



# **Andes Technology Corporation**

## **Handbook for the 2020 Annual Meeting of Shareholders**

**(Translation)**

**Meeting Date: June 18<sup>st</sup>, 2020**

# Table of Contents

<b>Procedure for the 2020 Annual Meeting of Shareholders.....</b>	<b>1</b>
<b>Agenda of Year 2020 Annual Meeting of Shareholders .....</b>	<b>2</b>
<b>I. Report Items.....</b>	<b>3</b>
<b>II.Acknowledgements .....</b>	<b>5</b>
<b>III.Election.....</b>	<b>6</b>
<b>IV.Proposed Resolutions.....</b>	<b>7</b>
<b>V. Extemporary Motions .....</b>	<b>8</b>
<b>Attachment.....</b>	<b>9</b>
<b>Attachment 1 2019 business report.....</b>	<b>10</b>
<b>Attachment 2 Audit Committee’s Review Report .....</b>	<b>12</b>
<b>Attachment 3 Comparison Table Illustrating the Original and Amended     Text of the “Ethical Corporate Management Best Practice Principles” .....</b>	<b>13</b>
<b>Attachment 4 Independent Auditors’ Report and Consolidated Financial     Statements.....</b>	<b>19</b>
<b>Attachment 5 Independent Auditors’ Report and Unconsolidated     Financial Statements.....</b>	<b>30</b>
<b>Attachment 6 List of Director Candidates .....</b>	<b>41</b>
<b>Attachment 7 Comparison Table Illustrating the Original and Amended     Text of the “Rules of Procedure for Shareholders Meetings” .....</b>	<b>42</b>
<b>Appendix .....</b>	<b>44</b>
<b>Appendix 1 Andes Articles of Incorporation.....</b>	<b>45</b>
<b>Appendix 2 Andes Rules and Procedures of Shareholders’ Meeting.....</b>	<b>51</b>
<b>Appendix 3 Shareholdings of All Directors and Supervisors .....</b>	<b>60</b>

# **Andes Technology Corporation**

## **Procedure for the 2020 Annual Meeting of Shareholders**

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Report Items
- IV. Acknowledgements
- V. Election
- VI. Proposed Resolutions
- VII. Extemporaneous Motions
- VIII. Meeting Adjourned

# **Andes Technology Corporation**

## **Agenda of Year 2020 Annual Meeting of Shareholders**

**Time:** 10:00 a.m., June 18<sup>st</sup>, 2020 (Thursday)

**Venue:** No.1, Gongye E. 2nd Rd., Hsinchu Science Park (2F, Meeting Room:  
Darwin)

### **Agenda:**

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Report items
  - (1) To report the business of 2019
  - (2) Audit Committee's Review Report on the 2019 Financial Statements
  - (3) To report 2019 employees' profit sharing bonus and directors and supervisors' compensation
  - (4) To report the amendment of the Ethical Corporate Management Best Practice Principles
  - (5) To report the 2019 cash dividend distribution
- IV. Acknowledgements
  - (1) To accept 2019 Business Report and Financial Statements
  - (2) To accept the proposal for distribution of 2019 profits
- V. Election

Election of two additional Directors of the 6<sup>th</sup> Board of Directors
- VI. Proposed Resolutions
  - (1) To suspend the Non-competition Restriction on the Company's Newly Elected Directors
  - (2) Amendment to the Rules of Procedure for Shareholders Meetings
- VII. Extemporary Motions
- VIII. Meeting Adjourned

# **I. Report Items**

## **Report item (1)**

Proposed by the Board of Directors

Subject: To report the business of 2019.

Descriptions: Andes' 2019 business report is attached on P.10~P.11, Attachment 1.

## **Report item (2)**

Proposed by the Board of Directors

Subject: Audit Committee's Review Report on the 2019 Financial Statements

Descriptions: 2019 Audit Committee's Review Report is attached on P.12, Attachment 2.

## **Report item (3)**

Proposed by the Board of Directors

Subject: To report 2019 employees' profit sharing bonus and directors and supervisors' compensation

Descriptions:

- (1) According to Article 23 of the Company's Articles of Incorporation, if there is any profit for a specific fiscal year, the Company shall allocate no less than 2% of the profit as employees' compensation and shall allocate at a maximum of 1% of the profit as remuneration to directors, provided that the Company's accumulated losses shall have been covered in advance.
- (2) The Board has adopted a proposal for distribution of 2019 profit as follows: employees' compensation is NT\$945,000 and the remuneration to directors and supervisors is NT\$ 189,000; both shall be paid in cash.

## **Report item (4)**

Proposed by the Board of Directors

Subject: To report the amendment of the Ethical Corporate Management Best Practice Principles

Descriptions:

- (1) In order to conform to the 16<sup>th</sup> May 2019 Letter No. 1080307434 of the Financial Supervisory Commission, and the establishment of the Audit Committee, the Company has amended the Company's "Ethical Corporate Management Best Practice Principles".
- (2) The comparison table illustrating the original and amended texts of the "Ethical Corporate Management Best Practice Principles" is available on P.13~P.18, Attachment 3.

## **Report item (5)**

Proposed by the Board of Directors

Subject: To report the 2019 cash dividend distribution

Descriptions:

Net income of 2019 was NT\$ 16,022,696. According to Article 23-1 of the Company's Articles of Incorporation, setting aside 10% legal serves NT\$ 1,602,270 , setting reversal special reserves of prior years of NT\$ 1,105,014 , and setting aside 2019 special reserves of NT\$ 1,018,920 , the proposed Cash dividend to shareholders was NT\$ 14,506,520. The Chairman of the Board is authorized to make the Ex-dividend base date and the dividend payment date.

## II. Acknowledgements

### Acknowledgement (1)

Proposed by the Board of Directors

Subject: To accept 2019 Business Report and Financial Statements

Descriptions:

- (1) The Company's 2019 Business Report and financial statements has been approved by the 9<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Directors and reviewed by Audit Committee. The Audit Committee's review report was issued accordingly.
- (2) ANDES' 2019 financial statements were audited by independent auditors Shao-Pin Kuo and Jia-Lin Tu of Ernst & Young.
- (3) For the 2019 business report, independent auditors' report and the aforementioned financial statements, please refer to P.10, Attachment 1, P.19-P.29, Attachment 4, and P.30-P.40, Attachment 5.

Resolution:

### Acknowledgement (2)

Proposed by the Board of Directors

Subject: To accept the proposal for distribution of 2019 profits.

Descriptions:

- (1) The proposal for distribution of 2019 profits has been approved by the 9<sup>th</sup> Meeting of the 6<sup>th</sup> Board of Directors and reviewed by Audit Committee. The Audit Committee's review report was issued accordingly.
- (2) Please refer to the 2019 profit distribution table below:

Descriptions	Amount (NTD)
Unappropriated retained earnings of previous years	\$ 0
Plus: Net income of 2019	16,022,696
Earnings available for distribution	16,022,696
Less: setting aside 10% legal serves	(1,602,270)
Add: setting reversal ' special reserves of prior years	1,105,014
Less: setting aside special reserves	(1,018,920)
Distributable net profit	14,506,520
Shareholders' dividends – Cash (NT\$ 0.69708658 per share)	(14,506,520.)
Unappropriated retained earnings	\$ 0

1. The cash dividends will be distributed to each shareholder based on shareholding percentages, and be rounded down to the nearest dollar. The amounts under one dollar due to the rounding off are summed and recognized as the Company's other income.
2. Cash dividend distributions are calculated based on Andes' outstanding shares of 42,650,911 shares as of March 3<sup>th</sup>, 2020.
3. In the event of any change in the number of outstanding shares resulting from the repurchase of the Company common stock, transfer, conversation or cancellation of the treasury stock, the dividend ratio must be adjusted. The Chairman of the Board is authorized to make any adjustment of the dividend ratio and to proceed on the relevant matters.

Chairman: Ming-Kai Tsai

President: Jyh-Ming Lin

CFO: Han-Chang Chou

Resolution:

# III. Election

## Election

Proposed by the Board of Directors

Subject: Election of two additional Directors of the 6<sup>th</sup> Board of Directors.

Descriptions:

(1) According to Article 16 of the Company, directors shall be elected from the nomination list prepared by the Company. The qualification of the nominated directors has been approved by the Board meeting on March 3<sup>rd</sup>, 2020. The candidate list of election of Directors is as follows:

Name	Shares	Education	Current Positions at the Company and Other Companies	Experiences
Hong-Men Su	333,781	Ph.D. in Computer Science from University of Illinois.	<ul style="list-style-type: none"><li>• The Company's CTO and EVP</li><li>• Director, Andes Technology (Wuhan) Corp.</li><li>• Director and President, Andes Shanghai Technology Corp.</li><li>• Director, Andes Technology USA Corp.</li></ul>	<ul style="list-style-type: none"><li>• Director, Andes Technology Corp.</li><li>• Chief Architect, Faraday Technology Corp.</li><li>• Sr. Staff, Sun Microsystems</li><li>• Sr. Staff, Afara Websystems</li><li>• C-Cube Micro Director, Silicon Graphics</li><li>• Sr. Engr, Intergraph Corp.</li></ul>
Andrew Chang	0	MSEE degree from Polytechnic University (NYU), Brooklyn, New York, USA	<ul style="list-style-type: none"><li>• Independent Director, AOPEN Inc.</li><li>• Director, MediaTek Foundation</li><li>• President, Phoenix Pioneer Technology Corp.</li><li>• Chairman, Maisense Inc.</li></ul>	<ul style="list-style-type: none"><li>• Vice Chairman, RichTek Technology Corp.</li><li>• Sr. VP, MediaTek Inc.</li></ul>

(2) The tenure of Directors will start at the end of the election from June 18<sup>th</sup>, 2020. The period is as same as present directors till June 20<sup>th</sup>, 2021.

(3) Election is respectfully requested.

Election Results:



## **IV. Proposed Resolutions**

### **Proposal (1)**

Proposed by the Board of Directors

Subject: To suspend the Non-competition Restriction on the Company's Newly Elected Directors

Descriptions:

- (1) Pursuant to Article 209 of the Company Act, "a director who engages in any behavior for himself/herself or on behalf of another person that is within the scope of the company's business shall explain the essential contents of such an act to the shareholders' meeting and obtain its approval."
- (2) Since one or more of director(s) of the Company may engage in the investment in or operation of another company whose scope of business is the same or similar to that of the Company and may serve(s) as a director of that company, we hereby request the meeting of shareholders to approve that in case of the above mentioned situation, the non-competition restriction imposed on the directors and the entity they represent (including the legal representative of the entity if the entity is elected as the Director) be removed in accordance with the above mentioned Article 209 of the Company Act.
- (3) For the position and company name list of the candidate for the Directors, please refer to Chinese version, Attachment 6, P.41 for details.

Resolution:

### **Proposal (2)**

Proposed by the Board of Directors

Subject: Amendment to the Rules of Procedure for Shareholders Meetings.

Descriptions:

- (1) In order to conform to the 31<sup>st</sup> December 2020 Letter No. 1080339900 of the Financial Supervisory Commission, the Company plans to amend the Company's "Rules of Procedure for Shareholders Meetings".
- (2) The comparison table illustrating the original and amended texts of the "Rules of Procedure for Shareholders Meetings" is on P.42, Attachment 7.

Resolution:

## **V. Extemporaneous Motions**

## **VI. Meeting Adjourned**

# **Attachment**

## Andes Technology Corporation Business Report

Dear Shareholders:

In 2019, Andes Technology once again achieved a leapfrogging growth, with an annual revenue growth exceeding 60%. This remarkable success can be attributed to not only our investments in developing and promoting RISC-V products, but also increases of both the number of mass production of AndeStar V3 products from our customers and amount of royalties from these productions. Andes is making unremitting efforts to actively lead the RISC-V community and become a leading supplier of the embedded CPU IP market to create value for shareholders.

### **Business results in 2019**

#### **Financial status:**

In 2019, Andes' consolidated revenue was NT\$ 494,851 thousands, showing an increase of 62% from last year, and made a record high. The licensing of CUP IP accounted for 56% of the total revenue, royalty revenues accounted for 22%, custom computing for 16%, maintenance services and other income accounted for 6%. Custom computing is Andes' innovative business project, and has achieved good results in the first year of launch.

The consolidated operating income was NT\$ 18,579 thousands, and the net profit for the whole year was NT\$ 16,023 thousands, and this is the third consecutive year that Andes is profitable. Earnings per share was NT\$ 0.38. The net cash outflow of NT\$56,494 thousands for the whole year was mainly used for research and development along with marketing activities, and the ending cash balance is NT\$ 471,874 thousands.

In terms of budget execution, Andes only set its internal budget target in 2019, and did not disclose financial forecasts. Although the revenue growth was better than expected, profits did not reach our growth target due to substantial investment in research and development, and the associated increase in costs and expenses.

#### **Sales and marketing status:**

In 2019, Andes continues to focus product marketing on RISC-V products. The RISC-V features of modularity and scalability are highlighted in marketing activities to allow the IC design industry to understand why the Andes' RISC-V product line takes the lead. We also focused on promoting the benefits of Andes Custom Extension (ACE) in artificial intelligence, cloud computing, 5G, and big data computing. Coupled with the new custom computing business model, we achieved good results on RISC-V products. This also raised our revenue from the North American market to be more than 30% of the revenue, showing substantial growth from less than 10% in the previous year.

#### **Research development status (IP core and technology):**

In 2019, Andes established a design center on the West Coast of US and it has started to contribute to the intellectual property of Andes processor products. In the past year, Andes Technology debuted N22, D25F, A25MP, and AX25MP, and implemented RISC-V P-EXT DSP and ACE in most of the IP core of Andes' 25-series processors, becoming the first company to implementation the "P"-extension. Through continued investments in its ACE technology and tools, Andes continues to lead in custom instruction intellectual property and tools not only in the RISC-V camp, but also the entire RISC CPU IP industry. The outstanding growth of the capability of the research and development team has laid an excellent foundation for the success of this year and the future.

## **Business plan summary in 2020**

### **Management policy and future company development strategy:**

Being one of the leaders in the RISC-V camp, Andes will strive to expand our advantages. In the fierce and complex competition, we will continue to actively invest in research and development and extend our product line to high-end CPU IP core. We will outdistance small and medium-sized RISC-V intellectual property suppliers, and narrow our gap with the global leaders of CPU intellectual property. Andes will continue to build the eco-system with the global upstream and downstream hardware and software suppliers to build the development platform, debugging platform, and application platform, as well as actively promote globally to further increase market share. Meanwhile, we will initiate a royalty audit program to exercise our rights of existing licensing contracts, in order to increase our income and growth.

### **Impact due to external competitive environment, regulatory environment and overall business environment:**

Since listed on TWSE in 2017, Andes has followed the relevant laws and regulations for listed companies, continuously promoted corporate governance, and enhanced information transparency. Andes has also continued to place attention to the changes in the exchange rate of the New Taiwan dollar against the US dollar, adjust foreign currency assets accordingly to minimize the impact of exchange rates on financial statements. In 2019, an audit committee was established to implement corporate governance. The China-US trade war has continued to bring uncertainties to the global economy since 2019. In the beginning of 2020, the world was affected by the COVID-19 pandemic. The actual impact of this black swan on Andes' overall business environment will depend on the duration of the epidemic. The management team of Andes continuously pays close attention to the development of the situation, adjusts the corresponding strategies to reduce the risks caused by this pandemic and maintain our growth.

Last but not least, we would like to deliver our sincere appreciation to all of our shareholders for your long-term trust and continuous support for Andes, and wish you all good health and good luck.

Chairman: Ming-Kai Tsai

President: Jyh-Ming Lin

Chief Financial Officer: Han-Chang Chou

## **Andes Technology Corporation Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2019 business report, financial statements, and proposal for allocation of profits. The CPA firm of Ernst & Young was retained to audit Andes' financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and profit allocation proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To Andes Technology Corporation 2019 Annual General Shareholders' Meeting

Andes Technology Corporation

Chairman of the Audit Committee: Chen-Kuo Yang

March 3<sup>rd</sup>, 2020

### Attachment 3 Comparison Table Illustrating the Original and Amended Text of the “Ethical Corporate Management Best Practice Principles”

Article	Amended version	Original version	Explanation
Article 2	When engaging in commercial activities, directors, managers, employees, and mandataries of The Company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits. (Omitted)	When engaging in commercial activities, directors, <u>supervisors</u> , managers, employees, and mandataries of The Company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits. (Omitted)	In order to conform to the establishment of the Audit Committee
Article 6	<u>The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u> The Company and their respective business group shall clearly specify in their rules and external documents and on the company website the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities. <u>The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retains said information properly.</u>	The Company and their respective business group shall clearly specify in their rules and external documents and on the company website the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.	In order to conform to the 16st May 2019 Letter No. 1080307434 of the Financial Supervisory Commission
Article 8	When conducting business, The Company and their directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.	When conducting business, The Company and their directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.	In order to conform to the establishment of the Audit Committee
Article 9	When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, The Company and their directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, The Company and their directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.	In order to conform to the establishment of the Audit Committee
Article 10	When making or offering donations and sponsorship, The Company and their directors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery. (Omitted)	When making or offering donations and sponsorship, The Company and their directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery. (Omitted)	In order to conform to the establishment of the Audit Committee

Article	Amended version	Original version	Explanation
Article 11	The Company and their directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	The Company and their directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.	In order to conform to the establishment of the Audit Committee
Article 12	The Company and their directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.	The Company and their directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.	In order to conform to the establishment of the Audit Committee
Article 14	In the course of research and development, procurement, manufacture, provision, or sale of products and services, The Company and their directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.	In the course of research and development, procurement, manufacture, provision, or sale of products and services, The Company and their directors, <u>supervisors</u> , managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.	In order to conform to the establishment of the Audit Committee



Article	Amended version	Original version	Explanation
Article 15	<p>The directors, managers, employees, mandataries, and substantial controllers of a TWSE/GTSM listed 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.</p> <p><u>To achieve sound ethical corporate management, The Company shall establish a dedicated unit that is under the board of directors and avail itself of adequate resources and staff itself with competent personnel, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):</u></p> <ol style="list-style-type: none"> <li><u>1. Assisting in incorporating ethics and moral values into the company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</u></li> <li><u>2. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business.</u></li> <li><u>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</u></li> <li><u>Promoting and coordinating awareness and educational activities with respect to ethics policy.</u></li> <li><u>4. Developing a whistle-blowing system and ensuring its operating effectiveness.</u></li> <li><u>5. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</u></li> </ol>	<p>The directors, <del>supervisors</del>, managers, employees, mandataries, and substantial controllers of a TWSE/GTSM listed 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.</p>	<p>In order to conform to the 16st May 2019 Letter No. 1080307434 of the Financial Supervisory Commission, and the establishment of the Audit Committee</p>

Article	Amended version	Original version	Explanation
Article 16	<p>When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of a TWSE/GTSM listed company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The Company' directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	<p>When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, <u>supervisors</u>, managers, and other stakeholders attending or present at board meetings of a TWSE/GTSM listed company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The Company' directors, <u>supervisors</u>, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	In order to conform to the establishment of the Audit Committee
Article 17	<p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of a TWSE/GTSM listed company shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans? including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. <u>The internal audit unit may engage a certified public accountant to carry out the audit</u>, and may engage professionals to assist if necessary.</p> <p><u>The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.</u></p>	<p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of a TWSE/GTSM listed company shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans? including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant <u>to carry out the audit put down in writing in the form of an audit report to be submitted to the board of directors</u>, and may engage professionals to assist if necessary.</p>	In order to conform to the 16st May 2019 Letter No. 1080307434 of the Financial Supervisory Commission

Article	Amended version	Original version	Explanation
Article 19	<p><u>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</u></p> <p><u>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the company to submit reports.</u></p> <p><u>2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</u></p> <p><u>3. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></p> <p><u>4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</u></p> <p><u>5. Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting.</u></p> <p><u>6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</u></p> <p>Whistle-blowing incentive measures.</p> <p>When material misconduct or likelihood of material impairment to the TWSE/GTSM listed company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.</p>	<p>Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors <u>or supervisors</u>. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</p> <p>Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</p> <p>Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting.</p> <p>When material misconduct or likelihood of material impairment to the TWSE/GTSM listed company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors <u>or supervisors</u> in written form.</p>	<p>In order to conform to the 16st May 2019 Letter No. 1080307434 of the Financial Supervisory Commission, and the establishment of the Audit Committee</p>
Article 22	<p>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.</p>	<p>The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, <u>supervisors</u>, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.</p>	<p>In order to conform to the establishment of the Audit Committee</p>

Article	Amended version	Original version	Explanation
Article 23	<p>The ethical corporate management best practice principles of each TWSE/GTSM listed company shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.</p> <p><u>When a TWSE/GTSM listed company submits its ethical corporate management best practice principles to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.</u></p> <p>These ethical were officially resolved in the 5th Board 3rd meeting convened on December 9, 2015. <u>And were duly amended on March 3, 2020 as the 1st amendment</u></p>	<p>The ethical corporate management best practice principles of each TWSE/GTSM listed company shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.</p> <p>These ethical were officially resolved in the 5th Board 3rd meeting convened on December 9, 2015.</p>	<p>In order to conform to the 16st May 2019 Letter No. 1080307434 of the Financial Supervisory Commission</p>

### Independent Auditors' Report Translated from Chinese

#### **Independent Auditors' Report**

To: Andes Technology Corporation

#### **Opinion**

We have audited the accompanying consolidated balance sheets of Andes Technology Corporation and its subsidiaries (the "Group") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Net sales recognized by the Group amounted to NT\$494,851 thousand for the year ended December 31, 2019. The Group provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Group recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

Our audit procedures included (but not limited to) assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the design and operating effectiveness of internal controls over revenue recognition; selecting samples from the contracts with customers to review significant terms and conditions of contracts, identify separate performance obligations and their transaction prices, and further perform tests of details to verify the correctness of the amount and timing of revenue recognition; executing tests of journal entries prepared by management to validate the consistency with the substance of transaction and ensure the appropriateness of revenue recognition.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Note 4 and 6 to the Group's consolidated financial statements.

### An intangible asset arising from development costs

The Group devotes itself to developing and constructing a unique system architecture and contributes significant R&D efforts in development of embedded processor IPs and hardware/software developing platforms. Therefore, the Group determined to capitalize the expenditures during development phases of certain R&D projects. Net carrying value of intangible assets arising from development recognized by the Group was NT\$204,666 thousand as of December 31, 2019, NT\$125,595 thousand of which was recognized during the year. Both amounts are significant to the Group. In order to meet all of the capitalization criteria, the Group's management performed assessments on each individual project based on the internal and external information available, which involved management judgement and assumptions. Therefore, we considered this a key audit matter.

Our audit procedures included (but not limited to) evaluating and testing the design and operating effectiveness of internal controls over the internally generated intangible assets, including assessing whether the Group has established appropriate written accounting policies that address the required conditions and documentations for R&D expenditure capitalization; selecting samples from research and development projects of the year to gather evidences to support the technical feasibility, future economic benefits, the availability of future resources and expenditures needed, the management's intention to complete and the ability to sell the intangible asset; and verifying the accuracy of the expenditures attributable to the intangible asset during its development phase and the amount to be capitalized.

We also assessed the adequacy of disclosures of intangible assets. Please refer to Notes 5 and 6 to the Group's consolidated financial statements.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Group.

## **Auditors' 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 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
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 ability to continue as a going concern of the Group. 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 accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements 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.

## **Others**

We have audited and expressed an unqualified opinion on the parent company only financial statements of Andes Technology Corporation as of and for the years ended December 31, 2019 and 2018.

Kuo, Shao-Pin

Tu, Jia-Ling

Ernst & Young, Taiwan

March 3, 2020

## Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the R.O.C.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the R.O.C., and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2019 and 2018**

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>		December 31, 2019	%	December 31, 2018	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 471,874	33.95	\$ 528,368	42.71
Financial assets measured at amortized cost, current	4, 6(2)	325,500	23.42	420,000	33.95
Contract assets, current	4, 6(9), 6(10), 7	87,111	6.27	60,061	4.86
Trade receivables, net	4, 6(3), 6(10)	115,351	8.30	53,558	4.33
Trade receivables-related parties, net	4, 6(3), 6(10), 7	-	-	2,580	0.21
Other receivables		230	0.02	1,047	0.08
Inventories	4, 6(4)	1,608	0.11	911	0.07
Prepayments		26,331	1.89	15,754	1.27
Total current assets		1,028,005	73.96	1,082,279	87.48
<b>Non-current assets</b>					
Property, plant and equipment	4, 6(5)	25,583	1.84	23,154	1.87
Right-of-use assets	4, 6(11)	125,152	9.01	-	-
Intangible assets	4, 6(6)	205,043	14.75	125,283	10.13
Deferred tax assets	4, 6(15)	531	0.04	276	0.02
Refundable deposits		5,598	0.40	6,115	0.50
Total non-current assets		361,907	26.04	154,828	12.52
<b>Total assets</b>		<b>\$ 1,389,912</b>	<b>100.00</b>	<b>\$ 1,237,107</b>	<b>100.00</b>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2019 and 2018**

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>December 31, 2019</b>	<b>%</b>	<b>December 31, 2018</b>	<b>%</b>
<b>Current liabilities</b>					
Contract liabilities, current					
Trade payables	4, 6(9), 7	\$ 37,723	2.72	\$ 19,587	1.58
Other payables		29	-	1,108	0.09
Lease liabilities, current		48,423	3.48	26,021	2.10
Advance receipts	4, 6(11)	17,465	1.26	-	-
Other current liabilities		53	-	54	0.01
Total current liabilities		2,245	0.16	1,335	0.11
		105,938	7.62	48,105	3.89
<b>Non-Current liabilities</b>					
Lease liabilities, noncurrent		109,699	7.89	-	-
Total non-current liabilities	4, 6(11)	109,699	7.89	-	-
Total liabilities		215,637	15.51	48,105	3.89
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(8)	426,509	30.69	426,509	34.48
Capital surplus	6(8)	728,972	52.45	728,972	58.92
Retained earnings	6(8)				
Legal reserve		3,790	0.27	388	0.03
Special reserve		1,105	0.08	217	0.02
Undistributed earnings		16,023	1.15	34,021	2.75
Total retained earnings		20,918	1.50	34,626	2.80
Other equity		(2,124)	(0.15)	(1,105)	(0.09)
Total equity		1,174,275	84.49	1,189,002	96.11
<b>Total liabilities and equity</b>		\$ 1,389,912	100.00	\$ 1,237,107	100.00

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2019	%	2018	%
<b>Net sales</b>	4, 6(9), 7	\$ 494,851	100.00	\$ 304,756	100.00
<b>Operating costs</b>	6(4)	(820)	(0.17)	(416)	(0.14)
<b>Gross profit</b>		<u>494,031</u>	<u>99.83</u>	<u>304,340</u>	<u>99.86</u>
<b>Operating expenses</b>	6(10), 6(11), 6(12), 7				
Selling expenses		(174,686)	(35.30)	(91,992)	(30.18)
Administrative expenses		(61,750)	(12.48)	(57,821)	(18.97)
Research and development expenses		(227,734)	(46.02)	(117,203)	(38.46)
Expected credit losses		(11,282)	(2.28)	(2,013)	(0.66)
Total operating expenses		<u>(475,452)</u>	<u>(96.08)</u>	<u>(269,029)</u>	<u>(88.27)</u>
<b>Operating income</b>		<u>18,579</u>	<u>3.75</u>	<u>35,311</u>	<u>11.59</u>
<b>Non-operating income and expenses</b>	6(13)				
Other income		8,319	1.68	6,145	2.02
Other gains and losses		(6,821)	(1.37)	1,508	0.49
Finance costs		(2,232)	(0.45)	-	-
Total non-operating income and expenses		<u>(734)</u>	<u>(0.14)</u>	<u>7,653</u>	<u>2.51</u>
<b>Net income before income tax</b>		<u>17,845</u>	<u>3.61</u>	<u>42,964</u>	<u>14.10</u>
<b>Income tax expense</b>	4, 6(15)	<u>(1,822)</u>	<u>(0.37)</u>	<u>(1,397)</u>	<u>(0.46)</u>
<b>Net income</b>		<u>16,023</u>	<u>3.24</u>	<u>41,567</u>	<u>13.64</u>
<b>Other comprehensive income</b>	6(14)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		(1,274)	(0.26)	730	0.24
Income tax relating to those items to be reclassified to profit or loss		255	0.05	(83)	(0.03)
<b>Other comprehensive income (loss), net of tax</b>		<u>(1,019)</u>	<u>(0.21)</u>	<u>647</u>	<u>0.21</u>
<b>Total comprehensive income</b>		<u>\$ 15,004</u>	<u>3.03</u>	<u>\$ 42,214</u>	<u>13.85</u>
<b>Net income attributable to :</b>					
Owners of the parent		<u>\$ 16,023</u>		<u>\$ 41,567</u>	
<b>Total comprehensive income attributable to :</b>					
Owners of the parent		<u>\$ 15,004</u>		<u>\$ 42,214</u>	
<b>Earnings per share (NTD)</b>	6(16)				
Basic Earnings Per Share		<u>\$ 0.38</u>		<u>\$ 0.97</u>	
Diluted Earnings Per Share		<u>\$ 0.38</u>		<u>\$ 0.97</u>	

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

## ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent						Total equity
	Capital	Capital surplus	Legal reserve	Retained earnings	Undistributed earnings (accumulated deficits)	Other equity	
	Common stock			Special reserve		Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2018	\$ 406,199	\$ 756,338	\$ 388	\$ 217	\$ (7,056)	\$ (1,752)	\$ 1,154,334
Effects of retrospective application	-	-	-	-	(7,546)	-	(7,546)
Restated balance as of January 1, 2018	406,199	756,338	388	217	(14,602)	(1,752)	1,146,788
Changes in other capital surplus							
Capital surplus used to cover accumulated deficits	-	(7,056)	-	-	7,056	-	-
Stock dividends distributed from capital surplus	20,310	(20,310)	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	41,567	-	41,567
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	647	647
Total comprehensive income	-	-	-	-	41,567	647	42,214
Balance as of December 31, 2018	426,509	728,972	388	217	34,021	(1,105)	1,189,002
Appropriation and distribution of 2018 retained earnings							
Legal reserve	-	-	3,402	-	(3,402)	-	-
Special reserve	-	-	-	888	(888)	-	-
Cash dividends	-	-	-	-	(29,731)	-	(29,731)
Net income for the year ended December 31, 2019	-	-	-	-	16,023	-	16,023
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(1,019)	(1,019)
Total comprehensive income (loss)	-	-	-	-	16,023	(1,019)	15,004
Balance as of December 31, 2019	\$ 426,509	\$ 728,972	\$ 3,790	\$ 1,105	\$ 16,023	\$ (2,124)	\$ 1,174,275

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

## ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018
<b>Cash flows from operating activities :</b>		
Net income before income tax	\$ 17,845	\$ 42,964
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	22,639	1,786
Amortization	45,927	15,726
Expected credit loss	11,282	2,013
Interest expense	2,232	-
Interest income	(4,972)	(5,141)
Losses on disposal of property, plant and equipment	240	37
Changes in operating assets and liabilities:		
Contract assets	(27,050)	(37,235)
Trade receivables	(72,888)	(32,896)
Trade receivables - related parties	2,580	(2,580)
Other receivables	721	(797)
Inventories	(697)	148
Prepayments	(10,577)	(6,447)
Contract liabilities	18,136	6,676
Trade payables	(1,079)	1,068
Other payables	22,402	2,465
Advance receipts	(1)	54
Other current liabilities	910	187
Cash generated from (used in) operating activities	27,650	(11,972)
Interest received	4,992	5,223
Income tax paid	(1,746)	(1,108)
Net cash provided by (used in) operating activities	30,896	(7,857)
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets measured at amortized cost	(325,500)	(420,000)
Proceeds from disposal of financial assets measured at amortized cost	420,000	394,000
Acquisition of property, plant and equipment	(7,696)	(21,768)
Increase in refundable deposits	(181)	(5,216)
Decrease in refundable deposits	680	199
Acquisition of intangible assets	(125,687)	(100,380)
Net cash used in investing activities	(38,384)	(153,165)
<b>Cash flows from financing activities :</b>		
Cash payments for the principal portion of the lease liabilities	(17,842)	-
Cash dividends	(29,731)	-
Net cash used in financing activities	(47,573)	-
Effect of changes in exchange rate on cash and cash equivalents	(1,433)	685
Net decrease in cash and cash equivalents	(56,494)	(160,337)
Cash and cash equivalents at the beginning of the year	528,368	688,705
Cash and cash equivalents at the end of the year	\$ 471,874	\$ 528,368

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

### Independent Auditors' Report Translated from Chinese

#### **Independent Auditors' Report**

To: Andes Technology Corporation

#### **Opinion**

We have audited the accompanying parent company only balance sheets of Andes Technology Corporation (the "Company") as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (collectively "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Revenue recognition

Net sales recognized by the Company amounted to NT\$405,872 thousand for the year ended December 31, 2019. The Company provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Company recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

Our audit procedures included (but not limited to) assessing the appropriateness of the accounting policy of revenue recognition; evaluating and testing the design and operating effectiveness of internal controls over revenue recognition; selecting samples from the contracts with customers to review significant terms and conditions of contracts, identify separate performance obligations and their transaction prices, and further perform tests of details to verify the correctness of the amount and timing of revenue recognition; executing tests of journal entries prepared by management to validate the consistency with the substance of transaction and ensure the appropriateness of revenue recognition.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Note 4 and 6 to the parent company only financial statements.

### An intangible asset arising from development costs

The Company devotes itself to developing and constructing a unique system architecture and contributes significant R&D efforts in development of embedded processor IPs and hardware/software developing platforms. Therefore, the Company determined to capitalize the expenditures during development phases of certain R&D projects. Net carrying value of intangible assets arising from development recognized by the Company was NT\$204,666 thousand as of December 31, 2019, NT\$125,595 thousand of which was recognized during the year. Both amounts are significant to the Company. In order to meet all of the capitalization criteria, the Company's management performed assessments on each individual project based on the internal and external information available, which involved management judgement and assumptions. Therefore, we considered this a key audit matter.

Our audit procedures included (but not limited to) evaluating and testing the design and operating effectiveness of internal controls over the internally generated intangible assets, including assessing whether the Company has established appropriate written accounting policies that address the required conditions and documentations for R&D expenditure capitalization; selecting samples from research and development projects of the year to gather evidences to support the technical feasibility, future economic benefits, the availability of future resources and expenditures needed, the management's intention to complete and the ability to sell the intangible asset; and verifying the accuracy of the expenditures attributable to the intangible asset during its development phase and the amount to be capitalized.

We also assessed the adequacy of disclosures of intangible assets. Please refer to Notes 5 and 6 to the parent company only financial statements.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

## **Auditors' 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 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 ability to continue as a going concern of the Company. 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 accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements 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.

Kuo, Shao-Pin

Tu, Jia-Ling

Ernst & Young, Taiwan  
March 3, 2020

#### Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the R.O.C.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the R.O.C., and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION  
PARENT COMPANY ONLY BALANCE SHEETS  
As of December 31, 2019 and 2018  
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 413,898	30.48	\$ 510,920	41.34
Financial assets measured at amortized cost, current	4, 6(2)	325,500	23.97	420,000	33.99
Contract assets, current	4, 6(10), 6(11), 7	73,352	5.40	55,443	4.49
Trade receivables, net	4, 6(3), 6(11)	74,297	5.47	33,391	2.70
Trade receivables-related parties, net	4, 6(3), 6(11), 7	50,919	3.75	18,929	1.53
Other receivables		187	0.02	495	0.04
Inventories	4, 6(4)	1,608	0.12	911	0.07
Prepayments		17,770	1.31	15,228	1.23
Total current assets		957,531	70.52	1,055,317	85.39
<b>Non-current assets</b>					
Investments accounted for using the equity method	4, 6(5)	49,673	3.66	27,898	2.26
Property, plant and equipment	4, 6(6)	23,423	1.73	21,693	1.76
Right-of-use assets	4, 6(12)	116,949	8.61	-	-
Intangible assets	4, 6(7)	205,043	15.10	125,283	10.14
Deferred tax assets		531	0.04	276	0.02
Refundable deposits	4, 6(16)	4,668	0.34	5,348	0.43
Total non-current assets		400,287	29.48	180,498	14.61
<b>Total assets</b>		\$ 1,357,818	100.00	\$ 1,235,815	100.00

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION  
PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
<b>Current liabilities</b>					
Contract liabilities, current	4, 6(10), 7	\$ 22,814	1.68	\$ 18,433	1.49
Trade payables		29	-	126	0.01
Other payables	7	39,825	2.93	26,865	2.17
Lease liabilities, current	4, 6(12)	13,084	0.97	-	-
Advance receipts		53	-	54	0.01
Other current liabilities		2,245	0.17	1,335	0.11
Total current liabilities		78,050	5.75	46,813	3.79
<b>Non-Current liabilities</b>					
Lease liabilities, noncurrent	4, 6(12)	105,493	7.77	-	-
Total non-current liabilities		105,493	7.77	-	-
Total liabilities		183,543	13.52	46,813	3.79
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(9)	426,509	31.41	426,509	34.51
Capital surplus	6(9)	728,972	53.69	728,972	58.99
Retained earnings	6(9)				
Legal reserve		3,790	0.28	388	0.03
Special reserve		1,105	0.08	217	0.02
Undistributed earnings		16,023	1.18	34,021	2.75
Total retained earnings		20,918	1.54	34,626	2.80
Other equity		(2,124)	(0.16)	(1,105)	(0.09)
Total equity		1,174,275	86.48	1,189,002	96.21
<b>Total liabilities and equity</b>		\$ 1,357,818	100.00	\$ 1,235,815	100.00

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2019 and 2018**

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2019	%	2018	%
<b>Net sales</b>	4, 6(10), 7	\$ 405,872	100.00	\$ 283,164	100.00
<b>Operating costs</b>	6(4)	(820)	(0.20)	(416)	(0.15)
<b>Gross profit</b>		405,052	99.80	282,748	99.85
<b>Operating expenses</b>	6(11), 6(12), 6(13), 7				
Selling expenses		(97,665)	(24.06)	(69,542)	(24.56)
Administrative expenses		(59,928)	(14.77)	(55,892)	(19.74)
Research and development expenses		(181,333)	(44.68)	(115,637)	(40.84)
Expected credit losses		(6,830)	(1.68)	(2,171)	(0.76)
Total operating expenses		(345,756)	(85.19)	(243,242)	(85.90)
<b>Operating income</b>		59,296	14.61	39,506	13.95
<b>Non-operating income and expenses</b>	6(14)				
Other income		6,879	1.69	6,028	2.13
Other gains and losses		(6,726)	(1.66)	2,869	1.01
Finance costs		(1,965)	(0.48)	-	-
Share of loss of subsidiaries, associates, and joint ventures accounted for using the equity method		(39,706)	(9.78)	(5,463)	(1.93)
Total non-operating income and expenses		(41,518)	(10.23)	3,434	1.21
<b>Net income before income tax</b>		17,778	4.38	42,940	15.16
<b>Income tax expense</b>	4, 6(16)	(1,755)	(0.43)	(1,373)	(0.48)
<b>Net income</b>		16,023	3.95	41,567	14.68
<b>Other comprehensive income</b>	6(15)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		(1,274)	(0.31)	730	0.26
Income tax relating to those items to be reclassified to profit or loss		255	0.06	(83)	(0.03)
<b>Other comprehensive income (loss), net of tax</b>		(1,019)	(0.25)	647	0.23
<b>Total comprehensive income</b>		\$ 15,004	3.70	\$ 42,214	14.91
<b>Earnings per share (NTD)</b>	6(17)				
Basic Earnings Per Share		\$ 0.38		\$ 0.97	
Diluted Earnings Per Share		\$ 0.38		\$ 0.97	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou



English Translation of Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent					
	Capital		Retained earnings		Other equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (accumulated deficits)	Exchange differences resulting from translating the financial statements of foreign operations
Restated balance as of January 1, 2018	\$ 406,199	\$ 756,338	\$ 388	\$ 217	\$ (7,056)	\$ (1,752)
Effects of retrospective application	-	-	-	-	(7,546)	-
Restated balance as of January 1, 2018	406,199	756,338	388	217	(14,602)	(1,752)
Changes in other capital surplus						
Capital surplus used to cover accumulated deficits	-	(7,056)	-	-	7,056	-
Stock dividends distributed from capital surplus	20,310	(20,310)	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	41,567	-
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	647
Total comprehensive income	-	-	-	-	41,567	647
Balance as of December 31, 2018	426,509	728,972	388	217	34,021	(1,105)
Appropriation and distribution of 2018 retained earnings						
Legal reserve	-	-	3,402	-	(3,402)	-
Special reserve	-	-	-	888	(888)	-
Cash dividends	-	-	-	-	(29,731)	-
Net income for the year ended December 31, 2019	-	-	-	-	16,023	-
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(1,019)
Total comprehensive income (loss)	-	-	-	-	16,023	(1,019)
Balance as of December 31, 2019	426,509	728,972	3,790	1,105	16,023	(2,124)
	\$ 426,509	\$ 728,972	\$ 3,790	\$ 1,105	\$ 16,023	\$ (2,124)
						\$ 1,174,275

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2019 and 2018  
(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018
<b>Cash flows from operating activities :</b>		
Net income before income tax	\$ 17,778	\$ 42,940
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	17,730	1,669
Amortization	45,927	15,726
Expected credit loss	6,830	2,171
Interest expense	1,965	-
Interest income	(4,832)	(5,069)
Share of loss of subsidiaries, associates, and joint ventures accounted for using the equity method	39,706	5,463
Losses on disposal of property, plant and equipment	240	-
Changes in operating assets and liabilities:		
Contract assets	(17,909)	(36,099)
Trade receivables	(47,736)	(23,644)
Trade receivables - related parties	(31,990)	(6,163)
Other receivables	212	(245)
Inventories	(697)	148
Prepayments	(2,542)	(5,976)
Contract liabilities	4,381	5,664
Trade payables	(97)	86
Other payables	12,960	5,228
Advance receipts	(1)	54
Other current liabilities	910	187
Cash generated from operating activities	42,835	2,140
Interest received	4,852	5,151
Income tax paid	(1,679)	(1,084)
Net cash provided by operating activities	46,008	6,207
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets measured at amortized cost	(325,500)	(420,000)
Proceeds from disposal of financial assets measured at amortized cost	420,000	394,000
Acquisition of investments accounted for using the equity method	(62,755)	(21,926)
Acquisition of property, plant and equipment	(6,522)	(20,358)
Increase in refundable deposits	-	(4,449)
Decrease in refundable deposits	680	165
Acquisition of intangible assets	(125,687)	(100,380)
Net cash used in investing activities	(99,784)	(172,948)
<b>Cash flows from financing activities :</b>		
Cash payments for the principal portion of the lease liabilities	(13,515)	-
Cash dividends	(29,731)	-
Net cash used in financing activities	(43,246)	-
Net decrease in cash and cash equivalents	(97,022)	(166,741)
Cash and cash equivalents at the beginning of the year	510,920	677,661
Cash and cash equivalents at the end of the year	\$ 413,898	\$ 510,920

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

## Attachment 6 List of Director Candidates

Title	Name	Current Positions
Director	Hong-Men Su	<ul style="list-style-type: none"><li>● Director, Andes Technology (Wuhan) Corp.</li><li>● Director and President, Andes Shanghai Technology Corp.</li><li>● Director, Andes Technology USA Corp.</li></ul>
Director	Andrew Chang	<ul style="list-style-type: none"><li>● Independent Director, AOPEN Inc.</li><li>● Director, MediaTek Foundation</li><li>● President, Phoenix Pioneer Technology Corp.</li><li>● Chairman, Maisense Inc.</li></ul>

## Attachment 7 Comparison Table Illustrating the Original and Amended Text of the “Rules of Procedure for Shareholders Meetings”

Amended version	Original version	Explanation
The Procedures were passed in the Annual Shareholders’ Meeting dated June 18, 2020.	The Procedures were passed in the First Extraordinary General Meeting in 2019 dated October 2, 2019.	Proposed revisions to reflect the amendment date of these Articles.
<p>Article 2 1~4.(omitted)</p> <p>5.Election or dismissal of directors, amendments to the articles of incorporation, capital reduction, application for the withdrawal of an IPO, <u>permit on Directors for participation in competitive business, capitalization of profits, capital surplus transferred to capital</u>, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be <u>specified and elaborated</u> in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. <u>Major contents of the meeting shall be posted on website of the agency in charge of securities or website as appointed by the Corporation. The URL of such a website shall be listed on the notice of meeting.</u></p> <p>6.The cause(s) of subject(s) of the shareholders 'meeting has stated the full re-election of directors and the date of appointment, the same meeting may not change its appointment date by extemporary motion or other means after the re-election of the shareholders' meeting is completed.</p> <p>7. A shareholder who holding 1 percent or more of the total number of issued shares may submit to the company a written proposal for discussion at a regular shareholders meeting. Such proposals however are limited to one item only, and who propose more than one item, will not be included in the meeting agenda. <u>Unless there are reasonable grounds subject to requirements of laws and regulations, a shareholder’s proposal proposed for urging the company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of direct.</u> In addition, when the circumstances of any section about Article 172-1, paragraph 4 of the Company Act proposed by a shareholder, the board of director may exclude it from the agenda.</p> <p>8. Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may</p>	<p>Article 2 1~4.(omitted)</p> <p>5.Election or dismissal of directors, amendments to the articles of incorporation, capital reduction, application for the withdrawal of an IPO, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>6. A shareholder who holding 1 percent or more of the total number of issued shares may submit to the company a written proposal for discussion at a regular shareholders meeting. Such proposals however are limited to one item only, and who propose more than one item, will not be included in the meeting agenda. In addition, when the circumstances of any section about Article 172-1, paragraph 4 of the Company Act proposed by a shareholder, the board of director may exclude it from the agenda.</p> <p>7. Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may</p>	<p>In order to conform to the 31<sup>st</sup> December 2020 Letter No. Financial-Supervisory-Securities-Corporate-1080339 900 of the Financial Supervisory Commission</p>

Amended version	Original version	Explanation
<p>not be less than 10 days.</p> <p>9. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p> <p>10. Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>	<p>not be less than 10 days.</p> <p>8. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.</p> <p>9. Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>	
<p>Article 8</p> <p>1. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors, <u>the related agenda (including extemporaneous motions and ordinary resolutions), shall be resolved by voting each.</u> The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p> <p>2.3. (omitted)</p> <p>4. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote <u>within sufficient voting period.</u></p>	<p>Article 8</p> <p>1. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p> <p>2.3. (omitted)</p> <p>4. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.</p>	<p>In order to conform to the 31<sup>st</sup> December 2020 Letter No. Financial-Supervisory-Securities-Corporate-1080339 900 of the Financial Supervisory Commission</p>
<p>Article 11</p> <p>1. (omitted)</p> <p>2. When the Company holds a shareholders meeting, <u>it should exercise voting rights by electronic means, and may allow the shareholders to exercise voting rights by correspondence means.</u> When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>(omitted)</p>	<p>Article 11</p> <p>1. (omitted)</p> <p>2. When the Company holds a shareholders meeting, <u>it may allow the shareholders to exercise voting rights by correspondence or electronic means.</u> When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>(omitted)</p>	<p>In order to conform to the 31<sup>st</sup> December 2020 Letter No. Financial-Supervisory-Securities-Corporate-1080339 900 of the Financial Supervisory Commission</p>

# Appendix

## **Appendix 1 Andes Articles of Incorporation**

# **Andes Technology Corporation**

## **Article of Incorporation**

(Translation)

### **Section I – General Provisions**

#### **Article 1**

The Company shall be incorporated as a company limited by shares under the Company Act of the Republic of China, and its name shall be Andes Technology Corporation. (In the English language)

#### **Article 2**

The scope of business of the Corporation shall be as follows:

1. CC01080: Electronic parts and components manufacture.
2. I501010: Product design.
3. F401010: International trade business.
4. I301010: Information & software services.
5. I301020: Data processing services.
6. F601010: Intellectual property.
7. Research, design, development, manufacture, and selling of the following products:
  - I. RISC CPU for Embedded Processor SoC
    - i. Generic platform
    - ii. Network platform
    - iii. Multimedia platform
  - II. Integrated circuits (ICs)
    - i. Platform SoC including Andes CPU
    - ii. Other integrated circuits supporting Platform SoC

#### **Article 3**

The Company is headquartered in the Hsinchu Science-Based Industrial Park in Taiwan, and shall be free, upon approval of the Board of Directors and government authorities in charge, to set up representative or branch offices at various locations within or outside the territory of the Republic of China, whenever the Company deems it necessary.

#### **Article 4**

Public announcements of the Company shall be made in accordance with Article 28 of the Company Act.

#### **Article 4-1**

The Company may invest to other companies based on business requirements and may invest to the resolution of the Board of Directors based on actual requirements. When the Company becomes a shareholder of limited liability of another company, the total amount of the company's investment will not be subject to the restriction of not more than 40% of the Company's paid-in capital as provided in Article 13 of the Company Act.

#### **Article 4-2**

The Company may provide endorsement and guarantee to other companies. The process shall be handled in accordance with the Company's Operating Procedures of Endorsement/Guarantee. Unless otherwise under any of the circumstances in Article 15 of the Company Act, the capital of a company shall not be lend to any shareholder of the company or any other person.

### **Section II – Capital Stock**

#### **Article 5**

The total capital amount of the Company shall be in the amount of 700 Million New Taiwan Dollars (NT\$700,000,000), divided into 70 million (70,000,000) shares at NT\$10 par value each

share , and may be issued in installments subject to the resolution of the Board of Directors. Within the aforementioned capital, NT\$70,000,000 will be reserved for issuing stock options, and may be issued in installments in accordance with the resolution of the Board of Directors.

The company may issue stock options that are not subject to the exercise price restriction set out in Article 53 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Company is required to obtain the consent of at least two-thirds of the voting rights represented at a shareholders meeting. The Company is allowed to register multiple issues over a period of one year from the date of the shareholders resolution.

Where the Company proposes to transfer any treasury shares purchased in accordance with the laws, the transferees shall include the employees of subordinate companies that meet certain qualification(s).

Where the Company issues any employee stock options, the employees who are qualified to subscribe to such employee stock options shall include employees of subordinate companies that meet certain qualification(s).

Where the Company issues any new shares, the employees who are qualified to subscribe to such shares shall include employees of subordinate companies that meet certain qualification(s).

Where the Company issues any employee restricted shares, the employees who are qualified to subscribe to such shares shall include employees of subordinate companies that meet certain qualification(s).

#### Article 6

The share certificates of the Company shall all be name-bearing share certificates. The Company may be exempted from printing share certificates if the shares are registered with a domestic securities depository enterprise.

#### Article 7

Registration for transfer of shares shall be suspended 60 days immediately before the date of annual general shareholders' meeting, and 30 days immediately before the date of any special Shareholders' meeting, or within 5 days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

The Company shall handle its stock affairs for shareholders in accordance with the Company Act, the Regulations Governing the Administration of Shareholder Services of Public Companies, relevant laws, rules and regulations.

### **Section III – Shareholders' Meeting**

Shareholders' meeting can be divided into regular meetings and special meetings. Regular meetings are convened once a year and usually within six months of the end of each fiscal year. The regular meeting is convened by the Board of Directors according to the law. Special meetings may be convened according to the law when necessary. The procedure of convening Shareholders' Meetings shall be in accordance with the Company Act, relevant laws, rules and regulations of the Republic of China.

#### Article 9

Notices shall be sent to all shareholders for the convening of annual general shareholders meetings at least 30 days in advance for annual general shareholders meetings and at least 15 days in advance for special shareholders meetings. The meeting date, venue and the purpose(s) for convening such shareholders meeting shall be clearly stated in the meeting notices.

The cause(s) or subject(s) of a meeting of shareholders to be convened shall be indicated in the individual notice to be given to shareholders; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining a prior consent from the recipient(s) thereof.

#### Article 10

If a shareholder is unable to attend a shareholders meeting, he/she may appoint a representative to



attend it, with a Shareholder Proxy Form issued by the Company, in accordance with Article 177, 177-1 and 177-2 of the Company Act of the Republic of China, Article 25-1 of Securities and Exchange Act, and the Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.

#### Article 11

Each share is entitled to one voting right; except those shares for which the voting rights are restricted or excluded as stipulated in the Company Law, other laws and regulations. The company shall be classified the electronic means as one of the method for shareholders to exercise their voting rights. A shareholder who exercises his voting right in writing or by way of electronic transmission shall be deemed to have attended the shareholders' meeting in person. Voting rights shall be conducted in accordance with the relevant laws and regulations.

#### Article 12

Except as otherwise provided by other laws or regulations, shareholders meetings may be held if attended by shareholders in person or by proxy representing more than 50% of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. At the shareholders meeting, except as otherwise provided in The Company Act and the Article of Incorporation, the details of which shall be handled in accordance with the Rules of Procedure for Shareholders Meetings.

#### Article 13

The shareholders' meeting shall be presided by the Chairman of the Board of Directors of the Company. In case the Chairman is on leave or otherwise cannot exercise his duty and authority for any reason, the Chairman shall appoint a director to act as his deputy; otherwise, the directors shall elect from among themselves a chairman to preside over the shareholders meeting. If a shareholders meeting is convened by a person other than the Board of Directors, the shareholders meeting shall be chaired by that convener. If there are two or more conveners for a shareholders meeting, one of them shall be elected to chair the meeting.

#### Article 14

The resolutions of the shareholders meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the Chairman of the meeting. Shareholders shall be notified of the minutes within 20 days after the meeting. The production and distribution of the minutes may be done in electronic form. The minutes specified above shall be distributed in accordance with the provisions of the Company Act, relevant laws and regulations.

#### Article 15

To revoke public issuance after the Company publicly issuing stocks, the share certificates shall be approved by the resolution of a shareholders meeting, and apply to the competent authority. This Article shall remain unchanged during the period of Emerging Stock Board and publicly listing on TWSE or TPEX.

### **Section IV – Directors and Audit Committee**

#### Article 16

The Company shall have at least five but no more than nine directors with the actual number to be determined by the Board. The term of office for directors shall be three years. The directors shall be elected from among the nominees listed in the roster of director candidates pursuant to the candidates nomination system, and be elected at the shareholders' meeting by the shareholders from any person with legal capacity in accordance with the Company Law. All of the directors are eligible for re-election.

The cumulative voting method shall be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially as directors according to their

respective numbers of votes.

To conform to the Securities and Exchange Act, the Company shall have, among the aforementioned directors, at least three independent directors, and the number of independent directors shall be no less than one-fifth of the total number of the directors. The independent directors shall be elected from among the nominees listed in the roster of director candidates pursuant to the candidates' nomination system. The relevant professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, method of election, and other matters for compliance with respect to Independent Directors shall be governed by the relevant provisions of the Company Act and Securities and Exchange Act.

#### Article 17

The Board of Directors shall be formed by directors. The Directors shall elect from among themselves a Chairman of the Board of Directors, by a majority vote in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall be the chairman of shareholders' meetings, and shall have the authority to represent the Company.

#### Article 18

In case the Chairman of the Board of Directors is on leave or cannot exercise his powers, he may designate a proxy in accordance with Article 208 of the Company Law.

#### Article 19

Directors shall attend the Meeting of the Board of Directors. When a Director is unable to attend any Meeting of the

Board of Directors, he may appoint another Director to attend on his behalf by written authorization, but no Director may act as proxy for more than one Director.

#### Article 20

Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, unless otherwise regulated by the Company Act. Directors may be notified of the Board of Directors meeting via written notices, as E-mail or fax. Except as otherwise provided in the Company Act of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority or more of total Directors and resolutions shall be adopted with the concurrence of the majority or more of the Directors present at the meeting. Resolutions adopted at the meeting of the Board of Directors shall be recorded in the minutes and signed or sealed by the chairman of the meeting and the recorder. The minutes shall be distributed to each director within twenty (20) days after the meeting.

#### Article 20-1

Remuneration for directors of the Company shall be evaluated by the compensation committee according to their respective participation in operation and value of contribution, and the board of directors is authorized to determine their remuneration according to the general standard in the same industries and the Company's business operation.

#### Article 20-2

The Company shall form an Audit Committee, which is composed of all Independent Directors. Details including number of members, terms, responsibilities and rule of meeting shall be stipulated separately in the Organization Rules of Audit Committee in accordance with the rules in the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies".

## **Section V –Management of the Company**

### **Article 21**

The Company may appoint managers. Appointment and discharge and the remuneration of the managerial personnel shall be in accordance with Article 29 of the Company Law. The scope of duties and power of managers shall be authorized by the board of directors, and The Board of Directors may authorize the Chairman to determine.

## **Section VI – Financial Reports**

### **Article 22**

The Company' s fiscal year shall be from January 1st of each year to December 31st of the same year. After the end of each fiscal year, in accordance with the Company Act, the following reports shall be prepared by the Board of Directors, , and such documents shall be submitted to the general shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements; and
3. The surplus earning distribution or loss off-setting proposals

### **Article 23**

If there is any profit for a specific fiscal year, the Company shall allocate no less than 2% of the profit as employee's compensation and shall allocate at a maximum of 1% of the profit as remuneration to Directors, provided that the Company's accumulated losses shall have been covered in advance. Employee's compensation may be distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from affiliates companies who meet certain qualification. The Board of Directors is authorized to determine the qualification of such employees. The remuneration to Directors shall be paid in cash.

### **Article 23-1**

If there is any profit in an annual general financial statement of the Company, such profit shall be distributed in the following orders:

1. Reserve for tax payments.
2. Offset accumulated losses in previous years, if any.
3. Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
4. Allocation or reverse of special reserves as required by law or government authorities.
5. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal. If the distribution proposal in form of new shares to be issued by the company should submit the same to the shareholders' meeting for review and approval by a resolution; If such surplus earning is distributed in the form of cash, it shall be approved by a meeting of the board of directors.

The Company pursuant to the provisions of Paragraph Five, Article 240 hereof, authorizes the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors. Or the company pursuant to the provisions of Paragraph One, Article 241 hereof, may distribute its legal reserve and the following capital reserve, in whole or in part, by cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The policy of dividend distribution should reflect factors such as sustainable development, stable growth, the interest of the shareholders, and healthy financial structure as the goal. The board of directors shall make the distribution proposal according to funding needs. The dividends to shareholders shall be distributed at no lower than 2% of distributable earnings. If the Company decides to issue dividends, cash dividends shall not be lower than 10% of the total dividends.

## **Section VII –Supplementary Provisions**

### **Article 24**

For matters not provided for in the Articles of Incorporation, it shall be handled in accordance with the Company Act of the Republic of China.

### **Article 25**

These Articles of Incorporation were enacted on February 21, 2005. The first amendment was made on March 30, 2005, the second amendment was made on October 7, 2005, the third amendment was made on January 18, 2006, the fourth amendment was made on April 24, 2007, the fifth amendment was made on June 21, 2012, the sixth amendment was made on October 28, 2014, the seventh amendment was made on June 17, 2016, the eighth amendment was made on June 18, 2019, and the ninth amendment was made on October 2, 2019.

## **Appendix 2 Andes Rules and Procedures of Shareholders' Meeting**

### **Andes Technology Corporation**

#### **Rules and Procedures of Shareholders' Meeting**

Amendment passed by First Extraordinary General Meeting in 2019 on October 2, 2019

Article 1 Unless otherwise provided for in applicable laws and regulation or this Company's Articles of Incorporation, the Company's Shareholders' Meeting Rules and Procedures shall comply with the following articles.

Article 2 Convening shareholders meetings and shareholders meeting notices

1. Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.
2. A notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date.  
A notice to convene a special meeting of shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date.
3. the Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) within the specified period of time . The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.
4. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
5. Election or dismissal of directors, amendments to the articles of incorporation, capital reduction, application for the withdrawal of an IPO, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the

shareholders meeting. None of the above matters may be raised by an extraordinary motion.

6. A shareholder who holding 1 percent or more of the total number of issued shares may submit to the company a written proposal for discussion at a regular shareholders meeting. Such proposals however are limited to one item only, and who propose more than one item, will not be included in the meeting agenda. In addition, when the circumstances of any section about Article 172-1, paragraph 4 of the Company Act proposed by a shareholder, the board of director may exclude it from the agenda.
7. Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.
8. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.
9. Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 3 The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 4 To appoint a proxy to attend a shareholders' meeting and authorization.

1. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.
2. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
3. After a proxy form has been delivered to the Company, if the shareholder intends

to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

**Article 5** Preparation of documents such as the attendance book

1. The company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
2. The time during which shareholder attendance registrations shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
3. Shareholders and their proxies shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.
4. The company shall furnish the attending Shareholders and their proxies (collectively, "shareholders") with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.
5. The company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.
6. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

**Article 6** The chair and non-voting participants of a shareholders meeting

1. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve

as chair.

2. When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.
3. It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
4. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 7 The shareholders meeting attendance calculation and conference.

1. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
2. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.
3. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.
4. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative



resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

#### Article 8 Discussion of proposals

1. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.
2. The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders meeting convened by a party with the power to convene that is not the board of directors.
3. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
4. The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

#### Article 9 Shareholder speech

1. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.
2. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
3. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
4. When an attending shareholder is speaking, other shareholders may not speak or

interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

5. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
6. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

#### Article 10 Calculation of voting shares and recusal system

1. Voting at a shareholders meeting shall be calculated based the number of shares.
2. With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
3. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
4. The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.
5. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### Article 11 Voting, ballot examination and ballot count.

1. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act. The company shall be classified the electronic means as one of the method for shareholders to exercise their voting rights.
2. When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is

therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

3. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.
4. Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
5. A proposal is deemed to have passed when no attending shareholders gave a dissent after being inquired by the chair, and the effect thereof is the same as a vote; if there are dissents, a vote in the preceding paragraph shall be adopted.
6. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.
7. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.
8. Vote counting for shareholders meeting proposals or elections shall be conducted

in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

9. The election of Directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company.

#### Article 12 Meeting minutes and acknowledgments

1. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.
2. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the company.
3. If shareholders do raise any objection, the resolution must specify the voting method adopted and the number and percentage of rights voted in favor.

Article 13 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

#### Article 14 Public disclosure

1. On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies and shall make an express disclosure of the same at the place of the shareholders meeting.
2. If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

#### Article 15 Maintaining order at the meeting venue

1. Staff handling administrative affairs of a shareholders meeting shall wear

identification cards or arm bands.

2. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
3. At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.
4. When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 16 Recess and resumption of shareholders meeting

1. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
2. If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.
3. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 17 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

### Appendix 3 Shareholdings of All Directors

#### Andes Technology Corporation Shareholdings of All Directors

1. The Company's total outstanding shares: 42,650,911
2. Total shareholdings of all Directors required by law: 3,600,000
3. As of April 20, 2020, the cut-off date of this Shareholders' Meeting, the individual Directors and their aggregate shareholdings are listed below:

Title	Name	Date Elected	Shares	%
Chairman	MediaTek Capital Corp. Representative: Ming-Kai Tsai	107. 6.21	5,657,324	13.26
Director	National Development Fund. Representative: Hahn-Ming Lee	107. 6.21	2,979,237	6.99
Director	Hotran Resource Development Ltd. Representative: Chun-Huei Ho	107. 6.21	455,000	1.07
Director	Jyh-Ming Lin	107. 6.21	542,493	1.27
Independent Director	Chien-Kuo Yang	107. 6.21	-	-
Independent Director	Hsiao-Ping Lin	107. 6.21	-	-
Independent Director	Tien-Fu Chen	108.10.2	-	-
Holding of all Directors			9,634,054	22.59