Date	Professional Development Institutions	Course Name	Hours
officer		2021/03/04	Taiwan Corporate Governance Association	Accelerator of Corporate sustainability-CSR 、ESG & SDGs	3
		2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6
		2021/10/28	Securities & Futures Institute	The compliance of insider equity trading regulations of listed companies advocacy meeting in 2021	3

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: March 03, 2022

For the Company's internal control system of 2021, 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, 2021 (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 March 03, 2022 with no Directors expressing dissent out of the 9 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.

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.

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

(1) Major resolutions of 2021 Annual Shareholders' Meeting:

Items	Major Resolutions	Implementation Status
Approval items	A. Approved the 2021 Business Report and Financial Statements. B. Approved the 2021 Earnings Distribution.	A. Resolution passed. B. Approved a cash dividend of NT\$4.1899/per shares. The record date was August 16, 2021. The amount of cash dividend was NT\$ 947,622,141 which was distributed on August 27, 2021.
Discussion items	A. Approved the Distribution of Cash Dividends from Legal Reserve. B. Approved the Amendment to the Rules and Procedures of Shareholders' Meeting. C. Approved the Release from Non-competition Restrictions on Directors.	A. Approved a cash dividend from legal reserve of NT\$0.3701/per shares. The record date was August 16, 2021. The amount of cash dividend was NT\$ 83,704,851 which was distributed on August 27, 2021. B. Resolution passed. C. Resolution passed.

(2) During the 2021 calendar year and as of the printing date of this annual report, 9 Board of Directors' Meetings were convened.

Major resolutions approved at these meetings are summarized below:

Date	Major Resolutions
2021.02.01 The 8 <sup>th</sup> Term, the 10 <sup>th</sup> Meeting	1. Approved the allocation of 2020 employee bonuses and directors' remuneration. 2. Approved 2020 consolidated and individual financial statements. 3. Approved the amendment to the Board of Directors' Self-Assessment of Performance and report on the annual performance evaluation of the board of directors and functional committees. 4. Approved the resignation of managers. 5. Approved the performance assessments and remuneration of directors and managers.
2021.03.04 The 8 <sup>th</sup> Term, the 11 <sup>th</sup> Meeting	1. Approved the 2020 business report. 2. Approved the 2020 earnings distribution. 3. Approved the cash distribution from legal reserve. 4. Approved the amendment to the Rules and Procedures of Shareholders' Meeting.

Date	Major Resolutions
	<ol style="list-style-type: none"> <li>5. Approved the permit of directors' engagement in competitive conducts.</li> <li>6. Approved the convention of 2021 Annual Shareholders' Meeting.</li> <li>7. Approved the investment of Holtek Semiconductor Holding(BVI) Ltd..</li> <li>8. Approved the Internal Control System Statement.</li> <li>9. Approved the assessment report of CPA's independence and competence.</li> </ol>
2021.04.26 The 8 <sup>th</sup> Term, the 12 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the assignment of managers.</li> </ol>
2021.05.20 The 8 <sup>th</sup> Term, the 13 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the convention of the 2021 Annual Shareholders' Meeting (Change of shareholders' meeting venue)</li> </ol>
2021.06.28 The 8 <sup>th</sup> Term, the 14 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the Change of Date for 2021 Annual Shareholders' Meeting.</li> </ol>
2021.07.26 The 8 <sup>th</sup> Term, the 15 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the ex-dividend record date and cash dividend distribution date for 2020 earnings distribution.</li> <li>2. Approved the distribution date of cash distribution from legal reserve.</li> <li>3. Approved the investment of MCU Holdings Ltd..</li> <li>4. Approved the release the prohibition on managers from participation in competitive business.</li> <li>5. Approved the investment of Newtek Electronics Ltd..</li> <li>6. Approved the performance assessments and remuneration of directors and managers.</li> </ol>
2021.10.25 The 8 <sup>th</sup> Term, the 16 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the purchase of the directors and managers liability insurance.</li> <li>2. Approved the issuance of short-term currency exchange credit of Bank Sinopac Hsinchu Branch.</li> <li>3. Approved the investment of Best Modules Corp.</li> <li>4. Approved the investment of Newtek Electronics Ltd..</li> <li>5. Approved the "Intellectual Property Management Plan" and 2021 Implementation Report.</li> <li>6. Approved the 2022 audit operational risk assessment reports and annual audit plans.</li> <li>7. Approved the 2022 business plan.</li> <li>8. Approved the performance assessments and remuneration of directors and managers.</li> </ol>
2022.01.26 The 8 <sup>th</sup> Term, the 17 <sup>th</sup> Meeting	<ol style="list-style-type: none"> <li>1. Approved the withdraw investment of Holtek Investment Co., Ltd.,.</li> <li>2. Approved the allocation of 2021 employee bonuses and directors' remuneration.</li> <li>3. Approved 2021 consolidated and individual financial statements.</li> </ol>

Date	Major Resolutions
	4. Approved "The Risk Management Policy" . 5. Approved the performance assessments and remuneration of directors and managers.
2022.03.03 The 8 <sup>th</sup> Term, the 18 <sup>th</sup> 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. 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..

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

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	2021/01/01 ~	3,320	670	3,990	Tax Service
	Yu, Wan-Yuan	2021/12/31				

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: None.

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

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

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

Unit: Shares

Title	Name	2021		As of March 31, 2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Wu Chi-Yung	(3,832,904)	—	—	—
Director and General Manager	Gau, Kuo-Tung	—	—	—	—
Director and Vice President	Chang, Chi	—	—	—	—
Director and Vice President	Lin, Cheng-Fung (Note 1)	—	—	—	—
Director and Vice President	Tsai, Jung-Tsung	10,000	—	—	—
Director	Wang, Jen-Chung	—	—	—	—
Independent Director	Lu, Cheng-Yueh	—	—	—	—
Independent Director	Hsing, Chih-Tien	—	—	—	—
Independent Director	Kuo, Tai-Haur	—	—	—	—
Vice President	Liu, Yuan-Ho (Note 2)	—	—	—	—
Assistant Vice President	Wu, Shao-Nan	—	—	—	—
Assistant Vice President	Wu, Der-Chwan	—	—	—	—
Assistant Vice President	Yu, Kuo-Cheng	—	—	—	—
Assistant Vice President	Wang, Yuh-Dinhn	—	—	(393)	—
Assistant Vice President	Wang, Min-Kun	(148,000)	—	—	—
Assistant Vice President	Pan, Chien-Chou	—	—	—	—
Head of Finance and Accounting	Liao, Ming-Tung	—	—	—	—

Note 1: Mr. Lin, Cheng-Fung, VP of General Manager Office, has applied for retirement for personal plan with the effective date of February 10, 2021.

Note2: Vice President Liu, Yuan-Ho assumed office on April 26, 2021.

#### 3.8.2 Shares Trading with Related Parties:

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Wu Chi-Yung	disposal	2021/04/15	Bo-Kang Investment Ltd.	held by the others' name	3,832,904	N/A

#### 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, 2022; 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	
Qi Sheng Investment Ltd. Representative: Chen, Chia-Hung	5,891,703	2.61%	—	—	—	—	None	None	
Bo-Ding Investment Ltd. Representative: Chang, An-Hua	4,759,841	2.10%	—	—	—	—	Wu, Chi-Yung	Spouse	
Bank Sinopac Company Limited Representative: Chen, Jia- Sian	4,266,000	1.89%	—	—	—	—	None	None	
Wu, Chi-Yung	3,932,905	1.74%	—	—	6,578,502	2.91%	Bo-Kang Investment Ltd. Representative: Chang, An-Hua Bo-Ding Investment Ltd. Representative: Chang, An-Hua	Spouse	
Su, Shiou-Jen	3,003,286	1.33%	—	—	—	—	None	None	
Small-cap Capital Stock Fund of Jaketti Emerging Market Managed by HSBC	2,815,000	1.24%	—	—	—	—	None	None	
Government of Singapore	2,763,000	1.22%	—	—	—	—	None	None	

### 3.10 Ownership of Shares in Affiliated Enterprises

As of December 31, 2021

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, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	16	106	29,015	214	29,352
Shareholding (shares)	259,000	13,457,699	48,933,715	114,834,401	48,683,385	226,168,200
Percentage (%)	0.11%	5.95%	21.64%	50.77%	21.53%	100%

### 4.1.3 Shareholding Distribution Status

#### 1. Common Shares

As of March 26, 2022

Class of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	6,080	653,233	0.29
1,000 ~ 5,000	20,333	35,052,557	15.50
5,001 ~ 10,000	1,554	12,287,592	5.43
10,001 ~ 15,000	421	5,362,587	2.37
15,001 ~ 20,000	283	5,300,418	2.34
20,001 ~ 30,000	223	5,778,762	2.56
30,001 ~ 40,000	112	3,989,328	1.76
40,001 ~ 50,000	53	2,472,072	1.09
50,001 ~ 100,000	115	8,429,771	3.73
100,001 ~ 200,000	74	10,208,252	4.51
200,001 ~ 400,000	37	10,179,625	4.50
400,001 ~ 600,000	15	7,389,483	3.27
600,001 ~ 800,000	11	7,842,631	3.47
800,001 ~ 1,000,000	7	6,307,045	2.79
1,000,001 or over	34	104,914,844	46.39
Total	29,352	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, 2022; 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%
Qi Sheng Investment Ltd.	5,891,703	2.61%
Bo-Ding Investment Ltd.	4,759,841	2.10%
Bank Sinopac Company Limited	4,266,000	1.89%
Wu, Chi-Yung	3,932,905	1.74%
Su, Shiou-Jen	3,003,286	1.33%
Small-cap Capital Stock Fund of Jaketti Emerging Market Managed by HSBC	2,815,000	1.24%
Government of Singapore	2,763,000	1.22%

#### 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	2020	2021	01/01/2022-03/31/2022
<b>Market Price per Share</b>			
Highest Market Price	77.70	151.50	126.50
Lowest Market Price	55.00	70.30	100.00
Average Market Price	67.71	102.94	110.11
<b>Net Worth per Share</b>			
Before Distribution	19.82	25.25	—
After Distribution	15.26	Note 5	—
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	226,168	226,168	226,168
Earnings Per Share	4.56	9.04	—
<b>Dividends per Share</b>			
Cash Dividends	4.56	Note 5	—
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends (Note 1)	—	—	—
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 2)	14.85	11.39	—
Price / Dividend Ratio (Note 3)	14.85	Note 5	—
Cash Dividend Yield Rate (Note 4)	6.73%	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 2021 cash dividends of NT\$8.1229 per share. It also needs to be approved in 2022 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\$1,837,141,672 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\$8.1229 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":

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.

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 2021 which has been approved by the Board of Directors, shall be NT\$299,874,570 and NT\$35,499,354, 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\$125,414,214 for employees' bonuses in 2020, as well as NT\$13,734,912 for directors' remunerations in 2019, 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	2021
MCUs	79%
Peripheral ICs	21%
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 its solutions
- (4) Continuous monitoring glucose meter MCUs and its solutions
- (5) Special MCUs and module solutions for temperature/humidity measurement.
- (6) Blood oxygen MCUs and its solutions
- (7) Wearables with PPG Heart Rate and blood oxygen monitor AFE ICs and its solutions

- (8) Single IGBT induction cooker MCUs capable of continuously heating at low power level and its solutions
- (9) MCUs and solutions for NFC communication & power acquisition
- (10) Fast charger and identification MCUs and its solutions
- (11) Li-battery management during charge/discharge operations and solar battery management and their solutions
- (12) Power battery charger MCUs and solutions
- (13) BLDC motor MCUs and solutions
- (14) Security and fire protection MCUs and solutions
- (15) 8-bit ultra-low power A/D Flash MCUs
- (16) High performance and high capacity ROM 8-bit Flash MCUs
- (17) Ultrasonic distance measurement/Ultrasonic parking assist Flash MCUs
- (18) RF Sub-1GHz and OOK+FSK wireless transceiver Flash MCUs and SoC solutions
- (19) Bluetooth (BLE) Beacon transceiver and solutions
- (20) 32-bit MCUs for Music STREAM application 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 MCUs
- (24) 32-bit Arm® Cortex® -M0+ core low-power Flash MCUs

## 5.1.2 Industry Overview

### 1. Industry Overview and Development

#### (1) Global Semiconductor Market

According to the World Semiconductor Trade Statistics Association (WSTS), the global semiconductor sales in 2021 reached a figure of US\$555.9 billion (YoY +26.2%). Among this, the global shipments of integrated circuits reached 1146 billion units in 2021 (YoY +20.2%). In 2021, the ASP was US\$0.485, a growth of 5.0% compared with that of 2020.

In 2021, the Sino-US trade friction situation gradually entered a "new cold war era", in which the trade war will continue. In addition, the United States, Australia and the United Kingdom plan to establish a new security partnership, known as AUKUS, in which the global order will be re-organised and which will affect overall economic development trends. Also, the global coronavirus (COVID-19) epidemic continued its advance during 2021. From the Delta variant to the Omicron variant, we witnessed the continuing acceleration of the pandemic. Due to the needs for epidemic prevention, some original factories and foundries were forced to suspend production. However, under the conditions of increasing end user demand this resulted in a greatly added pressure on global production capacity. In addition, with increasing advanced country national defense and security measures, semiconductor chips have become strategic materials with all countries encouraging increased localisation of chip manufacturing. This will result in a restructuring of the global supply chain, highlighting how the global supply chain is still very important issue.

#### (2) Taiwan Semiconductor Market

The IEK statistics show that Taiwan's IC industry output value reached NT\$4,082 billion in 2021, an increase of 26.7% over 2020. Among this figure, the IC design industry output value was NT\$1,214.7 billion which is an increase of 42.4% when compared with 2020. The IC manufacturing industry figure was NT\$2,228.9 billion which is an increase of 22.4% when compared with 2020. As for wafer production, the figure was NT\$1,941 billion which amounts to a 19.1% increase in 2020. For memory and others, the figure was NT\$287.9 billion which amounts to a 51.0% increase in 2020. The IC packaging industry figure was NT\$435.4 billion which is an increase of 15.3% over 2020. As for the IC test industry, the figure is NT\$203 billion which shows an increase of 18.4% from 2020. In 2021, with global supply chain restructuring and the impact of the epidemic, Taiwan's semiconductor industry will still grow against the trend and lead Taiwan's economic growth at a steady pace.

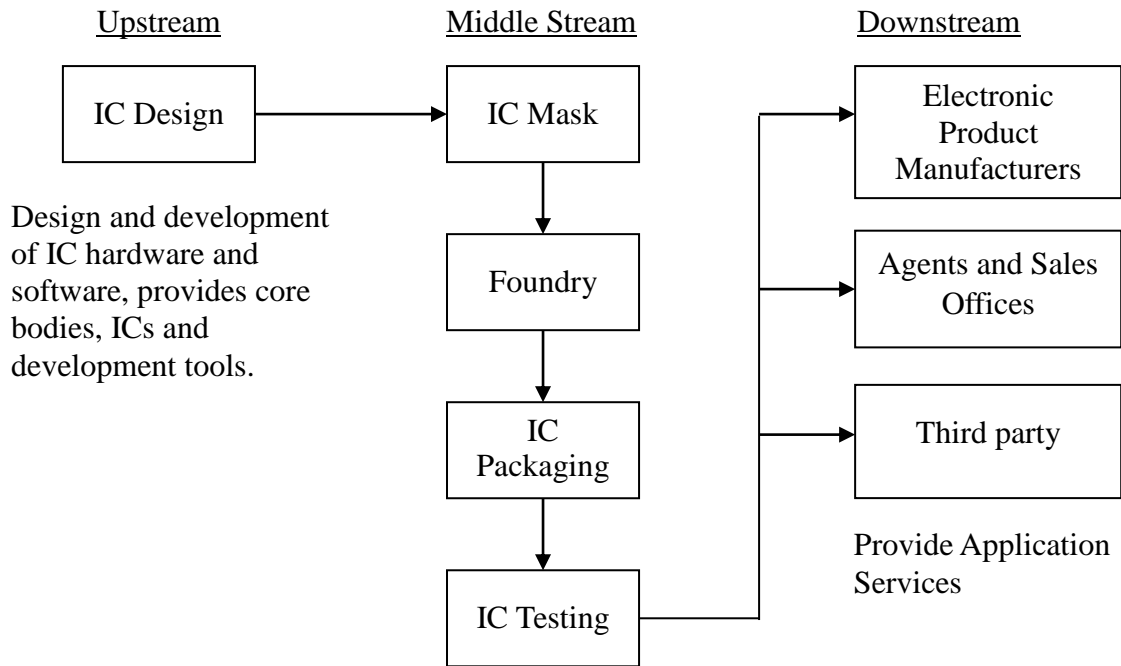
Looking forward to 2022, with the continuing elevated demand for high-tech products, but also the restricted wafer process capacity and the increase in equipment demand, market growth prospects still remain optimistic and it is expected that output value will continue to grow.

### (3) China's Semiconductor Market

According to statistics from the China Semiconductor Industry Association, the sales of China's integrated circuit design industry in 2021 will be RMB 458.7 billion, an increase from last year's sales of RMB 381.9 billion. However due to the tightening of global production capacity and the disruption of supply and demand balance, it resulted in price increases of 20.1%. Wei Shaojun, chairman of the China Semiconductor Industry Association, said that the restricted supply of chips in 2021 will instead lead to an improvement in the industry's profit structure. However, the industry faces a situation of strong domestic demand but insufficient self-sufficiency. The domestic integrated circuit industry focuses on mid-to-low-end products. Domestic chips can be upgraded in terms of design, process or production capacity. As the overseas epidemic situation has not yet clarified, Chinese MCU companies can seize opportunities here.

## 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 and IoT products.

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

Main Product	Application Area
	applications.
Home Appliance products	Wide range of small household appliance microcontrollers, home appliance panel display control MCUs and various home appliances touch key MCUs.
Computer Peripherals	Keyboards, Mice, Gaming Keyboards, USB Bridge, PDF Data Loggers, etc.
Display Products	Electronic meters, audio/video/home appliance displays, vehicle displays, electronic shelf label displays, wearable product displays and constant current LED display, etc.
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, 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, atomizers and proximity sensor, etc.
BLDC Products	Electric tools, garden tools, air purifiers, vacuum cleaners, DC fans, ceiling fans, cooling fans, electric bicycles and electric scooters, etc.

#### 4. Competitive Situation

Due to a low threshold for setting up a company in China, with the Chinese government issuing its "Outline for the Development of the National Integrated Circuit Industry" and the "14th Five-Year Plan", has resulted in a powerful force for the rapid development of China's IC industry. As of 2021, there are about 2,810 IC design companies in China illustrating an increase of 592 companies (YoY +26.7%) compared to 2020, which was lower than that of 2016 (85.1%). Moreover, small cap or innovative IC design companies in China will be able to receive support from China government, which increase the

competitive pressure faced by IC design companies in Taiwan.

8-bit MCUs provide stable, reliable, and easy-to-maintain features in IoT and wearable devices and global MCU vendors continue to increase the expansion of 8-bit MCUs. In addition, performing simple data processing and making life more convenient allow these products to occupy a certain market share in the global MCU market every year. According to IC Insights, a market research institute, the research report illustrated that in order to meet the design requirements of high-performance computing applications, intelligent upgrading of various electronic products and expansion requirements of Internet of Things devices, 32-bit MCUs will be expanded into various application fields more rapidly. The Company has a target for providing more functional total solutions on product development, not only for the continuous development of current products, but also integrating upstream and downstream related resources to providing customers with a full range of products. Based on the semiconductor industry advantage of vertical division of labor, through professional IC design, wafer manufacturing and packaging test, provide all-round customer service, which significantly improve the industry efficiency. In the more challenging information age, we will continue to take steady steps towards the peak of this 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	2021
Research and Development Expense	1,207,751
Operating Income	7,127,750
R&D expense as a percentage of operating income	17%

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 2021, 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 ~ 5.5V low voltage Flash type series: These support lower operating voltages and current and include an integrated A/D converter and LCD function for battery powered products.

- 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. Low-power standard series (TinyPower™ MCU): This series has reached the level of international manufacturers. Their lower power consumption is in line with environmental protection trends making them suitable for various types of battery powered portable products.
- E. Health measurement products: These include blood pressure, blood glucose, blood oxygen, body temperature, body weight, body fat and other health care related products. Related products include a dedicated MCU which includes a full set of integrated functions thus eliminating the need for large numbers of external components. A 24-bit high resolution ADC is also integrated along with BLE communication and voice interfaces. These health care products provide great assistance for the health care of elderly people.
- F. Servo motor MCUs: These devices can be divided into PWM servos and UART servos. There is also a development platform which greatly simplifies the development of servo based products. A communication protocol for UART robot servo control has also been developed which has been evaluated by intelligent robot manufacturers.
- G. Brushless DC (BLDC) motor control MCUs: These are applied in areas such as energy-saving fans having the benefits of energy-saving, linear speed control and low noise.
- H. Wireless charging product series: developed a complete 5W transmit and receive solution that complies with the Qi specification.
- I. Multi-channel RGB LED MCUs: these constant current RGB LED drivers, can implement millions of RGB colours and illumination level changes. These are suitable for smart speakers, mouse pads, e-sport headsets, e-sport mice as well as a range of other products.
- J. Security products: these are applied in areas such as smoke detector alarms, CO/ GAS detector alarms, integrated PIR/ microwave dedicated MCUs. These products are integrated with integrated operational amplifiers, dual channel IR driver with LED, temperature sensors, ADC and display driver, etc., reducing the requirements for large numbers of external components.

The above series of MCUs meet with industrial specifications (wide temperature operation range of  $-40^{\circ}\text{C} \sim +85^{\circ}\text{C}$ ), have anti-noise capabilities and a similar level of product quality as that from leading European and American manufacturers. The product quality has been widely recognised by 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. RGB LED Controller Flash MCUs: Arm® Cortex®- M0+ core 60 MHz Flash MCU, providing an operating voltage range of 2.5V ~ 5.5V, is integrated with high-efficiency 4-channel serial light bar controllers, multiple PWM timer and PDMA. These are suitable for gaming keyboards, gaming mice, LOGO lights and light strings applications, etc.

- E. LCD Flash MCUs: Arm® Cortex®- M0+ core 60 MHz Flash MCU, providing an operating voltage range of 1.65V ~ 3.6V, is integrated with a USB 2.0 FS, LCD controller, multi-group PWM timer, AES-128 encryption mechanism, PDMA, UART/USART, RTC and 12-bit ADC and DAC. These are suitable for consumer and industrial products with LCD applications, etc.
- F. Touch Flash MCUs: Arm® Cortex®- M0+ core 60 MHz Flash MCU, providing an operating voltage range of 2.5V ~ 5.5V, is integrated with capacitive touch keys, LCD driver, multi-group PWM timer, PDMA, UART/USART, SPI, I2C, RTC and 12-bit ADC and DAC. These are suitable for consumer and industrial products with Touch key and display applications, etc.

### (3) Consumer Products

- A. Flash Type Voice MCU: Integrated functions such as 16-bit ADC/DAC 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 1uA 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 analog front-end ICs. 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. 400mA~1A linear charging IP: Integration function within 8-bit MCU SoC used in lithium battery products.

G. 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 receivers and receiver super-regeneration and super-heterodyne mode circuits, demodulate OOK/FSK reception and Flash MCU applications, aimed at wireless transmission remote control products for integrated one-way and two-way control applications.

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

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

E. NFC Tag Flash MCUs & NFC Reader controller.

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

#### 1. Short term development plans

##### (1) Marketing and Operating Strategy

With over 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, as well as introducing niche products and providing differentiated services.
- C. The Company's overall system cost outlook exists to assist customers achieve reduced overall costs and achieve a win-win situation for all.

## (4) Development Strategy

The Company will continue to use its present MCU core architecture for different process platforms and by using specialised IP technologies it will be able to implement small SoCs. By improving the device noise rejection and electrostatic protection capabilities, the Company will be able to match the specification of MCU suppliers in the US, Japan and Europe. This will enable it to meet the 105 °C high temperature AEC-Q100 certification requirements enabling it to extend its products into the automotive electronic specification area.

## 2. Long term development plans

### (1) Marketing and Operation Strategy

The Company's development strategy will be focused on markets incorporating home appliances, health measurement, security, motor control and PC-related peripherals products. Developing high-quality MCUs for international markets, providing excellent product quality and fast on-site services are strategies of meeting the demands of global customers and successfully leading HOLTEK to be world's leading vendors and establishing a global professional brand image. In 2021, Company product shipments were over 42 million 32-bit MCU dices, showing an increase of 44% (YoY). With a variety of professional cooperative partners, an extension of ecological systems and innovative embedded designs, these will combine to accelerate

the development of products with forward-thinking features required 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.

(4) Development Strategy

Improve overall product design capabilities by developing standardised and modular development technologies in response to market application requirements. This will reduce development times and costs as well as accelerating time-to-market for new products resulting in increased price competitiveness.

(5) Product Development Areas:

- A. Continue developing its standard range of 32-bit Arm® core MCUs which include functions such as LCD drivers, USB/UART/SPI/I<sup>2</sup>C/I<sup>2</sup>S communication interfaces, PWM drivers, CMOS sensors, A/D and D/A converters, comparators and operational amplifiers, etc.
- B. Continue developing its special purpose range of 32-bit Arm® core MCUs for areas such as image recognition, motor control, fingerprint recognitions, health measurements, encryption/decryption, CRC computing, CAN bus, wireless IoT wearables, multimedia and wireless applications, music synthesizers, etc.
- C. Continue developing its standard 8-bit Flash MCUs, to include a full range of functions such as A/D and D/A converters, LCD/LED drivers, 24-bit high resolution delta-sigma A/D converters etc. voice 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, encoders/decoders, etc.
- F. Expand its range of power management devices including high current LDOs, high output current DC-DC converters and high efficiency AC-DC converters, 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. MCU integrated AFE: Combines various sensor applications for the development of smart sensor products thus expanding the product application field.

## 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	2020		2021	
	Sales	Percentage (%)	Sales	Percentage (%)
Taiwan	616,743	11	771,966	11
China/HK	4,421,476	79	5,593,338	78
Overseas	576,320	10	762,446	11
Total	5,614,539	100	7,127,750	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\$15.7 billion in 2021. The Company's total MCU revenues were NT\$5.637billion (US\$202 million) in 2021, (exchange rate of NT\$27.84 per U.S. Dollar) which accounted for about 1.3% of the MCU market. In addition, in 2021, the total MCU shipments of the Company were 877 million dice, increasing by 5% when compared to 2020. It is estimated that in 2022, 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. Due to trade friction between China and the United States and slower global economic growth during 2019, the total semiconductor market became weakened. In 2020, due to the COVID-19 pandemic, the demand in the first half of the year slowed down. However in the second half of the year, the demand for personal computers, gaming related products and small home appliances as well as other applications heated up, coupled with the epidemic prevention demand for ear/forehead thermometers and blood oximeters, etc. However, most manufacturers are pessimistic about the annual forecast, resulting in longer lead times which generated stock shortages throughout the supply chain. To resolve this situation, the Company not only maintained close negotiation with Fab capacity for long-term supply planning, but also placed orders with alternative suppliers to diversify risks and increase sales.

##### (2) Future Growth

According to the IC Insights research report, from 2019 to 2024, the annual compound growth rate for general-purpose and automotive MCUs is approximately 3.8% in five years, and it is estimated that the global demand for MCUs will reach 43.8 billion dice

in 2022 and the market size will reach more than US\$20 billion.

To meet the needs of the Internet of Things, the Company has integrated MCUs, RF and Sensors, including NFC (Near Field Communication), Bluetooth Low Energy (BLE) modules and Sub-1GHz and other wireless communication modules. In the future, artificial intelligence will be further integrated into daily life through the Internet of Things (IoT), which will be known as "AIoT". Global MCU vendors should be upgrading their innovative technologies to encounter these big challenges and capture future growth momentum.

#### 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.

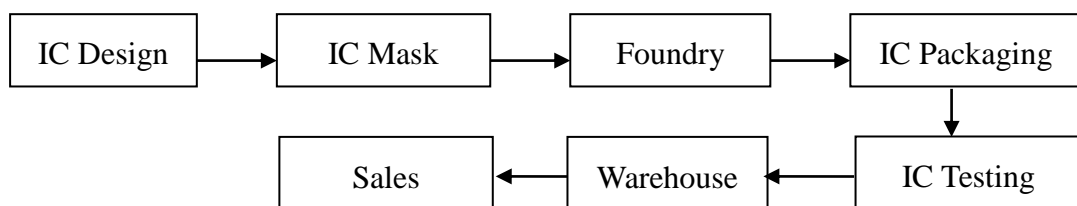
## 5.2.2 Purposes of the Major Products and the Production Process

### 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	2020				2021			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	1,002,521	35	None	A	1,304,969	36	None
2	B	531,358	18	None	B	768,308	21	None
3	C	385,755	13	None	C	437,112	12	None
4	D	283,206	10	None	D	301,259	8	None
	Others	695,457	24	None	Others	790,024	23	None
	Net Total Supplies	2,898,297	100		Net Total Supplies	3,601,672	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	2020				2021			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	SIGNAL	924,401	16	(Note 2)	SIGNAL	1,229,732	17	(Note 2)
2	CROWN RICH	539,253	10	(Note 2)	CROWN RICH	640,499	9	(Note 2)
	Others	4,150,885	74		Others	5,257,519	74	

Item	2020				2021			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
	Net Sales	5,614,539	100		Net Sales	7,127,750	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	2020			2021		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products							
MCU ICs		--	833,805	2,384,233	--	942,180	2,934,996
Peripheral ICs		--	475,583	604,744	--	485,704	669,361
Others		--	489	8,010	--	929	7,195
Total		--	1,309,877	2,996,987	--	1,428,813	3,611,552

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	2020				2021			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products									
MCU ICs		59,287	453,519	773,524	3,912,590	63,306	564,264	813,424	5,072,325
Peripheral ICs		48,799	146,386	417,048	1,038,406	43,173	192,622	407,846	1,233,993
Others		107	16,838	481	46,800	35	15,080	870	49,466
Total		108,193	616,743	1,191,053	4,997,796	106,514	771,966	1,222,140	6,355,784

### 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		2020	2021	January 1, 2022 to March 31, 2022
Number of employees	R&D	650	674	685
	Management	151	159	160
	Manufacturing	44	47	44
	Total	845	880	889
Average age		36.01	36.12	36.16
Average years of service (Year)		7.47	7.60	7.65
Education	PhD	0.4%	0.4%	0.5%
	Master	28.5%	28.9%	29.0%
	Bachelor	65.3%	64.9%	65.1%
	High School	5.8%	5.8%	5.4%

#### 5.4 Information on the expenditures for environmental protection

In the most recent two years and up to the publication date of 2021 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, 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	149	181
Professional Training	270.5	344
Orientation Training	42	54

(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 organize 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 employee safety protection measures:

The company has obtained ISO45001 occupational safety and health management system certification. Occupational safety and health committee meetings are held quarterly to promote continuous improvement activities in order to create a good working environment and protect the physical and mental health and safety of employees.

(1) Safety and health education and training: Every year, a safety and health education and training plan is generated, including the re-training of fire prevention managers, occupational safety business managers and other professionals in accordance with the law. Regular fire prevention group training and emergency response drills are held. In addition, the company conducts internal promotion on recent safety and health issues from time to time. In 2021, 418 people participated in such education and training amounting to a total of 666 hours.

(2) 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 Accident Statistics: According to the Occupational Safety and Health Administration's Occupational Accident Disability Determination, excluding traffic accidents that occurred outside the company, the company has had no injuries and disability cases during 2021. For employee sporadic traffic accidents, these are reviewed according to the cause. Also to strengthen all employee safety awareness, by participating in the "2021 Traffic Safety Month", and "Traffic Safety Attention Awareness" promotion, etc.
- (4) Working Environment
  - 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 utilises 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.

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

## **5.6 Cyber Security Management**

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

#### **1. Cyber Security Risk Management Structure**

The Total Information System Division is responsible for information security planning and regular reports to the general manager's office on the implementation of information security policies to control and maintain important operational functions such as operations and accounting, etc.

#### **2. Cyber Security Strategy**

(1) Endpoint protection: endpoint refers to PCs and server and their protection mechanisms which include:

- A. Antivirus software: Install antivirus software on personal computers and servers to block viruses and malicious programs to prevent personnel from visiting malicious websites, phishing websites, etc.
- B. Maintain updates: The security vulnerability of the operating system and software is one of the root causes of information security problems. Operating systems and software will be kept updated at all times to

effectively decrease vulnerability and reduce risks.

(2) Network security:

- A. New generation firewall: In response to the increasing severity of information security challenges, traditional firewalls are insufficient to monitor illegal communication. As a result the company has established a new generation of firewalls which are able to provide control according to all application types, offering greater security. This also includes an intrusion prevention system, which is a computer network security device that can monitor web access or e-mail transmission. This can immediately interrupt, adjust or isolate abnormal or harmful Internet communication behavior.
- B. Web access protection: "Securemail" from Chunghwa Telecom Co., Ltd. is used to screen out spam, viruses, blackmails and other e-mails.
- C. Threat Prevention mechanism: FireEye Threat Prevention Platform is a protection solution especially designed to oppose Internet crimes and APT (advanced persistent Threat), providing automatic threat forensics and dynamic malware protection services to avoid risks due to potential threats.

(3) Data protection:

- A. Backup data: The company's important data is backed up every night using its backup systems. The backup media used is hard disk, which is faster and for which backup data is recoverable.
- B. Remote backup: Backup data is immediately saved and transferred to a remote location using the NetBackup Auto Image Replication mechanism for the network and backup systems.

(4) Network system checking mechanism:

- A. Self-detection: Scan the server using vulnerability scanning software every half year to find out any server vulnerabilities and provide any required solutions.
- B. Outsourcing testing: Cooperate with security consulting companies, collect and analyse packets through the network irregularly every year, so as to ensure the security of servers within the Company. The Intranet portion is configured with Deep Discovery Advisor (DDI) to analyse any suspect Intranet behavior. If there are any security problems, the company can request assistance from the security advisory group. Experts who are familiar with APT attacks can use the detection and analysis data to identify and offer solutions.

3. Cyber Security Defense and Control

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.

**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)					
	2017	2018	2019	2020	2021	
Current assets	4,179,054	4,322,111	3,984,290	4,478,921	6,438,279	
Property, plant and equipment	414,729	398,515	358,515	343,343	343,793	
Right-of-use Assets	—	—	92,073	100,047	108,902	
Intangible assets	32,549	35,153	66,751	62,501	39,211	
Other assets	737,938	799,721	872,039	1,202,512	1,613,648	
Total assets	5,364,270	5,555,500	5,373,668	6,187,324	8,543,833	
Current liabilities	Before distribution	1,068,788	1,079,483	932,568	1,248,920	2,239,032
	After distribution	1,996,078	2,142,474	1,848,549	2,280,247	(Note 2)
Non-current liabilities	196,636	251,918	361,677	456,001	594,553	
Total liabilities	Before distribution	1,265,424	1,331,401	1,294,245	1,704,921	2,833,585
	After distribution	2,192,714	2,394,392	2,210,226	2,736,248	(Note 2)
Equity attributable to stockholders of the parent	4,071,239	4,199,170	4,052,665	4,441,796	5,656,852	
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	1,699,004	1,832,565	1,680,336	1,785,003	2,794,950
	After distribution	771,714	769,574	764,355	753,676	(Note 2)
Other equity	(31,756)	(37,386)	(31,662)	252,802	457,911	
Treasury shares	—	—	—	—	—	
Non-controlling interests	27,607	24,929	26,758	40,607	53,396	
Total equity	Before distribution	4,098,846	4,224,099	4,079,423	4,482,403	5,710,248
	After distribution	3,171,556	3,161,108	3,163,442	3,451,076	(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)				
	2017	2018	2019	2020	2021
Revenues	4,614,917	4,862,807	4,584,105	5,614,539	7,127,750
Gross profits	2,189,460	2,406,974	2,235,715	2,626,935	3,815,846
Operating income	943,311	1,110,730	986,738	1,124,132	1,774,341
Non-operating income and expenses	126,479	134,859	81,078	137,276	816,808
Income before income tax	1,069,790	1,245,589	1,067,816	1,261,408	2,591,149
Net income from operations of continued segments	935,987	1,070,366	922,313	1,048,117	2,069,002
Net income from operations of discontinued segments	—	—	—	—	—
Net income (Loss)	935,987	1,070,366	922,313	1,048,117	2,069,002
Other comprehensive income (income after tax)	(11,703)	(76,197)	1,233	274,378	202,440
Total comprehensive income	924,284	994,169	923,546	1,322,495	2,271,442
Net income attributable to shareholders of the parent	926,188	1,063,990	914,902	1,031,063	2,044,064
Net income attributable to non-controlling interests	9,799	6,376	7,411	17,054	24,938
Total comprehensive income attributable to shareholders of the parent	914,470	987,931	916,486	1,305,112	2,246,383
Total comprehensive income attributable to non-controlling interests	9,814	6,238	7,060	17,383	25,059
Earnings per share (NT\$)	4.10	4.70	4.05	4.56	9.04

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)				
		2017	2018	2019	2020	2021
Current assets		3,470,083	3,546,143	3,077,656	3,279,472	4,837,370
Property, plant and equipment		165,050	151,248	135,756	126,132	136,830
Right-of-use Assets		—	—	78,084	84,442	94,399
Intangible assets		30,947	34,376	66,727	61,701	38,630
Other assets		1,564,790	1,715,068	1,858,693	2,464,593	3,147,626
Total assets		5,230,870	5,446,835	5,216,916	6,016,340	8,254,855
Current liabilities	Before distribution	968,014	1,002,792	813,085	1,133,068	2,015,984
	After distribution	1,895,304	2,065,783	1,729,066	2,164,395	(Note 2)
Non-current liabilities		191,617	244,873	351,166	441,476	582,019
Total liabilities	Before distribution	1,159,631	1,247,665	1,164,251	1,574,544	2,598,003
	After distribution	2,086,921	2,310,656	2,080,232	2,605,871	(Note 2)
Equity attributable to stockholders of the parent		4,071,239	4,199,170	4,052,665	4,441,796	5,656,852
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	1,699,004	1,832,565	1,680,336	1,785,003	2,794,950
	After distribution	771,714	769,574	764,355	753,676	(Note 2)
Other equity		(31,756)	(37,386)	(31,662)	252,802	457,911
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	4,071,239	4,199,170	4,052,665	4,41,796	5,656,852
	After distribution	3,143,949	3,136,179	3,136,684	3,410,469	(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)				
	2017	2018	2019	2020	2021
Revenues	4,130,794	4,358,758	4,052,932	4,606,133	6,631,977
Gross profits	1,895,447	2,084,309	1,851,161	1,983,698	3,457,625
Operating income	880,236	1,051,333	852,499	809,885	1,413,402
Non-operating income and expenses	171,629	181,577	194,313	384,350	1,109,761
Income before income tax	1,051,865	1,232,910	1,046,812	1,194,235	2,523,163
Net income from operations of continued segments	926,188	1,063,990	914,902	1,031,063	2,044,064
Net income from operations of discontinued segments	—	—	—	—	—
Net income (Loss)	926,188	1,063,990	914,902	1,031,063	2,044,064
Other comprehensive income (income after tax)	(11,718)	(76,059)	1,584	274,049	202,319
Total comprehensive income	914,470	987,931	916,486	1,305,112	2,246,383
Net income attributable to shareholders of the parent	926,188	1,063,990	914,902	1,031,063	2,044,064
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to shareholders of the parent	914,470	987,931	916,486	1,305,112	2,246,383
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (NT\$)	4.10	4.70	4.05	4.56	9.04

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
2017	Tseng, Mei-Yu, Yu, Wan-Yuan	KPMG	Unqualified 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

## 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)				
			2017	2018	2019	2020	2021
Capital Structure Analysis (%)	Debt ratio	23	24	24	28	33	
	Long-term fund to property, plant and equipment ratio	988	1,060	905	1,011	1,261	
Solvency Analysis (%)	Current ratio	391	400	427	359	288	
	Quick ratio	335	339	353	311	248	
	Times interest earned (times)	—	—	775	938	1,766	
Operating Performance Analysis	Accounts collection turnover (times)	5.78	5.66	5.60	6.11	7.34	
	Average collection days	63	64	65	60	50	
	Average inventory turnover (times)	4.39	3.93	3.51	4.74	4.61	
	Average payment turnover (times)	4.15	4.04	4.28	5.16	4.21	
	Average inventory turnover days	83	93	104	77	79	
	Property, plant and equipment turnover (times)	10.77	11.96	10.8	12.56	15.91	
	Total assets turnover (times)	0.86	0.88	0.85	0.91	0.83	
Profitability Analysis	Return on total assets (%)	18	19	17	18	28	
	Return on equity attributable to owners of the parent (%)	23	26	22	24	40	
	Pre-tax income to paid-in capital (%)	47	55	47	56	115	
	Net profit margin (%)	20	22	20	18	29	
	Earnings per share (NT\$)	4.10	4.70	4.05	4.56	9.04	
Cash Flow	Cash flow ratio (%)	65	114	96	90	121	
	Cash flow adequacy ratio (%)	111	104	94	102	124	
	Cash reinvestment ratio (%)	(2)	6	(3)	4	25	
Leverage	Operating leverage	1.97	1.85	1.91	2.03	1.92	
	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 of Long-term funds in Property, plant and equipment: Increase in net shareholders' equity.
2. Decrease in Current ratio and quick ratio: Mainly from the increase of current liabilities in 2021.
3. Increase of Times interest earned (times): The increase mainly from increase of profit before tax.
4. Increase in Accounts collection turnover (times): Due to the increase of revenues in 2021.
5. Increase in Property, plant and equipment (times): Due to the increase of revenues in 2021.
6. Increase of Profitability: Mainly from the increase in operating income and net income after tax.
7. Increase of cash flow: Owing to increase 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)				
		2017	2018	2019	2020	2021
Capital structure analysis (%)	Debt ratio	22	23	22	26	31
	Long-term fund to property, plant and equipment ratio	2,467	2,776	1,895	2,109	2,446
Liquidity Analysis (%)	Current ratio	358	354	379	289	240
	Quick ratio	308	300	321	255	216
	Times interest earned (times)	—	—	891	1,063	2,076
Operating performance analysis	Accounts collection turnover (times)	5.87	5.68	5.11	5.13	6.62
	Average collection days	62	64	71	71	55
	Average inventory turnover (times)	4.93	4.46	4.42	6.14	7.35
	Average payment turnover (times)	4.13	4.02	4.44	4.93	4.32
	Average inventory turnover days	74	82	83	59	50
	Property, plant and equipment turnover (times)	24.09	27.56	22.20	21.71	30.02
	Total assets turnover (times)	0.79	0.80	0.78	0.77	0.80
Profitability	Return on total assets (%)	18	20	17	18	29
	Return on equity attributable to owners of the parent (%)	23	26	22	24	40
	Pre-tax income to paid-in capital (%)	47	55	46	53	62
	Net profit margin (%)	22	24	23	22	31
	Earnings per share (NT\$)	4.10	4.70	4.05	4.56	9.04
Cash flow	Cash flow ratio (%)	59	116	85	80	124
	Cash flow adequacy ratio (%)	103	97	97	90	118
	Cash reinvestment ratio (%)	(5)	5	(8)	(0)	22
Leverage	Operating leverage	1.85	1.72	1.84	2.08	2.20
	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. Increase of Times interest earned (times): Increase of profit before tax.
2. Increase in Accounts collection turnover (times): Increase of revenues in 2021.
3. Decrease in Average collection days: Mainly due to increase of receivables turnover rates in 2021.
4. Increase of inventory turnover ratio (times): Mainly from the increase of cost of sales.
5. Increase of Property, plant and equipment turnover (times): Increase of revenues in 2021.
6. Increase of Profitability: Mainly from the increase of operating income and net income after tax.
7. Increase of cash flow: Owing to increase in cash inflow from operating activities.

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 2021 Business Report, financial statements and proposal for distribution of profits. The 2021 financial statements were audited by independent auditors, Lu, Chien-Hui and Yu, Wan-Yuan of KPMG and issued an Independent Audit Report. The 2021 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. 2022 Annual Shareholders' Meeting

Holtek Semiconductor Inc.

Chairman of the Audit Committee: Lu, Cheng-Yueh

March 03, 2022

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

Please refer to Page 130~202.

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

Please refer to Page 203~265.

#### **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	2020	2021	Difference	
			Amount	%
Current Assets	4,478,921	6,438,279	1,959,358	44
Property, Plant and Equipment	343,343	343,793	450	(0)
Right-of-use Assets	100,047	108,902	8,855	9
Other Assets	1,265,013	1,652,859	387,846	31
<b>Total Assets</b>	<b>6,187,324</b>	<b>8,543,833</b>	<b>2,356,509</b>	<b>38</b>
Current Liabilities	1,248,920	2,239,032	990,112	79
Non-current Liabilities	456,001	594,553	138,552	30
<b>Total Liabilities</b>	<b>1,704,921</b>	<b>2,833,585</b>	<b>1,128,664</b>	<b>66</b>
Ordinary share capital	2,261,682	2,261,682	0	0
Capital surplus	142,309	142,309	0	0
Retained Earnings	1,785,003	2,794,950	1,009,947	57
<b>Total Equity</b>	<b>4,482,403</b>	<b>5,710,248</b>	<b>1,227,845</b>	<b>27</b>
<p>Analysis of changes in financial ratios:</p> <p>(1) Increase of current assets was mainly attributable to increase in other current financial assets.</p> <p>(2) The increase of other assets was due to the increase of unrealised gains from investments in equity instruments measured at fair value through other comprehensive income</p> <p>(3) Current liabilities increase due to increase of tax liabilities.</p> <p>(4) Non-current liabilities increase due to increase of the deferred tax liabilities.</p> <p>(5) Retained earnings increase was mainly from increase of net profit in 2021.</p>				

## 7.2 Analysis of Operating Results

Unit: NT\$ thousands

Item	Year	2020	2021	Difference	
				Amount	%
Net operating revenue		5,614,539	7,127,750	1,513,211	26.95
Operating costs		2,987,604	3,311,904	324,300	10.85
Gross profit		2,626,935	3,815,846	1,188,911	45.26
Unrealized profit (loss) from sales		32,531	174,147	141,616	435.33
Realized gross profit		2,594,404	3,641,699	1,047,295	40.37
Operating expenses		1,470,272	1,867,358	397,086	27.01
Net operating income		1,124,132	1,774,341	650,209	57.84
Non-operating income and expenses		137,276	816,808	679,532	495.01
Income before income tax		1,261,408	2,591,149	1,329,741	105.42
Income tax expenses		(213,291)	522,147	308,856	144.80
Net income		1,048,117	2,069,002	1,020,885	97.40
Other comprehensive income (net of income tax)		274,378	202,440	(71,938)	(26.22)
Total comprehensive income		1,322,495	2,271,442	948,947	71.75
Total comprehensive income profit (loss) attributable to shareholders of the company		1,031,063	2,044,064	1,013,001	98.25
Total comprehensive income profit (loss) attributable to non-controlling interests		17,054	24,938	7,884	46.23
Total comprehensive income (loss) attributable to shareholders of the company		1,305,112	2,246,383	941,271	72.12
Total comprehensive income (loss) attributable to non-controlling interests		17,383	25,059	7,676	44.16

### Analysis of changes in financial ratios:

- (1) Increase of net operating revenue and operating costs: shipments increase.
- (2) Increase of unrealized profit (loss) from sales among affiliated companies: Increase 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.
- (3) Increase of operating expense: Due to the increase of research and development expenses.
- (4) Increase of non-operating income and interest: Increase of other gains.
- (5) Increase of tax expense: Increase of profit before tax.
- (6) 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
1,198,593	2,705,060	(2,703,894)	1,199,759	—	—
<p>Analysis of change in cash flow in 2021:</p> <p>(1)Operating activities: The Company continues to make profits which result in net cash inflows from operating activities.</p> <p>(2)Investing activities: The increase of three-months term deposit which results in the net cash outflows from investing activities.</p> <p>(3)Financing activities: Paying cash dividends to shareholders which results in net cash outflows from financing activities.</p>					

#### 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
1,199,759	2,200,000	(2,000,000)	1,399,759	—	—
<p>Analysis of change in cash flow in 2021:</p> <p>(1)Operating activities: The net cash inflow of operating activities is due to the expected continuous growth of operation and increased profit.</p> <p>(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.</p>					

**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 2021 is NT\$342,454 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.

Based on the "Information Security Policy", the company controls and maintains important functions such as company operations and accounting, as well strictly implements information security risk 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**

None

#### **7.6.13 Other Major Risks**

None

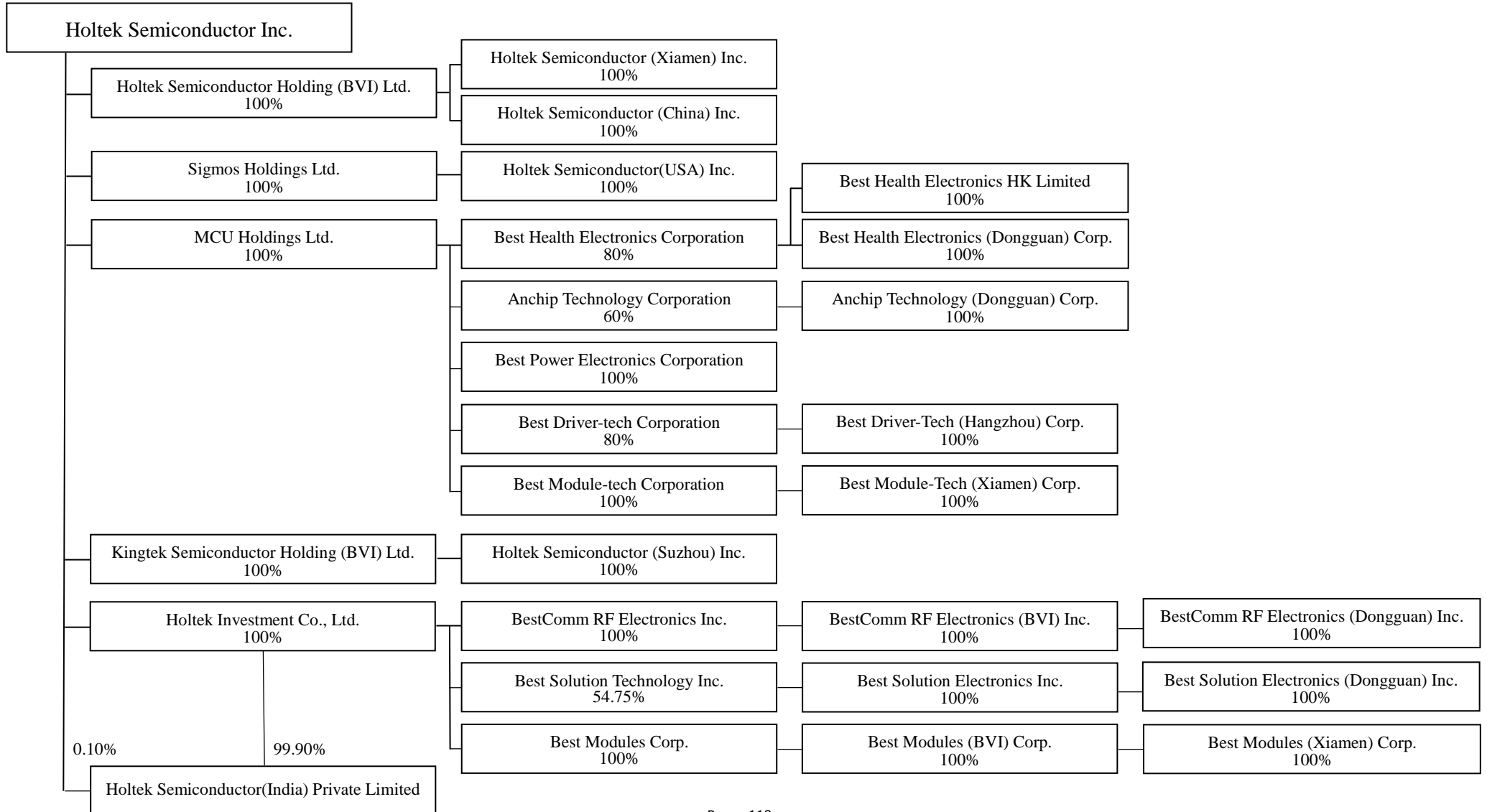
#### **7.7 Other Material Events**

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, 2021

Company Name	Date of Establishment	Address	Paid-in capital size	Main scope of operations or production
Holtek Semiconductor Holding (BVI) Ltd.	1999.10	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 22,053,360	Investment activities
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 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 200,000	Investment activities
Holtek Semiconductor (USA), Inc.	2001.05	19 Hammond, Suite 513, Irvine, CA 92618, USA	USD 200,000	Providing sales and technical services of electronic components and integrated circuits.
MCU Holdings Ltd.	2002.05	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 500,000	Investment activities
Best Health Electronics Corporation	2017.04	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 6,000,000	Investment activities
Best Health Electronics HK Limited	2019.09	15/F., BOC Group Life Assurance Tower 136 Des Voeux Road Central, Central, Hong Kong	CNY 300,000	Providing sales and technical services of electronic components and integrated circuits using in health & measurement applications.
Best Health Electronics (Dongguan) Corporation	2017.07	Room 301, Building No. 10, Xinzhu Court, No. 4 Xinzhu Road, Songshan Lake, Dongguan, China	CNY 5,000,000	Providing sales and technical services of electronic components and integrated circuits using in health & measurement applications.
Anchip Technology Corporation	2015.10	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 1,000,000	Investment activities
Anchip Technology (Dongguan) Corporation	2016.02	Room 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 Power Electronics Corporation	2018.05	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 2,000,000	Investment activities
Best Driver-tech Corporation	2020.02	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 2,000,000	Investment activities
Best Driver-tech (Hangzhou) Corporation	2020.09	Room 1203, 12/F, Building A, Yanxiang Science and Technology Building, No. 333, Jianghong Road, Changhe Street, Binjiang District, Hangzhou, China	CNY 1,500,000	Providing sales and technical services of electronic components and integrated circuits using in motor control applications.

Company Name	Date of Establishment	Address	Paid-in capital size	Main scope of operations or production
Best Module-tech Corporation	2020.04	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 3,000,000	Investment activities
Best Module-tech (Xiamen) Corporation	2020.09	Room 203, No.34 Guanri Road, Software Park II, Xiamen City, China	CNY 2,500,000	Providing sales and technical services of electronic components and integrated circuits.
Kingtek Semiconductor Holding (BVI) Ltd.	2002.01	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 2,000,000	Investment activities
Holtek Semiconductor (Suzhou) Inc.	2002.04	Unit 7/8, 3F., Building D, No.5, Xinghan Street, Suzhou Industrial Park, Suzhou, China	USD 2,000,000	Providing sales and technical services of electronic components and integrated circuits.
Holtek Investment Co., Ltd.	2003.03	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 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 3,000,000	Investment activities
BestComm RF Electronics (Dongguan) Inc.	2018.01	Room 201, Building No. 10, Xinzhu Court, No.4 Xinzhu Road, Songshan Lake, Dongguan, China	CNY 3,000,000	Providing sales and technical services of electronic components and integrated circuits using in RF related applications.
Best Solution Technology Inc.	2008.05	4F.-2, No.3-2, Park St., Nangang Dist., Taipei City 115, Taiwan (R.O.C.)	NTD 20,000,000	Providing sales and technical services of electronic components and integrated circuits using in touch related applications.
Best Solution Electronics Inc.	2008.06	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	USD 200,000	Investment activities
Best Solution Electronics (Dongguan) Inc.	2019.10	Room 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 25,000,000	Providing sales and technical services of MCU Modules.
Best Modules (BVI) Corp.	2020.08	Portcullis Chambers, 4 <sup>th</sup> Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands	CNY 2,500,000	Investment activities
Best Modules (Xiamen) Corp.	2021.08	Unit 1304, No. 11, Duying Road, Jimei District, Xiamen, China	CNY 2,500,000	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 or 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, 2021

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	Lee, Wen-Yi	-	-
Sigmos Holdings Ltd.	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung	200,000	100%
	Director	Holtek Semiconductor Inc. Rep.: Lin, Cheng-Fung		
Holtek Semiconductor (USA), Inc.	Director	Sigmos Holdings Ltd. Rep.: Gau, Kuo-Tung	2,000,000	100%
	Director	Sigmos Holdings Ltd. Rep.: Tsai, Jung-Tsung		
		General Manager	Wang, Yao-Te	-

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
MCU Holdings Ltd.	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung	500,000	100%
	Director	Holtek Semiconductor Inc. Rep.: Lin, Cheng-Fung		
Best Health Electronics Corporation	Director	MCU Holdings Ltd. Rep.: Lin, Cheng-Fung	4,800	80%
	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 Power Electronics Corporation	Director	MCU Holdings Ltd. Rep.: Lin, Cheng-Fung	2,000	100%
	Director	MCU Holdings Ltd. Rep.: Wang, Min-Kun		
Best Driver-tech Corporation	Director	MCU Holdings Ltd. Rep.: Wang, Min-Kun	1,600	80%

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
	Director	Pan, Chien-Chang	400	20%
Best Driver-tech (Hangzhou) Corporation	Chairman	Best Driver-tech Corporation Rep.: Pan, Chien-Chang	-	100%
	Director	Best Driver-tech Corporation Rep.: Gau, Kuo-Tung		
	Director	Best Driver-tech Corporation Rep.: Wang, Min-Kun		
	Supervisor	Best Driver-tech Corporation Rep.: Liao, Ming-Tung		
	General 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%

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
	Director	Holtek Semiconductor Inc. Rep.: Gau, Kuo-Tung		
	Director	Holtek Semiconductor Inc. Rep.: Chang, Chih		
	Supervisor	Holtek Semiconductor Inc. Rep.: Liao, Ming-Tung		
BestComm RF Electronics Inc.	Chairman	Holtek Investment Co., Ltd. Rep.: Wu, Chi-Yung	4,000,000	100%
	Director	Holtek Investment Co., Ltd. Rep.: Gau, Kuo-Tung		
	Director	Holtek Investment Co., Ltd. Rep.: Wang, Min-Kun		
	Supervisor	Holtek Investment Co., Ltd. Rep.: Liao, Ming-Tung		
	General Manager	Lee, Wen-Yi	-	-
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.: Lee, Wen-Yi	-	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	Holtek Investment Co., Ltd. Rep.: Wu, Chi-Yung	800,000	40%
	Director	Holtek Investment Co., Ltd. Rep.: Wang, Min-Kun		
	Director	Signal Electronic Co. Ltd. Rep.: Lin, Chi-Kuei	737,500	36.875%
	Supervisor	New Gain Investment Inc. Rep.: Chou, Ling-Na	212,500	10.625%
	General Manager	Yueh, Cheng-Ping	125,000	6.25%
Best Solution Electronics Inc.	Director	Best Solution Technology Inc. Rep.: Wang, Min-Kun	200,000	100%

Company Name	Title	Name or Representative	Holding Shares	
			Shares	%
Best Solution Electronics (Dongguan) Inc.	Chairman	Best Solution Electronics Inc. Rep.: Yueh, Cheng-Ping	-	100%
	Director	Best Solution Electronics Inc. Rep.: Wang, Min-Kun		
	Director	Best Solution Electronics Inc. Rep.: Lin, Chi-Kuei		
	Supervisor	Best Solution Electronics Inc. Rep.: Liao, Ming-Tung		
	General Manager	Yueh, Cheng-Ping	-	-
Best Modules Corp.	Chairman	Holtek Investment Co., Ltd. Rep.: Wu, Chi-Yung	2,500,000	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	2,500	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, 2021; 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	1,321,469	-	1,321,469	-	(120)	289,025	13.11
Holtek Semiconductor (Xiamen) Inc.	322,726	844,811	387,905	456,906	1,085,244	87,071	102,042	Note 2
Holtek Semiconductor (China) Inc.	292,423	1,425,685	684,516	741,169	2,601,659	182,942	173,443	Note 2
Sigmos Holdings Ltd.	6,898	19,160	-	19,160	-	-	(722)	(3.61)
Holtek Semiconductor (USA), Inc.	6,898	22,795	3,635	19,160	10,460	(733)	(722)	(0.36)
MCU Holdings Ltd.	16,333	1,150,066	-	1,150,066	-	(226)	309,346	618.69
Best Health Electronics Corporation	26,410	66,093	-	66,093	-	(37)	30,220	5,036.74
Best Health Electronics HK Limited	1,299	50,297	20,950	29,347	82,361	22,165	19,491	64.97
Best Health Electronics (Dongguan) Corporation	23,057	94,928	59,356	35,572	245,406	10,503	10,629	Note 2
Anchip Technology Corporation	5,071	32,123	-	32,123	-	(39)	17,686	17,686.18
Anchip Technology (Dongguan) Corporation	1,521	83,494	57,706	25,788	200,741	18,150	17,617	Note 2
Best Power Electronics Corporation	8,844	9,098	-	9,098	-	(37)	138	68.81
Best Driver-tech Corporation	8,441	12,682	-	12,682	-	(33)	5,667	2,833.68
Best Driver-tech (Hangzhou) Corporation	6,361	12,199	1,725	10,474	15,761	5,406	5,657	Note 2
Best Module-tech Corporation	12,426	13,129	-	13,129	-	(33)	137	45.52
Best Module-tech (Xiamen) Corporation	10,573	10,930	1	10,929	-	(12)	130	Note 2
Kingtek Semiconductor Holding (BVI) Ltd.	69,542	212,847	-	212,847	-	-	56,645	28.32
Holtek Semiconductor (Suzhou) Inc.	69,712	350,078	137,267	212,811	843,161	75,281	56,646	Note 2
Holtek Investment Co., Ltd.	429,826	1,042,149	-	1,042,149	-	-	102,982	2.40
BestComm RF Electronics Inc.	40,000	16,258	1,341	14,917	7,438	(348)	7,666	1.92
BestComm RF Electronics (BVI) Inc.	14,054	11,871	-	11,871	-	(38)	7,997	266.56

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Income (loss) from Operation	Net Income	EPS (NT\$)
BestComm RF Electronics (Dongguan) Inc.	13,634	22,186	11,045	11,141	53,332	8,039	8,056	Note 2
Best Solution Technology Inc.	20,000	127,344	72,557	54,787	336,298	13,461	23,616	11.81
Best Solution Electronics Inc.	6,140	40,152	-	40,152	-	(59)	16,519	82.60
Best Solution Electronics (Dongguan) Inc.	4,285	157,906	119,965	37,941	640,007	20,530	16,770	Note 2
Best Modules Corp.	25,000	20,467	1,635	18,832	6,480	(3,486)	(3,595)	(1.44)
Best Modules (BVI) Corp.	10,789	10,842	-	10,842	-	-	19	7.49
Best Modules (Xiamen) Corp.	10,806	10,955	148	10,807	48	7	8	Note 2
Holtek Semiconductor (India) Private Limited	2,948	4,014	480	3,534	4,324	1,213	1,405	0.22

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\$ 27.63=US\$ 1.00, NT\$ 4.3196= RMB 1.00 and NT\$ 0.3714= 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, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Holtek Semiconductor Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company Name: Holtek Semiconductor Inc.

Chairman: WU, CHI YUNG

Date: January 26, 2022

**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, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Holtek Semiconductor Inc. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company Name: Holtek Semiconductor Inc.

Chairman: WU, CHI YUNG

Date: January 26, 2022

## 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, 2021 and 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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 generally accepted 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.

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

Refer to Note 4(14) “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 one of 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.

**2. Valuation of Inventories**

Refer to Note 4(8) "Summary of Significant Accounting Policies—Inventories", Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(5) "Description of Significant Accounts—Inventories, net" to the consolidated financial statements.

**Description of key audit matter:**

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Therefore, the allowance to reduce inventory to market is one of 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 reviewing the inventory age reports to analyze the changes in the inventory levels; performing computer audit procedures in order to check the correctness of age of inventory report; reviewing production and marketing meetings to assess inventory destocking; evaluating the inventory in accordance with the group's established accounting policies; performing inventory traceability tests; and verifying the reasonableness of the sluggish loss.

**Other Matters**

Holtek Semiconductor Inc. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, 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 generally accepted 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 generally accepted 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 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 Yu, Wan Yuan .

KPMG

Hsinchu, Taiwan (Republic of China)

January 26, 2022

**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, 2021 and 2020**

(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020			Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(1))	\$ 1,199,759	14	1,198,593	19	2150	Notes payable	\$ 235,294	3	197,802	3
1110 Financial assets measured at fair value through profit or loss-current (note 6(2))	970,068	11	781,100	13	2170	Accounts payable	661,967	8	477,721	8
1170 Notes and accounts receivable, net (note 6(4))	114,000	1	107,752	2	2181	Accounts payable from related parties (note 6(7))	56	-	-	-
1180 Accounts receivable from related parties (notes 6(4) and 7)	780,971	9	940,516	15	2201	Salary and bonus payable	616,740	7	334,185	6
130X Inventories (note 6(5))	858,202	10	578,942	9	2230	Current income tax liabilities	439,049	5	77,812	1
1476 Other financial assets—current (notes 6(6)、7 and 8)	2,399,794	28	828,094	13	2280	lease liabilities—current (note 6(11))	24,048	-	16,637	-
1479 Other current assets	115,485	2	43,924	1	2310	Advance receipts	111,860	1	10,098	-
	<u>6,438,279</u>	<u>75</u>	<u>4,478,921</u>	<u>72</u>	2399	Other current liabilities	<u>150,018</u>	<u>2</u>	<u>134,665</u>	<u>2</u>
							<u>2,239,032</u>	<u>26</u>	<u>1,248,920</u>	<u>20</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>				
1518 Equity instruments measured at fair value through other comprehensive income—non-current (note 6(3))	773,946	9	577,345	9	2570	Deferred tax liabilities (note 6 (13))	400,251	5	269,272	4
1550 Investments accounted for using equity method (notes 6(7) and 7)	615,409	7	521,852	8	2580	lease liabilities—non-current (note 6(11))	86,719	1	84,256	2
1600 Property, plant and equipment (note 6(8))	343,793	4	343,343	6	2640	Net defined benefit liabilities (note 6 (12))	81,503	1	90,488	2
1755 Right-of-use assets (note 6(9))	108,902	1	100,047	2	2645	Guarantee deposit received	26,080	-	11,985	-
1780 Intangible assets (note 6 (10))	39,211	1	62,501	1			<u>594,553</u>	<u>7</u>	<u>456,001</u>	<u>8</u>
1840 Deferred tax assets (note 6 (13))	201,838	3	93,677	2		<b>Total liabilities</b>	<u>2,833,585</u>	<u>33</u>	<u>1,704,921</u>	<u>28</u>
1900 Other non-current assets	22,455	-	9,638	-		<b>Equity (note 6(14)) :</b>				
	<u>2,105,554</u>	<u>25</u>	<u>1,708,403</u>	<u>28</u>		Equity attributable to shareholders of the parent				
					3110	Ordinary share capital	2,261,682	26	2,261,682	37
					3200	Capital surplus	142,309	2	142,309	2
					3300	Retained earnings	2,794,950	33	1,785,003	29
					3400	Other equity	457,911	5	252,802	4
						Total equity attributable to shareholders of the parent	<u>5,656,852</u>	<u>66</u>	<u>4,441,796</u>	<u>72</u>
					36XX	Non-controlling interests	53,396	1	40,607	-
						<b>Total equity</b>	<u>5,710,248</u>	<u>67</u>	<u>4,482,403</u>	<u>72</u>
<b>Total assets</b>	<b>\$ 8,543,833</b>	<b>100</b>	<b>6,187,324</b>	<b>100</b>		<b>Total liabilities and equity</b>	<b>\$ 8,543,833</b>	<b>100</b>	<b>6,187,324</b>	<b>100</b>

(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, 2021 and 2020**  
**(Expressed in thousands of New Taiwan Dollars, except for Earnings per Share)**

	2021		2020	
	Amount	%	Amount	%
4000 Revenues (notes 6(17) 、 7)	\$ 7,127,750	100	5,614,539	100
5000 Cost of Goods Sold (notes 6(5) 、 (10) 、 (12) 、 (16) 、 7 and 12)	<u>3,311,904</u>	<u>46</u>	<u>2,987,604</u>	<u>53</u>
<b>Gross profits</b>	3,815,846	54	2,626,935	47
5910 Unrealized gross profits on sales to associates	<u>174,147</u>	<u>3</u>	<u>32,531</u>	<u>1</u>
<b>Realized gross profits</b>	<u>3,641,699</u>	<u>51</u>	<u>2,594,404</u>	<u>46</u>
<b>Operating expenses (notes 6(10) 、 (12) 、 (16) and 12) :</b>				
6100 Selling	186,391	3	149,209	3
6200 General and administrative	473,216	6	392,158	7
6300 Research and development	<u>1,207,751</u>	<u>17</u>	<u>928,905</u>	<u>16</u>
	<u>1,867,358</u>	<u>26</u>	<u>1,470,272</u>	<u>26</u>
<b>Operating income</b>	<u>1,774,341</u>	<u>25</u>	<u>1,124,132</u>	<u>20</u>
<b>Non-operating income and expenses:</b>				
7020 Other gains and losses (notes 6(18) and 7)	434,923	6	14,245	-
7070 Investment income accounted for using equity method (note 6(7))	342,454	5	112,726	2
7100 Interest income	12,807	-	11,651	-
7130 Dividends income	28,092	-	-	-
7510 Interest expense (note 6(11))	<u>(1,468)</u>	<u>-</u>	<u>(1,346)</u>	<u>-</u>
	<u>816,808</u>	<u>11</u>	<u>137,276</u>	<u>2</u>
<b>Income before income tax</b>	2,591,149	36	1,261,408	22
7950 Income tax (note 6 (13))	<u>522,147</u>	<u>7</u>	<u>213,291</u>	<u>3</u>
<b>Net income</b>	<u>2,069,002</u>	<u>29</u>	<u>1,048,117</u>	<u>19</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of the defined benefit plans(note 6(12))	(3,487)	-	(13,018)	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	196,601	3	275,040	5
8349 Income tax relating to items that will be not reclassified subsequently (note 6(13))	<u>(697)</u>	<u>-</u>	<u>(2,603)</u>	<u>-</u>
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<u>193,811</u>	<u>3</u>	<u>264,625</u>	<u>5</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of financial statements of foreign affiliates	6,494	-	5,990	-
8381 Exchange differences on translation of financial statements of invested associates accounted for using equity method (note 6(7))	4,262	-	6,119	-
8399 Income tax relating to items that may be reclassified subsequently (note 6(13))	<u>2,127</u>	<u>-</u>	<u>2,356</u>	<u>-</u>
<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>8,629</u>	<u>-</u>	<u>9,753</u>	<u>-</u>
8300 <b>Other comprehensive income</b>	<u>202,440</u>	<u>3</u>	<u>274,378</u>	<u>5</u>
<b>Total comprehensive income</b>	<u>\$ 2,271,442</u>	<u>32</u>	<u>\$ 1,322,495</u>	<u>24</u>
<b>Net income attributable to:</b>				
8610 Shareholders of the parent	\$ 2,044,064	29	1,031,063	18
8620 Non-controlling interests	<u>24,938</u>	<u>-</u>	<u>17,054</u>	<u>1</u>
	<u>\$ 2,069,002</u>	<u>29</u>	<u>\$ 1,048,117</u>	<u>19</u>
<b>Total comprehensive income (loss) attributable to:</b>				
8710 Shareholders of the parent	\$ 2,246,383	32	1,305,112	23
8720 Non-controlling interests	<u>25,059</u>	<u>-</u>	<u>17,383</u>	<u>1</u>
	<u>\$ 2,271,442</u>	<u>32</u>	<u>\$ 1,322,495</u>	<u>24</u>
<b>Earnings per share (New Taiwan Dollars) (note 6(15))</b>				
9750 Basic earnings per share	<u>\$ 9.04</u>		<u>4.56</u>	
9850 Diluted earnings per share	<u>\$ 8.93</u>		<u>4.52</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, 2021 and 2020**  
**(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						
<b>Balance as of January 1, 2020</b>	\$ 2,261,682	142,309	732,102	37,386	910,848	1,680,336	(76,138)	44,476	(31,662)	4,052,665	26,758	4,079,423
Net income for the period	-	-	-	-	1,031,063	1,031,063	-	-	-	1,031,063	17,054	1,048,117
Other comprehensive income for the period	-	-	-	-	(10,415)	(10,415)	9,424	275,040	284,464	274,049	329	274,378
Total comprehensive income for the period	-	-	-	-	1,020,648	1,020,648	9,424	275,040	284,464	1,305,112	17,383	1,322,495
Appropriation and distribution of retained earnings:												
Appropriation for legal reserve	-	-	91,490	-	(91,490)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(5,724)	5,724	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	(90,920)	-	(825,061)	(915,981)	-	-	-	(915,981)	-	(915,981)
Increase(decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,688	1,688
Cash dividends from subsidiaries	-	-	-	-	-	-	-	-	-	-	(5,222)	(5,222)
<b>Balance as of December 31, 2020</b>	<u>2,261,682</u>	<u>142,309</u>	<u>732,672</u>	<u>31,662</u>	<u>1,020,669</u>	<u>1,785,003</u>	<u>(66,714)</u>	<u>319,516</u>	<u>252,802</u>	<u>4,441,796</u>	<u>40,607</u>	<u>4,482,403</u>
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)
<b>Balance as of December 31, 2021</b>	<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>

(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, 2021 and 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 2,591,149	1,261,408
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation	79,305	87,335
Amortization	68,530	75,406
Interest expense	1,468	1,346
Interest income	(12,807)	(11,651)
Dividends income	(28,092)	-
Investment income accounted for using equity method	(342,454)	(112,726)
Unrealized gross profit on sales to associates	174,147	32,531
Other items not affecting cash flows, net	5,517	4,986
Changes in operating assets and liabilities:		
Financial assets measured at fair value through profit or loss	(187,460)	(290,233)
Notes and accounts receivable (including related parties)	159,037	(256,277)
Inventories	(282,040)	99,337
Other operating assets	(50,036)	6,866
Notes and accounts payable	258,633	185,275
Advance receipts	106,779	2,227
Net defined benefit liabilities	(12,735)	(2,808)
Other operating liabilities	242,457	140,162
Cash flows from operations	2,771,398	1,223,184
Interest received	11,727	11,927
Dividends received	78,525	35,439
Interest paid	(1,468)	(1,346)
Income tax paid	(155,122)	(149,355)
<b>Net cash flows from operating activities</b>	<u>2,705,060</u>	<u>1,119,849</u>
<b>Cash flows from investing activities:</b>		
Acquisitions of investments accounted for using equity method	(15,603)	(7,085)
Proceeds from capital reduction of investments accounted for using equity method	22,387	-
Acquisitions of property, plant and equipment	(55,047)	(46,435)
Proceeds from disposal of property and equipment	-	551
Increase in Guarantee deposit paid	(9,821)	(732)
Acquisition of intangible assets	(45,236)	(81,379)
Decrease (Increase) in other financial assets	(1,558,173)	143,586
Increase in other non-current assets	(2,953)	-
Dividends received	28,092	-
<b>Net cash flows from (used in) investing activities</b>	<u>(1,636,354)</u>	<u>8,506</u>
<b>Cash flows from financing activities:</b>		
Increase in Guarantee deposit received	14,095	3,443
Payments of lease liabilities	(22,612)	(20,986)
Cash dividends paid	(1,031,327)	(915,981)
Decrease in non-controlling interests	(12,270)	(3,534)
<b>Net cash flows used in financing activities</b>	<u>(1,052,114)</u>	<u>(937,058)</u>
<b>Effect of foreign exchange changes</b>	<u>(15,426)</u>	<u>1,300</u>
<b>Net increase in cash and cash equivalents</b>	1,166	192,597
<b>Cash and cash equivalents at beginning of period</b>	<u>1,198,593</u>	<u>1,005,996</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,199,759</u>	<u>1,198,593</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, 2021 and 2020**  
(Amounts expressed in thousands of New Taiwan Dollars,  
except for per share information and unless otherwise noted)

**1. Organization**

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

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

**2. The Authorization of Financial Statements**

The accompanying consolidated financial statements were passed for issuance by the Board of Directors on January 26, 2022.

**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, 2021 :

- Amendments to IFRS 4 “*Extension of the Temporary Exemption from Applying IFRS 9*”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “*Interest Rate Benchmark Reform—Phase 2*”
- Amendments to IFRS 16 “*Covid-19-Related Rent Concessions beyond June 30, 2021*”

## **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, 2022, would not have a significant impact on its consolidated financial statements:

- 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*”

#### (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 “*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*”

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

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

##### (1) Statement of compliance

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

## **Holtek Semiconductor and Subsidiaries**

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

(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

<b>Name of Investor</b>	<b>Name of Subsidiary</b>	<b>Business</b>	<b>Percentage of Ownership at,</b>	
			<b>December 31, 2021</b>	<b>December 31, 2020</b>
the Company	MCU Holdings Ltd. (MCU)	Investment holding company	100%	100%
the Company	Holtek Semiconductor Holding (BVI) Ltd. (Holtek BVI)	Investment holding company	100%	100%
the Company	Sigmos Holdings Ltd. (Sigmos)	Investment holding company	100%	100%
the Company	Kingtek Semiconductor Holding (BVI) Ltd. (Kingtek BVI)	Investment holding company	100%	100%
the Company	Holtek Investment Co., Ltd. (Holtek Investment)	Specialized investment corporation	100%	100%
MCU	Best Health Electronics Corp. (Best Health)	Investment holding company	80%	80%
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	100%	100%
MCU	Best Driver-tech Corporation. (Best Driver-tech)	Investment holding company	80%	80%
Best Driver-tech	Best Driver-tech (Hangzhou) Corporation.	Manufacturing, sales and technical services	100% (Note 1)	100% (Note 1)
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% (Note 1)	100% (Note 1)

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

<b>Name of Investor</b>	<b>Name of Subsidiary</b>	<b>Business</b>	<b>Percentage of Ownership at,</b>	
			<b>December 31, 2021</b>	<b>December 31, 2020</b>
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% (Note 1)	100% (Note 1)
Best Modules BVI	Best Modules Electronic Commerce ( Xiamen ) Corp.	Manufacturing, sales and technical services	100% (Note 4)	- % (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 established a wholly-owned subsidiary in 3Q20.

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.

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.

#### (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

## **Holtek Semiconductor and Subsidiaries**

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

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.

##### **(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.

## **Holtek Semiconductor and Subsidiaries**

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

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.

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.

## **Holtek Semiconductor and Subsidiaries**

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

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.

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.

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

(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.

(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

## **Holtek Semiconductor and Subsidiaries**

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

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.

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.

**Holtek Semiconductor and Subsidiaries**  
**Notes to Consolidated 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 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.

(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

## **Holtek Semiconductor and Subsidiaries**

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

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:

- (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

## **Holtek Semiconductor and Subsidiaries**

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

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.

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

## **Holtek Semiconductor and Subsidiaries**

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

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.

#### **(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

## **Holtek Semiconductor and Subsidiaries**

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

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) Revenue from contract with customers

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

##### A. Sale of goods

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

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

##### B. Financing components

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

#### (15) Employee benefits

##### A. Defined contribution plans

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

## **Holtek Semiconductor and Subsidiaries**

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

#### **B. Defined benefit plans**

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

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

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

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

#### **C. Short-term employee benefits**

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

#### **(16) 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.

## **Holtek Semiconductor and Subsidiaries**

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

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:
  - (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.

#### (17) 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

## **Holtek Semiconductor and Subsidiaries**

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

outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

#### **(18) Operating segments**

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

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

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

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

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

#### **Valuation of inventories**

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the

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

assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6(5) for further description of the valuation of inventories.

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**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash in bank	\$ 836,654	555,554
Time deposits	363,105	643,039
	<b>\$ 1,199,759</b>	<b>1,198,593</b>

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

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

	December 31,	
	2021	2020
Financial assets available-for-sale — beneficiary certificates	<u>\$ 970,068</u>	<u>781,100</u>

If there had been an increase or decrease in the fair value of securities of 1% on the reporting date, net income would have increased (or decreased) by \$7,761 and \$6,249 for the years ended December 31, 2021 and 2020, respectively. The analysis is performed on the same basis for both periods and assumes that all other variables remain constant.

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

	December 31,	
	2021	2020
Equity securities – unlisted company		
Unitech Capital Inc. (Unitech)	\$ 104,669	88,198
Shieh Yong Investment Co., Ltd. (Shieh Yong)	667,747	481,400
Gingy Technology Corporation. (Gingy)	1,530	7,747
	<u>\$ 773,946</u>	<u>577,345</u>

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

Please refer to note 6(19) for the information of the credit risk and market risk.

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

	December 31,	
	2021	2020
Notes receivable	\$ 8,648	444
Accounts receivable	112,745	114,701
Receivables from related parties	780,971	940,516
	902,364	1,055,661
Less: allowance for doubtful accounts	(7,393)	(7,393)
	<u>\$ 894,971</u>	<u>1,048,268</u>

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

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

and credit risk characteristics, as well as forward looking information, the loss allowance was determined as follows:

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

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Not past due	\$ 1,039,586	0.5%~1.5%	6,589
Past due 0~90days	16,075	5%	804
	<b>\$ 1,055,661</b>		<b>7,393</b>

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Ending balance(Opening balance)	<b>\$ 7,393</b>	<b>7,393</b>

**(5) Inventories**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 82,573	102,086
Work in process	341,666	324,313
Finished goods and merchandise inventories	433,963	152,543
	<b>\$ 858,202</b>	<b>578,942</b>

The details of operating costs were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 3,305,548	2,982,642
Cost of scrap materials	6,356	4,962
	<b>\$ 3,311,904</b>	<b>2,987,604</b>

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

**(6) Other financial assets-current**

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Time deposits (more than 3 months)	\$ 2,386,863	760,519
Restricted cash in banks	8,913	58,824
Others	4,018	8,751
	<u><b>\$ 2,399,794</b></u>	<u><b>828,094</b></u>

No impairment loss of other financial assets-current were occurred and recognized for the year ended December 31, 2021 and 2020.

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:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Total amount of equities in associates	\$ 905,873	638,169
Less: unrealized gross profits on sales to associates	(290,464)	(116,317)
	<u><b>\$ 615,409</b></u>	<u><b>521,852</b></u>

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.

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Other comprehensive income attributable to the Group:		
Net income from continuing operation	\$ 342,454	112,726
Other comprehensive income	4,262	6,119
Total comprehensive income	<u><b>\$ 346,716</b></u>	<u><b>118,845</b></u>

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

**(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, 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>
Balance on January 1, 2020	\$ 26,676	508,298	329,713	96,623	961,310
Additions	-	1,631	27,154	17,650	46,435
Disposals	-	-	(15,036)	(2,227)	(17,263)
Reclassified	-	-	3,548	412	3,960
Effect of foreign exchange changes	-	889	544	527	1,960
Balance on December 31, 2020	<u>\$ 26,676</u>	<u>510,818</u>	<u>345,923</u>	<u>112,985</u>	<u>996,402</u>
Accumulated depreciation:					
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>
Balance on January 1, 2020	\$ -	264,343	265,352	73,100	602,795
Depreciation for the period	-	24,739	28,876	12,386	66,001
Disposals	-	-	(14,464)	(2,164)	(16,628)
Effect of foreign exchange changes	-	339	388	164	891
Balance on December 31, 2020	<u>\$ -</u>	<u>289,421</u>	<u>280,152</u>	<u>83,486</u>	<u>653,059</u>
Book value:					
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 December 31, 2020	<u>\$ 26,676</u>	<u>221,397</u>	<u>65,771</u>	<u>29,499</u>	<u>343,343</u>
Balance on January 1, 2020	<u>\$ 26,676</u>	<u>243,955</u>	<u>64,361</u>	<u>23,523</u>	<u>358,515</u>

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

**(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, 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>
Balance at January 1, 2020	\$ 67,341	42,798	110,139
Additions	-	29,308	29,308
Balance at December 31, 2020	<u>\$ 67,341</u>	<u>72,106</u>	<u>139,447</u>
Accumulated depreciation :			
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>
Balance at January 1, 2020	\$ 3,061	15,005	18,066
Disposals	3,061	18,273	21,334
Balance at December 31, 2020	<u>\$ 6,122</u>	<u>33,278</u>	<u>39,400</u>
Carrying amount :			
Balance at December 31, 2021	<u>\$ 58,158</u>	<u>50,744</u>	<u>108,902</u>
Balance at December 31, 2020	<u>\$ 61,219</u>	<u>38,828</u>	<u>100,047</u>
Balance at January 1, 2020	<u>\$ 64,280</u>	<u>27,793</u>	<u>92,073</u>

**(10) Intangible assets**

Changes in the cost, and amortization of the Group's intangible assets were as follows:

	<u>Computer Software</u>	<u>Acquired Special Technology</u>	<u>Total</u>
Cost :			
Balance at January 1, 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>
Balance at January 1, 2020	\$ 151,220	99,513	250,733
Additions	50,385	17,709	68,094
Reclassified	3,051	-	3,051
Effect of foreign exchange changes	1,986	-	1,986
Balance at December 31, 2020	<u>\$ 206,642</u>	<u>117,222</u>	<u>323,864</u>

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

	<u>Computer Software</u>	<u>Acquired Special Technology</u>	<u>Total</u>
Accumulated amortization :			
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><u>\$ 183,283</u></u>	<u><u>89,681</u></u>	<u><u>272,964</u></u>
Balance at January 1, 2020	\$ 125,068	58,914	183,982
Amortization for the year	51,637	23,769	75,406
Effect of foreign exchange changes	1,975	-	1,975
Balance at December 31, 2020	<u><u>\$ 178,680</u></u>	<u><u>82,683</u></u>	<u><u>261,363</u></u>
Carrying amount :			
Balance at December 31, 2021	<u><u>\$ 22,133</u></u>	<u><u>17,078</u></u>	<u><u>39,211</u></u>
Balance at December 31, 2020	<u><u>\$ 27,962</u></u>	<u><u>34,539</u></u>	<u><u>62,501</u></u>
Balance at January 1, 2020	<u><u>\$ 26,152</u></u>	<u><u>40,599</u></u>	<u><u>66,751</u></u>

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

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cost of sales	<u><u>\$ 561</u></u>	<u><u>774</u></u>
Operating expenses	<u><u>\$ 67,969</u></u>	<u><u>74,632</u></u>

**(11) Lease liabilities**

The amount of lease liabilities was as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current	<u><u>\$ 24,048</u></u>	<u><u>16,637</u></u>
Non-current	<u><u>\$ 86,719</u></u>	<u><u>84,256</u></u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u><u>\$ 1,468</u></u>	<u><u>1,346</u></u>
Expenses relating to short-term leases	<u><u>\$ 5,481</u></u>	<u><u>5,754</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><u>\$ 725</u></u>	<u><u>653</u></u>

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

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 30,286</b>	<b>28,739</b>

Real estate leases

As of December 31, 2021 and 2020, 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.

**(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:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Present value of the defined benefit obligation	\$ 146,707	146,956
Fair value of plan assets	(65,204)	(56,468)
Net defined benefit liabilities	<b>\$ 81,503</b>	<b>90,488</b>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

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

(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 \$65,204 as of December 31, 2021. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds.

(b) Changes in the present value of the defined benefit obligation

The changes in the present value of the defined benefit obligation of the Group for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Defined benefit obligation as of January 1	\$ 146,956	132,272
Benefits paid from plan assets	(4,999)	(989)
Current service costs and interest	436	926
Remeasurements of the net defined benefit liabilities		
— Actuarial loss arising from changes in financial assumptions	(6,307)	6,375
— Actuarial loss arising from changes in population assumptions	3,844	-
— Actuarial loss arising from experience adjustments	6,777	8,372
Defined benefit obligation as of December 31	<b><u>\$ 146,707</u></b>	<b><u>146,956</u></b>

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

(c) Changes in the fair value of the defined benefit plan assets

The changes in the fair value of the defined benefit plan assets of the Group for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Fair value of plan assets as of January 1	\$ 56,468	52,542
Benefits paid from plan assets	(2,008)	(989)
Interest income	173	378
Contributions made	9,744	2,808
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	827	1,792
Fair value of plan assets as of December 31	<b><u>\$ 65,204</u></b>	<b><u>56,468</u></b>

(d) Expenses recognized in profit or loss

The Group's expenses recognized in profit or loss for the years ended December 31, 2021 and 2020, were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net interest on the net defined benefit liabilities	<b><u>\$ 263</u></b>	<b><u>548</u></b>
Cost of goods sold	\$ 17	35
Selling expenses	19	42
General and administrative expenses	36	81
Research and development expenses	191	390
	<b><u>\$ 263</u></b>	<b><u>548</u></b>

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

(e) Actuarial assumptions

The following are the Group's significant actuarial assumptions of the present value of the defined benefit obligation at the reporting date:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.70%	0.30%
Future salary increase rate	2.00%	2.00%

The Group expects to make a contribution of \$23,100 to its defined benefit plans in the following year, beginning December 31, 2021.

The weighted-average duration of the defined benefit obligation is 10.1 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions as of the December 31, 2021 and 2020, the impact on the defined benefit obligation would be as follows:

<b>Actuarial assumptions</b>	<b>Impact on the defined benefit obligation</b>	
	<b>0.1% increase</b>	<b>0.1% decrease</b>
December 31, 2021		
Discount rate	\$ (1,521)	1,543
Future salary increase rate	\$ 1,386	(1,371)
December 31, 2020		
Discount rate	\$ (1,630)	1,655
Future salary increase rate	\$ 1,486	(1,471)

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 2021 and 2020.

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

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 \$27,329 and \$24,318 for the years ended December 31, 2021 and 2020, respectively.

Except for the above, the total pension costs of the Group's overseas branch and subsidiaries under their respective defined contribution plan were \$31,274 and \$13,160 for the years ended December 31, 2021 and 2020, which were recognized in accordance with their local regulations.

**(13) Income tax**

A. Income tax expenses

The amount of income tax expenses for the years ended December 31, 2021 and 2020, was as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current income tax expense		
Current period	\$ 494,528	152,093
Adjustment to prior years	<u>6,231</u>	<u>(2,021)</u>
	<u>500,759</u>	<u>150,072</u>
Deferred income tax expense		
Temporary differences and reversal	<u>21,388</u>	<u>63,219</u>
Income tax expenses	<b><u>\$ 522,147</u></b>	<b><u>213,291</u></b>

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

The amount of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	\$ (697)	(2,603)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign affiliates	\$ 1,299	1,198
Exchange differences on translation of financial statements of invested associates accounted for using equity method	828	1,158
	<b>\$ 2,127</b>	<b>2,356</b>

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	\$ 2,591,149	1,261,408
Income tax at the Company's domestic tax rate	518,230	252,282
Effect of tax rates in foreign jurisdiction	(14,013)	(13,395)
Permanent differences adjustment	(67,696)	(7,126)
Share of profit (loss) of subsidiaries accounted for using equity method, net	100,725	56,684
Tax-exempt income	-	(84,849)
Estimated increase in investment tax credit	(19,878)	-
Change in unrecognized temporary differences	(956)	(1,822)
Change in provision in prior periods	6,231	(2,152)
Income Basic Tax	-	15,320
Other	(496)	(1,651)
	<b>\$ 522,147</b>	<b>213,291</b>

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

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

Deferred tax assets

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Unrealized loss from Inventory devaluation	\$ 12,000	-	-	12,000	-	-	12,000
Unrealized gross profit from sales to associates	42,746	(5,554)	-	48,300	(112,855)	-	161,155
Net defined benefit liabilities	15,946	451	(2,603)	18,098	2,494	(697)	16,301
Loss from exchange differences on translation of financial statements of foreign affiliates	15,248	-	2,356	12,892	-	2,127	10,765
Others	1,256	(1,131)	-	2,387	770	-	1,617
	<u>\$ 87,196</u>	<u>(6,234)</u>	<u>(247)</u>	<u>93,677</u>	<u>(109,591)</u>	<u>1,430</u>	<u>201,838</u>

Deferred tax liabilities

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Foreign investment gains under the equity method	\$ (198,811)	69,470	-	(268,281)	130,635	-	(398,916)
Others	(1,008)	(17)	-	(991)	344	-	(1,335)
	<u>\$ (199,819)</u>	<u>69,453</u>	<u>-</u>	<u>(269,272)</u>	<u>130,979</u>	<u>-</u>	<u>(400,251)</u>

C. The tax authorities have assessed the Company's income tax returns through 2019.

**(14) Capital and other equity interest**

A. Ordinary shares

As of December 31, 2021 and 2020, 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, 2021 and 2020.

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

**B. Capital surplus**

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Capital surplus — premium	<b>\$ 142,309</b>	<b>142,309</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be distributed as stock or cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

**C. Retained earnings**

According to the Company’s Articles of Incorporation, if the Company has profit as a result of the accounting year, the Company shall first pay taxes, offset its losses in previous years and set aside a legal reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Company, then set aside special capital reserve in accordance with relevant laws or regulations or as requested by business. Any rest balance, added to the accumulated undistributed earnings in previous years, shall be allocated by board of directors and shall be approved in shareholders' meeting.

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

**(a) Legal reserve**

Pursuant to the R.O.C. Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company’s paid-in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital.

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

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$18,008. And the Company's actuarial gains and losses be reclassified as retained earnings at the adoption date. The decrease in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$13,410. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve amounted to \$4,598 during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately.

The Company liquidated its subsidiary, Holtek Semiconductor (Shenzhen) Inc. in August, 2014. In accordance with the provisions of the above-mentioned regulations, the special reserve was reclassified to retained earnings amounted to \$1,956. The carrying amount of special reserve both amounted to \$2,642 as of December 31, 2021 and 2020.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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

(c) Earnings distribution

The following are the appropriation of earnings in 2020 and 2019 which were approved in the shareholders' meeting held on July 15, 2021 and May 27, 2020, respectively :

	2020		2019	
	NT dollars per share	Total amount	NT dollars per share	Total amount
Cash dividends distributed to ordinary shareholders:	\$ 4.56	1,031,327	4.05	915,981

**(15) Earnings per share**

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

	For the year ended December 31,	
	2021	2020
Basic earnings per share:		
Net income for the period	\$ 2,044,064	1,031,063
Weighted-average number of ordinary shares outstanding during the year (in thousands)	226,168	226,168
Basic earnings per share (NT dollars)	\$ 9.04	4.56
Diluted earnings per share:		
Net income for the period	\$ 2,044,064	1,031,063
Weighted-average number of ordinary shares outstanding during the year (in thousands)	226,168	226,168
Effect of potential diluted ordinary shares (in thousands)	2,815	1,885
Weighted-average number of ordinary shares outstanding during the year (diluted) (in thousands)	228,983	228,053
Diluted earnings per share (NT dollars)	\$ 8.93	4.52

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

**(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 \$299,875 and \$125,414, and the remunerations to directors amounted to \$35,499 and \$13,735 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020. 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 2020 in the amounts of \$125,414 and \$13,735, respectively. The aforementioned approved amounts are the same as the amounts charged against earnings of 2020. Remuneration to employees and directors for 2019 in the amounts of \$109,968 and \$12,019, respectively, which were paid in cash. The aforementioned approved amounts are the same as the amounts charged against earnings of 2019. 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.

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

**(18) Non-operating income and expenses**

The details of other gains and losses were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange losses	\$ 16,380	13,524
Others	418,543	721
	<b>\$ 434,923</b>	<b>14,245</b>

Others included service income of the Group receiving from customers were \$394,778 and \$0 for the year ended December 31, 2021 and 2020, 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

(b) Concentration of credit risk

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, 2021 and 2020, customers (including related parties) whose notes and accounts receivables that accounted for more than 10% have amounted to \$215,170 and \$328,560, 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

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

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 1 years</u>
<b>December 31, 2021</b>				
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>
	<b><u>\$ 1,746,680</u></b>	<b><u>1,757,743</u></b>	<b><u>1,635,254</u></b>	<b><u>122,489</u></b>
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Notes and accounts payables (including related parties)	\$ 675,523	675,523	675,523	-
Salary and bonus payable	334,185	334,185	334,185	-
Accrued expenses (recorded in other current liabilities)	81,669	81,669	81,669	-
Guarantee deposit received	11,985	11,985	-	11,985
Lease liabilities	<u>100,893</u>	<u>112,944</u>	<u>17,907</u>	<u>95,037</u>
	<b><u>\$ 1,204,255</u></b>	<b><u>1,216,306</u></b>	<b><u>1,109,284</u></b>	<b><u>107,022</u></b>

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

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

C. Market risk

Currency risk

(a) Exposure to currency risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 12,597	27.63	348,048	12,789	28.43	363,589
RMB	88,149	4.3196	380,770	63,943	4.2941	274,493
<u>Non-monetary items</u>						
USD	\$ 25,022	27.63	691,360	15,903	28.43	452,114
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 13,635	27.63	376,733	9,011	28.43	256,170
RMB	8,702	4.3196	37,589	8,417	4.2941	36,144

(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 \$2,516 and \$2,766 for the years ended December 31, 2021 and 2020, 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 \$16,380 and \$13,524 for the years ended December 31, 2021 and 2020, respectively.

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

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 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, 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
Financial assets measured at amortized cost					
Cash and cash equivalents	1,199,759	-	-	-	-
Net notes and accounts receivable (including related parties)	894,971	-	-	-	-
Other financial assets – current	2,399,794	-	-	-	-
Guarantee deposits paid (recorded in other non-current assets)	19,494	-	-	-	-
	<b><u>\$ 6,258,032</u></b>	<b><u>970,068</u></b>	<b><u>-</u></b>	<b><u>773,946</u></b>	<b><u>1,744,014</u></b>
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	\$ 897,317	-	-	-	-
Salary and bonus payable	616,740	-	-	-	-
Accrued expenses (recorded in other current liabilities)	95,776	-	-	-	-
Guarantee deposit received	26,080	-	-	-	-
Lease liabilities (including recorded in other current liabilities)	110,767	-	-	-	-
	<b><u>\$ 1,746,680</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

	December 31, 2020				
	Carrying amount	Fair value			
		Level1	Level2	Level3	Total
Financial assets measured at fair value through profit or loss	\$ 781,100	781,100	-	-	781,100
Financial assets measured at fair value through other comprehensive income	577,345	-	-	577,345	577,345
Financial assets measured at amortized cost					
Cash and cash equivalents	1,198,593	-	-	-	-
Net notes and accounts receivable (including related parties)	1,048,268	-	-	-	-
Other financial assets – current	828,094	-	-	-	-
Guarantee deposits paid (recorded in other non-current assets)	9,638	-	-	-	-
	<u>\$ 4,443,038</u>	<u>781,100</u>	<u>-</u>	<u>577,345</u>	<u>1,358,445</u>
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	\$ 675,523	-	-	-	-
Salary and bonus payable	334,185	-	-	-	-
Accrued expenses (recorded in other current liabilities)	81,669	-	-	-	-
Guarantee deposit received	11,985	-	-	-	-
Lease liabilities (including recorded in other current liabilities)	100,893	-	-	-	-
	<u>\$ 1,204,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(b) Valuation techniques for financial instruments that are measured at fair value

- The Group’s valuation techniques and assumptions used for financial instruments of financial assets with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- The Group’s financial assets at the equity investment without an active market were as follows:

Unquoted equity instruments : The Group invests companies. Asset value method is used to reflect corporate value by evaluating the aggregate value of individual assets and individual liabilities from the target of evaluation.

Unquoted equity instruments : For other investment the market price is established as the fair value if the quoted prices in active markets are available. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

(c) There was no transfer of fair value level as of December 31, 2021 and 2020.

(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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at FVOCI -equity investments without an active market	Market approach (Compared to the price-equity ratio of market practice among listed companies)	<ul style="list-style-type: none"> <li>• Price per book value multiplier (2021.12.31 and 2020.12.31:2.31 and 1.14)</li> <li>• Discount for lack of marketability (2021.12.31 and 2020.12.31 : 25%)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the price-equity ratio, the higher the fair value.</li> <li>• The higher the discount for lack of marketability, The lower the fair value.</li> </ul>

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

<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"> <li>• Net Asset Value</li> <li>• Discount for lack of marketability (2021.12.31 and 2020.12.31: 10%)</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> <li>• The higher the discount for lack of marketability, The lower the fair value.</li> </ul>

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

	<b>Financial assets measured at FVOCI — equity investments</b>	
	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Balance at beginning of the period</b>	\$ 577,345	302,305
Net gains or loss		
Net gains included in other comprehensive income	196,601	275,040
<b>Balance at end of the period</b>	<b>\$ 773,946</b>	<b>577,345</b>

Net gains or loss that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020.

**(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).

B. Risk management framework

The Board of Directors has overall responsibility for developing and monitoring of the

## **Holtek Semiconductor and Subsidiaries**

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

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, 2021 and 2020, 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.

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, 2021, the Group's

## **Holtek Semiconductor and Subsidiaries**

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

unused credit line were amounted to \$138,550, 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.

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

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

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, 2020.

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Total liabilities	<b>\$ 2,833,585</b>	<b>1,704,921</b>
Total equity	<b>\$ 5,710,248</b>	<b>4,482,403</b>
Debt-to-adjusted-capital ratio	<b>50%</b>	<b>38%</b>

**(22) financing activities not affecting current cash flow**

The Group's financing activities which did not affect the current cash flow in the year ended December 31, 2021 and 2020, were as follows:

A. Acquisition of right-of-use assets at leases, please refer to notes 6(9).

B. Reconciliation of liabilities arising from financing activities were as follows:

	<b>Lease liabilities</b>	
	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Opening balance	\$ 100,893	92,571
Adjustments on initial application	-	-
<b>Changes in cash flows from operating activities</b>		
Interest paid	(1,468)	(1,380)
<b>Changes in cash flows from financing activities</b>		
Payments of lease liabilities	(22,612)	(20,986)
<b>Changes in not affecting cash flows</b>		
Additions of lease liabilities	34,431	29,308
Lease modification	(1,945)	-
Interest expense	1,468	1,346
Ending Balance	<b>\$ 110,767</b>	<b>100,893</b>

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

**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

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

**(2) Significant related-party transactions**

A. Sales

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
SIGNAL	\$ 1,229,732	924,401
CROWN RICH	640,499	539,253
Others	3,355,300	2,733,841
	<b>\$ 5,225,531</b>	<b>4,197,495</b>

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, 2021 and 2020, the Group recognized unrealized gross profits of sales to associates amounting to \$290,464 and \$116,317 respectively.

The receivables from related parties were as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
SIGNAL	\$ 215,170	212,757
CROWN RICH	41,904	115,803
Others	523,897	611,956
	<b>\$ 780,971</b>	<b>940,516</b>

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

B. Purchases and other transactions

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Associates	<b>\$ 86</b>	<b>958</b>

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

C. The Group's revenue from related parties about the human support service charge and disbursement have amounting to \$197,546 and \$1,813 for the year ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the receivables classified under abovementioned other financial assets—current have amounting to \$1,350 and \$7,792, respectively.

**(3) Transactions with key management personnel**

Key management personnel compensation comprised:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 47,007	38,066
Post-employment benefits	432	432
	<b>\$ 47,439</b>	<b>38,498</b>

**8. Pledged Assets**

<b>Assets</b>	<b>Purpose of Pledged</b>	<b>December 31,</b>	
		<b>2021</b>	<b>2020</b>
Time deposits (recorded in other financial assets—current)	Guarantee deposits of purchases	\$ -	50,000
Time deposits (recorded in other financial assets—current)	Guarantee deposits of customs duty	8,913	8,824
		<b>\$ 8,913</b>	<b>58,824</b>

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

**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. In the contract, the Group need to purchase the minimum quantity on the relevant years.

**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	By function For the year ended December 31, 2021			For the year ended December 31, 2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	45,789	1,261,431	1,307,220	33,280	926,336	959,616
Labor and health insurance	2,801	56,498	59,299	2,450	46,472	48,922
Pensions	1,732	57,134	58,866	1,565	36,461	38,026
Others	1,884	25,055	26,939	1,578	21,403	22,981
Depreciation	7,667	71,638	79,305	4,844	82,491	87,335
Amortization	561	67,969	68,530	774	74,632	75,406

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

**13. Other disclosures**

(1) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

i. Loans to other parties: None.

ii. Guarantees and endorsements for other parties: None.

iii. Securities held as of December 31, 2021 (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	9,796	151,561	-	151,561	-	
The Company	UPAMC James Bond Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	28,354	478,399	-	478,399	-	
The Company	Yuanta De-Bao Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	28,039	340,108	-	340,108	-	
Holtek Semiconductor Holding (BVI) Ltd.	Unitech Capital Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	2,500	104,669	5.00%	104,669	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	667,747	3.03%	667,747	3.03%	
Holtek Investment Co., Ltd	Gingy Technology Co.	-	Equity-investments measured at fair value through other comprehensive income-non current	508	1,530	7.21%	1,530	7.21%	

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

- iv. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock : None
- 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	Percentage of total notes/accounts receivable (payable)	
The Company	Holtek (Suzhou)	Subsidiary of the Company	Sales	(674,000)	(10)%	Open account 120 days	No significant difference	No significant difference	27,742	3%	Note 1
The Company	Holtek (Xiamen)	Subsidiary of the Company	Sales	(882,541)	(13)%	Open account 120 days	No significant difference	No significant difference	318,062	30%	Note 1
The Company	Truetek	Related-party of the Group	Sales	(246,369)	(4)%	Open account 60 days	No significant difference	No significant difference	39,732	4%	
The Company	Best Solution	Subsidiary of the Company	Sales	(307,659)	(5)%	Open account 60 days	No significant difference	No significant difference	54,900	5%	Note 1
The Company	Signal	Related-party of the Group	Sales	(277,494)	(4)%	Open account 60 days	No significant difference	No significant difference	56,966	5%	
The Company	Santek	Related-party of the Group	Sales	(211,990)	(3)%	Open account 60 days	No significant difference	No significant difference	17,367	2%	
The Company	Tech Wave	Related-party of the Group	Sales	(210,194)	(3)%	Open account 60 days	No significant difference	No significant difference	53,785	5%	
The Company	Holtek (China)	Subsidiary of the Company	Sales	(2,373,348)	(36)%	Open account 120 days	No significant difference	No significant difference	356,918	34%	Note 1
Holtek (China)	Crown Rich	Related-party of the Group	Sales	(183,375)	(7)%	Open account 60 days	No significant difference	No significant difference	-	-%	
Holtek (China)	New Wave	Related-party of the Group	Sales	(203,933)	(8)%	Open account 60 days	No significant difference	No significant difference	-	-%	
Holtek (China)	Newtek	Related-party of the Group	Sales	(145,302)	(6)%	Open account 60 days	No significant difference	No significant difference	12,346	5%	
Holtek (China)	Signal	Related-party of the Group	Sales	(316,168)	(12)%	Open account 60 days	No significant difference	No significant difference	31,402	12%	
Holtek (Xiamen)	Signal	Related-party of the Group	Sales	(211,167)	(19)%	Open account 60 days	No significant difference	No significant difference	44,273	20%	
Holtek (Suzhou)	Crown Rich	Related-party of the Group	Sales	(117,054)	(14)%	Open account 60 days	No significant difference	No significant difference	-	-%	

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

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	Percentage of total notes/accounts receivable (payable)	
Holtek (Suzhou)	Signal	Related-party of the Group	Sales	(160,341)	(19)%	Open account 60 days	No significant difference	No significant difference	19,133	55%	
Best Solution	Truetek	Related-party of the Group	Sales	(119,829)	(35)%	Open account 60 days	No significant difference	No significant difference	35,659	60%	
Best Solution (Dongguan)	New Wave	Related-party of the Group	Sales	(123,219)	(19)%	Open account 60 days	No significant difference	No significant difference	19,744	14%	
Best Solution (Dongguan)	Crown Rich	Related-party of the Group	Sales	(202,239)	(32)%	Open account 60 days	No significant difference	No significant difference	44,391	32%	

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.

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 (China )	Subsidiary	356,918 (Note2)	6.25	-	Collection on demand	200,011 (Note1)	-
The Company	Holtek (Xiamen)	Subsidiary	318,062 (Note2)	3.33	-	Collection on demand	- (Note1)	-

Note1 : The amount is collected by January 17, 2022.

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

ix. Trading in derivative instruments: None.

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

x. Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	HOLTEK (China)	Parent company to subsidiary	Sales	2,373,348	Open account 120 days	33 %
0	The Company	HOLTEK (China)	Parent company to subsidiary	Accounts receivable	356,918	Open account 120 days	4 %
0	The Company	HOLTEK (Xiamen)	Parent company to subsidiary	Sales	882,541	Open account 120 days	12 %
0	The Company	HOLTEK (Xiamen)	Parent company to subsidiary	Accounts receivable	318,062	Open account 120 days	4 %
0	The Company	Holtek (Suzhou)	Parent company to subsidiary	Sales	674,000	Open account 120 days	9 %
0	The Company	Best Solution	Parent company to subsidiary	Sales	307,659	Open account 60 days	4 %
0	The Company	Best Solution	Parent company to subsidiary	Accounts receivable	54,900	Open account 60 days	1 %
0	The Company	Best Health	Parent company to subsidiary	Sales	56,413	Open account 60 days	1 %

Note : The transactions with amount that account for more than 0.5% of the comprehensive earnings or net assets are disclosed.

(2) Information on investees:

The following is the information on investees for the year 2021 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Holtek Semiconductor Holding (BVI) Ltd.	B.V.I.	Overseas investment activities	665,449	475,831	22,053	100.00%	1,321,469	100.00%	289,025	289,025 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%	212,847	100.00%	56,645	56,645 Note2	The Company's Subsidiary
The Company	Sigmos Holdings Ltd.	B.V.I.	Overseas investment activities	6,898	6,898	200	100.00%	19,160	100.00%	(722)	(722) Note2	The Company's Subsidiary
Sigmos Holdings Ltd.	Holtek Semiconductor (USA) Inc.	California, USA	Sales of integrated circuits and technical services	6,898	6,898	2,000	100.00%	19,160	100.00%	(722)	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%	1,150,066	100.00%	309,346	309,346 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%	45,345	40.00%	45,024	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%	14,339	100.00%	6061	Note1	The Subsidiary's investee company by equity method invest subsidiary

## Holtek Semiconductor and Subsidiaries

### Notes to Consolidated Financial Statements

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
ForIC Electronics Holding Ltd.	ForIC Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	866	866	200	100.00%	28,706	100.00%	21,658	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%	75,316	40.00%	56,724	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	8,662	8,000	100.00%	77,064	100.00%	23,238	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%	49,204	40.00%	39,911	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%	24,368	100.00%	14,073	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%	75,770	40.00%	106,208	Note1	The Subsidiary's investee company by equity method
Santek Holdings Ltd.	Santek Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	8,662	8,662	2,000	100.00%	83,799	100.00%	61,182	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%	35,537	40.00%	27,765	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%	100,188	40.00%	96,887	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%	90,907	40.61%	75,624	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%	38,538	100.00%	6,844	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%	147,279	40.00%	177,927	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%	2,698	40.00%	3,649	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%	19,274	60.00%	17,686	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%	30,005	40.00%	25,902	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%	11,294	33.33%	13,458	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, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
MCU Holdings Ltd.	JXY Electronics Corporation	B.V.I.	Overseas investment activities	6,405	6,405	1	40.00%	12,230	40.00%	12,399	Note1	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Best Health Electronics Corp.	B.V.I.	Overseas investment activities	20,965	20,965	5	80.00%	52,875	80.00%	30,220	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%	29,347	100.00%	19,491	Note1,2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Power Electronics Corporation	B.V.I.	Overseas investment activities	8,844	8,844	2	100.00%	9,098	100.00%	138	Note1,2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Best Driver-Tech Corporation	B.V.I.	Overseas investment activities	6,753	6,753	2	80.00%	10,146	80.00%	5,667	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%	13,129	100.00%	137	Note1,2	The Company's second-tier subsidiary
MCU Holdings Ltd.	Risingtek Corporation	B.V.I.	Overseas investment activities	15,603	-	4	100.00%	15,587	40.00%	92	Note1	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%	4	0.10%	1,405	2 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%	1,042,149	100.00%	102,982	102,982 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%	160,776	40.00%	126,044	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%	153,279	100.00%	64,929	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%	164,743	100.00%	80,030	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%	20,203	36.88%	23,616	Note1,2	The Company's second-tier subsidiary
Holtek Investment Co., Ltd.	EST Technology Integration Corp.	New Taipei City	Sales of integrated circuits and technical services	15,113	37,500	3,626	22.39%	61,818	22.39%	98,867	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%	21,915	40.00%	23,616	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%	40,152	100.00%	16,519	Note1,2	The Company's third-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, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
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%	(36)	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%	14,917	100.00%	7,666	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%	11,871	100.00%	7,997	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	25,000	10,000	2,500	100.00%	18,832	100.00%	(3,595)	Note1,2	The Company's second-tier subsidiary
Best Modules Corp.	Best Modules (BVI) Corp.	B.V.I.	Overseas investment activities	10,789	2,117	3	100.00%	10,842	100.00%	19	Note1,2	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	2,945	2,945	6,479	99.90%	3,530	99.90%	1,405	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.

## 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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)	101,027	189,618	-	290,645	102,042	100%	100%	102,042 (Note5)	456,906	-
Holtek Semiconductor (China) Inc.	Sales of integrated circuits and technical services	292,423	(Note1)	272,221	-	-	272,221	173,443	100%	100%	173,443 (Note 5)	741,169	-
Bestway Electronics (Shenzhen) Inc.	Sales of integrated circuits and technical services	6,769	(Note1)	3,383	-	-	3,383	27,822	40%	40%	11,129	55,111	-
Santek Electronics (Xiamen) Ltd.	Sales of integrated circuits and technical services	6,398	(Note1)	2,506	-	-	2,506	40,462	40%	40%	16,185	84,885	-
New Wave Electronics (Shenzhen) Ltd.	Sales of integrated circuits and technical services	9,287	(Note1)	3,928	-	-	3,928	76,058	40%	40%	30,423 (Note 5)	163,873	-
ForIc Electronics (Beijing) Ltd.	Sales of integrated circuits and technical services	19,361	(Note1)	3,601	-	-	3,601	17,399	40%	40%	6,960	40,107	-
E-Micro Technology (Qingdao) Ltd.	Sales of integrated circuits and technical services	6,315	(Note1)	2,634	-	-	2,634	6,063	40%	40%	2,425	14,150	-
Newtek Electronics (Shenzhen) Ltd	Sales of integrated circuits and technical services	65,860	(Note1)	2,647	-	-	2,647	46,389	40.61%	40.61%	18,839 (Note 5)	146,347	-
Truetek Technology (Shanghai) Ltd.	Sales of integrated circuits and technical services	30,293	(Note1)	3,911	-	-	3,911	34,776	40%	40%	13,910	88,984	-
Crown Rich Technology (Shenzhen) Ltd.	Sales of integrated circuits and technical services	18,446	(Note1)	1,964	-	-	1,964	178,803	40%	40%	71,521 (Note 5)	314,691	-
Quanding Technology (Suzhou) Ltd.	Sales of integrated circuits and technical services	21,670	(Note1)	1,600	-	-	1,600	26,354	40%	40%	10,542	72,904	-
Holtek Semiconductor (Suzhou) Inc.	Sales of integrated circuits and technical services	69,712	(Note1)	69,712	-	-	69,712	56,646	100%	100%	56,646 (Note 5)	212,811	-
Fine Chip Electronics (Shanghai) Inc.	Sales of integrated circuits and technical services	7,541	(Note1)	-	-	-	-	3,698	40%	40%	1,479	4,583	-

**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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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)	-	-	-	-	17,617	60%	60%	10,570	25,788	-
JXY Electronics (Shenzhen) Corporation	Sales of integrated circuits and technical services	11,974	(Note1)	-	-	-	-	12,378	40%	40%	4,951	25,771	-
Best Health Electronics (Dongguan) Corporation	Sales of integrated circuits and technical services	23,057	(Note1)	-	-	-	-	10,629	80%	80%	8,503	35,572	-
BestComm RF Electronics (Dongguan) Inc.	Sales of integrated circuits and technical services	13,634	(Note1)	9,392	-	-	9,392	8,056	100%	100%	8,056	11,141	-
Best Solution Technology (Dongguan) Inc.	Sales of integrated circuits and technical services	4,285	(Note1)	-	-	-	-	16,770	54.75%	54.75%	9,182 (Note 5)	37,941	-
Best Driver-tech (Hangzhou) Corporation	Sales of integrated circuits and technical services	6,361	(Note1)					5,657	80%	80%	4,526	10,474	
Best Module-tech (Xiamen) Corporation	Sales of integrated circuits and technical services	10,573	(Note1)					130	100%	100%	130	10,929	
Best Modules Electronic Commerce (Xiamen) Corp.	Sales of integrated circuits and technical services	10,806	(Note1)		10,806		10,806	8	100%	100%	8	10,807	

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

ii. Limit of investments in Mainland China:

<b>Name of company</b>	<b>Accumulated Investments in Mainland China as of December 31, 2021 (Note2)</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA (Note3)</b>	<b>Maximum Limit of Investment (Note4)</b>
The Company	658,752 (US\$21,851 in thousands)	744,040 (US\$26,929 in thousands)	3,394,111
Best Modules	10,806 (US\$391 in thousands)	2,135 (US\$77 in thousands)	11,299
BestComm	9,392 (US\$314 in thousands)	12,582 (US\$455 in thousands)	8,950
Best Solution	-	3,946 (US\$143 in thousands)	32,912

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 \$603,816 (US\$21,854 in thousands); and from the third regions for \$140,224 (US\$5,075 in thousands); and BestComm accumulated remittances from Taiwan for \$8,662 (US\$314 in thousands); and from the third regions for \$3,920 (US\$141 in thousands); and Best Solution accumulated remittances from the third regions for \$3,946 (US\$143 in thousands) ; and Best Modules accumulated remittances from the third regions for \$2,135 (US\$77 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 \$5,656,852 x 60% = \$3,394,111; and BestComm net value \$14,917 x 60% = \$8,950; and Best Solution net value \$54,853 x 60% = \$32,912; and Best Modules net value \$18,832 x 60% = \$11,299.

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:

	<b>For the year ended December 31,</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>% of net sales</b>	<b>Amount</b>	<b>% of net sales</b>
Sales of integrated circuits	\$ 7,084,106	99	5,569,519	99
Design and IC programming	43,644	1	45,020	1
	<b>\$ 7,127,750</b>	<b>100</b>	<b>5,614,539</b>	<b>100</b>

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

(3) Geographic information

Segment revenues are classified based on the geographical location of customers, and segment assets are classified based on the geographical location of the assets.

	<b>For the year ended December 31,</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>% of net sales</b>	<b>Amount</b>	<b>% of net sales</b>
Revenues from external customers:				
China	\$ 5,593,338	78	4,421,476	79
Taiwan	771,966	11	616,743	11
Other countries	762,446	11	576,320	10
	<b><u>\$ 7,127,750</u></b>	<b><u>100</u></b>	<b><u>5,614,539</u></b>	<b><u>100</u></b>

	<b>December 31,</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>% of total assets</b>	<b>Amount</b>	<b>% of total assets</b>
Non-current assets				
Taiwan	\$ 254,794	3	256,496	4
China	257,549	3	257,585	4
Other countries	2,018	-	1,448	-
	<b><u>\$ 514,361</u></b>	<b><u>6</u></b>	<b><u>515,529</u></b>	<b><u>8</u></b>

(4) Major customer information

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

	<b>For the year ended December 31,</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>% of net sales</b>	<b>Amount</b>	<b>% of net sales</b>
SIGNAL	\$ 1,229,732	17	924,401	16
CROWN RICH	640,499	9	539,253	10
	<b><u>\$ 1,870,231</u></b>	<b><u>26</u></b>	<b><u>1,463,654</u></b>	<b><u>26</u></b>

## *Appendix 2*

### **Independent Auditors' Report**

To the Board of Directors of Holtek Semiconductor Inc.:

#### **Opinion**

We have audited the financial statements of Holtek Semiconductor Inc. (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted 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.

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

Refer to Note 4(14) “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 one of 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.

**2. Valuation of Inventories**

Refer to Note 4(7) "Summary of Significant Accounting Policies – Inventories", Note 5 "Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty", and Note 6(4) "Description of Significant Accounts – Inventories, net" to the parent company only financial statements.

**Description of key audit matter:**

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Therefore, the allowance to reduce inventory to market is one of 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 reviewing the inventory age reports to analyze the changes in the inventory levels; performing computer audit procedures in order to check the correctness of age of inventory report; reviewing production and marketing meetings to assess inventory destocking; evaluating the inventory in accordance with the Company's established accounting policies; performing inventory traceability tests; and verifying the reasonableness of the sluggish loss.

**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 generally accepted 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 generally accepted 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 Yu, Wan Yuan.

KPMG

Hsinchu, Taiwan (Republic of China)

January 26, 2022

**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, 2021 and 2020**

(Expressed in thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020		Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
1100 Cash and cash equivalents (note 6(1))	\$ 258,575	3	488,052	8	2150 Notes payable	\$ 235,294	3	197,802	3
1110 Financial assets measured at fair value through profit or loss — current (note 6(2))	970,068	12	781,100	13	2170 Accounts payable	578,795	7	439,414	8
1170 Notes and accounts receivable, net (note 6(3))	89,525	1	77,313	1	2180 Accounts payable to related parties (note 7)	8,092	-	9,723	-
1180 Accounts receivable from related parties (notes 6(3) and 7)	956,945	12	880,403	15	2201 Salary and bonus payable	567,312	7	295,539	5
130X Inventories (note 6(4))	473,526	6	390,552	7	2230 Current income tax liabilities	423,029	5	62,962	1
1476 Other financial assets — current (notes 6(5) 、7 and 8)	2,054,567	25	638,555	11	2280 Lease liabilities-current(note 6(10))	14,880	-	8,675	-
1479 Other current assets	34,164	-	23,497	-	2310 Advance receipts	47,017	-	3,856	-
	<u>4,837,370</u>	<u>59</u>	<u>3,279,472</u>	<u>55</u>	2399 Other current liabilities	<u>141,565</u>	<u>2</u>	<u>115,097</u>	<u>2</u>
<b>Non-current assets:</b>						<u>2,015,984</u>	<u>24</u>	<u>1,133,068</u>	<u>19</u>
1550 Investments accounted for using equity method (notes 6(6) and 7)	2,939,919	36	2,365,453	39	<b>Non-current liabilities:</b>				
1600 Property, plant and equipment (note 6(7))	136,830	2	126,132	2	2570 Deferred tax liabilities (note 6 (12))	393,448	5	262,288	4
1755 Right-of-use assets (note 6 (8))	94,399	1	84,442	1	2580 Lease liabilities-non-current(note 6(10))	80,988	1	76,715	1
1780 Intangible assets (notes 6 (9) and 12)	38,630	-	61,701	1	2640 Net defined benefit liabilities-non-current (note 6 (11))	81,503	1	90,488	2
1840 Deferred tax assets (note 6 (12))	201,647	2	93,579	2	2645 Guarantee deposit received	26,080	-	11,985	-
1900 Other non-current assets	6,060	-	5,561	-		<u>582,019</u>	<u>7</u>	<u>441,476</u>	<u>7</u>
	<u>3,417,485</u>	<u>41</u>	<u>2,736,868</u>	<u>45</u>	<b>Total liabilities</b>	<u>2,598,003</u>	<u>31</u>	<u>1,574,544</u>	<u>26</u>
<b>Total assets</b>	<b>\$ 8,254,855</b>	<b>100</b>	<b>6,016,340</b>	<b>100</b>	<b>Equity (notes 6(13)) :</b>				
					3110 Ordinary share capital	2,261,682	27	2,261,682	38
					3200 Capital surplus	142,309	2	142,309	2
					3300 Retained earnings	2,794,950	34	1,785,003	30
					3400 Other equity	457,911	6	252,802	4
					<b>Total equity</b>	<u>5,656,852</u>	<u>69</u>	<u>4,441,796</u>	<u>74</u>
					<b>Total liabilities and equity</b>	<b>\$ 8,254,855</b>	<b>100</b>	<b>6,016,340</b>	<b>100</b>

(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, 2021 and 2020****(Expressed in thousands of New Taiwan Dollars, except for Earnings per Share)**

	2021		2020	
	Amount	%	Amount	%
4000 Revenue (notes 6(16) and 7)	\$ 6,631,977	100	4,606,133	100
5000 Cost of Goods Sold (notes 6(4)、(9)、(11)、(15)、7 and 12)	<u>3,174,352</u>	<u>48</u>	<u>2,622,435</u>	<u>57</u>
<b>Gross profits</b>	<b>3,457,625</b>	<b>52</b>	<b>1,983,698</b>	<b>43</b>
5910 Unrealized gross profit on sales to associates	<u>564,276</u>	<u>8</u>	<u>27,770</u>	<u>1</u>
<b>Realized gross profits</b>	<b>2,893,349</b>	<b>44</b>	<b>1,955,928</b>	<b>42</b>
<b>Operating expenses (notes 6(9)、(11)、(15) and 12) :</b>				
6100 Selling	154,728	3	129,230	3
6200 General and administrative	311,378	5	246,570	5
6300 Research and development	<u>1,013,841</u>	<u>15</u>	<u>770,243</u>	<u>16</u>
	<u>1,479,947</u>	<u>23</u>	<u>1,146,043</u>	<u>24</u>
<b>Operating income</b>	<b>1,413,402</b>	<b>21</b>	<b>809,885</b>	<b>18</b>
<b>Non-operating income and expenses:</b>				
7020 Other gains and losses (notes 6(17) and 7)	348,186	5	29,148	1
7070 Investment income accounted for using equity method (note 6(6))	757,278	12	350,385	7
7100 Interest income	5,513	-	5,941	-
7510 Interest expense (note 6(10))	<u>(1,216)</u>	<u>-</u>	<u>(1,124)</u>	<u>-</u>
	<u>1,109,761</u>	<u>17</u>	<u>384,350</u>	<u>8</u>
<b>Income before income tax</b>	<b>2,523,163</b>	<b>38</b>	<b>1,194,235</b>	<b>26</b>
7950 Income tax (note 6 (12))	<u>479,099</u>	<u>7</u>	<u>163,172</u>	<u>4</u>
<b>Net income</b>	<b>2,044,064</b>	<b>31</b>	<b>1,031,063</b>	<b>22</b>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of the defined benefit plans (note 6(11))	(3,487)	-	(13,018)	-
8330 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	196,601	3	275,040	6
8349 Income tax relating to items that will be not reclassified subsequently (note 6(12))	<u>(697)</u>	<u>-</u>	<u>(2,603)</u>	<u>-</u>
	<u>193,811</u>	<u>6</u>	<u>264,625</u>	<u>6</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8381 Exchange differences on translation of subsidiaries and associates for using equity method	10,635	-	11,780	-
8399 Income tax relating to items that may be reclassified subsequently (note 6(12))	<u>2,127</u>	<u>-</u>	<u>2,356</u>	<u>-</u>
	<u>8,508</u>	<u>-</u>	<u>9,424</u>	<u>-</u>
8300 <b>Other comprehensive income</b>	<b>202,319</b>	<b>6</b>	<b>274,049</b>	<b>6</b>
<b>Total comprehensive income</b>	<b>\$ 2,246,383</b>	<b>28</b>	<b>1,305,112</b>	<b>28</b>
<b>Earnings per share (New Taiwan Dollars) (note 6(14))</b>				
9750 Basic earnings per share	<u>\$ 9.04</u>		<u>4.56</u>	
9850 Diluted earnings per share	<u>\$ 8.93</u>		<u>4.52</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, 2021 and 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

	Retained earnings					Total other equity interest				
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments measured at fair value through other comprehensive income	Total other equity interest	Total equity
<b>Balance as of January 1, 2020</b>	\$ 2,261,682	142,309	732,102	37,386	910,848	1,680,336	(76,138)	44,476	(31,662)	4,052,665
Net income for the period	-	-	-	-	1,031,063	1,031,063	-	-	-	1,031,063
Other comprehensive income for the period	-	-	-	-	(10,415)	(10,415)	9,424	275,040	284,464	274,049
Total comprehensive income for the period	-	-	-	-	1,020,648	1,020,648	9,424	275,040	284,464	1,305,112
Appropriation and distribution of retained earnings										
Appropriation for legal reserve	-	-	91,490	-	(91,490)	-	-	-	-	-
Appropriation for special reserve	-	-	-	(5,724)	(5,724)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	(90,920)	-	(825,061)	(915,981)	-	-	-	(915,981)
<b>Balance as of December 31, 2020</b>	<u>2,261,682</u>	<u>142,309</u>	<u>732,672</u>	<u>31,662</u>	<u>1,020,669</u>	<u>1,785,003</u>	<u>(66,714)</u>	<u>319,516</u>	<u>252,802</u>	<u>4,441,796</u>
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)
<b>Balance as of December 31, 2021</b>	<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>

(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, 2021 and 2020**

**(Expressed in thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 2,523,163	1,194,235
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation	44,432	55,183
Amortization	68,045	75,161
Interest expense	1,216	1,124
Interest income	(5,513)	(5,941)
Investments income accounted for using equity method	(757,278)	(350,385)
Gain on disposal of property, plan and equipment	-	(1,113)
Unrealized gross profit on sales to associates	564,276	27,770
Other items not affecting cash flows, net	5,310	6,015
Changes in operating assets and liabilities:		
Financial assets measured at fair value through profit or loss	(187,460)	(290,233)
Accounts receivable (including related parties)	(88,754)	(119,465)
Inventories	(89,529)	67,809
Other operating assets	(11,128)	9,449
Accounts payable	175,242	230,061
Advance receipts	43,161	4,161
Net defined benefit liability	(12,735)	(2,808)
Other operating liabilities	298,241	91,319
Cash flows from operations	2,570,689	992,342
Interest received	4,876	5,898
Dividend received	15,390	6,862
Interest paid	(1,216)	(1,124)
Income tax paid	(97,995)	(92,433)
<b>Net cash flows from operating activities</b>	<u>2,491,744</u>	<u>911,545</u>
<b>Cash flows from investing activities:</b>		
Acquisitions of investments accounted for using equity method	(189,618)	-
Acquisitions of property, plant and equipment	(42,338)	(33,433)
Proceeds from disposals of property, plant and equipment	-	1,113
Decrease (increase) in Guarantee deposits paid	(45)	181
Acquisition of intangible assets	(44,974)	(80,365)
Decrease (increase) in other financial assets	(1,414,289)	23,894
Increase in other non-current assets	(454)	-
<b>Net cash flows used in investing activities</b>	<u>(1,691,718)</u>	<u>(88,610)</u>
<b>Cash flows from financing activities:</b>		
Increase in Guarantee deposits received	14,095	3,443
Payments of lease liabilities	(12,271)	(11,703)
Cash dividends paid	(1,031,327)	(915,981)
<b>Net cash flows used in financing activities</b>	<u>(1,029,503)</u>	<u>(924,241)</u>
Net decrease in cash and cash equivalents	(229,477)	(101,306)
Cash and cash equivalents at beginning of period	488,052	589,358
Cash and cash equivalents at end of period	<u>\$ 258,575</u>	<u>488,052</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.**  
**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, 2021 and 2020**  
(Amounts expressed in thousands of New Taiwan Dollars,  
except for per share information and unless otherwise noted)

**1. Organization**

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

The Company is engaged mainly in the research, development, production, manufacture and sales of integrated circuits.

**2. Approval Date and Procedures of the Financial Statements**

The accompanying parent company only financial statements were passed for issue by the Board of Directors on January 26, 2022.

**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 consolidated financial statements, from January 1, 2021 :

- Amendments to IFRS 4 “*Extension of the Temporary Exemption from Applying IFRS 9*”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “*Interest Rate Benchmark Reform—Phase 2*”
- Amendments to IFRS 16 “*Covid-19-Related Rent Concessions beyond June 30, 2021*”

**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, 2022, would not have a significant impact on its consolidated financial statements:

- 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*”

(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 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 “*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*”

#### **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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(4) Classification of current and non-current assets and liabilities

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

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

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

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- 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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

measured at FVTPL, including derivative financial assets.

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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

control and were treated as an interest transaction with the owner.

(10) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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

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

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

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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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

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

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

**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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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

**B. Subsequent expenditure**

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

**C. Amortization**

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

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

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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(14) 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.

(15) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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.

**(16) 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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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.

(17) 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.

(18) Operating segment information

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent company only financial statements.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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

The preparation of the parent company only financial statements in conformity with “ *Regulations Governing the Preparation of Financial Reports by Securities Issuers*” requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

**Valuation of inventories**

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6(4) for further description of the valuation of inventories.

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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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.

**6. Description of Significant Accounts**

**(1) Cash and cash equivalents**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash in bank	\$ 44,818	64,164
Time deposits	213,757	423,888
	<b>\$ 258,575</b>	<b>488,052</b>

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Financial assets available-for-sale — beneficiary certificates	<b>\$ 970,068</b>	<b>781,100</b>

If there had been an increase or decrease in the fair value of securities of 1% on the reporting date, net income would have increased (or decreased) by \$7,761 and \$6,249 for the years ended December 31, 2021 and 2020, respectively. The analysis is performed on the same basis for both periods and assumes that all other variables remain constant.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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

	December 31,	
	2021	2020
Notes receivable	\$ 8,082	444
Accounts receivable	88,836	84,262
Accounts receivable from related parties	956,945	880,403
	1,053,863	965,109
Less: allowance for doubtful accounts	(7,393)	(7,393)
	<b>\$ 1,046,470</b>	<b>957,716</b>

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:

	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
	<b>\$ 1,053,863</b>		<b>7,393</b>

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Not past due	\$ 961,068	0.5%~1.5%	7,191
Past due 0~90days	4,041	5%	202
	<b>\$ 965,109</b>		<b>7,393</b>

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

	For the year ended December 31,	
	2021	2020
Ending balance (Opening balance)	<b>\$ 7,393</b>	<b>7,393</b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(4) Inventories**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 73,645	84,668
Work in process	190,085	227,988
Finished goods and merchandise inventories	209,796	77,896
	<b><u>\$ 473,526</u></b>	<b><u>390,552</u></b>

The details of operating costs were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 3,167,797	2,617,304
Cost of scrap materials	6,555	5,131
	<b><u>\$ 3,174,352</u></b>	<b><u>2,622,435</u></b>

As of December 31, 2021 and 2020, the Company did not provide any inventories as collateral for its loans.

**(5) Other current financial assets-current**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Time deposits (more than 3 months)	\$ 2,042,400	578,200
Restricted cash in banks	8,813	58,724
Others	3,354	1,631
	<b><u>\$ 2,054,567</u></b>	<b><u>638,555</u></b>

No impairment loss of other financial assets-current were occurred and recognized for the year ended December 31, 2021 and 2020.

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:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 3,745,695	2,606,953
Less: unrealized gross profits on sales to associates	(805,776)	(241,500)
	<b><u>\$ 2,939,919</u></b>	<b><u>2,365,453</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Please refer to consolidated financial statements for the year ended December 31, 2021 for the subsidiaries information.

Share of the profit of subsidiaries accounted for using equity method were \$757,278 and \$350,385 for the years ended December 31, 2021 and 2020, respectively.

**(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, 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>
Balance on January 1, 2020	\$ 26,676	270,630	212,647	50,597	560,550
Additions	-	1,631	20,434	11,368	33,433
Disposals	-	-	(13,259)	(1,953)	(15,212)
Balance on December 31, 2020	<u>\$ 26,676</u>	<u>272,261</u>	<u>219,822</u>	<u>60,012</u>	<u>578,771</u>
Accumulated depreciation:					
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>
Balance on January 1, 2020	\$ -	199,666	187,610	37,518	424,794
Depreciation for the period	-	16,755	17,680	8,622	43,057
Disposals	-	-	(13,259)	(1,953)	(15,212)
Balance on December 31, 2020	<u>\$ -</u>	<u>216,421</u>	<u>192,031</u>	<u>44,187</u>	<u>452,639</u>
Book value:					
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 December 31, 2020	<u>\$ 26,676</u>	<u>55,840</u>	<u>27,791</u>	<u>15,825</u>	<u>126,132</u>
Balance on January 1, 2020	<u>\$ 26,676</u>	<u>70,964</u>	<u>25,037</u>	<u>13,079</u>	<u>135,756</u>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(8) Right-of-use assets**

Changes in the cost, and depreciation of the Company's land and buildings were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost :			
Balance at January 1, 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>
Balance at January 1, 2020	\$ 67,341	22,522	89,863
Additions	-	18,484	18,484
Balance at December 31, 2020	<u>\$ 67,341</u>	<u>41,006</u>	<u>108,347</u>
Accumulated depreciation :			
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>
Balance at January 1, 2020	\$ 3,061	8,718	11,779
Depreciation for the year	3,061	9,065	12,126
Balance at December 31, 2020	<u>\$ 6,122</u>	<u>17,783</u>	<u>23,905</u>
Carrying amount :			
Balance at December 31, 2021	<u>\$ 58,158</u>	<u>36,241</u>	<u>94,399</u>
Balance at December 31, 2020	<u>\$ 61,219</u>	<u>23,223</u>	<u>84,442</u>
Balance at January 1, 2020	<u>\$ 64,280</u>	<u>13,804</u>	<u>78,084</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, 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>
Balance at January 1, 2020	\$ 148,995	99,513	248,508
Additions	49,375	17,709	67,084
Reclassified	3,051	-	3,051
Balance at December 31, 2020	<u>\$ 201,421</u>	<u>117,222</u>	<u>318,643</u>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

	<b>Computer Software</b>	<b>Acquired Special Technology</b>	<b>Total</b>
Accumulated amortization :			
Balance at January 1, 2021	\$ 174,259	82,683	256,942
Amortization for the year	50,584	17,461	68,045
Disposals	(44,177)	(10,463)	(54,640)
Balance at December 31, 2021	<b><u>\$ 180,666</u></b>	<b><u>89,681</u></b>	<b><u>270,347</u></b>
Balance at January 1, 2020	\$ 122,867	58,914	181,781
Amortization for the year	51,392	23,769	75,161
Balance at December 31, 2020	<b><u>\$ 174,259</u></b>	<b><u>82,683</u></b>	<b><u>256,942</u></b>
Carrying amount :			
Balance at December 31, 2021	<b><u>\$ 21,552</u></b>	<b><u>17,078</u></b>	<b><u>38,630</u></b>
Balance at December 31, 2020	<b><u>\$ 27,162</u></b>	<b><u>34,539</u></b>	<b><u>61,701</u></b>
Balance at January 1, 2020	<b><u>\$ 26,128</u></b>	<b><u>40,599</u></b>	<b><u>66,727</u></b>

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cost of sales	<b><u>\$ 561</u></b>	<b><u>774</u></b>
Operating expenses	<b><u>\$ 67,484</u></b>	<b><u>74,387</u></b>

**(10) Lease liabilities**

The amount of lease liabilities was as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current	<b><u>\$ 14,880</u></b>	<b><u>8,675</u></b>
Non-current	<b><u>\$ 80,988</u></b>	<b><u>76,715</u></b>

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

The amounts recognized in profit or loss were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<b><u>\$ 1,216</u></b>	<b><u>1,124</u></b>
Expenses relating to short-term leases	<b><u>\$ 738</u></b>	<b><u>1,512</u></b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b><u>\$ 442</u></b>	<b><u>506</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 14,667</b>	<b>14,845</b>

Real estate leases

As of December 31, 2021, 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:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Present value of the defined benefit obligation	\$ 146,707	146,956
Fair value of plan assets	(65,204)	(56,468)
Net defined benefit liabilities	<b>\$ 81,503</b>	<b>90,488</b>

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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(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 \$65,204 as of December 31, 2021. 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 for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Defined benefit obligation as of January 1	\$ 146,956	132,272
Benefits paid from plan assets	(4,999)	(989)
Current service costs and interest	436	926
Remeasurements of the net defined benefit liabilities		
– Actuarial loss arising from changes in financial assumptions	(6,307)	6,375
– Actuarial loss arising from changes in population assumptions	3,844	-
– Actuarial loss arising from experience adjustments	6,777	8,372
Defined benefit obligation as of December 31	<b><u>\$ 146,707</u></b>	<b><u>146,956</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(c) Changes in the fair value of the defined benefit plan assets

The changes in the fair value of the defined benefit plan assets of the Company for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Fair value of plan assets as of January 1	\$ 56,468	52,542
Benefits paid from plan assets	(2,008)	(989)
Interest income	173	378
Contributions made	9,744	2,808
Remeasurements of the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	827	1,729
Fair value of plan assets as of December 31	<b><u>\$ 65,204</u></b>	<b><u>56,468</u></b>

(d) Expenses recognized in profit or loss

The Company's expenses recognized in profit or losses for the years ended December 31, 2021 and 2020, were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net interest on the net defined benefit liabilities	<b><u>\$ 263</u></b>	<b><u>548</u></b>
Cost of goods sold	\$ 17	35
Selling expenses	19	42
General and administrative expenses	36	81
Research and development expenses	191	390
	<b><u>\$ 263</u></b>	<b><u>548</u></b>

(e) Actuarial assumptions

The following are the Company's significant actuarial assumptions of the present value of the defined benefit obligation at the reporting date

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.70%	0.30%
Future salary increase rate	2.00%	2.00%

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The Company expects to make a contribution of \$23,100 to its defined benefit plans in the following year, beginning December 31, 2021.

The weighted-average duration of the defined benefit obligation is 10.1 years.

(f) Sensitivity analysis

If there is a change in the actuarial assumptions as of the December 31, 2021 and 2020, the impact on the defined benefit obligation would be as follows:

<u>actuarial assumptions</u>	<b>Impact on the defined benefit obligation</b>	
	<u>Increase 0.1%</u>	<u>Decrease 0.1%</u>
December 31, 2021		
Discount rate	<u>\$ (1,521)</u>	<u>1,543</u>
Future salary increase rate	<u>\$ 1,386</u>	<u>(1,371)</u>
December 31, 2020		
Discount rate	<u>\$ (1,630)</u>	<u>1,655</u>
Future salary increase rate	<u>\$ 1,486</u>	<u>(1,471)</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 2021 and 2020.

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 \$26,604 and \$23,547 for the years ended December 31, 2021 and 2020, respectively.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Except for the above, the total pension costs of the Company's overseas branch under their respective defined contribution plan were \$544 and \$644 for the years ended December 31, 2021 and 2020, which were recognized in accordance with their local regulations.

**(12) Income tax**

A. Income tax expenses

The amount of income tax expenses for the years ended December 31, 2021 and 2020, was as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current income tax expense		
Current period	\$ 442,468	104,987
Adjustment to prior years	14,969	(2,093)
	<u>457,437</u>	<u>102,894</u>
Deferred income tax expense		
Temporary differences	21,662	60,278
Income tax expenses	<u><b>\$ 479,099</b></u>	<u><b>163,172</b></u>

The amount of income tax expense (benefit) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	<u><b>\$ (697)</b></u>	<u><b>\$ (2,603)</b></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><b>\$ 2,127</b></u>	<u><b>\$ 2,356</b></u>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	\$ 2,523,163	1,194,235
Income tax at the Company's domestic tax rate	504,633	238,847
Permanent differences adjustment	(20,612)	(3,961)
Tax-exempt income	-	(84,849)
Estimated increase in investment tax credit	(19,878)	-
Change in provision in prior periods	14,969	-
Income Basic Tax	-	15,320
Other	(13)	(2,185)
	<b>\$ 479,099</b>	<b>163,172</b>

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

Deferred tax assets

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Unrealized loss from Inventory devaluation	\$ 12,000	-	-	12,000	-	-	12,000
Unrealized gross profit from sales to associates	42,746	(5,554)	-	48,300	(112,855)	-	161,155
Net defined benefit liabilities	15,946	451	(2,603)	18,098	2,494	(697)	16,301
Loss from exchange differences on translation of financial statements of foreign affiliates	15,248	-	2,356	12,892	-	2,127	10,765
Others	1,080	(1,209)	-	2,289	863	-	1,426
	<b>\$ 87,020</b>	<b>(6,312)</b>	<b>(247)</b>	<b>93,579</b>	<b>(109,498)</b>	<b>1,430</b>	<b>201,647</b>

Deferred tax liabilities

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Foreign investment gains under the equity method	\$ (194,690)	66,657	-	(261,347)	130,859	-	(392,206)
Others	(1,008)	(67)	-	(941)	301	-	(1,242)
	<b>\$ (195,698)</b>	<b>66,590</b>	<b>-</b>	<b>(262,288)</b>	<b>131,160</b>	<b>-</b>	<b>(393,448)</b>

C. The tax authorities have assessed the Company's income tax returns through 2019.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(13) Capital and other equity interest**

A. Ordinary shares

As of December 31, 2021 and 2020, 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, 2021 and 2020.

B. Capital surplus

The balance of capital surplus as of December 31, 2021 and 2020, were as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Capital surplus — premium	<b>\$ 142,309</b>	<b>142,309</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be distributed as stock or cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received

Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

C. Retained earnings

According to the Company's Articles of Incorporation, if the Company has profit as a result of the accounting year, the Company shall first pay taxes, offset its losses in previous years and set aside a legal reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Company, then set aside special capital reserve in accordance with relevant laws or regulations or as requested by business. Any rest balance, added to the accumulated undistributed earnings in previous years, shall be allocated by board of directors and shall be approved in shareholders' meeting.

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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(a) Legal reserve

Pursuant to the R.O.C. Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital.

(b) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$18,008. And the Company's actuarial gains and losses be reclassified as retained earnings at the adoption date. The decrease in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$13,410. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve amounted to \$4,598 during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately.

The Company liquidated its subsidiary, Holtek Semiconductor (Shenzhen) Inc. in August, 2014. In accordance with the provisions of the above-mentioned regulations, the special reserve was reclassified to retained earnings amounted to \$1,956. The carrying amount of special reserve both amounted to \$2,642 as of December 31, 2021 and 2020.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(c) Earnings distribution

The following are the appropriation of earnings in 2020 and 2019 which were approved in the shareholders' meeting held on July 15, 2021 and May 27, 2020, respectively :

	<b>For the year ended December 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>NT dollars per share</b>	<b>Total amount</b>	<b>NT dollars per share</b>	<b>Total amount</b>
Cash dividends distributed to ordinary shareholders:	<b>\$ 4.56</b>	<b>1,031,327</b>	<b>4.05</b>	<b>915,981</b>

**(14) Earnings per share**

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share:		
Net income for the period	<b>\$ 2,044,064</b>	<b>1,031,063</b>
Weighted-average number of ordinary shares outstanding during the year (in thousands)	<b>226,168</b>	<b>226,168</b>
Basic earnings per share (NT dollars)	<b>\$ 9.04</b>	<b>4.56</b>
Diluted earnings per share:		
Net income for the period	<b>\$ 2,044,064</b>	<b>1,031,063</b>
Weighted-average number of ordinary shares outstanding during the year (in thousands)	226,168	226,168
Remuneration to employees	2,815	1,885
Weighted-average number of ordinary shares outstanding during the year (diluted) (in thousands)	<b>228,983</b>	<b>228,053</b>
Diluted earnings per share (NT dollars)	<b>\$ 8.93</b>	<b>4.52</b>

**(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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The remunerations to employees amounted to \$299,875 and \$125,414, and the remunerations to directors amounted to \$35,499 and \$13,735 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020. 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 2020 in the amounts of \$125,414 and \$13,735, respectively. The aforementioned approved amounts are the same as the amounts charged against earnings of 2020. Remuneration to employees and directors for 2019 in the amounts of \$109,968 and \$12,019, respectively, which were paid in cash. The aforementioned approved amounts are the same as the amounts charged against earnings of 2019. The information is available on the Market Observation Post System website.

**(16) Revenue from Contracts with Customers**

A. Segmentation of revenue

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues from major regional markets:</b>		
China	\$ 5,182,619	3,468,815
Taiwan	707,331	579,387
Others	742,027	557,931
	<b>\$ 6,631,977</b>	<b>4,606,133</b>
 <b>Revenue from major products:</b>		
sales of integrated circuits	\$ 6,612,795	4,585,172
Design revenue	19,182	20,961
	<b>\$ 6,631,977</b>	<b>4,606,133</b>

B. Contract balance

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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(17) Non-operating income and expenses**

The details of other income and expenses were as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange income (losses)	\$ 30,949	31,176
Others	317,237	(2,028)
	<b>\$ 348,186</b>	<b>29,148</b>

Others included service income of the Company receiving from customers were \$305,461 and \$0 for the year ended December 31, 2021 and 2020, 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, 2021 and 2020, customers (including related parties) whose notes and accounts receivables that accounted for more than 10% have amounted to \$674,980 and \$614,085, respectively. The Company has concentration of credit risk arising from sales transactions. The Company has estimated the recoverable amount and recognized allowance for doubtful accounts, the management expected that no significant impairment loss will occurred.

(c) Credit risk of accounts receivables and debt securities

Please refer to note 6(3) for the information of the credit risk exposure of note and trade receivables.

Other financial assets at amortized cost include time deposits (more than 3 months) and restricted cash in banks. Please refer to note 6(5) for the information of the details and loss allowance.

Please refer to note 4(6) for the information of the above financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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>
<b>December 31, 2021</b>				
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>
	<b><u>\$ 1,602,572</u></b>	<b><u>1,613,446</u></b>	<b><u>1,496,742</u></b>	<b><u>116,704</u></b>
<b>December 31, 2020</b>				
Non-derivative financial liabilities				
Notes and accounts payable (including related parties)	\$ 646,939	646,939	646,939	-
Salary and bonus payable	295,539	295,539	295,539	-
Accrued expenses (recorded in other current liabilities)	75,208	75,208	75,208	-
Guarantee deposit received	11,985	11,985	-	11,985
Lease liabilities	<u>85,390</u>	<u>97,158</u>	<u>9,794</u>	<u>87,364</u>
	<b><u>\$ 1,115,061</u></b>	<b><u>1,126,829</u></b>	<b><u>1,027,480</u></b>	<b><u>99,349</u></b>

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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

C. Market risk

Currency risk

(a) Exposure to currency risk

The Company's financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 5,883	27.63	162,553	5,895	28.43	167,590
RMB	218,667	4.3196	944,551	195,354	4.2941	838,868
<u>Non-monetary items</u>						
USD	\$ 97,848	27.63	2,703,546	64,440	28.43	1,832,039
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 13,635	27.63	376,733	9,011	28.43	256,170
RMB	8,702	4.3196	37,589	8,417	4.2941	36,144

(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 \$5,542 and \$5,713 for the years ended December 31, 2021 and 2020, 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 \$30,949 and 31,176 for the years ended December 31, 2021 and 2020, respectively.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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 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:

	Carrying amount	December 31, 2021			
		Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	\$ 970,068	970,068	-	-	970,068
Financial assets measured at amortized cost					
Cash and cash equivalents	258,575	-	-	-	-
Notes and accounts receivable (including related parties), net	1,046,470	-	-	-	-
Other financial assets – current	2,054,567	-	-	-	-
Guarantee deposits paid (recorded in other non-current assets)	5,606	-	-	-	-
	<b>\$ 4,335,286</b>	<b>970,068</b>	<b>-</b>	<b>-</b>	<b>970,068</b>
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	\$ 822,181	-	-	-	-
Salary and bonus payable	567,312	-	-	-	-
Accrued expenses (recorded in other current liabilities)	91,131	-	-	-	-
Guarantee deposit received	26,080	-	-	-	-
Lease liabilities	95,868	-	-	-	-
	<b>\$ 1,602,572</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	\$ 781,100	781,100	-	-	781,100
Financial assets measured at amortized cost					
Cash and cash equivalents	488,052	-	-	-	-
Notes and accounts receivable (including related parties), net	957,716	-	-	-	-
Other financial assets – current	638,555	-	-	-	-
Guarantee deposits paid (recorded in other non-current assets)	5,561	-	-	-	-
	<b><u>\$ 2,870,984</u></b>	<b><u>781,100</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>781,100</u></b>
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	\$ 646,939	-	-	-	-
Salary and bonus payable	295,539	-	-	-	-
Accrued expenses (recorded in other current liabilities)	75,208	-	-	-	-
Guarantee deposit received	11,985	-	-	-	-
Lease liabilities	85,390	-	-	-	-
	<b><u>\$ 1,115,061</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

(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, 2021 and 2020

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(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, 2021 and 2020, no guarantees were outstanding.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Company also monitors the level of expected cash flows on long-term and short-term trades. Company treasury invests surplus cash in time deposits with appropriate maturities or other short-term investments to ensure sufficient liquidity and meet its liabilities when due. As of December 31, 2021, the Company's unused credit line were amounted to \$138,550, 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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

(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, 2021.

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Total liabilities	<b>\$ 2,598,003</b>	<b>1,574,544</b>
Total equity	<b>\$ 5,656,852</b>	<b>4,441,796</b>
Debt-to-adjusted-capital ratio	<b>46%</b>	<b>35%</b>

**(21) financing activities not affecting current cash flow**

The Company's financing activities which did not affect the current cash flow in the year ended December 31, 2021 and 2020, were as follows:

A. Acquisition of right-of-use assets at leases, please refer to notes 6(8).

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

B. Reconciliation of liabilities arising from financing activities were as follows:

	<b>Lease liabilities</b>	
	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Opening balance	\$ 85,390	78,609
<b>Changes in cash flows from operating activities</b>		
Interest paid	(1,216)	(1,124)
<b>Changes in cash flows from financing activities</b>		
Payments of lease liabilities	(12,271)	(11,703)
<b>Changes in not affecting cash flows</b>		
Additions of lease liabilities	22,749	18,484
Interest expense	1,216	1,124
Ending Balance	<b>\$ 95,868</b>	<b>\$ 85,390</b>

**7. Related-party Transactions**

**(1) Names and relationship with related parties**

The followings are the Company's subsidiaries and the related parties which had transaction with the Company during the periods covered in the parent company only financial statements.

<b>Name of related parties</b>	<b>Relationship with the Company</b>
MCU Holdings Ltd. (MCU)	A subsidiary of the consolidated company
Holtek Semiconductor Holding (BVI) Ltd. (HOLTEK (BVI))	A subsidiary of the consolidated company
Sigmos Holdings Ltd. (Sigmos)	A subsidiary of the consolidated company
Kingtek Semiconductor Holding (BVI) Ltd.(Kingtek BVI)	A subsidiary of the consolidated company
Holtek Investment Co., Ltd. (Holtek Investment)	A subsidiary of the consolidated company
Best Health Electronics Corp. (Best Health)	A subsidiary of the consolidated company
Best Health Electronics HK Limited (Best Health HK)	A subsidiary of the consolidated company
Best Health Electronics (Dongguan) Corporation	A subsidiary of the consolidated company
Anchip Technology Corporation (Anchip)	A subsidiary of the consolidated company
Anchip Technology (Dongguan) Corporation	A subsidiary of the consolidated company
Best 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 Inc.**  
**Notes to Parent Company Only Financial Statements**

<b>Name of related parties</b>	<b>Relationship with the Company</b>
Holtek Semiconductor (China) Inc. (Holtek China)	A subsidiary of the consolidated company
Holtek Semiconductor (USA) Inc. (Holtek (USA))	A subsidiary of the consolidated company
Holtek Semiconductor (Suzhou) Inc. (Holtek Suzhou)	A subsidiary of the consolidated company
Holtek Semiconductor (INDIA) Private Ltd. (Holtek INDIA)	A subsidiary of the consolidated company
Best Solution Technology Inc. (Best Solution)	A subsidiary of the consolidated company
Best Solution Electronics Inc. (Best Solution BVI)	A subsidiary of the consolidated company
Best Solution Electronics (Dongguan) Inc.	A subsidiary of the consolidated company
Best Modules Corp. (Best Modules)	A subsidiary of the consolidated company
Best Modules (BVI) Corp. (Best Modules BVI)	A subsidiary of the consolidated company
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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**(2) Significant related-party transactions**

A. Sales

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Holtek China	\$ 2,373,348	1,695,255
Holtek Xiamen	882,541	573,502
Holtek Suzhou	674,000	436,322
Others	1,493,297	1,038,410
	<b><u>\$ 5,423,186</u></b>	<b><u>3,743,489</u></b>

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, 2021 and 2020, the Company recognized unrealized gross profits of sales to associates amounting to \$805,776 and \$241,500 respectively.

The receivables from related parties were as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Holtek China	\$ 356,918	402,865
Holtek Xiamen	318,062	211,220
Others	281,965	266,318
	<b><u>\$ 956,945</u></b>	<b><u>880,403</u></b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**B. Purchases**

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	<b>\$ 41,449</b>	<b>31,819</b>

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

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	<b>\$ 36,272</b>	<b>36,501</b>

The payables to related parties were as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Accounts payable to related parties -Subsidiaries	<b>\$ 8,092</b>	<b>9,723</b>

**C. Other transactions**

(a) The Company's revenue from subsidiaries and related parties about the human support service charge and disbursement have amounting to \$112,214 and \$2,078 for the year ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the receivables classified under abovementioned other financial assets – current have amounting to \$1,363 and \$905, respectively.

(b) The gain and price from disposal of machinery and equipment to Holtek Suzhou have amounting to \$1,113 for the year ended December 31, 2020. As of December 31, 2020, the receivables have been fully recovered.

**(3) Transactions with key management personnel**

Key management personnel compensation comprised:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 33,886	26,828
Post-employment benefits	432	432
	<b>\$ 34,318</b>	<b>27,260</b>

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**8. Pledged Assets**

<u>Assets</u>	<u>Purpose of Pledged</u>	<u>December 31,</u>	
		<u>2021</u>	<u>2020</u>
Time deposits (recorded in other financial assets – current)	Guarantee deposits of customs duty	\$ 8,813	8,724
Time deposits (recorded in other financial assets – current)	Guarantee deposits of purchases	-	50,000
		<u>\$ 8,813</u>	<u>\$ 58,724</u>

**9. Significant Commitments and Contingencies**

- (1) The Company has signed the contract of technical authorization with ARM Ltd. When the Company sells products which apply the promised technique, it has to pay the royalty with certain amount according to the contract.
- (2) The Company has signed the contract of production capacity guarantee with one supplier and will paid the deposit. In the contract, The Company need to purchase the minimum quantity on the relevant years.

**10. Losses Due to Major Disasters: None.**

**11. Significant Subsequent Events: None.**

**12. Other**

The following is the summary statement of current-period employee benefits, depreciation, and amortization expenses by function:

<b>By function</b>	<b>For the year ended December 31,</b>			<b>For the year ended December 31,</b>		
	<b>2021</b>			<b>2020</b>		
<b>By item</b>	<b>Classified as operating costs</b>	<b>Classified as operating expenses</b>	<b>Total</b>	<b>Classified as operating costs</b>	<b>Classified as operating expenses</b>	<b>Total</b>
Employee benefits						
Salaries	45,789	966,377	1,012,166	33,280	684,168	717,448
Labor and health insurance	2,801	45,186	47,987	2,450	37,963	40,413
Pensions	1,732	25,679	27,411	1,565	23,174	24,739
Directors	-	35,499	35,499	-	13,735	13,735
Others	1,884	21,838	23,722	1,578	18,069	19,647
Depreciation	7,667	36,765	44,432	4,844	50,339	55,183
Amortization	561	67,484	68,045	774	74,387	75,161

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

The amount of employees and employee benefits for the years ended December 31, 2021 and 2020, was as follows:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
The number of employees	<b>448</b>	<b>427</b>
The number of directors who were not holding as a position of employee	<b>4</b>	<b>4</b>
The Average of employee benefits	<b>2,503</b>	<b>1,897</b>
The Average of Salaries	<b>2,279</b>	<b>1,696</b>
The Average of salary adjust rate	<b>34%</b>	<b>30%</b>
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.

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

**13. Other disclosures**

(1) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

i. Loans to other parties: None.

ii. Guarantees and endorsements for other parties: None.

iii. Securities held as of December 31, 2021 (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	9,796	151,561	-	151,561	-	
The Company	UPAMC James Bond Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	28,354	478,399	-	478,399	-	
The Company	Yuanta De-Bao Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	28,039	340,108	-	340,108	-	
Holtek Semiconductor Holding (BVI) Ltd.	Unitech Capital Inc.	-	Equity-investments measured at fair value through other comprehensive income-non current	2,500	104,669	5.00%	104,669	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	667,747	3.03%	667,747	3.03%	
Holtek Investment Co., Ltd	Gingy Technology Co.	-	Equity-investments measured at fair value through other comprehensive income-non current	508	1,530	7.21%	1,530	7.21%	

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

iv. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

None

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	Percentage of total notes/accounts receivable (payable)	
The Company	Holtek (Suzhou)	Subsidiary of the Company	Sales	(674,000)	(10)%	Open account 120 days	No significant difference	No significant difference	27,742	3%	
The Company	Holtek (Xiamen)	Subsidiary of the Company	Sales	(882,541)	(13)%	Open account 120 days	No significant difference	No significant difference	318,062	30%	
The Company	Truetek	Related-party of the Group	Sales	(246,369)	(4)%	Open account 60 days	No significant difference	No significant difference	39,732	4%	
The Company	Best Solution	Subsidiary of the Company	Sales	(307,659)	(5)%	Open account 60 days	No significant difference	No significant difference	54,900	5%	
The Company	Signal	Related-party of the Group	Sales	(277,494)	(4)%	Open account 60 days	No significant difference	No significant difference	56,966	5%	
The Company	Santek	Related-party of the Group	Sales	(211,990)	(3)%	Open account 60 days	No significant difference	No significant difference	17,376	2%	
The Company	Tech Wave	Related-party of the Group	Sales	(210,194)	(3)%	Open account 60 days	No significant difference	No significant difference	53,785	5%	
The Company	Holtek (China)	Subsidiary of the Company	Sales	(2,373,348)	(36)%	Open account 120 days	No significant difference	No significant difference	356,918	34%	

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

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

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 (China )	Subsidiary	356,918 (Note2)	6.25	-	Collection on demand	200,011 (Note1)	-
The Company	Holtek (Xiamen)	Subsidiary	318,062 (Note2)	3.33	-	Collection on demand	- (Note1)	-

Note1 : The amount is collected by January 17, 2022.

ix. Trading in derivative instruments: None.

(2) Information on investees:

The following is the information on investees for the year 2021 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Holtek Semiconductor Holding (BVI) Ltd.	B.V.I.	Overseas investment activities	665,449	475,831	22,053	100.00%	1,321,469	100.00%	289,025	289,025	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%	212,847	100.00%	56,645	56,645	The Company's Subsidiary
The Company	Sigmos Holdings Ltd.	B.V.I.	Overseas investment activities	6,898	6,898	200	100.00%	19,160	100.00%	(722)	(722)	The Company's Subsidiary
Sigmos Holdings Ltd.	Holtek Semiconductor (USA) Inc.	California, USA	Sales of integrated circuits and technical services	6,898	6,898	2,000	100.00%	19,160	100.00%	(722)	Note	The Company's second-tier subsidiary
The Company	MCU Holdings Ltd.	B.V.I.	Overseas investment activities	16,333	16,333	500	100.00%	1,150,066	100.00%	309,346	309,346	The Company's Subsidiary
MCU Holdings Ltd.	ForIC Electronics Holding Ltd.	B.V.I.	Overseas investment activities	9,733	9,733	300	40.00%	45,345	40.00%	45,024	Note	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%	14,339	100.00%	6061	Note	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%	28,706	100.00%	21,658	Note	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%	75,316	40.00%	56,724	Note	The Subsidiary's investee company by equity method

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
Truetek Technology Ltd.	Truetek Technology HK Limited	Hong Kong	Sales of integrated circuits and technical services	34,652	8,662	8,000	100.00%	77,064	100.00%	23,238	Note	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%	49,204	40.00%	39,911	Note	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%	24,368	100.00%	14,073	Note	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%	75,770	40.00%	106,208	Note	The Subsidiary's investee company by equity method
Santek Holdings Ltd.	Santek Electronics HK Limited	Hong Kong	Sales of integrated circuits and technical services	8,662	8,662	2,000	100.00%	83,799	100.00%	61,182	Note	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%	35,537	40.00%	27,765	Note	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%	100,188	40.00%	96,887	Note	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%	90,907	40.61%	75,624	Note	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%	38,538	100.00%	6,844	Note	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%	147,279	40.00%	177,927	Note	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%	2,698	40.00%	3,649	Note	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%	19,274	60.00%	17,686	Note	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%	30,005	40.00%	25,902	Note	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%	11,294	33.33%	13,458	Note	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%	12,230	40.00%	12,399	Note	The Subsidiary's investee company by equity method
MCU Holdings Ltd.	Best Health Electronics Corp.	B.V.I.	Overseas investment activities	20,965	20,965	5	80.00%	52,875	80.00%	30,220	Note	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%	29,347	100.00%	19,491	Note	The Company's second-tier subsidiary

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
MCU Holdings Ltd.	Best Power Electronics Corporation	B.V.I.	Overseas investment activities	8,844	8,844	2	100.00%	9,098	100.00%	138	Note	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%	10,146	80.00%	5,667	Note	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%	13,129	100.00%	137	Note	The Company's second-tier subsidiary
MCU Holdings Ltd.	Risingtek Corporation	B.V.I.	Overseas investment activities	15,603	-	4	100.00%	15,587	40.00%	92	Note	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%	4	0.10%	1,405	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%	1,042,149	100.00%	102,982	102,982	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%	160,776	40.00%	126,044	Note	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%	153,279	100.00%	64,929	Note	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%	164,743	100.00%	80,030	Note	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%	20,203	36.88%	23,616	Note	The Company's second-tier subsidiary
Holtek Investment Co., Ltd.	EST Technology Integration Corp.	New Taipei City	Sales of integrated circuits and technical services	15,113	37,500	3,626	22.39%	61,818	22.39%	98,867	Note	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%	21,915	40.00%	23,616	Note	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%	40,152	100.00%	16,519	Note	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%	(36)	Note	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%	14,917	100.00%	7,666	Note	The Company's second-tier subsidiary

**Holtek Semiconductor Inc.**  
**Notes to Parent Company Only Financial Statements**

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
BestComm RF Electronics Inc.	BestComm RF Electronics (BVI) Inc.	B.V.I.	Overseas investment activities	14,054	14,054	30	100.00%	11,871	100.00%	7,997	Note	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	25,000	10,000	2,500	100.00%	18,832	100.00%	(3,595)	Note	The Company's second-tier subsidiary
Best Modules Corp.	Best Modules (BVI) Corp.	B.V.I.	Overseas investment activities	10,789	2,117	3	100.00%	10,842	100.00%	19	Note	The Company's third-tier subsidiary
Holtek Investment Co., Ltd.	Holtek Semiconductor (India) Private Limited	INDIA	Sales of integrated circuits and technical services	2,945	2,945	6,479	99.90%	3,530	99.90%	1,405	Note	The Company's second-tier subsidiary

Note : The share of profits/losses of the investee company is already included in the share of profits/losses of the investor company.

(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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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)	101,027	189,618	-	290,645	102,042	100%	100%	102,042 (Note5)	456,906	-
Holtek Semiconductor (China) Inc.	Sales of integrated circuits and technical services	292,423	(Note1)	272,221	-	-	272,221	173,443	100%	100%	173,443 (Note 5)	741,169	-
Bestway Electronics (Shenzhen) Inc.	Sales of integrated circuits and technical services	6,769	(Note1)	3,383	-	-	3,383	27,822	40%	40%	11,129	55,111	-
Santek Electronics (Xiamen) Ltd.	Sales of integrated circuits and technical services	6,398	(Note1)	2,506	-	-	2,506	40,462	40%	40%	16,185	84,885	-
New Wave Electronics (Shenzhen) Ltd.	Sales of integrated circuits and technical services	9,287	(Note1)	3,928	-	-	3,928	76,058	40%	40%	30,423 (Note 5)	163,873	-
Forle Electronics (Beijing) Ltd.	Sales of integrated circuits and technical services	19,361	(Note1)	3,601	-	-	3,601	17,399	40%	40%	6,960	40,107	-

**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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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							
E-Micro Technology (Qingdao) Ltd.	Sales of integrated circuits and technical services	6,315	(Note1)	2,634	-	-	2,634	6,063	40%	40%	2,425	14,150	-
Newtek Electronics (Shenzhen) Ltd	Sales of integrated circuits and technical services	65,860	(Note1)	2,647	-	-	2,647	46,389	40.61%	40.61%	18,839 (Note 5)	146,347	-
Truetek Technology (Shanghai) Ltd.	Sales of integrated circuits and technical services	30,293	(Note1)	3,911	-	-	3,911	34,776	40%	40%	13,910	88,984	-
Crown Rich Technology (Shenzhen) Ltd.	Sales of integrated circuits and technical services	18,446	(Note1)	1,964	-	-	1,964	178,803	40%	40%	71,521 (Note 5)	314,691	-
Quanding Technology (Suzhou) Ltd.	Sales of integrated circuits and technical services	21,670	(Note1)	1,600	-	-	1,600	26,354	40%	40%	10,542	72,904	-
Holtek Semiconductor (Suzhou) Inc.	Sales of integrated circuits and technical services	69,712	(Note1)	69,712	-	-	69,712	56,646	100%	100%	56,646 (Note 5)	212,811	-
Fine Chip Electronics (Shanghai) Inc.	Sales of integrated circuits and technical services	7,541	(Note1)	-	-	-	-	3,698	40%	40%	1,479	4,583	-
Anchip Technology (Dongguan) Corporation	Sales of integrated circuits and technical services	1,521	(Note1)	-	-	-	-	17,617	60%	60%	10,570	25,788	-
JXY Electronics (Shenzhen) Corporation	Sales of integrated circuits and technical services	11,974	(Note1)	-	-	-	-	12,378	40%	40%	4,951	25,771	-
Best Health Electronics (Dongguan) Corporation	Sales of integrated circuits and technical services	23,057	(Note1)	-	-	-	-	10,629	80%	80%	8,503	35,572	-
BestComm RF Electronics (Dongguan) Inc.	Sales of integrated circuits and technical services	13,634	(Note1)	9,392	-	-	9,392	8,056	100%	100%	8,056	11,141	-
Best Solution Technology (Dongguan) Inc.	Sales of integrated circuits and technical services	4,285	(Note1)	-	-	-	-	16,770	54.75%	54.75%	9,182 (Note 5)	37,941	-
Best Driver-tech (Hangzhou) Corporation	Sales of integrated circuits and technical services	6,361	(Note1)	-	-	-	-	5,657	80%	80%	4,526	10,474	-
Best Module-tech (Xiamen) Corporation	Sales of integrated circuits and technical services	10,573	(Note1)	-	-	-	-	130	100%	100%	130	10,929	-
Best Modules Electronic Commerce (Xiamen) Corp.	Sales of integrated circuits and technical services	10,806	(Note1)	-	10,806	-	10,806	8	100%	100%	8	10,807	-

ii. Limit of investments in Mainland China:

Accumulated Investments in Mainland China as of December 31, 2021(Note2)	Investment Amounts Authorized by Investment Commission, MOEA (Note3)	Maximum Limit of Investment (Note4)
658,752 (US\$21,851 in thousands)	744,040 (US\$26,929 in thousands)	3,394,111

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 \$603,816 (US\$21,854 in thousands); and from the third regions for \$140,224 (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 \$5,656,852 x 60% = \$3,394,111.

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:

Unit : share

Shareholding Shareholder's Name	Shares	Percentage
United Microelectronics Corporation	22,144,257	9.79%

## 14. Segment Information

Please refer to consolidated financial statements for the year ended December 31, 2021.

**Holtek Semiconductor Inc.**

**Chairman: Wu, Chi-Yung**