



Stock Code: 6533

# Andes Technology Corporation

## Annual Report 2022

Printed on April 30, 2023

- I. The Annual Report is accessible through the websites below Market Observation Post System website of Taiwan Stock Exchange Corporation: <http://mops.twse.com.tw>
- II. Andes annual report is available at: <http://www.andestech.com>

**Notice to Readers:**

The reader is advised that the annual report has been prepared originally in Chinese. The English version is directly translated from Chinese version.

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**Name of overseas securities dealers and methods to inquire into overseas securities:** Not Applicable

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## I. Letter to Shareholders

### Andes Technology Corporation Business Report

Dear Shareholders:

In 2022, the COVID-19 pneumonia epidemic gradually slowed down. Countries gradually opened their doors, and business travel became more convenient except for China. Promotional activities and seminars gradually resumed being held in physical form, so economic activities stayed intact generally. The economy changed drastically in the second half of the year. The global leaders and large companies in the United States have cut their expenditures and laid off employees. This has led to the decline of the semiconductor industry, and the manufacturing inventory has repeatedly hit new highs. However, in such a chaotic situation, Andes Technology still achieved double-digit growth, and launched several new products, creating outstanding business performance.

#### **Business results in 2022**

##### **Financial status:**

In 2022, Andes Technology's consolidated revenue was NT\$931,821 thousands, showing an increase of 13.67% from last year, and made a record high again. The licensing of CPU IP accounted for 60% of the total revenue, royalty revenues accounted for 25%, maintenance service and other income accounted for 15%.

The consolidated operating loss was NT\$69,168 thousands, and the net profit for the whole year was NT\$355,937 thousands, and this is the fifth consecutive year that Andes is profitable. Earnings per share was a record high, NT\$7.03. The net cash inflows of NT\$92,875 thousands for the whole year. The operating loss was mainly due to the cost of investing in high-end CPU IP R&D projects, and the annual net profit was mainly due to interest income and foreign currency exchange benefits.

In terms of budget execution, Andes Technology only set its internal budget targets in 2022, and did not disclose financial forecasts. The profits hit record highs because of the revenue growth, high depreciation of the NTD and interest rate hikes by central banks of various countries.

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

In 2022, the turnover contributed by the RISC-V product line has grown, reaching for 66% of the total turnover, and growing 6% of the royalties. In terms of regional operations, North America's turnover has grown significantly, reaching 32% for the first time. While the turnover contribution of China was affected by the closure of some cities, reaching for only 25%. Affected by the semiconductor industry's inventory correction, although the global royalty was slightly (1.7%) recession, but the total cumulative customer SoC shipments have exceeded 12 billion units.

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

In 2022, Andes Technology expanded the AX45MP product line to eight-stage multicore RISC-V high-end microprocessors and updated NX27V to support the RISC-V RVV 1.0 specification. The company also launched the world's first fully ISO-26262 functional safety level ASIL-B compliant and third-party SGS TÜV SAAR-certified RISC-V CPU: N25F-SE. Building on these strong foundations, Andes Technology announced new high-end microprocessors such as AX45MPV and AX65 in the fourth quarter. AX45MPV is the world's leading product that pushes Vector Processor to RISC-V RVV 1024-bit VLEN. AX65 is the first RISC-V high-end CPU with Out of Order micro-architecture, with a 13-stage pipeline to achieve high frequency and high performance. All of these prove that the value of Andes' product line is increasing year by year.

## **Business plan summary in 2023**

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

Andes Technology continues its high-growth strategy and continues to expand the R&D team. In addition to the original four design centers in Taiwan and North America, it will set up a fifth design center in North America to recruit talents so that the overall R&D capacity can be sufficient to produce a number of high-end new products and gradually develop towards ultra-high-end microprocessors. With the upsurge of RISC-V + Android, it is expected that Andes' RISC-V CPU microprocessors will enter the Android application market in the future. Regarding the automotive RISC-V CPU product line, the company will pass ISO-26262 ASIL-D or ASIL-B certification with one or two new products per year to help customers enter the automotive IC market.

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

Since Andes Technology went public in 2017, it has followed the relevant laws and regulations of listed companies, continued to promote corporate governance and improve information transparency. The company also established an audit committee to implement corporate governance in 2020. In the past two years, the semiconductor market has skyrocketed and plummeted. Large global companies have laid off employees one after another. The US-China economic war and the Ukrainian-Russian war have put considerable pressure on the company's operations, but at the same time brought unlimited growth hopes. Andes Technology's management team continues to pursue high growth under the concept of prudent optimism and positive development, with a view to becoming a global leader in the RISC-V CPU IP industry.

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: Jyh-Ming Lin**

**President: Hong-Men Su**

**CFO: Han-Chang Chou**

## II. Company Profile.

### 1. Date of Incorporation

Andes Technology Corporation was founded on March 14, 2005.

### 2. Milestones

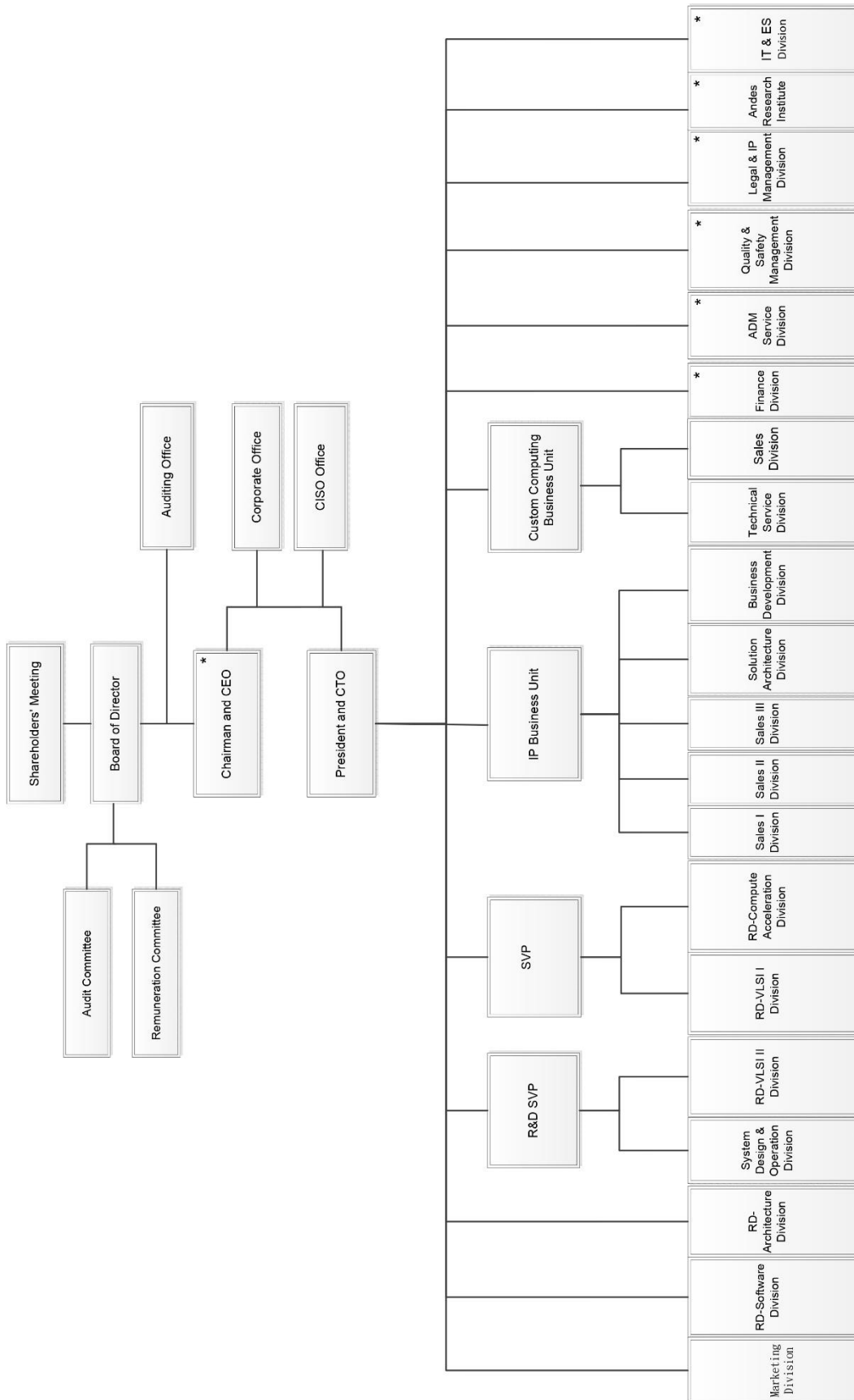
Year	Milestones
Mar, 2017	Listed on the Taiwan Stock Exchange (TWSE)
Mar, 2017	Announced AndeStar™ 32-/64 bit V5 digital signal instructions
May, 2017	Announced D15F and N15F processors, supporting Superscalar V3 architecture, DSP extension instructions, and floating point unit (FPU)
Oct, 2017	Won “ASPA Excellence Prize” award
Nov, 2017	Announced the optimization for toolchains of BSP 4.2.0.
Nov, 2017	Announced AndeSight v3.1.0 STD/MCU/RDS
Dec, 2017	Announced platform IP AE300, supporting advanced AXI bus protocol
Dec, 2017	Announced 32-bit N25 Processors, with a 5-stage pipeline supporting V5 architecture
Dec, 2017	Announced 64-bit NX25 Processors, with a 5-stage pipeline supporting V5 architecture
Oct, 2018	Announced over 1.2 GHz RISC-V Cores Series at 28nm: A25/AX25 and N25F/NX25F
Mar, 2019	Announced N22, the smallest RISC-V core processor in its V5 Family.
Mar, 2019	Assisted to establish the RISC-V Alliance of Taiwan, and served as the vice chairman.
Apr, 2019	Announced D25F, the DSP core processor supporting RISC-V P-extension
May, 2019	Announced A25MP and AX25MP, multicore processors supporting RISC-V P-extension
Dec, 2019	Announced COPILOT v5.2, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
Dec, 2019	Upgraded its membership in the RISC-V Foundation to Platinum
Jan, 2020	Announced ground-breaking 27-series processors, which contain high-performance memory subsystems
Jan, 2020	Announced the NX27V processor, supporting RISC-V Vector instruction extension (RVV)
Jan, 2020	Announced 45-series RISC-V core processors, equipped with high-end 8-stage superscalar pipeline
May, 2020	Became the Founding Premier membership, BOD and Vice Chairman of the technical instructor committee in the RISC-V International Association (RISC-V Foundation).
May, 2020	AI Global Media Award “Most Outstanding Embedded Processor IP Supplier– 2020”
Aug, 2020	Announced COPILOT v5.3, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
Nov, 2020	Announced new RISC-V processors: Superscalar 45-series with multi-core support and 27-series with Level-2 cache controller
Nov, 2020	Won 2020 ASPENCORE World Electronics Achievement Awards (WEAA) in the Outstanding Product Performance of the Year
Dec, 2020	AndeCore™ NX27V won the Hsinchu Science Park “Innovation Award”
Dec, 2020	RISC-V Vector Processor NX27V is upgraded to RVV 1.0
Dec, 2020	Announced AndeSentry™ architecture, which is provided with the Security function
Feb, 2021	Announced COPILOT v5.4, supporting Streaming Port
Aug, 2021	Announced COPILOT v5.5, introducing intrinsic function to support LLVM 10 and 12
Sep, 2021	Won the "Potential Taiwan Mittelstand Award" held by Minister of Economic Affairs with its unique and highly competitive technology
Nov, 2021	Won “Featured IoT Cybersecurity Chip Supplier” of 2021 EE Awards Asia hosted by EE Times and EDN. Its vector processor IP NX27V also won “Best EDA/IP of the Year” in the product category.

Year	Milestones
Dec, 2021	Frankwell Lin, Chairman and CEO, was awarded “Outstanding Manager Award” by Professional Management Association of Hsinchu, Taiwan.
Dec, 2021	Dr. Charlie Su, President and CTO, won RISC-V Technical Contributor Award in recognition of his contribution as Vice Chair of the RISC-V International Technical Steering Committee.
Dec, 2021	RISC-V Vector Processor NX27V adds configuration to fully support 128-bit to 512-bit VLEN/SIMD/MEM
Jan, 2022	Annual shipment of SoCs embedded with Andes CPU cores reached 3 billion in 2021 which represents over 50 percent year-over-year growth. The cumulative shipments surpassed a remarkable record of 10 billion.
Feb, 2022	Announced AndeSight V5.1.0 STD/MCU/RDS
Mar, 2022	Announced a new version of RISC-V superscalar multicore A(X)45MP with upgraded specifications and performance
Jul, 2022	D25F/D45/NX27V processors revealed outstanding performance and efficiency in Mere Tiny
Oct, 2022	Announced the N25F-SE processor, the world first RISC-V CPU IP with ISO26262 full compliance
Nov, 2022	Announced the AndesCore™ AX60 series, an out-of-order superscalar multicore RISC-V processor family
Nov, 2022	A winner of the “Innovator of the Year” category at AspenCore World Electronics Achievement Awards (WEAA) 2022
Nov, 2022	AndesCore™ AX45MP won "RISC-V Japan 2022 Product Award" from RISC-V International
Dec, 2022	Announced AX45MPV, the world's first RISC-V multicore 1024-bit vector processor
Dec, 2022	A winner at EE Awards Asia 2022: superscalar processor 45MP series won "Best IP/Processor of the Year" in Taiwan, and integrated development environment AndeSight IDE V5.1 won "Best Development Tool" in Asia
Dec, 2022	Announced the AndesCore™ D23, a feature-rich, low-power and highly-secured entry-level RISC-V processor
Mar, 2023	AndesCore™ N25F-SE received the Best in Show Award (Processing and IP category) from Embedded Computing Design
Mar, 2023	Andes Custom Extension™ (ACE) supports AndesCore™ 45-series processors to provide flexible acceleration



### III. Corporate Governance

- 1. Organization.
- 1.1. Organization Chart



## 1.2. Major Corporate Functions

DEPARTMENT		FUNCTIONS
Corporate Office		Analyze, plan and execute corporate strategies
Legal & IP Management Division		Manage corporate legal affairs, contracts, patents, and other intellectual property.
Quality & Reliability Management Division		Quality system, document control, non-conforming product disposal, instrument calibration management, customer service.
ADM Service Division		Human resource management, General affairs, plant operations, and information engineering service etc.
Information and Environmental Safety Division		Information: information system architecture, information system development and operation, information security implementation management. Environmental safety: Planning and supervision of manufacturing production risks and environmental safety and health management.
Finance Division		Manage finance and accounting, tax, treasury and asset, strategic investments and investor relations
Custom Computing Business Unit	Technical Service Division	Provide technical service, customers training course, reply to the technical questions, and developing the online service system.
	Sales Division	Sell Custom Computing Service, develop customers, maintain customer relationship and manage sales operation
IP Business Unit	Business Development Division	Plan and execute customers developing and product promotion strategies.
	Solution Architecture Division	Provide technical service, customers training course, reply to the technical questions etc.
	Sales I Division Sales II Division Sales III Division	Sell IP Business related product and service, develop customers, maintain customer relationship, and manage sales operation.
RD-VLSI I & II Division		Develop CPU and other IP related design, maintenance and test.
RD-CA		Develop compute acceleration related software and hardware design, effectiveness analysis, performance verification, maintenance, and testing based on the CPU and other IP.
System Design & Operation Division		Hardware development platform, specification of related board products and system architecture, product testing plan and program development, product characterization, raw material procurement of board products, production test, production operation, and material management.
RD-Architecture Division		Product development effectiveness analysis, performance verification and revision and maintenance of architectural specifications.
RD-Software Division		Cooperate with the CPU and other IP developed for related software design, maintenance and testing.
Marketing Division		Manage corporate image and promote market position.
Auditing Office		Manage internal audit, operational procedure and provide improved suggestion.
Chief Information Security Office		Responsible for information security architecture design, information security maintenance and monitoring, information security incident response and investigation, information security policy review and revision.
Andes Research Institute		Research future technologies that may affect the development of the company's computing technology industry and evaluate possible business plans and operational strategy.

## 2. Information of Directors and Officials

### 2.1. Information Regarding Board Members

As of April 2, 2023/ Unit: Shares; %

Title	Nationality or Registry	Name	Gender /Age	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected (Note2)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Jyh-Ming Lin	Male 61-70	July 7,2022	3	March 14, 2005	538,493	1.26	540,045	1.07	120,668	0.24	0	0	VP of Sales, Faraday Technology Corp. Business Manager, UMC MSEE, Portland State University, Oregon, USA.	The Company's President. Chairman, Everest Peaks Technology Corporation. Chairman, Andes Technology (Samoa) Corporation. Chairman, Andes Technology (Wuhan) Corporation. Chairman, Andes Technology USA Corporation. Chairman, Andes Technology Shanghai Corporation. Director, Condor Computing Corporation	-	-	-	-
Director	R.O.C	Hong-Men Su	Male 61-70	July 7,2022	3	June 30, 2015	328,781	0.77	303,329	0.60	0	0	0	0	Chief Architect, Faraday Technology Corp. Sr. Staff, Sun Microsystems Sr. Staff, Afara Websystems C-Cube Micro Director, Silicon Graphics Sr. Engineer, Intergraph Corp Ph.D. in Computer Science, University of Illinois	Director, President & CTO, Andes Technology Corp. Director, Andes Technology (Wuhan) Corporation. Director, Andes Technology USA Corporation. Director & President, Andes Technology Shanghai Corporation. Chairman & CEO, Condor Computing Corporation	-	-	-	-
Chairman	R.O.C	Andrew Chang	Male 51-60	July 7,2022	3	June 18, 2020	0	0	0	0	0	0	0	0	Vice Chairman, Richtek Technology SVP, Mediatek Inc. Master Of Electrical Engineering, New York Polytechnic University, USA	Independent Director, AOPEN Solutions Corp. Director, Mediatek Foundation Chairman, ChipAI Co., LTD	-	-	-	-
	R.O.C	Representative: Hsiang Fa Co.	-			February 22, 2006	5,657,324	13.26	5,657,324	11.17	0	0	0	0	0	-	Director, Chunghwa Precision Test Tech. Co., Ltd. Director, Mars Semiconductor Corp. Director, Chingis Technology Corporation Director, Mediatek Research Corp. Director, CMOS-Crystal Technology Co., limited Director, InnoFusion Technology Corp.	-	-	-
Director	R.O.C	Herming Chiueh	Male 51-60	July 7,2022	3	July 3,2020	0	0	0	0	0	0	0	0	Assistant Professor, Department Of Electrical	Political Undersecretary, Ministry of Digital Affairs	-	-	-	-

Title	Nationality or Registry	Name	Gender /Age	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected (Note2)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Engineering, National Yang Ming Chiao Tung University Assistant Professor, Department Of Communications Engineering, National Yang Ming Chiao Tung University Director, TWEMBA Member Of Digital Wireless Transmission Platform Supervision Group, Government Information Office, Executive Yuan Member Of Cable Broadcasting And Television Review Committee, NCC Member Of Cable Broadcasting And Television Review Committee, Government Information Office, Executive Yuan Member Of Digital Radio Review Committee, Government Information Office, Executive Yuan Member Of Radio Review Committee, Government Information Office, Executive Yuan Ph.D. In Electrical Engineering, University Of Southern California	Associate Professor, Department Of Electrical Engineering, National Yang Ming Chiao Tung University Asia Silicon Valley Development Agency (ASVDA), Co-CEO					
	R.O.C	Representative: National Development Fund	-			February 22, 2006	2,979,237	6.99	2,979,237	5.88	0	0	0	0	-	Director, Taiwan Semiconductor Manufacturing Company Limited Director, Vanguard International Semiconductor Corporation Director, Infinity Communication Tech. Inc Director, Metanoia Communications Inc.	-	-	-	-
Independent Director	R.O.C	Chien-Kuo Yang	Male 61-70	July 7,2022	3	June 30, 2015	0	0	0	0	0	0	0	0	Partner, Ernst & Young Accounting firm. Bachelor's Degree, Tamkang University Department of International Trade.	Chairman/Partner, Diwan & Company Accounting Firm. Chairman, Diwan Management Advisory Services Co., Ltd. Independent Director, Leadtrend Technology Co., Ltd. Chairman, Tianda Investment	-	-	-	-

Title	Nationality or Registry	Name	Gender /Age	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected (Note2)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Co., Ltd. Independent Director, Macronix International Co., Ltd.				
Independent Director	R.O.C	Tien-Fu Chen	Male 61-70	July 7,2022	3	October 2, 2019	0	0	0	0	0	0	0	0	Deputy Director of National Center for High-performance Computing (NCHC) Professor, Department of Computer Science and Information Engineering, National Yang Ming Chiao Tung University PhD in Electrical and Computer Engineering, University of Washington	Associate Dean, College of Computer Science, National Yang Ming Chiao Tung University Professor, Department of Computer Science and Engineering, National Yang Ming Chiao Tung University	-	-	-	-
Independent Director	R.O.C	Jun-Hao Lai	Male 61-70	July 7,2022	3	July 7,2021	0	0	0	0	0	0	0	0	Master Of Science In Electrical And Computer Engineering, University Of California, Santa Barbara General Manager, Global Unichip Corp.	Chairman, Skymizer Taiwan Inc Independent Director, Silicon Optronics, Inc. Independent Director, Truelight Corporation Director, Giga Solution Corporation Director, Wolley Inc. Member Of Remuneration Committee, Focaltech Systems Co., Ltd. Consultant, Global Unichip Corp. Consultant, M31 Technology Corporation Consultant, XConn Technologies	-	-	-	-

Note 1: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all

Note 2: At the time of election, the total number of issued shares of the Company was 42,650,911 shares, and as of April 4, 2023, the number of issued shares was 50,650,911 shares.

2.1.1. List of Major Shareholders of Andes' Major Institutional Shareholders

Table 1: Major Shareholders of the Institutional Shareholders

As of April 30, 2023

Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Percentage of Shares Held by Institutional Shareholders
Hsiang Fa Co.	Hsu-Ta Investment Corp	100%
National Development Fund, Executive Yuan	Government Agencies	NA

Table 2: List of Institutional Shareholders of Andes' Major Institutional Shareholders

As of April 30, 2023

Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Percentage of Shares Held by Institutional Shareholders
Hsu-Ta Investment Corp	MediaTek Inc.	100%

2.1.2. Directors' Professional Qualifications and Independent Directors' Independence Status

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Chairman Jyh-Ming Lin	For Directors' professional qualification and experience, please refer to "2. 1 Information Regarding Board Members" on page 7-8 of this Annual Report. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)	Not Applicable	All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	0
Director Hong-Men Su				0
Director Andrew Chang Representative: Hsiang Fa Co.				1
Director Herming Chiueh Representative: National Development Fund				0
Independent Director Chien-Kuo Yang				2
Independent Director Tien-Fu Chen				0
Independent Director Jun-Hao Lai				2

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon.
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of

- more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon.
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon.
  4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges.
  5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet.
  6. If she/he does not have any or limited legal capacity.
  7. If she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

- Note 2:
1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
  2. Not serving concurrently as an independent director on more than three other public companies in total.
  3. During the two years before being elected and during the term of office, meet any of the following situations:
    - (1) Not an employee of the company or any of its affiliates.
    - (2) Not a director or supervisor of the company or any of its affiliates.
    - (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
    - (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3).
    - (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
    - (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.
    - (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent).
    - (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
    - (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

### 2.1.3. Diversity and Independence of the Board of Directors:

#### 2.1.3.1 Board Diversity

The "Corporate Governance Practice Principles" stipulates that the diversity of board composition should be taken into account. In addition to the fact that the number of directors who are also managers of the Company should not exceed one-third of the total number of directors, appropriate diversity guidelines should be formulated with respect to the Company's operation, business model and development needs, which should include but not limited to the following two major criteria:

2.1.3.1.1 Basic criteria and values: gender, age, nationality and culture, etc.

2.1.3.1.2 Expertise and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board members should generally possess the knowledge, skills and qualities necessary to carry out their duties. In order to achieve the desired objectives of corporate governance, the Board as a whole should possess the following competencies:

- A. Business judgment skills
- B. Accounting and financial analysis skills
- C. Business management skills
- D. Risk management skills
- E. Industry knowledge
- F. International market perspective
- G. Leadership skills
- H. Decision-making ability

The Company's seven board members have professional backgrounds including 2 natural person directors, 2 juristic person directors, and 3 independent directors. Diversified membership with expertise in management, leadership, industry knowledge, academia and finance, and can give professional advice from different angles. It is of great help to improve the company's operating performance and management efficiency.

Among them, 29% are employees and 43% are independent directors.

The Company places emphasis on the gender distribution of its board members, with a target of at least one female director, and currently continuing to increase.



In terms of age distribution, the target for young and young adult directors is to have at least one or more seats, and currently the Company has 2 young adult directors, accounting for 29 %, as summarized in the table below:

Title Name	Diversified Core Items	Composition						Professional Background				Industry Experience and Capabilities				
		Nationality	Gender	Employee	Age		Independent Directors Tenure		Technology	Management	Accounting/ Legal	Academics	Accounting/ Finance	Leadership/ Decision Making	IT/ Industry Knowledge	Operations/ Risk Management
					Below 60	60 and Above	2 Consecutive Terms	3 Consecutive Terms								
Chairman Jyh-Ming Lin		R.O.C	Male	V		V			V	V			V	V	V	V
Director Hong-Men Su		R.O.C	Male	V		V			V	V			V	V	V	V
Director Andrew Chang Representative: Hsiang Fa Co.		R.O.C	Male		V				V	V			V	V	V	V
Director Herming Chiuch Representative: National Development Fund		R.O.C	Male		V				V	V		V	V	V	V	V
Independent Director Chien-Kuo Yang		R.O.C	Male			V	V		V	V	V		V	V	V	V
Independent Director Tien-Fu Chen		R.O.C	Male			V	V		V		V		V	V	V	V
Independent Director Jun-Hao Lai		R.O.C	Male			V			V	V			V	V	V	V

2.1.3.2 Board Independence: The company actively implements the corporate governance system. In the operation and arrangement of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws. The company respects the professional competencies of the directors, and all motions are discussed thoroughly before the board meetings, and the directors are consulted beforehand on major motions or other projects, and their professional advice is also sought during the meetings, which effectively raises the effectiveness of decision-making on motions and creates a good board meeting culture.

The company's board of directors has a total of 7 members, of which 3 independent directors, accounting for 43% of the board of directors, and they exercise their powers objectively. They review the management and control of the Company's existing or potential risks, etc., so as to supervise the effective implementation of the Company's internal control, the selection (dismissal) of certified public accountants and their independence, and the fair preparation of financial statements.

According to the Company's "Rules for Election of Directors", candidate nomination system is adopted for the selection of directors and independent directors, and shareholders are encouraged to participate. Qualification review and confirmation of any violations listed in Article 30 of the Company Act shall be conducted and announced in accordance with the law to protect the rights and interests of shareholders, and maintain independence. There are 2 directors who are spouses or relatives within the second degree of kinship among the directors of the company, and complies with the provisions of Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

## 2.2. Profiles of Key Managers

As of March 28, 2022/Unit: Shares; %

Title	Nationality	Name	Gender	Date Effective (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman & CEO	R.O.C	Jyh-Ming Lin	Male	March 2, 2021	540,045	1.07	120,668	0.24	0	0	The Company's President VP of Sales, Faraday Technology Corp. Business Manager, UMC MSEE, Portland State University, Oregon, USA	Chairman, Everest Peaks Technology Corporation Chairman, Andes Technology (Samoa) Corporation Chairman, Andes Technology (Wuhan) Corporation Chairman, Andes Technology USA Corporation Chairman, Andes Technology Shanghai Corporation Director, Condor Computing Corporation	-	-	-	-
President & CTO	R.O.C	Hong-Men Su	Male	March 2, 2021	303,329	0.60	0	0	0	0	The Company's VP & senior VP Chief Architect, Faraday Technology Corp. Sr. Staff, Sun Microsystems Sr. Staff, Afara Websystems C-Cube Micro Director, Silicon Graphics Sr. Engineer, Intergraph Corp. Ph.D. in Computer Science, University of Illinois.	Director, Andes Technology (Wuhan) Corporation Director, Andes Technology USA Corporation Director & President, Andes Technology Shanghai Corporation Chairman / CEO, Condor Computing Corporation	-	-	-	-
Senior VP of Technical and New Business	R.O.C	Jen-Chih Tseng	Male	March 2, 2021	82,049	0.16	0	0	0	0	The Company's VP of Technology The Company's AVP of R&D Division The Company's Senior Manager of RD-VLSI Division, Manager of RD-VLSI Division, Deputy Manager of RD-VLSI Division. MTS, Sun Microsystems, Inc. MSEE, University of Wisconsin-Madison	-	-	-	-	
Senior VP of R&D	R.O.C	Yung-Ching Hsiao	Male	March 2, 2021	100,550	0.20	0	0	0	0	The Company's AVP of RD-VLSI Division. The Company's Senior Manager of RD-VLSI Division, Manager of RD-VLSI Division, Deputy Manager of RD-VLSI Division. MTS, Sun Microsystems, Inc. MSEE, University of Wisconsin-Madison	-	-	-	-	

Title	Nationality	Name	Gender	Date Effective (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remarks(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
VP of IP Business Unit	R.O.C	Kuo-Chi Lin	Male	January 25, 2019	90,360	0.18	0	0	0	0	The Company's VP of IP Business Unit. The Company's AVP of Sales, Manager of Sales, Deputy Manager of Sales & Senior Manager of Sales. Deputy minister of Sales, Faraday Technology Corp. Manager of R&D department, UMC. Master's degrees, NTU Department of Electrical Engineering. Bachelor's Degree, Department of Physics, National Chiao Tung University	Director, Andes Technology (Wuhan) Corporation Director, Andes Technology Shanghai Corporation	-	-	-	-
VP of Finance Division & ADM Service Division	R.O.C	Han-Chang Chou	Female	Mar 8, 2023	140,235	0.28	0	0	0	0	The Company's AVP of Finance and ADM Service Division, Manager of Finance and ADM Service Division, Deputy Manager of Finance and ADM Service Division. Manager of Finance Division, Gemstone Communications, Inc. Auditor, PwC Accounting Firm. Bachelor's Degree, Department of Accounting, Fu Jen Catholic University	Supervisor, Andes Technology (Wuhan) Corporation Director, Andes Technology USA Corporation Supervisor, Andes Technology Shanghai Corporation CFO, Condor Computing Corporation	-	-	-	-
AVP of RD-Software Division	R.O.C	Kuen-Chern Lin	Male	April 1, 2020	101,776	0.20	0	0	0	0	The Company's Senior Director of RD-Software Division, Director of RD-Software Division. Deputy Chief Technology Officer, Nuvoton Technology Co., Ltd. AVP of Microcontrol Product Center, AVP of Logic Design Technology Center, Winbond Electronics Co., Ltd. Product Manager, Research and Development Division, Jiebang Computer Co., Ltd. Engineer and Project Moderator, System Software Department, Institute of Electronics, Industrial Technology Research Institute Master's Degree, Department of Computer Science and Information Engineering, Tamkang University	-	-	-	-	

Title	Nationality	Name	Gender	Date Effective (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
AVP of Legal & IP Management Division	R.O.C	Kuang-Heng Wang	Male	Mar 8, 2023	0	0	0	0	0	0	Chief Legal Officer of the Company Chief Legal Officer, Faraday Technology Co., Ltd. Deputy convener of the Intellectual Property Committee of the Bamboo Industry Association Adjunct Lecturer, Institute of Intellectual Finance, National Chengchi University National Yangming Jiaotong University EMBA Master National Taiwan University Law Department Bachelor of Finance and Economics Law	-	-	-	-	
AVP of Quality & Reliability Management Division	R.O.C	Kuo-Cheng Huang	Male	Mar 8, 2023	777	0	0	0	0	0	The company's quality and safety management department assistant, senior director, director, quality management department manager, operation department manager Special Assistant to General Manager, Manager of Quality Management Department of Zhiyuan Technology Co., Ltd. Deputy Director of Quality and Reliability Assurance Department of Guanghui Electronics Co., Ltd. Lianhua Electronics Co., Ltd. Central Quality Assurance Department Manager, FAB Quality Assurance Department Manager Master of Science in Industrial Engineering and Management, National Tsing Hua University	-	-	-	-	
AVP of IP Business Unit	R.O.C	Yu-Ling Hsieh,	Female	Mar 8, 2023	6,347	0.01	0	0	0	0	Senior business director of the company's IPBU business department Chief Operating Officer, Daxin Electronics Co., Ltd. Business Manager of Jinli Technology Co., Ltd. Master of Business Administration, National Central University Bachelor of Chemical Engineering, Chang Gung University	-	-	-	-	

Note 1: It is the date of as the position of the Company.

3. Remuneration for Directors, President and Vice Presidents  
3.1. Remuneration of Directors and Independent Directors

Unit: NTS thousands

Title	Name	Director's remuneration								(A+B+C+D) as amount & % of Net Income		Remuneration from concurrent position as employee								(A+B+C+D+E +F+G) as amount & % of Net Income		Remuneration received from re- investment business other than subsidiaries
		Salary (A)		Pension (B)		Remunerations (C)		Allowances (D)				Salary, Bonus, etc. (E)		Pension (F)		Employee Compensation (G)						
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities			
														Cash	Stock	Cash	Stock					
Chairman	Jyh-Ming Lin																					
Director	Hsiang Fa Co. (Representative: Andrew Chang)																					
Director	National Development Fund (Representative: Herming Chiueh)	400	400	0	0	2,211	2,211	39	39	2,650 0.7%	2,650 0.7%	14,764	14,764	0	0	3,585	0	3,585	0	20,999 5.9%	20,999 5.9%	0
Director	Hong-Men Su																					
Independent Director	Chien-Kuo Yang																					
Independent Director	Tien-Fu Chen	390	390	0	0	1,657	1,657	45	45	2,092 0.6%	2,092 0.6%	0	0	0	0	0	0	0	0	2,092 0.6%	2,092 0.6%	0
Independent Director	Jun-Hao Lai																					
<p>1. The remuneration payment policy, system, standards and structure of the general directors and independent directors of the company, and according to the responsibilities, risks, time spent and other factors, describe the relevance to the amount of remuneration:</p> <p>(1) According to the company's articles of association, the remuneration of the company's chairman and directors, the value of their contribution to the company's operation and participation, and the level of industry peers, are determined by the salary and compensation committee and sent to the board of directors for approval.</p> <p>(2) The company's articles of association also specify that no more than 1% of the annual profit will be used as directors' remuneration.</p> <p>(3) The payment of directors' remuneration of the company is handled in accordance with the "Directors and Managers' Remuneration Management Measures", because all independent directors serve as members of the audit committee and the remuneration committee and are required to participate in the discussion of relevant committee meetings and Resolution, so its remuneration is higher than that of general directors.</p> <p>2. In addition to the disclosures in the above table, the directors of the company in recent years have provided services to all companies in the financial report (such as serving as consultants for non-employees). Remuneration: None.</p> <p>Note 1: The 2022 director's remuneration has been distributed through the resolution of the remuneration committee and the board of directors in 2023.</p> <p>Note 2: The 2022 manager's employee compensation has been approved by the remuneration meeting and the board of directors in 2023.</p>																						

### Remuneration Range

Remuneration Range	Name of Directors (Note1-3)			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	Andes	Consolidated Entities	Andes	Consolidated Entities
Less than NT\$ 1,000,000	Jyh-Ming Lin; Hong-Men Su; Hsiang Fa Co.; Andrew Chang; National Development Fund; Herming Chiueh; Chien-Kuo Yang; Tien-Fu Chen; Jun-Hao Lai	Jyh-Ming Lin; Hong-Men Su; Hsiang Fa Co.; Andrew Chang; National Development Fund; Herming Chiueh; Chien-Kuo Yang; Tien-Fu Chen; Jun-Hao Lai;	Hsiang Fa Co.; Andrew Chang; National Development Fund; Herming Chiueh; Chien-Kuo Yang; Tien-Fu Chen; Jun-Hao Lai;	Hsiang Fa Co.; Andrew Chang; National Development Fund; Herming Chiueh; Chien-Kuo Yang; Tien-Fu Chen; Jun-Hao Lai;
NT\$1,000,000 ~ NT\$1,999,999				
NT\$2,000,000 ~ NT\$3,499,999				
NT\$3,500,000 ~ NT\$4,999,999				
NT\$5,000,000 ~ NT\$9,999,999			Jyh-Ming Lin; Hong-Men Su	Jyh-Ming Lin; Hong-Men Su
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999				
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
Greater than or equal to NT\$100,000,000				
Total	7 (including 2 legal persons)	7 (including 2 legal persons)	7 (including 2 legal persons)	7 (including 2 legal persons)

3.2. Remuneration of Supervisors: NA

### 3.3. President's and Vice Presidents' Remuneration

Unit: NT\$ thousands

Title	Name	Salary (A)		Pension (B)		Bonuses and special expenses (C)		Employee Compensation (D) (Note 1)				(A+B+C+D) as amount & % of Net Income		Remuneration received from re-investment business other than subsidiaries
		Andes	Consolidated Entities	Andes	Consolidated Entities	Andes	Consolidated Entities	Andes		Consolidated Entities		Andes	Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Jyh-Ming Lin	18,719	18,719	0	0	13,770	13,770	7,251	0	7,251	0	39,740 11.2%	39,740 11.2%	0
President & CTO	Hong-Men Su													
Senior VP of Technical and New Business	Jen-Chih Tseng													
Senior VP of R&D	Yung-Ching Hsiao													
VP of IP Business Unit	Kuo-Chi Lin													

Note 1: The 2022 employee compensation has been approved by the Board of Directors and Remuneration committee in 2023, and it is planned to be distributed annually.

#### Remuneration Range

Remuneration Range	Name of Presidents and Vice Presidents	
	Andes	Consolidated Entities
Less than NT\$ 1,000,000		
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999		
NT\$3,500,000 ~ NT\$4,999,999		
NT\$5,000,000 ~ NT\$9,999,999	Jyh-Ming Lin; Hong-Men Su; Jen-Chih Tseng; Yung-Ching Hsiao; Kuo-Chi Lin	Jyh-Ming Lin; Hong-Men Su; Jen-Chih Tseng; Yung-Ching Hsiao; Kuo-Chi Lin
NT\$10,000,000 ~ NT\$14,999,999		
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
Greater than or equal to NT\$100,000,000		
Total	5	5

### 3.4. Employee Compensation Distributed to Key Managers:

Unit: NT\$ thousands

Title	Name	Cash (Note 1)	stock	Total	Percentage of net income after tax(%)
CEO	Jyh-Ming Lin	8,884	0	8,884	2.5%
President & CTO	Hong-Men Su				
Senior VP of Technical and New Business	Jen-Chih Tseng				
Senior VP of R&D	Yung-Ching Hsiao				
VP of IP Business Unit	Kuo-Chi Lin				
VP of Finance Division & ADM Service Division	Han-Chang Chou				
AVP of RD-Software Division	Kuen-Chern Lin				

Note 1: The 2022 employee compensation has been approved by the Board of Directors and Remuneration committee in 2023, and it is planned to be distributed annually.

### 3.5. Comparative analysis of percentage of remuneration for Directors, Supervisors, President and Vice Presidents versus parent company only net profit after tax over the last two years, and explanation of remuneration strategies, standards, decision processes and relationship between strategy and performance.

#### 3.5.1. Percentage of total remuneration paid to Directors, Supervisor, President and Vice President compared to company net income after tax in 2021 and 2022.

Item \ Year	Percentage of total remuneration compared to company net income after tax			
	2021 (%)		2022 (%)	
	Andes	Consolidated Entities	The Company	Consolidated Entities
Director	9.3	9.3	6.5	6.5
Supervisor	NA	NA	NA	NA
President and Vice President	17.2	17.2	11.2	11.2

(1) The proportion of total remuneration paid to directors, supervisors, President, and Vice President in net income after tax in the year 2022 decreased from the year 2021, mainly because the net income after tax in the year 2022 was higher than that in the year 2021, resulting in the total remuneration accounting for net income after tax proportion decrease.

#### 3.5.2. Percentage of remuneration for Directors, Supervisors, President and Vice Presidents versus parent company only net profit after tax over, and explanation of remuneration strategies, standards, decision processes and relationship between strategy and performance:

##### 3.5.2.1. Principles of remuneration for directors and supervisors

The policy for payment of directors' remuneration is in accordance with the provisions of Article 23 of the company's articles of association. If there is a profit in the year, no more than 1% shall be made for directors' remuneration. In the event that the Company makes a profit in its annual accounts, the remuneration of the Company's directors will be based on the results of the Company's operations and individual directors' evaluations, which will be reviewed by the Remuneration Committee and approved by the Board of Directors.

Measurement Items for Performance Evaluation of Board Members and rated on a 5-level scale.



- A. Knowing the Company's goals and missions
- B. Awareness of Directors' Duties
- C. Involvement in the operation of the Company
- D. Internal Relationship Management and Communication
- E. Professional and Continuing Education of Directors
- F. Internal Control

3.5.2.2. Salary of CEO and President

The remuneration standard of the CEO and President shall be determined by the compensation and remuneration committee according to their participation in the operation of the company and the value of their contribution, and with reference to market peer group standards, between 0% and 150% of market peer funding, after review by the Remuneration Committee and approval by the Board of Directors.

The performance of the CEO and President is evaluated based on the achievement of the Company's overall annual goals, including the achievement of the Company's consolidated revenue, budget target rate, and other business management performance, etc. and is calculated based on the number of weights determined by the board of directors based on facts.

3.5.2.3. Salary of the key managers

The appointment, dismissal and compensation of the key managers shall be in accordance with the Company's regulations. The remuneration standards are determined by the human resources department in accordance with the relevant rules of the Company's personnel performance appraisal, individual performance and contribution to the Company's overall operations, and with reference to market peer group standards, negotiate the key managers' salary between 0% and 150% of the industry's salary level.

The performance of the Vice President is evaluated based on the achievement of the annual goals, including the achievement rate of the annual goals of the department to which he/she belongs, departmental management, cultivation of talents, and implementation of the Company culture, etc., and is calculated based on the number of weights.

3.5.2.4. Business performance and future risks

The Company's compensation policy is based on the individual's ability, contributions to the Company, accomplishment of goals and performance, and is positively correlated with the operating performance and is calculated based on the number of weights. In addition, the Company has a certain degree of control over future risks, and the compensation policy has a certain correlation with future risks. The overall compensation package consists of base salary, bonuses and employee compensation. The base salary is evaluated in accordance with the competitive market situation and the company's policy for the position held by the employee; the bonus and employee compensation are determined in relation to the employee, the achievement of departmental goals and the company's operating performance.

#### 4. Implementation of Corporate Governance

##### 4.1. Board of Directors Governance

4.1.1. The 7<sup>th</sup> Board of Directors (Note 1) held meeting 5 times (A) in 2022. Attendance status of Directors is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B / A】	Remarks
Chairman	Jyh-Ming Lin	5	0	100	None
Director	Hong-Men Su	5	0	100	None
Director	Hsiang Fa Co. (Representative: Andrew Chang)	4	1	80	None
Director	National Development Fund (Representative: Herming Chiueh)	4	1	80	None
Independent Director	Chien-Kuo Yang	5	0	100	None
Independent Director	Tien-Fu Chen	4	1	80	None
Independent Director	Jun-Hao Lai	5	0	100	None

Note 1: The term of the 7<sup>th</sup> board of directors is from 2021.7.7 to 2024.7.6.

##### 4.1.2. Other Required Notes for the Board Meetings:

(1) Items listed in Article 14-3 in Securities and Exchange Act or Board resolutions independent directors have dissenting opinions or qualified opinions with notes in minutes of the directors' meetings:

A: Items listed in Article 14-3: The company has established an audit committee, and Article 14-3 of the Securities and Exchange Act does not apply. For a description of the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to the Operation of the Audit Committee on pages 24 to 26 of this annual report.

B. Written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None.

(2) Recusals of Directors due to conflicts of interests in 2022 are as follows:

Meeting	Name	Agenda	Reason of recusals	Vote
The 5 <sup>th</sup> meeting of the 7 <sup>th</sup> Board	Jyh-Ming Lin; Hong-Men Su	1. Amendment of the Company's 2022 managers compensation 2. The company's issuance of new shares with restricted employee rights	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.
The 9 <sup>th</sup> meeting of the 7 <sup>th</sup> Board	Jyh-Ming Lin; Hong-Men Su	The Company's 2023 managers compensation	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.

(3) Measures taken to strengthen the functionality of the Board:

A. The Company has set "Rules Governing the Scope of Powers of Independent Directors", "Ethical Corporate Management Best Practice Principles", "Corporate Governance Best Practice Principles", "Self-Evaluation or Peer Evaluation of the Board of Directors", and "Rules of Procedure for Board of Directors Meetings".

In accordance with the "Self-Evaluation or Peer Evaluation of the Board of Directors", the board of directors regularly completes the performance evaluation by self-evaluation.

B. The company has three independent directors, and the independent directors serve as conveners and members of the Remuneration Committee and Audit Committee.

C. The company has purchased liability insurance for board members.

- D. The convening of the board, the discussion of the motion, the issuance and preservation of the proceedings are handled in accordance with “Rules of Procedure for Board of Directors Meetings”.
- E. The training hours of directors have been registered in MOPS.
- F. The board nomination system has implemented in the Company's articles of association.
- G. The company's corporate website has a sustainable management area, an investor area, a corporate governance area, and a stakeholder area to provide important information about the company's finances and business and contact channels for stakeholders.

#### 4.2. Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Overall average (Out of 5)
Once per year	2022/1/1~2022/12/31	(1) Board	Performance evaluation by internal questionnaire	1. Level of participation in company operations 2. The quality of Board decisions. 3. Board composition and structure. 4. Appointment of directors and their continued development. 5. Internal controls.	4.90
Once per year	2022/1/1~2022/12/31	(2) Individual director	Performance evaluation by internal questionnaire	1. Grasp of company targets and missions. 2. Understanding of the director's role and responsibilities. 3. Level of participation in company operations. 4. Internal relationship management and communication. 5. Director's specialty and continued development. 6. Internal controls.	4.86
Once per year	2022/1/1~2022/12/31	(3) Audit committee	Performance evaluation by internal questionnaire	1. Participation in company operations. 2. Understanding of the responsibilities of functional committees. 3. Improvement of the decision-making quality of functional committees. 4. Composition of functional committees and member selection. 5. Internal control.	4.73
Once per year	2022/1/1~2022/12/31	(4) Remuneration Committee	Performance evaluation by internal questionnaire	1. Participation in company operations. 2. Understanding of the responsibilities of functional committees. 3. Improvement of the decision-making quality of functional committees. 4. Composition of functional committees and member selection.	4.76

In 2022, the performance evaluation results of the board of directors, the above-mentioned committees, and directors are all above 4.5 points, all of which are excellent (agree), which means "effective operation" and will be reported to the board of directors on March 8, 2023.

#### 4.3. Audit Committee and Attendance of Supervisors at Board Meetings

4.3.1. The audit committee’s annual work highlights and the operating conditions for the year are described as follows:

- (1) The audit committee of the Company consists of three independent directors to supervise the adequate presentation of the Company's financial statements, the selection and discharge of the CPA, the independence and performance, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and the control mechanism for existing or potential risk.

The matters discussed in the Audit Committee mainly include:

- A. Set or amend internal control systems according to the provisions of Article 14-1 of the Securities and Exchange Act.
- B. Assessment of the effectiveness of the internal control system.
- C. Set or amend Operating procedures for obtaining or disposing of assets, engaging in derivative transactions, outward loans to others, endorsement and guarantee to others according to the provisions of Article 36-1 of the Securities and Exchange Act.
- D. Matters relating to the director's own interests.
- E. Significant assets or derivatives transactions.
- F. Significant outward loans to others, endorsement and guarantee to others.
- G. Transaction of public offering, issuance or private placement of equity-type securities.
- H. Appointment, discharge or remuneration of CPA.
- I. Appointment and discharge of finance, accounting or internal audit supervisor.
- J. The annual financial report signed or sealed by the Chairman, manager and accountant, and the second quarter financial report subject to the audit check by the accountant.
- K. Other matters stipulated by the Company or competent authorities.

(2) Review annual financial report:

The Board of Directors prepared the Company's 2022 annual business report, financial statements and proposal for profit distribution. The financial statements have been audited and certified by Ernst & Young Taiwan. The aforementioned business report, financial statements and proposal for profit distribution have been audited by the Audit Committee and no disagreement has been found.

(3) Assessment of the effectiveness of the internal control system:

The Audit Committee evaluated the company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2022, including understanding the effectiveness of operations and the extent to which the efficiency targets were achieved, and the reporting system was reliable, Timeliness, transparency and compliance with relevant regulations and relevant laws and regulations, and the design and implementation of relevant internal control systems are effective.

(4) Audit Committee Meeting :

- A. The 2<sup>nd</sup> Audit Committee held meeting 5 times (A) in 2022. The attendance of the independent directors is shown in the following table:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B / A】	Remarks
Independent Director	Chien-Kuo Yang	5	0	100	-
Independent Director	Tien-Fu Chen	4	1	80	-
Independent Director	Jun-Hao Lai	5	0	100	-

- B. Other mentionable items:

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

i. Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date	Resolution	Resolution results of the Audit Committee	The Company's response to the comments of the Audit Committee
2022.3.8 The 4 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. Approved the company's 2021 annual business report, financial statements and consolidated financial statements.</li> <li>2. The company's profit distribution plan for 2021 in the Republic of China.</li> <li>3. Revise the company's "Procedures for Acquisition or Disposal of Assets".</li> <li>4. Issuing the company's 2021 "Internal Control System Statement" case.</li> <li>5. Revise the company's "internal control system" proposal.</li> <li>6. The case of the independent assessment results of the company's certified accountants.</li> <li>7. The company will change the remuneration of the certified accountants and related cases in 2022.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2022.05.03 The 5 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. The company's financial statements for the first quarter of 2022.</li> <li>2. The company cooperates with the internal adjustment of the accounting firm to replace the certified accountant.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2022.08.10 The 6 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. The company's financial statements for the second quarter of 2022.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2022.09.19 The 7 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. The company intends to purchase the "A TEAM" real estate pre-sale transaction.</li> <li>2. The company intends to change the planned amount of funds raised in the 2021 cash capital increase to issue common shares to participate in the issuance of overseas depository receipts.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2022.11.09 The 8 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. The company's financial statements for the third quarter of 2022.</li> <li>2. An investment project to establish a new US subsidiary through the transfer of investment from the company's overseas subsidiary Everest Peaks Technology Corporation (B.V.I.).</li> <li>3. The company's 2023 annual audit plan.</li> <li>4. Revise the company's "Corporate Social Responsibility Code of Practice".</li> <li>5. Revise the company's "Board of Directors' Rules of Procedure" and "Internal Material Information Handling Procedures".</li> <li>6. The company intends to update the evaluation opinion of the underwriter for the case of changing the 2021 cash capital increase to issue ordinary shares to participate in the issuance of overseas depository receipts.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2023.03.08 The 9 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. The company's 2022 business report and financial statements.</li> <li>2. The company's 2022 profit distribution plan.</li> <li>3. An investment plan to establish a new European subsidiary through the transfer of investment from Everest Peaks Technology Corporation (B.V.I.), an overseas subsidiary of the company.</li> <li>4. Issuing the company's 2022 "Statement of Declaration of Internal Control"</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.

Date	Resolution	Resolution results of the Audit Committee	The Company's response to the comments of the Audit Committee
	5. The company cooperates with the internal adjustment of the accounting firm to replace the certified accountant. 6. Independence and aptitude assessment case of the company's certification accountants. 7. The company's 2023 certification accountant remuneration case		

- ii. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
  - II. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
  - III. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)
    - i. The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the regular meetings of the Audit Committee.
    - ii. The communication channel between the Audit Committee and the internal auditor has been functioning well.
    - iii. The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee.
    - iv. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.
    - v. The communication between the independent directors and the chief internal auditor and CPAs has been disclosed in detail on the Company's corporate website.
- (5) Attendance of Supervisors at Board Meetings: NA.

#### 4.4 Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/ Listed Companies”?	V		The Company has formulated <b>【Corporate Governance Best Practice Principles】</b> with reference to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”. And after approval by the board of directors, it is publicly exposed on the corporate website and MOPS.	None
2. Equity structure and shareholders’ equity (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement them according to the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (3). Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4). Does the Company establish internal rules against insiders trading with undisclosed information?	V		The Company established <b>【Procedures for Handling Material Inside Information】</b> and the spokesperson system to handle shareholders’ suggestions or disputes.	None
	V		The Company tracks the list of the major shareholders and the ultimate owners of those shares.	None
	V		The Company has defined <b>【Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises】</b> and <b>【Procedures Governing the Monitoring of Subsidiaries】</b> to establish a risk management mechanism at its subsidiaries.	None
	V		Besides established <b>【Procedures for Handling Material Inside Information】</b> , the Company require insiders shall declare the holding of shares.	None
3. Composition and Responsibilities of the Board of Directors (1) Has Board of Directors established a diversification policy and a specific management goal, and has it been implemented accordingly?	V		Article 20 of the "Code of Practice on Corporate Governance" of the company has stipulated that the composition of the board of directors is diversified. And formulate an appropriate diversification policy based on its own operation, operation type and development needs, including but not limited to basic conditions and values (gender, age, nationality and culture, etc.) and professional knowledge and skills (such as accounting, industry, finance, marketing research and development, technology, business management, professional skills and industrial experience, etc.) two aspects, And generally possess the knowledge, skills and literacy necessary to perform duties. Report for the implementation of the Board diversity policy: 1. The company currently has 7 directors, of which independent directors account for 3 directors accounting for 43%; directors with employee status account for 29%;	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
<p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the Company establish a standard to measure the performance of the Board, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?</p> <p>(4) Does the Company regularly evaluate the independence of CPAs?</p>	V	V	<p>directors under 60 account for 29%, and directors over 70 account for 0%.</p> <p>2. Independent director's term of office: since June 2015, not more than 9 years.</p> <p>3. Each director has his own professional background including accounting, industry, finance, marketing research and development, technology, operation management, professional skills and industry experience, etc. (Please refer to P12-13 Diversity and Independence of the Board of Directors)</p> <p>Please refer to the company's corporate website for the company's corporate governance code of practice.</p> <p>Besides Remuneration Committee and the Audit Committee, the Company will establish other committee under the necessity.</p> <p>The Board has approved "Rule of Board Performance Evaluation" and perform internal board performance evaluation annually from 2019. Please refer to page 23 for assessment details. The outcome of 2022 assessment was graded as excellent (agree). Detailed information regarding the above evaluation were reported to 10<sup>th</sup> meeting of the 7<sup>th</sup> Board. It also is used as reference for the remuneration and re-election nomination of individual Director.</p> <p>The audit committee and the board of directors of the company have regularly assessed the independence of CPA annually in accordance with the items stipulated in the Bulletin on the No.10 Norm of Professional Ethics for Certified Public Accountant of the ROC, and obtained the independence statement issued.</p> <p>The results of the most recent evaluations in the last two years were reported to the 5<sup>th</sup> meeting of the 7<sup>th</sup> Board and the 10<sup>th</sup> meeting of the 7<sup>th</sup> Board.</p> <p>Please refer to Note 1 for the criteria for assessing the independence of accountants.</p>	As the Summary Description
4. Does the company established an exclusively (or concurrently) corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws,	V		<p>On March 8, 2023, the company's board of directors appointed Ms. Chou Han-Chang, VP and CFO, as the supervisor of corporate governance to perform corporate governance business and handle relevant reporting operations, and report to the public information observation station by</p>	None



Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc..			<p>regulations.</p> <p>The corporate governance affairs that he is responsible for are as follows:</p> <ol style="list-style-type: none"> <li>1. Conducted matters relating to board meetings and shareholder meetings.</li> <li>2. Assisted in the matters of director appointment and professional enhancement.</li> <li>3. Maintains D&amp;O insurance for its directors and key officers.</li> <li>4. Election of the general meeting of shareholders, announcements and other related matters</li> <li>5. Handle matters relating to company registration and change of company registration.</li> <li>6. Arrange separate meetings between independent directors and CPA.</li> </ol>	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company established a communication channel on the company website. Including customers, suppliers, investors and employees, providing e-mail and specific contact windows for all kinds of stakeholders to ask questions, and the main business leaders will reply to maintain a good communication channel.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company entrusted the stock agency of Horizon Securities Co., Ltd. to handle the affairs of the shareholders' meeting.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The Company has disclosed information of financial and corporate governance on the website.	None
(2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		<p>The Company has built an English website and appointing department of Finance to handle information collection and disclosure.</p> <p>The Company has established a spokesperson policy that properly handles shareholder recommendations and company information.</p> <p>The Company provides investor conferences webcasts and presentation materials on its website in a timely manner.</p>	None
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	The Company announced and declared the quarterly and annual financial reports and the monthly operating situation within the prescribed time limit.	As the Summary Description
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices	V		1. Employee rights and employee caring: The Company has established the Welfare	None

Assessment Item	Implementation Status		Reason for Non-implementation
	Yes	No	
(e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>Committee.</p> <p>2. Investor relations: The Company established the spokesperson system to handle shareholders' suggestions or disputes.</p> <p>3. The right of stakeholders: The Company's website has information for contact.</p> <p>4. Status of continuing education for directors and supervisors: The directors of the company actively participate in various professional knowledge training courses, and the directors' training status has been disclosed in the MOPS and supervisors training records are listed below.</p> <p>5. Implementation of risk management policies and risk measurement: In addition to the internal control and related regulations and standardized operating procedures, the major business, finance or investment shall be approved by the board, and the risk has been minimized or acceptable.</p> <p>6. Implementation of customers policy: Customer can make a request through e-Service system, and the engineers will reply immediately.</p> <p>7. The Company maintains D&amp;O insurance for its directors and key officers. The period is from January 19, 2023 to January 19, 2024 and the insurance has been renewed at expiration. And report to the 10th meeting of the 7th Board of directors on important items such as insurance coverage, amount, and period.</p> <p>8. The company's corporate website has set up a corporate sustainable development zone, an investor zone, and a corporate governance zone to provide relevant important information.</p>

(8) Status of training for directors and supervisors.

Title	Name	Date	Course Title	Training hours
Chairman	Jyh-Ming Lin	Aug 10, 2022	CFC Individual Controlled Foreign Corporation	3
		Aug 10, 2022	Tax Law Update	3
Director	Herming Chiueh	Aug 10, 2022	CFC Individual Controlled Foreign Corporation	3
		Aug 10, 2022	Tax Law Update	3
Director	Hong-Men Su	Aug 10, 2022	CFC Individual Controlled Foreign Corporation	3
		Aug 10, 2022	Tax Law Update	3
Director	Andrew Chang	Aug 10, 2022	CFC Individual Controlled Foreign Corporation	3
		Aug 10, 2022	Tax Law Update	3
Independent director	Chien-Kuo Yang	Aug 10, 2022	CFC Individual Controlled Foreign Corporation	3
		Aug 10, 2022	Tax Law Update	3
Independent director	Tien-Fu Chen	Aug 10, 2022	CFC Individual Controlled Foreign Corporation	3
		Aug 10, 2022	Tax Law Update	3
Independent director	Jun-Hao Lai	Aug 10, 2022	CFC Individual Controlled Foreign Corporation	3
		Aug 10, 2022	Tax Law Update	3

9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange: None.

Note: CPAs' independence evaluation criteria

1. On August 19, 2021, the Financial Supervisory Commission released the disclosure framework and disclosure template of the Audit Quality Indicators (hereinafter referred to as AQI). When a listed company chooses its own certified accountant for the 2023 annual financial report review, the four major accounting firms will actively provide AQI information to the audit committee of the listed company for reference every year in accordance with the AQI disclosure framework and disclosure template issued by the Financial Supervisory Commission, so that it can be considered as a visa Reference for the appointment of accountants.

2. The company held the 9th meeting of the second session of the audit committee on March 8, 2023. Regarding the independence, eligibility (including performance), appointment, and review of the 2023 annual remuneration proposal of certified accountants, the audit committee used the certification The AQI information and other non-quantitative indicators submitted by the accountant are jointly evaluated as the basis for the appointment of certified accountants. After the resolution of the audit committee is passed, it is submitted to the board of directors for approval on the same day. The preparation of the AQI information is based on the AQI structure and disclosure template updated by the Financial Supervisory Commission in June 2022. The period information covers the fiscal year 2021 of Ernst & Young (July 1, 2021, to June 30 2022) and 2020 (July 1, 2020, to June 30, 2021). The items evaluated by the audit committee and the board of directors of the company include five aspects and 13 indicators including professionalism, independence, quality control, supervision, and innovation ability; other non-quantitative indicators are as follows:

Items for Evaluation	Evaluation Result	Compliance with Independence
Whether the accountants and their spouses and dependent relatives have direct or significant indirect financial interests in the company	No	Yes
Whether the accountants and their spouses and dependent relatives have any commercial relationship with the company's directors and managers that affects independence	No	Yes
During the audit period, whether the audit accountants and their spouses and dependent relatives are the company's directors, managers, or positions that have a direct and significant impact on the audit work	No	Yes
Whether the auditor and the company's directors and managers have spouses, direct blood relatives, direct blood relatives, or second-degree relatives in collateral blood	No	Yes

#### 4.5 Operation of the Company's Remuneration Committee

##### 4.5.1 Remuneration Committee's members

Title (Note1)	Criteria	Professional qualifications and experience	Independence situation	Number of other public companies concurrently serving as an independent director
	Name			
Independent Director	Chien-Kuo Yang	Please refer to pages 10 to 12 of this annual report for directors' information.	Please refer to pages 10 to 12 of this annual report for directors' information.	1
Independent Director	Tien-Fu Chen	As above	As above	0
Independent Director	Jun-Hao Lai	As above	As above	1

##### 4.5.2 Responsibilities of the Company's Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation. The compensation to directors and other key managers were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends. The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the Company's business. The annual earning distribution status is submitted to the Board of Directors for discussion.

##### 4.5.3 Remuneration Committee Meeting Status

- (1) The total members of the Company's Remuneration Committee are 3.
- (2) The tenure of the Company's 3rd remuneration committee is from July 7, 2021 to July 6, 2024.

The Compensation Committee held meeting 2 times (A) for the preceding year (2022). Attendance statuses of Independent Directors are as follows:

Title	Name	Attend in Person (B)	Attendance by Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Convener	Chien-Kuo Yang	2	0	100	Renewal
Member	Tien-Fu Chen	2	0	100	Renewal
Member	Jun-Hao Lai	2	0	100	Renewal

4.5.4 Other Required Notes for Remuneration Committee:

- (1) In cases the Board doesn't adopt or revise Remuneration Committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to Remuneration Committee's proposal: None.
- (2) In cases Remuneration Committee members have dissenting opinions or qualified opinions against their solution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion:

Meeting	Resolutions	Resolution results	The Company's response to the comments of the Remuneration Committee
The 3 <sup>rd</sup> meeting of the 3 <sup>rd</sup> Committee 2022.03.08	1. Approved the projected salary payment amount for managers in 2022. 2. Issuing new shares that restrict employee rights and interests.	Unanimously approved by all members of the Remuneration Committee attending the meeting (Managers- Han-Chang Chou have left the vote in accordance with the law when voting on the motion)	The 5 <sup>th</sup> meeting of the 7 <sup>th</sup> Board of Directors all present and approved by the directors (Managers and attendees have left the vote in accordance with the law when voting on the motion)
The 4 <sup>th</sup> meeting of the 3 <sup>rd</sup> Committee 2022.11.09	1. Approved the projected salary payment amount for managers in 2023.	Unanimously approved by all members of the Remuneration Committee attending the meeting (Managers- Han-Chang Chou have left the vote in accordance with the law when voting on the motion)	The 9 <sup>th</sup> meeting of the 7 <sup>th</sup> Board of Directors all present and approved by the directors (Managers and attendees have left the vote in accordance with the law when voting on the motion)
The 5 <sup>th</sup> meeting of the 3 <sup>rd</sup> Committee 2023.03.08	1. The amount paid through the manager's 2022 employee remuneration and director's remuneration. 2. Revise the estimated salary payment amount for managers in 2023.	Unanimously approved by all members of the Remuneration Committee attending the meeting (Members- Han-Chang Chou have left the vote in accordance with the law when voting on the motion)	The 10 <sup>th</sup> meeting of the 7 <sup>th</sup> Board of Directors all present and approved by the directors (Members have left the vote in accordance with the law when voting on the motion) (Managers and attendees have left the vote in accordance with the law when voting on the motion)

4.6 Information on Nomination Committee members and operations: Not applicable

4.7 Implementation of Sustainable Development Promotion and Deviations from "the Sustainable Development Practice Principles for TWSE/TPEX Listed Companies"

Promote Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
1. Has the company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board's authorization and supervision?		V	The company expects to set up a cross-departmental sustainable development team in 2023, which will be coordinated and planned by the corporate governance supervisor to implement the goal of sustainable development, implement information disclosure and transparency, and regularly report the practice to the board of directors. At present, the "Code of Practice for Sustainable Development" has been formulated, and all departments will try their best to fulfill their corporate social responsibilities according to their duties and scope.	As the Summary Description
2. Did the company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		V	The company expects that in 2023, the sustainable development team will formulate the risk management policy based on the principle of materiality, follow it and continue to promote its implementation, and regularly report the practice to the board of directors. Although the Company has not formulated relevant risk management policies, it has integrated the risk management of environmental, social and corporate governance issues related to operations into its operational strategies, including corporate policies, internal operational management and business execution.	As the Summary Description
3. Environment Topic (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company is a professional CPU IP design company with no production process, so it has no significant impact on environmental impact. And also provides energy and resource saving technologies in product design to reduce the impact of global warming.	None
(2) Has the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?	V		The Company strives for perpetual operations and development. During the lunch break, turn off the lights for 1 hour to save energy and reduce carbon, and provide employees with environmentally-friendly tableware to reduce the use of disposable tableware.	None

Promote Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
(3) Does the Company evaluate the potential risk and opportunity caused by the climate change currently and in the future, and take measures corresponding to the climate relevant issues?			The company will regularly assess the potential risks and opportunities of climate change to the company, and take measures to respond to climate-related issues, which will be disclosed on the company's corporate website.	None
(4) Does the Company make statistics of total greenhouse gas emissions, water consumption and waste weight of the Company during past two years, and establish strategies for energy conservation, carbon and greenhouse gas reduction, water consumption saving or waste management, and has the Company formulated policies for greenhouse gas reduction, water use reduction, and other waste management??	V		The Company has calculated the greenhouse gas emissions, water consumption and total weight of waste in the past two years. And establish strategies for energy conservation, carbon and greenhouse gas reduction or water consumption saving. And disclosure on the company's website to implement corporate sustainable development responsibility.	None
4. Society Topic (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The company has formulated a human rights protection policy and publicly disclosed it on the company website. The company respects the laws and regulations of the company's location, Support and follow internationally recognized human rights standards such as the "United Nations Guiding Principles on Business and Human Rights", "International Labor Organization-Declaration of Fundamental Principles and Rights at Work", and other internationally recognized human rights standards, and adopt a code of conduct with the "Responsible Business Alliance" Consistent Action. Treat with dignity and respect all employees, contract and temporary personnel, interns, etc. with dignity, and prevent any violation of human rights.	None
(2) Does the Company establish and implement rational employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration policy?	V		Article 23, of the Articles of Association states that if the Company makes a profit for the year, it shall allocate no less than 2 percent of such profits. In addition to the fixed monthly salary, the employee's Annual salary is guaranteed for 14 months. Annual bonuses are handled in accordance with the company's "Performance Appraisal Management Measures". The company emphasizes diversity and equality in the workplace.	None

Promote Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		<p>1.The company has fire safety inspect annually, carbon dioxide testing twice a year, office fire insurance, public accident insurance, and has access control to enhance the safety of the working environment.</p> <p>2.Occupational safety and health education training and employee health checkups are held once a year to strengthen employees' awareness of safety and health.</p> <p>3.On-site medical staff services are implemented every year. Since January 2023, full-time nurses have been hired to provide staff for related health consultations. Health education information and lectures are held from time to time. In case of flu epidemics, it is recommended to wear masks and be at the door. Disinfectant alcohol is provided at the entrance and exit for employees to use when entering and exiting.</p> <p>4. The company regularly promotes occupational safety and health to employees. The company's Class A occupational safety and health business supervisors and nurses provide regular education and training related to employee labor safety and health.</p> <p>5.There was no occupational accident in 2022.</p>	None
(4) Does the Company provide its employees with career development and training sessions?	V		The company arranges professional training, English learning courses and specific professional skills training courses to increase work quality and performance.	None
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		When the company provides services to customers, the transaction process is completed according to the contract contents signed by both parties and comply with relevant regulations and international standards.	None
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		The company is a professional CPU IP design company, and most of the products provided by suppliers are software and services. The company provides customers with test board products, the number of revenues is a small proportion. Because the company pays attention to product quality and the benefits it brings, it focuses on stable quality and reputable	None



Promote Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
			manufacturers in the selection of suppliers. There is no violation of corporate social responsibility policy in the procurement contract between the Company and the supplier. The suppliers that the company has traded over the years are all good companies, and no violations of major regulations. If the supplier is found that has major violations of corporate sustainable development responsibility, environmental and social issues, the Company will take countermeasures.	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as Sustainability Report? Do the reports above obtain assurance from a third party verification unit?		V	The Company has not prepared the CSR report. However, all kinds of information have been disclosed on the company's corporate website. In the future, it will be reorganized depending on the operating status and scale, and will continue to work on the promotion of corporate sustainable development responsibility	As the Summary Description
<p>6. Describe the difference, if any, between actual practice and the corporate sustainable development responsibility principles, if the Company has implemented such principles based on the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:</p> <p>The Company has established "Corporate Sustainable Development Responsibility Best Practice Principles" according to the "Corporate Sustainable Development Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". The Company has also established a stakeholder area on the website to respond issues of concern to stakeholders; The company follows labor laws to protect the basic rights and interests of employees, provide a good and safe working environment and prevent occupational injuries; The company fully discloses relevant and reliable information for relevant stakeholders to know, etc., in accordance with the "Corporate Social Responsibility Code of Practice" (Sustainable Development Code of Practice).</p> <p>Except for the current CSR report, there is no significant difference in implementation.</p>				
<p>7. Other important information to facilitate better understanding of the Company's corporate sustainable development responsibility practices :</p> <ul style="list-style-type: none"> <li>➤ The Company holds the "Andes Certified Engineer Test (ACET™) Program" every year, which can screen out engineers who are skilled in using the Andes development system. In 2022, a total of 200 students participated in the ACET™ test. The Company's accreditation plans and donations in order to help students understand practical, applied and future employment opportunities. In addition, the company donated AndesCore™ CPU IP to the school for R&amp;D and project research.</li> <li>➤ The verification program organized by our company and the donation of AndesCore™ CPU IP to schools cannot use the amount to show economic benefits. We only use our own efforts to help schools cultivate students who are interested in the industry, and help students understand practices, applications and future employment. Opportunity to give back to the community. For other information, please refer to the website: <a href="http://www.andestech.com">http://www.andestech.com</a></li> <li>➤ The company held the first "Andes Awards RISC-V Creative Competition" in 2022, providing high bonuses and requiring participating teams to realize their work on the RISC-V platform. School students participate in a creative competition. The competition is conducted in an open and fair manner, aiming to discover outstanding innovative talents in the RISC-V industry. It received an enthusiastic response when it was held for the first time, attracting nearly 100 people from 25 teams from 12 schools to sign up for the competition.</li> </ul>				

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

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p>	V		<p>The Board of Directors passed the Company's Ethical Corporate Management Best-Practice Principles, implement of ethical corporate management policies and programs and disclose it on the corporate website and MOPS.</p> <p>Require the board of directors and senior management to actively implement.</p>	None
<p>(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>In the "Code of Integrity Management", the Company specifically regulates the preventive measures for business activities with higher risks of dishonesty.</p> <p>The Company has established a "Codes of Ethical Conduct" to encourage the reporting of any illegal or ethical code of conduct through the Company's report.</p>	None
<p>(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	V		<p>The Company has established regulations for the disposal of violations in the "Ethical Corporate Management Best Practice Principles", "Procedures for Handling Material Inside Information" and "Work Rules".</p>	None
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	V		<p>The Company has established the "Ethical Corporate Management Best Practice Principles" and prior to the transaction, all of them will perform credit operations on the transaction objects in accordance with the relevant internal control methods. And through different conduits to understand whether there have been immoral transactions.</p>	None
<p>(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p>	V		<p>For ethical corporate management, the Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" which designated Finance Department and Legal &amp; IP Management Department to make policy and Audit Division to monitor execution results, which annually reports the implementation status to the Board.</p>	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company has established the "Ethical Corporate Management Best Practice Principles " to develop a policy to prevent conflicts of interest, and has a president mailbox, and the Company's website also has an ethics reporting mailbox to serve as a pipeline for stakeholders.	None
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		In order to implement honest management, the Company has established effective systems for both accounting and internal control, which are regularly audited by internal auditors according to the assessment results of the risk of immoral behavior. In the audit project of 2022, there are no defects in the content and implementation of the " Ethical Corporate Management Best Practice Principles "	None
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		The company regularly explains the Company's integrity management and ethical regulations of conduct for new employees. To enhance employees' awareness of joint management and prevention of immoral behavior. Implementation in 2022: Education and training for new employees: 50 times (total 57 hours, 114 colleagues).	None
3. Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has a president mailbox, and the Company's website also has an ethics reporting mailbox to serve as a pipeline for stakeholders, and assign appropriate qualified personnel.	None
(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		Once the complaint is accepted, it must be immediately process; If the rights are damaged or there are other opinions, the appeal can be filed, and the result will be overwritten by the complainant and will be treated with the highest level of confidentiality.	None
(3) Does the Company provide proper whistleblower protection?	V		Handling the above matters will give priority to protecting whistleblower.	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company has set up an "Ethical Corporate Management Policy" and disclosed on the MOPS and Company's website.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has set up an "Ethical Corporate Management Policy" and the practices are in accordance with Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): None.				

#### 4.9 Corporate Governance Guidelines and Regulations

Please refer to the MOPS or the Company's website at <http://www.andestech.com>

#### 4.10 Other Important Corporate Governance Information:

In addition to the Company's website, information is disclosed on the MOPS.

#### 4.11. Status of the Internal Control System Implementation

##### 4.11.1 Declaration of Internal Control

Andes Technology Corporation

##### Statement of Declaration of Internal Control

Date: March 8, 2023

Andes Technology Corporation has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31, 2022, and hereby declares the following:

- i. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
- ii. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The Company will take immediate corrective actions once any shortcomings are identified.
- iii. The Company judges the effectiveness of the internal control systems in design and enforcement according to the “Criteria for the Establishment of Internal Control Systems of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.
- iv. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement
- v. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
- vi. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.
- vii. This statement of declaration has been approved by the Board on March 8, 2023 with all Directors in session under unanimous consent.

Andes Technology Corporation

Chairman: Jyh-Ming Lin

President: Hong-Men Su

4.11.2. Disclose the Review Report of Independent Auditors if They are Retained for Reviewing the Internal Control System: None.

4.12 Reprimand on the Company and its Staff in Violation of Laws, or Reprimand on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

4.13 Major Resolutions of Shareholders' Meeting and Board Meetings

4.13.1 Shareholders' Meeting

Meeting	Date	Major Resolutions	Implementation Status
2022 Annual General Meeting	May 26 <sup>th</sup> , 2022	Acknowledgement Items: (1) The 2021 business report and financial statements (2) Adoption of the Proposal for 2021 Deficit Compensation	Approved.  Approved. The distribution has been completed according to the content of the resolution, and June 28, 2022, is set as the distribution base date, and the cash dividend distribution time is July 19, 2022.
		Discussion Items: (1) To approve the amendment of the company's "Procedures for Acquisition or Disposal of Assets"	Approved, and worked in accordance with the resolution

4.13.2 Board Meetings

Meeting	Date	Major Approvals
The 5 <sup>th</sup> meeting of the 7 <sup>th</sup> board	March 8, 2022	<ol style="list-style-type: none"> <li>The Company's Employee Remuneration and Director's Remuneration Distribution Plan in 2021.</li> <li>The company's business report and financial statement in 2021.</li> <li>The Company's Proposal for the Distribution of Earnings in 2021.</li> <li>Amendment to the Company's "Acquisition or Disposal of Assets Handling Procedures".</li> <li>Convening the company's annual general meeting of shareholders and accepting shareholders' proposals.</li> <li>The assessment of whether disguised capital financing must be classified as capital loan and announced to others.</li> <li>Issuing the company's internal control system statement for 2021.</li> <li>Proposal to amend the Company's "Internal Control System".</li> <li>The case of the independent assessment results of the company's CPA.</li> <li>The company's remuneration for CPA in 2022.</li> <li>Revision of the company's manager of the annual compensation and remuneration payment plan in 2022.</li> <li>The company issued new shares to restrict the rights of employees.</li> </ol>
The 6 <sup>th</sup> meeting of the 7 <sup>th</sup> board	May 03, 2022	<ol style="list-style-type: none"> <li>The company's financial statements for the first quarter of 2022.</li> <li>Regarding the evaluation of whether disguised financing should be listed as a capital loan to others.</li> <li>The company's financing with banks</li> <li>The company cooperates with the internal adjustment of the accounting firm to replace the certified accountant</li> </ol>
The 7 <sup>th</sup> meeting of the 7 <sup>th</sup> board	Aug 10, 2022	<ol style="list-style-type: none"> <li>The company's financial statements for the first two quarters of 2022</li> <li>Regarding the assessment of whether disguised financing should be listed as a capital loan and announced to others</li> <li>Deal with banks to obtain financing</li> </ol>
The 8 <sup>th</sup> meeting of the 7 <sup>th</sup> board	Sep 19, 2022	<ol style="list-style-type: none"> <li>The company expects to purchase pre-sale real estate</li> <li>The company intends to change the planned amount of funds raised in the 2021 cash capital increase to issue ordinary shares to participate in the issuance of overseas depositary receipts</li> <li>The company's financing with banks</li> </ol>

Meeting	Date	Major Approvals
The 9 <sup>th</sup> meeting of the 7 <sup>th</sup> board	Nov 09, 2022	<ol style="list-style-type: none"> <li>1. The company's financial statements for the third quarter of 2022</li> <li>2. Regarding the assessment of whether disguised financing should be listed as a capital loan and announced to others</li> <li>3. The investment plan to establish a new subsidiary in the United States through the transfer of investment from Everest Peaks Technology Corporation (B.V.I.), an overseas subsidiary of the company</li> <li>4. The company's 2023 annual business plan</li> <li>5. The company's 2023 annual audit plan</li> <li>6. Amendments to the company's "Corporate Social Responsibility Code of Practice"</li> <li>7. Amendments to the company's "Board of Directors Rules of Procedure" and "Internal Material Information Handling Procedures"</li> <li>8. The company intends to update the evaluation opinion of the underwriter for the case of changing the 2021 cash capital increase to issue ordinary shares and participate in the issuance of overseas depositary receipts</li> <li>9. The company's 2023 annual manager's estimated salary payment amount case</li> </ol>
The 10 <sup>th</sup> meeting of the 7 <sup>th</sup> board	March 8, 2023	<ol style="list-style-type: none"> <li>1. The company's 2022 employee remuneration and director remuneration distribution plan</li> <li>2. The company's 2022 business report and financial statements</li> <li>3. The company's 2022 profit distribution plan</li> <li>4. Amendment of the company's "Articles of Incorporation"</li> <li>5. Matters related to convening the company's 2023 shareholders' general meeting and accepting shareholders' proposals</li> <li>6. The investment plan of establishing a new European subsidiary through the transfer of investment from Everest Peaks Technology Corporation (B.V.I.), an overseas subsidiary of the company</li> <li>7. Regarding the assessment of whether disguised financial financing should be listed as a capital loan and announced to others</li> <li>8. Issuing the company's 2022 internal control statement</li> <li>9. The company's financing with banks</li> <li>10. The company cooperates with the internal adjustment of the accounting firm to replace the certified accountant</li> <li>11. Independence and Competency Assessment Case of the Company's certified accountants</li> <li>12. The company's 2023 accountant remuneration case</li> <li>13. Revision of the 2023 projected salary payment amount for the company's managers</li> <li>14. The case of an insider of the company concurrently serving as a manager of a subsidiary company</li> <li>15. Appointment of the head of corporate governance of the company</li> <li>16. Appointment of the company's chief information security officer</li> </ol>

4.14 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

4.15 Resignation of Personnel Related to Financial Statement Preparation in 2022 to the Printing Date of this Report: None.

5. Information Regarding the Company's Independent Auditors

5.1. Audit fee and Non-audit fee paid to auditors, the audit firm, and its affiliates :

Unit: NT\$ Thousand

Accounting Firm	Name of CPA	Duration of Audit	Auditing fee	Non-Auditing fee (Note)	Total	Note
Ernst & Young	Yu-Ni Yang, Hsin-Min Hsu	Jan. 1, 2022~ Dec. 31, 2022	2,510	160	2,670	-

Note: The content of non-audit fee is tax audit.

5.2. Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: None.

5.3. Audit fee reduced more than 15% year over year: None.

6. Changes in Independent Auditors

Replacement Date	May 3, 2022		
Replacement reasons and explanations	The original CPAs of the Company were Yu-Ni Yang and Jia-Ling Tu from Ernst & Young, Due to internal adjustment of the visa accounting firm, the CPAs of the Company were changed to Yu-Ni Yang and Hsin-Min Hsu, beginning April 1, 2022.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		The Company
	Status	CPA	
	Termination of appointment	NA	NA
	No longer accepted (continued) appointment		NA
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details: None		
Other Revealed Matters	None		



Replacement Date	March 8, 2023		
Replacement reasons and explanations	The original CPAs of the Company were Yu-Ni Yang and Hsin-Min Hsu from Ernst & Young, Due to internal adjustment of the visa accounting firm, the CPAs of the Company were changed to Wan-Ju Chiu and Hsin-Min Hsu, beginning January 1, 2023.		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	The Company
	Termination of appointment	CPA	NA
	No longer accepted (continued) appointment	CPA	NA
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details: None		
Other Revealed Matters	None		

#### 6.1 Regarding the successor CPA

Name of accounting firm	Ernst & Young	Ernst & Young
Name of CPA	Yu-Ni Yang and Hsin-Min Hsu	Wan-Ju Chiu and Hsin-Min Hsu
Date of appointment	May 3, 2022	March 8, 2023
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None	None

6.2 The former accountant's reply to item 3 of Article 10, paragraph 6, item 1 and item 2 of this Standard : Not applicable.

7. The Company's Chairman, President or managers in charge of finance or accounting has been under current audit firm or its affiliates' employment in 2022  
None.

8. Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders with 10% Shareholding or More

8.1. Net Change in Shareholding by Directors, Supervisors, Management, Shareholders with 10% Shareholding or More

Unit: Shares

Title	Name	2022		As of April 2, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman & CEO	Jyh-Ming Lin	1,552	-	-	-
Director & President & CTO	Hong-Men Su	(22,452)	-	-	-
Director	Hsiang Fa Co.	-	-	-	-
	Rep: Andrew Chang	-	-	-	-
Director	National Development Fund	-	-	-	-
	Rep: Herming Chiueh	-	-	-	-
Independent Director	Chien-Kuo Yang	-	-	-	-
Independent Director	Tien-Fu Chen	-	-	-	-
Independent Director	Jun-Hao Lai	-	-	-	-
Proportion of more than 10% of shareholders	Hsiang Fa Co.	-	-	-	-
Vice President	Kuo-Chi Lin	69,549	-	-	-
Senior Vice President	Jen-Chih Tseng	11,549	-	-	-
Senior Vice President	Yung-Ching Hsiao	-	-	(16,000)	-
Vice President	Han-Chang Chou	1,550	-	-	-
Assistant Vice President	Kuen-Chern Lin	1,485	-	-	-
Assistant Vice President	Kuang-Heng Wang (Note 1)	NA	NA	-(Note 1)	-(Note 1)
Assistant Vice President	Kuo-Cheng Huang (Note 1)	NA	NA	-(Note 1)	-(Note 1)
Assistant Vice President	Yu-Ling Hsieh (Note 1)	NA	NA	-(Note 1)	-(Note 1)

Note 1: Kuang-Heng Wang, Kuo-Cheng Huang, and Yu-Ling Hsieh were promoted to AVP on March 8, 2023, so the statistical period for changes in the number of shares held is only recorded from March 8, 2023, to April 2, 2023.

8.2. Information on stock transfer: None.

8.3. Information on pledge of share: None.

9. Top 10 Shareholders Who are Related Parties to Each Other

As of April 2, 2023

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3 <sup>rd</sup> Party		Top 10 Shareholders Who are Related Parties to Each Other		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hsiang Fa Co.	5,657,324	11.17	-	-	-	-	-	-	-
Rep: Andrew Chang	-	-	-	-	-	-	-	-	-
Shui-Cheng, Tu	3,618,000	7.14	(Note 1)	-	(Note 1)	-	-	-	-
National Development Fund	2,979,237	5.88	-	-	-	-	-	-	-
Rep: Herming Chiueh	-	-	-	-	-	-	-	-	-
HSBC custody of Point72 Associates, LLC	2,651,000	5.23	-	-	-	-	-	-	-
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund	767,000	1.51	-	-	-	-	-	-	-
HSBC custody of Polar Capital Funds Plc	700,648	1.38	-	-	-	-	-	-	-
HSBC custody of Kadensa Master Fund	690,000	1.36	-	-	-	-	-	-	-
Citi (Taiwan) Commercial Bank is entrusted with custody of Norges Bank-fund mgr Neuberger Berman Europe Limited	662,000	1.31	-	-	-	-	-	-	-
HSBC custody of Matthews Emerging Markets Small Companies Fund	590,000	1.16	-	-	-	-	-	-	-
Jyh-Ming Lin	540,045	1.07	120,668	0.24	-	-	-	-	-

Note 1: The Shareholder is not an internal of the Company, could not get the information of shareholding under spouse and minor and shareholding under 3<sup>rd</sup> party.

10. Total shareholding of long-term investments held by the Company and Directors, Officers and Affiliates

As of December 31, 2022

Investment	Investments by the Company (1)		Investments Directly or Indirectly Controlled by Directors and Managers of the Company (2)		Total Investment (1) + (2)	
	Shares	%	Shares	%	Shares	%
Everest Peaks Technology Corporation	8,858,780	100	0	0	8,858,780	100
Andes Technology ( Samoa ) Corporation	2,058,780	100	0	0	2,058,780	100
Andes Technology (Wuhan) Corporation	- (Note)	100	- (Note)	0	- (Note)	100
Andes Technology USA Corporation	6,800,000	100	0	0	6,800,000	100
Andes Shanghai Technology Corporation	- (Note)	100	- (Note)	0	- (Note)	100

Note: The Corporation is not a company limited by shares, unissued shares.

## IV. Capital and Shares

### 1. Capital and Shares

#### 1.1. Source of Capital

Month/ Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Remarks		
		Shares (K)	Amount (\$K)	Shares (K)	Amount (\$K)	Sources of Capital	Capital Increase by Assets Other than Cash	Others
Mar. 2017	65.1	70,000	700,000	40,611.9	406,119	Capital Increased by Cash	-	Note 1
Nov. 2017	19.4	70,000	700,000	40,619.9	406,199	Exercise of stock options	-	Note 2
	22.5					Exercise of stock options		
Sep. 2018	-	70,000	700,000	42,650.9	426,509	Capital surplus transferred to common stock	-	Note 3
Sep. 2021	440	70,000	700,000	50,650.9	506,509	Capital Increased by Cash		Note 4

Note 1: The capitalization was approved by the Hsinchu Science Park Administration on Mar. 28, 2017 with an approval letter of Yuan-Shang-Tzu No. 1060007779.

Note 2: The capitalization was approved by the Hsinchu Science Park Administration on Nov. 3, 2017 with an approval letter of Yuan-Shang-Tzu No. 1060030206.

Note 3: The capitalization was approved by the Hsinchu Science Park Administration on Sep. 14, 2018 with an approval letter of Yuan-Shang-Tzu No. 1070026867.

Note 3: The capitalization was approved by the Hsinchu Science Park Administration on Sep. 29, 2021 with an approval letter of Yuan-Shang-Tzu No. 1100027932.

As of April 30, 2023 Unit: Shares

Type of Stock	Authorized Capital			Remarks
	Outstanding	Un-Issued	Total	
Common Stock	50,650,911	19,349,089	70,000,000	Listed on TSE

Shelf Registration: Not Applicable

#### 1.2. Composition of Shareholders

As of April 2, 2023 Unit: Shares, %

Type of Share- Holders  Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Persons	Total
	Number of Shareholders	5	33	144	20,510	177
Shareholding	3,548,237	852,713	6,072,431	25,511,121	14,666,409	50,650,911
Holding Percentage	7.01	1.68	11.98	50.37	28.96	100.00

### 1.3. Distribution of Shareholding

As of April 2, 2023

Common Share Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	13,465	601,978	1.19
1,000 ~ 5,000	6,661	10,829,623	21.38
5,001 ~ 10,000	353	2,691,149	5.31
10,001 ~ 15,000	118	1,476,675	2.92
15,001 ~ 20,000	57	1,049,626	2.07
20,001 ~ 30,000	72	1,800,440	3.55
30,001 ~ 40,000	34	1,210,598	2.39
40,001~50,000	15	689,160	1.36
50,001 ~ 100,000	47	3,321,234	6.56
100,001 ~ 200,000	24	3,419,295	6.75
200,001 ~ 400,000	10	3,194,879	6.31
400,001 ~ 600,000	5	2,641,045	5.21
600,001 ~ 800,000	4	2,819,648	5.57
800,001 ~ 1,000,000	-	-	-
Over 1,000,001	4	14,905,561	29.43
Total	20,869	50,650,911	100.000

Note: Andes has not issued preferred stocks.

### 1.4. Major Shareholders

As of April 2, 2023

Name	Shares	Total Shares Owned	Ownership (%)
Hsiang Fa Co.		5,657,324	11.17
Shui-Cheng Tu		3,618,000	7.14
National Development Fund		2,979,237	5.88
HSBC custody of Point72 Associates, LLC		2,651,000	5.23
PineBridge Global Funds - PineBridge Asia Ex Japan Small Cap Equity Fund		767,000	1.51
HSBC custody of Polar Capital Funds Plc		700,648	1.38
HSBC custody of Kadensa Master Fund		690,000	1.36
Citi (Taiwan) Commercial Bank is entrusted with custody of Norges Bank-fund mgr Neuberger Berman Europe Limited		662,000	1.31
HSBC custody of Matthews Emerging Markets Small Companies Fund		590,000	1.16
Jyh-Ming Lin		540,045	1.07

## 1.5. Market Price, Net Worth, Earnings, Dividends per Common Share

Unit: NT\$

Item	Year		2021	2022	April 30 2023
	Market Price Per Share	Highest		644	583
Lowest		328	225	433.5	
Average		483.76	381.65	530.84	
Book Value Per Share	Before Distribution		105.88	98.50	(Note 6)
	After Distribution		102.68	97.00	(Note 6)
Earnings Per Share	Weighted Average Shares(K)		45,062	50,651	(Note 6)
	Earnings Per Share		3.59	97.03	(Note 6)
Dividends Per Share	Cash Dividends		2.84887117	1.5	(Note 6)
	Stock Dividend	From retained earnings	0	0	(Note 6)
		From capital reserve	0	0	(Note 6)
	Accumulated Undistributed Dividend		0	0	(Note 6)
Return on Investment	Price/Earnings Ratio(Note 2)		134.75	54.29	(Note 6)
	Price/Dividend Ratio(Note 3)		169.81	254.43	(Note 6)
	Cash Dividend Yield(Note 4)		0.0059	0.0039	(Note 6)

Note 1: The Company has passed a special resolution on the board of director of March 8, 2023 to approve the distribution of cash dividends.

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

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

Note 4: Cash Dividend Yield = Cash Dividends Per Share / Annual Average Market Price

Note 5: Book Value Per Share and Earnings Per Share is as the date of this Annual Report.

Note 6: As of the printing date of the annual report of the shareholders meeting, the consolidated financial report reviewed by the accountant for the most recent quarter has not yet been issued.

## 1.6. Dividend Policy and Status

1.6.1. The Company's dividend policy is determined by the board of directors based on the Company's operating conditions, capital requirements, capital expenditure budget, changes in the overall internal and external environment and taking into account the interests of shareholders. Without consideration of other special circumstances, the current year's distributable surplus is 50%~ 100% as the distribution principle.

### 1.6.2. Dividend Policy under the Articles of Incorporation

According to ANDES' Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (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 special approved by the board of directors, and report to the shareholders' meeting.

In accordance with the provisions of Article 241 of the Company Law, the Company will issue all or part of the statutory surplus reserve and capital reserve to new shares

or cash according to the proportion of the shareholders' original shares. With more than two-thirds of the directors' attendance, and resolutions where more than half of the directors attended, and report 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.

1.6.3. Proposal to Distribute Profits:

On March 8, 2023, Andes' board of directors passed a special resolution that the proposed Cash dividend to shareholders was NT\$ 75,976,367 (NT\$1.5 per share). The Chairman of the Board is authorized to make the Ex-dividend base date and the dividend payment date.

1.7. Effect of 2022 Share Dividends to Operating Performance and EPS: Not applicable.

1.8. Employees' Compensation and Remuneration to Directors

1.8.1. Profit distribution set aside as employees' compensation and remuneration to directors:

According to the Articles of Incorporation of the Company, no lower than 2% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors.

1.8.2. Accounting for Employees' Compensation and Remuneration to Directors

The Company's estimate of Employees' Compensation and Remuneration to Directors is based on the Articles of Incorporation and is recognized as current operating expenses. If the estimated amounts differ from the actual distribution resolved by the board of directors, the Company will recognize the change as an adjustment to income of next year.

1.8.3. Employees' compensation and Remuneration to Directors resolved by the Board of Directors

(1) Remuneration for employees and the amount of compensation for directors and supervisors distributed in cash or stocks. If there is a discrepancy from the annual estimated amount of recognized expenses, the number of discrepancies, reasons and handling circumstances should be disclosed:

The company's 10<sup>th</sup> board of directors of the 7<sup>th</sup> session of the board of directors approved the distribution of total employee compensation of NT\$96,721 thousands and directors' compensation of NT\$3,868 thousands in cash. There is no difference between the estimated annual amounts of recognized expenses.

(2) The amount of employee compensation distributed by shares and the ratio of the total net profit after tax and the total employee compensation for individual or individual financial reports in the current period: Not applicable.

1.8.4. The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number of shares distributed, amount and stock price), and the difference between the remuneration of recognized employees, directors and supervisors, and the reasons for the difference should be stated. Handling situation :

Employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$12,985 thousands and NT\$ 1,836 thousands, respectively. The actual distribution number was no difference with the board of directors adopted proposal.

1.9. Repurchase of Company Shares: None.

2. Status of Corporate Bonds

None.

3. Status of Preferred Stocks

None.

4. Status of GDR/ADR

Issuing date		2021.09.13	
Item			
Listing venue		Luxembourg Stock Exchange	
Total dollar amount		US\$ 127,120,000	
Unit price of overseas depositary receipts		US\$ 31.78	
Total number of units to be issued		4,000,000 units	
Units of global depositary Receipts resources		issue new common shares by cash capital increase	
Units of global depositary Receipts representing		Each unit of depositary receipts commends 2 shares of the Company's common stock	
Rights and obligations		Same rights and obligations as the Company's existing issued and outstanding common shares	
Trustee		None.	
Depository institution		Citi Bank	
Custodian institution		Citi (Taiwan) Bank	
Outstanding balance		0	
Apportionment method of related expenses during the issuance and existence period		by the issuing company	
Important stipulations of depositary deed and custody deed		Detailed Depositary Deed and Custody Deed	
Market price per unit (US\$)	2022	Highest	38.125
		Minimum	15.10
		Average	25.60
Market price per unit (US\$)	Most recent year ended April 30, 2022	Highest	39.80
		Minimum	28.80
		Average	34.95

## 5. Status of Employee Stock Option Plan

5.1. The impact to shareholders' equity of the Unexpired Employee Stock Option Certificate of the Company as the date of this Annual Report:

None.



## 5.2. Employee Stock Option Granted to Management Team and to Top 10 Employees:

	Title	Name	Number of Option Acquired (shares)	Number of Option Acquired / Number of Option Issued (%)	Exercised				Not Exercised			
					Number of Option (shares)	Exercise Price (NT\$)	Option amount (NT\$)	Number of Option / Number of Option Issued (%)	Number of Option (shares)	Exercise Price (NT\$)	Option amount (NT\$)	Number of Option / Number of Option Issued (%)
Manager	CEO	Jyh-Ming Lin	1,681,000	4.14	1,088,500	10	10,885,000	2.68	0	0	0	0
	President & CTO	Hong-Men Su										
	VP	Kuo-Chi Lin										
	Senior VP	Jen-Chih Tseng										
	Senior VP	Yung-Ching Hsiao										
	VP	Han-Chang Chou										
	VP (Note 1)	Lai,Chi-Chang										
	VP (Note 2)	Wang, Tung-Hua										
	AVP (Note 3)	Yeh,I-Chung										
	AVP (Note 1)	Lai,Chun-Tse										
Employee	AVP (Note 1) (Note 4)	Chang,chuan-hua	876,000	2.16	593,500	10	5,935,000	1.46	0	0	0	0
	Manager	Chen,hsin-ming										
	Director	Liu,chun-hung										
	Deputy Director (Note 1)	Chen, Tien-Hsiung										
	AVP (Note 5)	Huang, Kuo-Cheng										
	AVP (Note 4)	Lin,Kun-Cheng										
	Deputy Director	Hu,Ta-Wei										
	AVP (Note 5)	Hsieh,Yu-Ling										
	Director	Chen,I-Cheng										
	Deputy Director (Note 1)	Wang, Ping-Hsing										

Note 1: the owner has resigned.

Note 2: the owner has retired.

Note 3: the owner has passed.

Note 4: the Company's employee stock option has been fully exercised in the year 2017. Although the employee was promoted to manager in April 2020, he is still listed under the employee's title according to the 2017-year title.

Note 5: the Company's employee stock option has been fully exercised in the year 2017. Although the employee was promoted to manager in March 2023, he is still listed under the employee's title according to the 2017-year title.

### 6. Status of New Employees Restricted Stock Issuance

None.

### 7. Status of New Shares Issuance in Connection with Mergers and Acquisitions

None.

## 8. Financing Plans and Implementation

### 8.1. Description of Plan

#### 8.1.1. Original Plan

A. Proceeds Needed from the Plans : NT\$4,558,867 thousands.

B. Sources of Proceeds :

- i. Issued new common shares to be offered in the form of Global Depositary Shares. Each unit of overseas depositary receipts commends 2 ordinary shares of the company. The actual total number of issued shares is 8,000,000 shares, and the actual raised amount is NT\$3,520,000 thousands. ( 8,000,000 ordinary shares issued by cash capital increase, the actual issue price per share is NT\$440).
- ii. Another NT\$1,038,867 thousands is planned to be financed by bank loans and/or self-owned funds or other financing methods.

C. Use of Proceeds Plan and Schedule :

Unit: thousand

Plan	Expected Date of Completion	Total amount		2021		2022				2023				2024		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
R & D	design fees, labor costs and salaries	2024 Q2	US\$	1,656,205	41,198	54,605	90,739	103,986	92,276	136,131	158,681	190,361	180,533	191,392	202,969	213,334
			NT\$	59,150	1,471	1,950	3,241	3,714	3,295	4,862	5,667	6,799	6,448	6,835	7,249	7,619
	Software and hardware costs	2024 Q1	US\$	2,017,232	-	326,869	-	280,145	-	280,145	-	280,144	-	280,144	569,785	-
			NT\$	72,044	-	11,674	-	10,005	-	10,005	-	10,005	-	10,005	20,350	-
	Platform Chip	2024 Q2	US\$	885,430	-	-	202,188	-	234,787	-	5,740	202,188	-	234,787	-	5,740
			NT\$	31,623	-	-	7,221	-	8,386	-	205	7,221	-	8,385	-	205
Total			US\$	4,558,867	41,198	381,474	292,927	384,131	327,063	416,276	164,421	672,693	180,533	706,323	772,754	219,074
			NT\$	162,817	1,471	13,624	10,462	13,719	11,681	14,867	5,872	24,025	6,448	25,225	27,599	7,824

D. Estimated Benefits :

- i. Improve medium and long-term working capital and increase operating profitability.
- ii. Reduce the exchange rate risk arising from the payment of commissioned research fees in foreign currencies and the purchase of software, hardware and equipment in foreign currencies.
- iii. Research and Development Expenditure - Benefits of Strengthening the Company's Competitiveness and Improving Operational Efficiency :

Estimated increase in benefits and capital recovery period of project investment

Unit: NT\$ thousand

Year	Plan	Increase of Revenues	Increase of Gross Profits	Increase of Expense	Increase of Operating Profits
2023	RISC-V	75,152	75,002	7,515	67,487
2024	RISC-V	592,033	590,849	59,203	531,646
2025	RISC-V	799,244	797,646	79,924	717,722
2026	RISC-V	1,164,503	1,162,174	116,450	1,045,724
2027	RISC-V	1,936,300	1,932,427	193,630	1,738,797
2028	RISC-V	2,677,005	2,671,651	267,701	2,403,950
Total		7,244,237	7,229,749	724,423	6,505,326

8.1.2. Plan contents after change

A. Reason for the change: The competition for global R&D and design talents in the main department is fierce, so the recruitment speed is not as fast as expected. Considering that the company's current office floor is affected by the landlord's rent increase, and there are doubts about the uncertainty of the renewal of the five-year lease, after evaluating the efficiency of capital utilization and the company's operating needs, it is planned to reduce the originally planned amount of "R&D expenditure" And increase the "purchase of real estate" project.

B. Proceeds Needed from the Plans : NT\$3,583,037 thousands.

C. Sources of Proceeds :

- i. Issued new common shares to be offered in the form of Global Depositary Shares. Each unit of overseas depositary receipts commends 2 ordinary shares of the company. Each unit of overseas depositary receipts commends 2 ordinary shares of the company, the actual total number of issued shares is 8,000,000 shares, and the actual raised amount is US\$127,120 thousands (equivalent to NT\$3,520,000 thousands)8,000,000 ordinary shares issued by cash capital increase, the actual issue price per share is NT\$ 440.00.
- ii. Another US\$846 thousands is planned to be financed by bank loans and/or self-owned funds or other financing methods.

D. Use of Proceeds Plan and Schedule :

Unit: NT\$ thousand

Plan	Expected Date of Completion	Total amount		2021		2022				2023				2024				2025		
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
R&D	design fees, labor costs and salaries	2024 Q2	US\$ 832,104	7,338	28,652	33,496	28,129	47,556	65,100	73,878	83,122	92,500	105,200	128,467	138,666	-	-	-	-	
			NT\$ 29,717	262	1,023	1,196	1,005	1,698	2,325	2,638	2,969	3,304	3,757	4,588	4,952	-	-	-	-	
	Software and hardware costs	2024 Q1	US\$ 670,503	-	40,724	5,593	28,483	81,121	81,108	66,662	66,662	66,662	66,662	83,413	83,413	-	-	-	-	
			NT\$ 23,947	-	1,454	200	1,017	2,897	2,897	2,381	2,381	2,381	2,381	2,979	2,979	-	-	-	-	
real estate	Purchasing real estate	2025 Q2	US\$ 1,195,000	-	-	-	-	155,350	11,031	11,031	33,090	11,031	22,062	11,031	11,031	11,031	11,031	11,031	11,031	896,250
			NT\$ 42,679	-	-	-	-	5,548	394	394	1,182	394	788	394	394	394	394	394	394	32,009
Total			US\$ 3,583,037	7,338	69,376	68,538	62,870	284,027	360,743	151,571	386,378	170,193	396,112	222,911	473,637	11,031	11,031	11,031	11,031	896,250
			NT\$ 127,966	262	2,477	2,448	2,246	10,143	12,884	5,413	13,800	6,079	14,147	7,961	16,915	394	394	394	394	32,009

E. Estimated Benefits :

- i. Increase medium and long-term working capital and increase operating profitability.
- ii. Reduce the exchange rate risk caused by the payment of commissioned research fees in foreign currency and the purchase of software, hardware, and equipment in foreign currency.
- iii. R & D expenditure - the benefits of strengthening the company's competitiveness and improving operational efficiency :  
The estimated increase in benefits and capital recovery period of project investment

Unit: NT\$ thousand

Year	Plan	Increase of Revenues	Increase of Gross Profits	Increase of Expense	Increase of Operating Profits
2023	RISC-V	75,152	75,002	7,515	67,487
2024	RISC-V	592,033	590,849	59,203	531,646
2025	RISC-V	799,244	797,646	79,924	717,722
2026	RISC-V	1,164,503	1,162,174	116,450	1,045,724
2027	RISC-V	1,936,300	1,932,427	193,630	1,738,797
Total		4,567,232	4,558,098	456,722	4,101,376

- iv. Purchasing real estate : The company will be able to save rental expenses by purchasing real estate. The floor area of the real estate the company expects to acquire is about 2,873 pings and 126 parking spaces. Based on this calculation, it is conservatively estimated that NT\$92,238,000 in rental expenses can be saved annually.

## 8.2. Status of Implementation

Unit: thousand

Plan	Status of Implementation		Amount		Reason of schedule changed and improvement plan
R&D	Amount to be used	Estimated	US\$	29,868	Due to the fierce competition in the recruitment of R&D talents by global companies, the company's recruitment progress in the early stage of the project was lower than expected, which further affected the progress of the project and exceeded the original expectation. The company continued to recruit high-level R&D talents and completed the plan.
			NT\$	827,051	
		Actual	US\$	16,935	
			NT\$	468,937	
	% of execution	Estimated	35%		
		Actual	20%		
Real estate	Amount to be used	Actual	US\$	6,407	The actual progress of the project is affected by the construction progress of the manufacturer. The current progress is just slightly different and there are no abnormalities.
			NT\$	177,412	
		Estimated	US\$	5,901	
			NT\$	163,390	
	% of execution	Estimated	29%		
		Actual	26%		
Total	Amount to be used	Estimated	US\$	36,275	
			NT\$	1,004,463	
		Actual	US\$	22,836	
			NT\$	632,327	
	% of execution	Estimated	29%		
		Actual	18%		

## V. Business Overview

### 1 Business Scope

#### 1.1. Business Scope

##### 1.1.1. Main Business Activities of the Company

- (1) CC01080 Electronic Parts and Components Manufacturing
- (2) I501010 Product Designing
- (3) F401010 International Trade
- (4) I301010 Software Design Services
- (5) I301020 Data Processing Services
- (6) F601010 Intellectual Property
- (7) Research, design, develop, manufacture, and market the following products:  
RISC CPU for Embedded Processor SoC
  - a. Generic platforms
  - b. Network platforms
  - c. Multimedia platforms

##### 1.1.2. Business Distribution of Our Main Products

Unit: NT\$ thousands

Main Products	2021		2022	
	Amount	%	Amount	%
Licensing of CPU IP	490,340	60	557,351	60
Royalty revenues	233,676	29	229,725	25
Maintenance services	67,568	8	138,547	15
Others	28,194	3	6,198	-
Total	819,778	100	931,821	100

##### 1.1.3. Products Currently Offered by the Company

The Company is the first professional CPU IP supplier in Taiwan, dedicated to provide low power and high performance CPUs and peripheral Platform IPs, as well as necessary development tools and software. Our main products are:

- (1) License of CPU IP revenues, including:
  - a. AndeCore™: a series of configurable CPU core families and their Companion IPs (hereinafter referred to as AndeCore™).
  - b. AndeSight™, an integrated software development environment which is an optimized tool for software/hardware development and debugging (hereinafter referred to as AndeSight™).
  - c. AndeStar™, an instruction set includes 16-bit and 32-bit mixed-length instructions (hereinafter referred to as AndeStar™).
  - d. AndeSoft™, the optimized targets running on AndeCore™ processors, including system software, driver, and middleware (hereinafter referred to as AndeSoft™).
  - e. AndeSentry™, safety protection architecture, including software and hardware solutions.
  - f. License fee: The Company has granted the licenses of our CPU IPs and Platform IPs to SoC design companies, and charges the license fee based on the quantity used.
  - g. Custom Computing: Provides high-value CPU IP design and integration services according to customer needs.
- (2) Royalty revenues: customers use licensed CPU IPs to design SoC ICs. The Company collects royalties based on their sales volume after mass production.
- (3) Maintenance services and others: Maintenance fee is paid by customers every year to obtain CPU IP and development tool updates. “Others” refers to AndeShape™, an integrated hardware development environment including development platforms and Platform IPs which help customers quickly develop their SoC. It is mainly sold to customers and universities for research and development, chip debugging or teaching

(hereinafter referred to as AndeShape™).

#### 1.1.4. New Products Planned for Development

The Company continues to develop RISC-V CPU IPs which meet the needs of customers and market. In addition to the existing entry-level 32-bit N22, mid-range 25/27-series, and superscalar single-core and multi-core 45-series processors. Andes will also introduce the AndeCore™ AX60 series, the world's first 1024-bit RISC-V multicore vector processor AX45MPV, and the newly designed low-power and highly-secured entry-level RISC-V processor AndeCore™ D23. The superscalar processor 45MP series won "Best IP/ Processor of the Year" in Taiwan, and the integrated development environment AndeSight IDE V5.1 won "Best Development Tool" in Asia. The company will keep speeding up the development of functional safety-compliant products such as N25F-SE, the world's first fully ISO 26262 compliant RISC-V CPU IP, D25F-SE, which supports DSP extension instructions, and the 45-SE series processors that meet the highest ASIL level, ASIL D. ACE function will be enhanced to add support for 45-series processors. Andes will as well enhance the security functions for CPU and build more complete hardware and software architecture. Meanwhile, we will cooperate with more partners to establish the Andes' ecosystem that facilitates the development of SoC. In addition, we will continue to develop more advanced CPU IPs and deep learning accelerator IPs that are more suitable for accelerating ML/AI algorithms.

### 1.2. Industry Outlook

#### 1.2.1. Current Condition of the Industry and its Development

With the growth of semiconductor processes doubled by Moore's Law, and the rapidly evolving and changing needs of consumer electronics products, the IC design industry in Taiwan has largely adopted the technologies of the SoC and embedded system to design products. With the features of strong performance, multiple functions, low price and rapid time-to-market, they have played an important role on global information products and consumer IC supplies. While the industry has developed and the products have evolved for many years, 8-bit 8051 Micro Controller Units (MCU) or low-bit Digital Signal Processors (DSP) are still used for low-end SoC products. However, as the tasks are getting more and more complex, the computing capability has to be improved to meet the needs for expansion of functions for applications, and provide network connectivity. The core processors of the products in this market segment have been gradually replaced by 32-/64-bit microcontrollers. At present, in addition to processors developed by ARM, MIPS, and ARC, the mainstream processors are designed with the open RISC-V ISA promoted by RISC-V International. This is also the fifth generation architecture products currently pushed by the company. The commonly seen processor chips in the market are often used in the PC systems, such as Intel Core processors or AMD processors. Another processor type is Application Processor (AP), which is an embedded processor, for example, Qualcomm's Snapdragon Series, a mobile application processor, or Apple's A7-A13 processors using the ARM-based SoC design.

The licenses of the embedded processor SIPs are divided into the following categories:

- (1) Normal License or Soft Core License: It is typically offered as synthesizable RTL codes. Customers can optimize the logic synthesis and physical design of their processors based on the fab, process, component library, and performance/power/area requirements. Its disadvantage is that it is susceptible to improper leak and usage without authorization. In practice, authorized vendors protect their Soft Core using legal provisions of the contract.
- (2) Hard Core License: SIP vendors have to complete the logic synthesis and physical design in advance, and work with specific fabs and process parameters. Because the options available for customers may be limited, authorized vendors no longer provide hard core products in recent years.
- (3) Architecture License: Architecture License is needed when customers with better engineering capabilities intend to use instruction set architecture for processors to

perform implementations by themselves to add functions and features different than those of the Normal License. Architecture License fees are typical much higher than the Normal License ones.

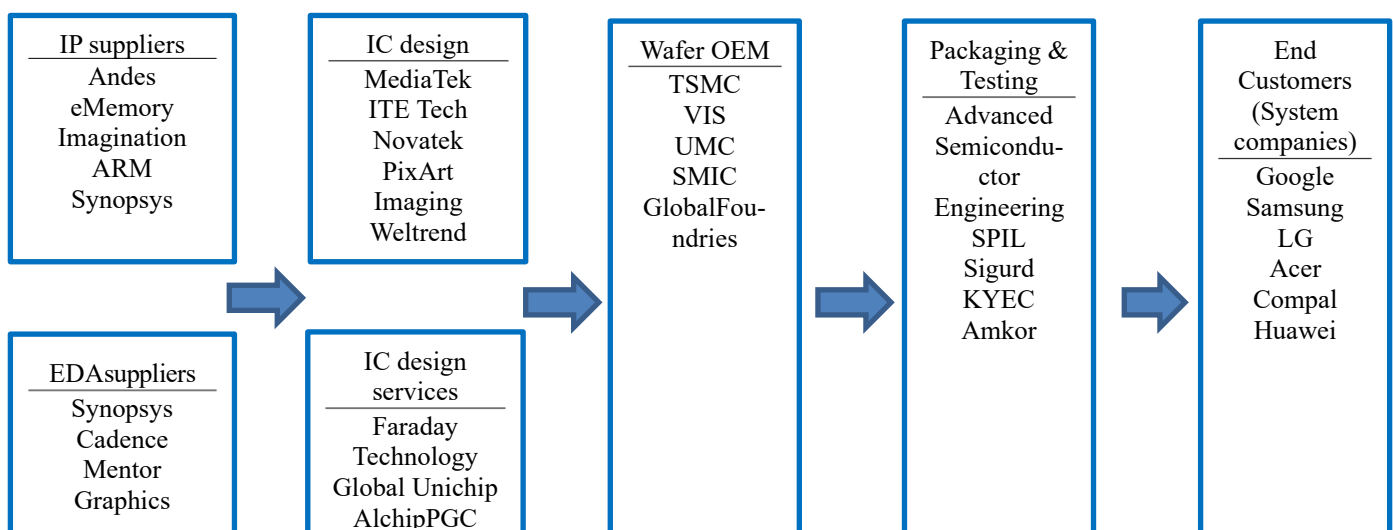
The Company's business is mainly on the Soft Core License.

### 1.2.2. The Supply Chain of the Industry

In respond to the trend of shortening the product life cycle and the rapid decline in product prices, the existing technology, design and intellectual property are widely used to achieve the goal of fast time-to-market. Therefore, the SoC and embedded system technologies were born. SoCs are complex systems with embedded core processors. In addition, depending on the applications, there may be system bus, I/O peripherals, hardwired accelerators/circuits, integrating necessary digital, mixed mode, analog and other hardware, together with hardware abstraction layer (HAL), driver and service routines, operating system, middleware, and applications, to form an embedded system. IC design companies use the SoC and embedded systems to achieve further industrial division. They accelerate the introduction of new technologies and products using common or even open interface specifications and proven modules.

The main products of the Company are to grant licenses of the embedded IP processors, as well as related platforms and services. Our direct customers are IC design companies and IC design service companies. There are also a few system companies or brand manufacturers that have IC design teams or make chips through IC design service companies. Such companies are also our direct customers. In addition, the Company has established a Custom Computing Business Unit (CCBU) in response to the accelerated architectural trend of special applications and customized needs. In addition to using the Company's Andes Custom Extension development software COPILOT to assist customers in customizing instructions, customized CPUs, peripheral IP customization and special function IPs are included in our service scope, complementing standard CPU products and services. Since our products require cooperation between IC design companies and IC design service companies, Andes not only has to work with wafer fabrication companies on the hard core license, but also needs them to provide relevant data about the processes and standard component libraries to perform design simulation and verification. The relationship between the Company and EDA (Electronic Design Automation) companies in the upstream and midstream of the IC industry is customers using their electronic design automated tools, technical partners for the peripheral circuit IPs, and competitors for the embedded processor IPs. The relationship between the system companies that use SoC chips, electronic manufacturing companies, and brand companies in the downstream of IC industry is indirect customers (using SoC chips launched by the IC design companies) or direct customers (developing chips themselves or entrusting a IC design service company to perform SoC projects).

The division of labor among SIP suppliers in the IC industry chain is shown in the following figure:





### 1.2.3. Development Trends of Products

Basically, processors are digital processing cores designed to “be applicable to a variety of fields”. While the general-purpose design is in a majority, to gain a competitive advantage among different vendors and products, various strategies as well as methodologies are used for the processor architecture, processor circuit implementation, middleware, and OS support, to meet the requirements of the specific applications. This makes the processor vendors provide not only their processor design and licenses, but also necessary hardware/software development tools as well as development environments, to build a support ecosystem, forge an alliance with technical partners in various application fields, and maintain a close relationship with the leading customers. In doing so, those companies can gain a significant market share in various application fields to remain influential for the next-generation processors and technical specifications and to stay competitive for a long term.

Faced with various applications such as smart devices, wearable electronics, medical electronics, automotive electronics, IoT, 5G, and even machine learning, embedded processor products will face more challenges and competitions in the following areas:

- (1) Architecture: To meet the needs of various applications, the processor architecture should be flexible in design, and can add function units, such as instruction set expansion, floating point unit, digital signal processing (DSP), single instruction multiple data (SIMD), vector processor, multi-core processor, and custom instruction set, etc.
- (2) Trade-off between energy-saving and performance: For the technical aspect, there are often trade-offs between energy-saving and performance, and it is not easy to have advantages of both. In recent years, the design tools and methodologies have been improved and the practical concepts have been introduced to the industry. In addition to the pursuit of low power consumption, how to obtain the optimal performance and power consumption per unit area of a chip on the Performance-Power-Area (PPA) indicator is the goal that the IC design industry strives to achieve.
- (3) Industry standards and ecosystem: With the development of application fields, relevant industry organizations have been established and the industrial standard specifications have been developed. In addition to the development of various standards and applications, corresponding products and solutions should be launched. In response to the trend of professional division of labor in the industry, it is necessary to cooperate with technical partners to exert complementary effects on products and services, thereby enhancing market visibility and influence of the ecosystem, and further expanding the customer base.

### 1.2.4. Product Competition

In the current global embedded processor market, the major suppliers are ARM, ARC, MIPS, SiFive, and Andes. The following introduces those embedded processor companies:

#### (1) ARM

ARM is the world’s largest embedded processor supplier. Its main application fields include smart phones, tablets, digital TVs, set-top boxes, etc. In addition to the widely used previous-generation products ARM7 and ARM9 series, the current processor product line is classified into Cortex-A, Cortex-R, Cortex-M, and Nerve series, based on the application and technical characteristics. In addition to the function extension IPs related to the processors, ARM also provides GPU IP products. In September 2016, ARM was acquired by SoftBank, a Japanese telecommunications company. ARM was acquired by NVIDIA in September 2020, but the merger was discontinued in February 2022. SoftBank plans to bring ARM back to market.

(2) ARC

The ARC processor technology can be traced back to the early 1990s when the 3D accelerator chip was developed for the Super Famicom console. It became a new company independently with the success of this chip product. In November 2009, ARC International was acquired by Virage Logic. Less than one year, in September 2010, Virage Logic was acquired by EDA Company Synopsys. ARC processors become part of various IP portfolios in the DesignWare IP of Synopsys SIP product line.

(3) MIPS

It is a company split from SGI in 2000 which provides processor IPs. In addition to being widely used for the computer systems and several video consoles, MIPS processors had a high market share in the networking & communication, digital TV, and multimedia. In December 2012, Imagination Technologies acquired MIPS. In September 2017, Imagination Technologies sold MIPS to Tallwood Venure Capital. In June 2018, Wave Computing, an AI chip start-up company, acquired MIPS. In May 2019, Wave Computing filed for bankruptcy protection, and MIPS was not affected. MIPS announced at the end of 2022 that the processor eVocore P8700 supports the RISC-V architecture.

(4) SiFive

SiFive was founded in 2015 by Krste Asanovic, a professor at UC Berkeley, and Dr. Yunsup Lee and Dr. Andrew Waterman from UC Berkeley. SiFive is also one of the RISC-V International's founding members, and its main products are processor core IPs based on the RISC-V ISA.

In addition to the companies above, the IC design industries in Japan, Korea, China or other emerging countries are also developing processor-related technologies. Japan has invested in processor technology and product development for decades, but it does not have its processor-based SIP licensing business model. Instead, it has gradually been replaced by licensable core processors such as ARM's own architecture and Andes' RISC-V. China has set up processor development as its national-level strategic goal for the industry, and the specific output is represented by Loongson processor chips for servers used by government units. Its processor SIP is the licensed MIPS architecture so that there is no business like SIP license. As for some other small SIP processor manufacturers in China, in addition to being less known and not yet recognized for their technical capabilities, they do not have their own architecture and core technologies. In recent years, to prevent US sanctions, China has successively established China RISC-V Industry Consortium (CRVIC) in Shanghai and China RISC-V Alliance (CRVA) in Beijing to vigorously promote and subsidize chips based on the RISC-V ISA. As for embedded processor companies in Taiwan, some adopt Architecture License, such as the design service company Faraday Technology (using the ARM-based architecture), while some adopt compatible instruction sets, such as RDC Semiconductor (using the x86 architecture). In addition to being unable to master the processor core technology and definition rights and lacking design flexibility, core processors of the former companies are only available for their own design service chips and cannot be licensed. Meanwhile, they have to pay a great deal of license fees and be constrained by technology source companies. The latter companies are able to enter the old ecosystem quickly. However, for newer functions and technological integration required by SoC and embedded systems, their products lag behind those of the instruction set source companies for several generations, because they do not have basic processor technology, the right to define specification, and the patents are not theirs. The RISC-V architecture is an open source instruction set developed by The University of California, Berkeley in U.S.A. Currently, the establishment and promotion of the follow-up architecture is led by the RISC-V Foundation (now RISC-V International) established in 2015. RISC-V International has more than 1,000 members all over the world. The x86-based architecture dominates the PC/NB market while the ARM-based architecture dominates the market of mobile phones

and portable devices. The simplified, modular, and scalable RISC-V architecture will become the dominating one for the IoT and other consumer electronics markets. In the near future, there will also be opportunities to share ARM’s market share in mobile phones and Chrome Book. Google announced at the RISC-V Summit 2022 that besides ARM and x86 architecture, they officially support RISC-V architecture in the Android operating system. This will accelerate the adoption of RISC-V chips in various Android OS devices, such as TVs and set-top boxes. Andes, as a Founding Premier member of the RISC-V Foundation, is one of the main suppliers of hardware and software solutions for RISC-V core processors. We are fully confident to provide a complete RISC-V SIP product line to the industry.

Taiwan’s semiconductor industry has the most comprehensive ecosystem in the world, including suppliers of chemical materials and silicon wafers in the upstream, IC design industry, IC fabrication industry, and IC packaging/testing industry in the midstream, as well as the system companies of PC/NB, mobile phones, and consumer electronics in the downstream. Taiwan’s IC design industry is ranked No. 2 in the world while the foundry and IC packaging/testing industries are ranked No.1. They are characterized by professionally vertical division of labor and mutual support. The industry cluster effect is obvious with comprehensive peripheral support. For many years, among the majority of 32/64-bit SoC products launched by Taiwanese IC design companies, the most important embedded processors are from foreign suppliers. The Company focuses on the R&D and service on the embedded processor SIP and related technologies. For the semiconductor industries and IC design industries in Taiwan, China, and Asian Region, the Company provides the critical SIP solutions that have been missing for a long time. By mastering the key embedded processor technologies, Andes can promote the development of the SoC-related technologies and core components, and improve the industry values, while entering the European and American markets.

### 1.3. Technology and R&D

1.3.1. The R&D spending in 2022 are NT\$ 559,679 thousand.

1.3.2. Technology or products successfully developed in 2022 and up to the printing date of this annual report

Year	Specific R&D outcomes
2022	<ul style="list-style-type: none"> <li>A. Announced AndeSight v5.1.0 STD/ RDS</li> <li>B. Completed development of N25F-SE, the first ISO-26262 ASIL B compliant RISC-V processor</li> <li>C. Announced AX45MPV, a new version of superscalar multicore RISC-V A(X)45MP processor with upgraded specifications and performance</li> <li>D. Announced the top-of-the-line AndesCore™ AX60 series, an out-of-order superscalar multicore RISC-V processor family</li> <li>A. Announced the AndesCore™ D23, a feature-rich, low-power and highly-secured entry-level RISC-V processor</li> </ul>
2023	<ul style="list-style-type: none"> <li>A. Will announce AndeSight v5.2.0 STD/RDS</li> <li>B. Expected to complete development of D25F-SE, the second functional safety ISO-26262 ASIL B RISC-V processor</li> <li>C. Expected to complete development of D45-SE, a functional safety ISO-26262 ASIL D RISC-V processor</li> <li>D. Expected to complete the development of COPILOT 7.0 to support advanced features of the vector processor AX45MPV</li> <li>E. Expected to complete the development of A(X)45MPV, a RISC-V multicore 1024-bit vector processor</li> <li>F. Expected to complete the development of AX65, an out-of-order superscalar multicore RISC-V processor</li> <li>G. Expected to complete the development of deep learning accelerator AnDLA and NN SDK</li> <li>E. Expected to complete the development of AndeSight v5.3.0 STD/RDS</li> </ul>

## 1.4. Long- and Short-term Business Development Plans

### 1.4.1. Short-term Plan:

- (1) To expand Andes' advantages in Taiwan, deepen its relationship with existing customers, assist customers in mass production, and increase the contribution of Taiwanese customers to our revenues.
- (2) To grasp the opportunities of the rapid growth of semiconductors in China and RISC-V ISA as a national key support development, establish good sales and services offices in Beijing, Shanghai, and Shenzhen, and quickly accumulate the number of customers.
- (3) To win customers from Japanese and Korean large IDM or IC design firms, provide good documentation and services, and establish a good customer base for long-term revenues.
- (4) Strengthen business development in North America, Europe and Israel, and cooperate with agents at the lowest cost to achieve great outcomes from key customers with our competitive products.

### 1.4.2. Long-term Plan:

- (1) Work with third party development partners to build our superior ecosystem, establish an irreplaceable product advantage, and expand the Company's influence in the industry.
- (2) To win customers from major IC design companies, system factories, or IDMs in Europe and the US, provide differentiated design service, and increase our visibility and brand recognition in Europe and the US.
- (3) To penetrate the market for the mainstream product applications with high-end RISC-V CPUs, and establish the impression that our products are of high quality and high efficiency in the minds of customers.
- (4) To continuously participate in RISC-V International's Workshop and actively engage in the specifications and development of related development tools and software.
- (5) To continue to promote RISC-V core processors based on Andes' V5 architecture with the Company's RISC-V CON.

## 2 Market and Sales Outlook

### 2.1. Market Analysis

#### 2.1.1. Regions of distribution for the Company's major products

Unit: NT\$ thousands

Year	2021	2022
Taiwan	276,994	332,307
America	206,051	297,050
China	283,567	235,487
Others	53,166	66,977
Total	819,778	931,821

#### 2.1.2. Market Share

The key suppliers of the 32-/64-bit embedded processor SIP are ARM (SoftBank), ARC (Synopsys), MIPS (Wave Computing), SiFive and us. According to the statistics by Linley Group which specializes in the CPU technology analysis, the total global chips which use CPU IP reached 33.3 billion units in 2020, where our 2020 shipments was over 2 billion, accounting for 6.0% market share. The Company's shipments in 2021 were 3 billion units, a 50% increase from 2020. In 2022, due to factors such as the global economic slowdown and inventory digestion in the IC industry, the shipment volume decreased compared to 2021, with over 2 billion units shipped. It is expected that the shipment volume will resume in the second half of 2023 with the gradual recovery of the economy, and market share will gradually rise.

### 2.1.3. Future market supply, demand and growth

#### (1) Future market supply and demand

Today's market trend is that consumer electronics must be slim and lightweight. Other electronic products with high growth potential, such as industrial control, IoT, automotive electronics, medical devices, also have multi-functional and high integration requirements. Due to the application needs and advancement of the IC fabrication processes, SoCs have become the mainstream of the IC chips. SoCs are IC chips that combine system integration and provide specific uses. It must consist of the embedded CPU with computing capability, memory, digital logic circuit, analog circuit, and other necessary I/O interfaces. Currently, in the market, only ARM, ARC, MIPS, SiFive, Andes, and other small companies in Europe and USA have the ability to provide reusable embedded processor IPs. Andes is the first listed company in Asia to provide 32/64-bit RISC-V processors and their development platforms. With a favorable geographical location, we provide the most comprehensive solutions and services for the companies located in Asia Pacific (including China), Japan, and Korea. We continue to expand our business to Europe and the United States.

According to MarketWatch's forecast, the global SoC market will grow to US\$25.3 billion between 2021 and 2024, with a compound annual growth rate of 6%. According to the forecast of RESEARCH ANDMARKETS, the demand for multi-core processors will range from USD 60.3 billion in 2020 to USD 172.7 billion in 2027, with a compound growth rate of 16%. Our technologies and products have successfully penetrated various application fields of the SoC, such as various types of mobile communication devices, domestic digital TV, wireless communication, IoT, companies' network and its storage devices, smart devices, AI, and various microcontrollers, all of which will significantly contribute to our future revenues.

#### (2) Future market growth

Due to the diversity of IC manufacturing processes and the increasing complexity of system chips, more and more IPs are used for a single chip to reduce the need for design manpower and shorten the time for chip development. According to the forecast of MARKETSAND MARKETS, global intellectual property revenue will reach 7.3 billion US dollars in 2025. Semico Research predicts that RISC-V CPU cores will reach 62.4 billion by 2025, with a compound annual growth rate of 146% from 2019 to 2025. For the emerging applications, DBS Asian Insights expects the global IoT device market to reach 125 billion devices by 2030. Regarding the 5G market, Facts and Factors predicts that by 2026, its output value can reach 26.1 billion US dollars. Compared with the US\$2.67 billion in 2019, the compound annual growth rate was 38%. According to Tractica's forecast, deep learning chipset shipments will reach 41.2 million units by 2025. Our CPU IP shipments only account for less than 10 % in the global market. With the rapid growth of RISC-V-based system chips, high consumption of IoT device applications and artificial intelligence, the rapid growth of 5G devices, and the speedy growth of automotive chips along with the rise of the new energy vehicle industry, the company's revenue growth rate is expected to increase substantially.

### 2.1.4. Competitive niche

#### (1) Innovative 32-/64-bit instruction architecture AndeStar™

Our instruction set architecture has evolved from V1, V2, and V3 to V5 architecture with the RISC-V instructions and all benefits of the previous generations. Innovation is always our development principle. We not only use the 16-/32-bit mixed instruction architecture, but also develop several innovative architectures. For example, StackSafe™ is a kind of hardware stack protection mechanism which can increase the software reliability. CoDense™ is a technique used to condense codes. AndeStar™

also includes other instructions that can improve the processor performance. We have acquired dozens of patents on AndeStar™ architecture in US, China, and Taiwan.

(2) International fame

We became the founding member of RISC-V International in 2016 and has upgraded to Premier in 2020. We are also the first commercial mainstream processor IP Company to include the RISC-V instruction set architecture developed by University of California, Berkeley, California, USA, to make the open, simplified, modular, and scalable RISC-V architecture make its way into the mainstream SoC applications. The new-generation AndeStar™ V5 architecture provides a complete solution for the embedded 32-/64-bit SoC design, and integrates the RISC-V technology with the proven AndeStar™ V3 architecture. It also includes several convenient functions and application enhanced units innovated by Andes, and Andes Custom Extension (ACE), Digital Signal Processing (DSP), Vector instruction extension (RVV), Security Extension Instruction Set, etc.

(3) Performance and efficiency of industry-leading AndesCore™ processors

Our AndesCore™ processors were designed to lead the industry at the early design stage. It has two major advantages: one is performance/area efficiency, and the other is power saving performance. That is, the optimal performance is achieved using the smallest area or power consumption. Especially in the power saving performance, it outperforms the leading companies by more than 30% in average.

(4) Instructive and standard AndeSight™ software development tool

Our AndeSight™ software development tools include an easy-to-use Integrated Development Environment (IDE) with the graphic interface and supported Toolchains. For the program development, it has a highly optimized compiler which can be used to generate simplified codes, a pure C embedded programming environment, and a C library optimized for microcontroller applications. These tools significantly reduce customers' software development schedule, and improves its quality.

(5) Extensive AndeSoft™ Software Stack

For different applications, the complete architecture of the SoC includes the underlying hardware architecture platform and a software stack consisting of multiple layers of software on it. We provide extensive AndeSoft™ Software Stack for different applications, including the Linux OS, real time operating system (RTOS) of the paid and open source codes, device drivers, middleware, and others.

(6) Flexible and configurable AndeShape™ platform IPs

We provide digital soft core platform IPs consisting of commonly used peripheral IPs to improve the efficiency and quality of customers' design and product development and to shorten the time-to-market. These platform IPs not only are applicable to any semi-conductor fabrication process but also can evaluate and develop software programs on our FPGA development board. Through their flexible and diverse configurations, customers can select the most suitable IP configurations to include their own modules. They only need to validate their own design. It is worth mentioning that the AE200 family features a completely validated integrated platform which has functions required by most microcontroller units (MCU). Therefore, customers can quickly penetrate the 32-bit MCU markets. The AE300 family supports the advanced 32-/64-bit AXI/AXB bus system platforms. It also supports the conversion between the 32-bit, 64-bit, and 128-bit data width, and conversion between different bus standards.

(7) Self-developed and designed total solutions

Our total solutions include AndesCore™ Processor IPs, AndeSight™ Integrated Development Environment with a graphic interface, software toolchains, and hardware development platform, all of which were developed and designed by Andes. Therefore, we have an advantage on both cost and future development.

(8) Elite partners

We have worked with more than 180 partners, including famous hardware/software IP companies, foundries, design services, and software tool companies, for examples, TSMC, UMC, GlobalFoundries (foundry), Intel, Faraday Technology, Global Unichip, Alchip, Invecas, Silex Insight (design service), eMemory (memory SIP), Veridify Security, Secure-iC (security IP), Kneron (AIIP), Imagination (GPU, Bluetooth IP), Rafael (RF IP), Mentor Graphics (simulation platforms), Micrium, RT-Thread (RTOS), Acoinfo SylixOS (real-time OS RTOS), Lauterbach, and J&D (software tool companies). In addition, our products have passed TSMC's stringent quality review and become one of the recommended processor IPs in its Open Innovation Platform (OIP). This not only improves our brand awareness but also boost our sales. After becoming one of the founding members of RISC-V International, we make alliances with several companies, such as, UltraSoC (debugging and trace IP), Imperas (software simulation and virtual platform), Rambus, Tiempo, Dover Microsystems, Hex-Five, ZAYA, eShard, Thales (security IP and platform), SEGGGER, IAR, Ashling (software tool companies), DeepLite , Skymizer (AI software), Expedera (AI IP), Multicoreware, PerfXLab (OpenCV), and Codeplay (Open CL). After releasing the product with functional safety support, Andes has attracted many partners such as Vector (AUTOSAR OS), FPT Software (AUTOSA software service), Tasking (embedded product development tool), LDRA (software testing), Parasoft (software testing), Beanpod Tech (embedded security software), and TrustKernel (embedded security software). We will also further expand the number of our partners.

(9) Campus promotion plan

We have started the campus promotion plan since 2010. It is intended to make the students be familiar with our processor architecture and usage environment to cultivate future engineers for customers and us, and raise our brand awareness. We started with National Chiao Tung University. As of the fourth quarter in 2022, we have signed contracts with 76 universities where 36 universities in Taiwan, 32 universities in China, and 8 universities in other countries. In 2022, we held the "Andes Certified Engineer Test (ACET™)" with 200 participants taking the test. We also organized the first Andes Award, with 25 teams registered

(10) Outstanding professional R&D team

Our core R&D team consists of talents who ever worked for renowned processor companies in US Silicon Valley, such as AMD, DEC, Intel, MIPS, nVidia, Sun, etc. They have rich experience in processor architecture, as well as in related software and hardware.

2.1.5. Positive and negative factors for future development, and countermeasures

(1) Favorable factors in development:

a. High barriers to entry

The expertise of the processor SIPs includes the innovative instruction architecture, Soft IP design, integrated development environment, development tools, OS, and debugging tools. These require senior R&D talents who know the hardware/software integration. The entry barriers are high so that less than 10 companies in the world can provide the processor IPs. The Company is the first Asian listed company that sells 32-/64-bit processor IPs and their development platform. We have mature technologies and deliberate short-term and long-term plans to meet various emerging needs in the market.

b. The SoC market has grown rapidly and extensively

According to the forecast of Marketwatch, the market size of system chips will reach US\$25.3 billion by 2024. DBS Asian Insights predicts that worldwide IoT devices will reach 125 billion by 2030. Our products emphasize high power-saving efficiency and are in line with the essential requirements for low power consumption of IoT terminal devices. In addition, the big data collected by IoT applications have driven the upgrading demands for the infrastructure, such as the

storage and network equipment, and emerging technologies such as AI/machine learning form the so-called edge computing. Our latest 64-bit CPU and vector processors just meet the requirements of high performance, high bandwidth, and high addressing in these fields. Therefore, the thriving development of IoT devices, AI, edge computing, and SoC is expected to have a positive effect on our promotions and revenues.

c. The rapid development of IC industry in China

According to IC Insights' Industry Report, China's IC production value has a compound growth rate of 11% from 2019 to 2024. With a favorable geographic location and language, it is expected that our customers and revenues in China will increase significantly.

d. According to the market research firm Semico Research, RISC-V-based CPU cores have a compound annual growth rate of 146% from 2019 to 2025. And the amount of shipments could reach 62.4 billion units by 2025. Andes is a Founding Premier member of the RISC-V International and a member of the Board of Directors and the Technical Steering Committee, where we have first-hand knowledge of market trends and technologies.

(2) Negative factors for our development and our corresponding strategy:

a. Insufficient talents

In response to the growth demand, we must hire talents continuously. However, Taiwan did not have the commercialized processor companies and industry in the past. Several companies, such as UMC, VIA, and RDC Semiconductor, produced Intel x86-based instruction architecture in the early stage. They focus on the PC industry and have little research on embedded processors. The relevant research on processors is limited to few universities in Taiwan. Therefore, there is a shortage of talents in processor architecture, hardware design, development tools, and embedded systems.

Our corresponding strategy:

(a) We cultivate R&D talents through internal and external education and training, and work with top-notch universities (NTU, NTHU, NCTU, NCKU, NCCU, etc.) in Taiwan to perform research or internship programs, inherit technologies, and hire talents in the future.

(b) Hire foreign high-end talents who have related experience.

(c) Provide long-term training to alternative military servicemen who graduate from the Departments of Electrical Engineering and Computer Science.

(d) Implement the employee stock purchase plan to make our employees become our shareholders for better engagement.

(e) Issue employee stock option certificates to retain talents.

b. Lack of custom standard cell libraries and memory SIPs

We focus on the Soft IP products to provide customers the embedded processors and development systems with the best performance and efficiency. We do not develop our own standard cell libraries and memory compiler products. For different IC processes, the technical data of the main performance uses the standard cell libraries and memory compiler provided by foundries. Some competitors have their own standard cell library and memory compiler team which can provide custom standard cell libraries and memory for better technical data (for example: the highest frequency, area, and power consumption).

Our corresponding strategy:

(a) Enhance design architecture to reduce the difference between various standard cell libraries and memories.

(b) Forge an alliance with the professional standard cell libraries and memory SIP companies to be more competitive.

c. Diverse application market goals

The embedded market has diverse applications. Due to the limited workforce and resources, we cannot provide a comprehensive hardware/software solution for



each application.

Our corresponding strategy:

- (a) Enhance the market analysis and visit customers to invest resources in the market with the best ROI.
- (b) Find more partners to cooperate with and use the minimum resources to provide the best total solutions for customers.

## 2.2. Important applications of major products and production processes:

### 2.2.1. Important applications of major products

Andes is committed to the design and development of an innovative architecture with high-performance and low power consumption of 32-/64-bit embedded microprocessors and the corresponding SoC development platforms. We have microprocessors, system architecture, operating systems, software development toolchains, and other technologies to provide services for the rapid growth of embedded system applications worldwide. Our products can be applied to SoC, IC and other fields. Application product types are as follows:

- (1) Consumer digital electronics
- (2) Mobile communications
- (3) Networking solutions
- (4) Satellite positioning
- (5) Embedded system solutions
- (6) Multimedia solutions
- (7) Thin client
- (8) Memory storage
- (9) Sensing
- (10) Wearables
- (11) IoT
- (12) Power ICs
- (13) Touch panel controllers
- (14) Smart meters
- (15) Industrial control
- (16) Medical instruments
- (17) Automotive electronics
- (18) AI/machine learning
- (19) Data center

### 2.2.2. Production process of major products

We are a IP supplier and do not produce physical products. The flowchart of our IP services is as follows:



## 2.3. Supply of key materials

We are a professional company that sells 32-/64-bit processor SIPs and their development platforms. Our key products are SIP soft codes and software tools which do not require production. The key materials for the AndeShape™ Development Board to support product display and customer development include the Printed Circuit Board (PCB), Field Programmable Gate Array (FPGA), ROM/Flash/DDR memory/memory module, various logic/analog/control IC devices, oscillator, various connectors/cables, etc., all of which come from outsourced production and procurement. The top priority of our supplier selection is the stable quality. Therefore, the supply conditions of each raw material are good.

## 2.4. Name of the major suppliers/customers over the last two years

### 2.4.1. Major suppliers

Unit: NT\$ thousands

Item	2021				2022			
	Supplier	Amount	% of Total Purchase	Relation	Supplier	Amount	% of Total Purchase	Relation
1	BESA	-	-	None	BESA	674	40	None
2	Answer	588	41	None	Answer	-	-	None
3	Gao-Fu	164	12	None	Gao-Fu	230	14	None
4	Macnica	31	2	None	Macnica	183	11	None
	Other	638	45		Other	596	35	
	Total	1,421	100		Total	1,683	100	

Reason for increase or decrease: The company prepares raw materials for planned production, so the purchase amount of the manufacturer changes according to the product schedule and the type of raw materials required.

### 2.4.2. Major customers over the last two years

Unit: NT\$ thousands

Item	2021				2022			
	Sales	Amount	% of Total Revenue	Relation	Sales	Amount	% of Total Revenue	Relation
1	Customer A	130,277	16	None	Customer A	181,310	19	None
2	Customer B	81,600	10	None	Customer B	129,051	14	None
	Others	607,901	74		Others	621,460	67	
	Total	819,778	100		Total	931,821	100	

Reason for increase or decrease: The change in the ratio of major sales customers was mainly due to the change in annual licensing contracts and royalty income.

## 2.5. Production volume and value in the past two years

Unit: PCS/ NT\$ thousands

Main products	Year	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Others		Not applicable (Note)	4,789	2,438	Not applicable (Note)	5,765	3,586

Note: The Company is professional CPU IP supplier. The manufacturing procedures is outsourcing, so could not provide the data of "production capacity".

## 2.6. Sales Volume and Value in the Past Two Years

Unit: SET/ NT\$ thousands

Sales volume and value	Year	2021				2022			
		Domestic sales		Export Sales		Domestic sales		Export Sales	
Main products		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Licensing of CPU IP		Not applicable.	68,142	Not applicable.	422,198	Not applicable.	125,542	Not applicable.	431,809
Royalty revenues		Not applicable.	195,958	Not applicable.	37,718	Not applicable.	188,264	Not applicable.	41,461
Maintenance services and others		2,019	12,894	2,376	82,868	224	18,501	1,143	126,244
Total			276,994		542,784		332,307		599,514

### 3 Employees

Year		2021	2022	2023 (As of April 30)
Number of Employees	R&D	172	268	299
	Management	82	89	96
	Total	254	357	395
Average Age		39	38	39
Average Years of Service		4.42	3.70	3.55
Education	Doctoral	5.51%	5.32%	5.57%
	Master	74.80%	77.59%	76.71%
	University & College	19.69%	17.09%	17.72%
	Total	100.00%	100%	100%

### 4 Environmental Protection & Expenditures

Losses due to environmental pollution (including compensation) and total fines during the most recent years and up to the annual report publication date: None.

### 5 Labor-Management Relations

5.1. The Company's employee welfare program, training and development, and retirement policy, settlement between employees and employer

#### (1) Labor Conditions:

- A. Beside the formal channels of communication, the Company also establishes the Employee Welfare Committee to host different types of events such as company event (anniversaries and family days), holiday celebrations, departmental activities (department outings and joint birthday celebrations), group outings, host a sports competition, etc.
- B. The Company has provided high-quality health checks and post-check consultations to its employees every year. Employees are entitled to basic insurance for labor, health insurance, etc. In addition, the parents, spouses and children of the employees also enjoy the protection of group insurance.
- C. The Company's regular running office environmental testing and fire detection for providing a safe working environment.
- D. In accordance with the Labor Standards Law, the Company provides such as paternity leave, parental leave, and breastfeeding time of female. The company also provides other regulations such as flexible working hours, etc., which are better than the Labor Standards Act.

#### (2) Training & development :

The Group pays its full attention on the employee training and development. A complete long-term human resource development plan is designed and implemented for various purposes including general, management, professional courses, English learning courses and other specifics programs, which will help to inspire employees to increase their working quality and performance.

#### (3) Status of retirement system :

- A. The Company's retirement system was designed in accordance to the Labor Standards Law and the Labor Pension Act. All employees choose the New System. The Company withdraws the pension to the labor personal account of the Labor Insurance Bureau every month according to law. In addition, the voluntary part of the employee's contribution shall be declared by the human resources unit after application.
- B. According to Article 46 of the Company's "Work Rules", employees who have worked for more than 15 years and have reached 55 years old, or have worked for

more than 25 years, or have worked for more than 10 years and have reached 60 years of age, may request retirement

C. Only 1 employee applied for retirement in 2022 till April 30 2023.

(4) Labor-Management Conference :

The Company held the Labor-Management Conference are held every season for employee representatives to meet with top management to discuss and respond major topics to achieve a better bilateral understanding between employees and the Company and thus to reach cohesiveness.

(5) Maintenance measures for various employee rights

A. the Company and the employees set a labor contract to protect the rights and interests of employees.

B. the Company has not hired underage child labor.

C. the Company provides flexible working hours, allowing employees to take care of their work and family.

D. the Company has a complaint channel for prohibiting workplace bullying and complaints of sexual harassment in the workplace to protect human rights.

In summary, the Company attaches great importance to the rights and interests of employees and gives full respect and care to employees based on the principle of humanized management.

5.2. Losses incurred by labor disputes in recent years up to publication, and potential disputes and appropriate measures:

The Company's agreement on labor relations and protection rights and interests maintenance measures for employee rights was in accordance to the Labor Standards Law. There is no any labor dispute.

## 6 IT Security Management

### 6.1 Structure, Policy and Resource

#### 6.1.1 IT Security Structure

In order to strengthen the company's information security management and ensure data, system and network security, an information security room has been set up, which is a dedicated information security unit, including the information security chief and at least one information security personnel, responsible for the planning of information security affairs, Promote and implement, and regularly report to the general manager and the chairman of the board on the status of various business executions.

#### 6.1.2 IT Security Policy

Information security is one of the important tasks that the company has been paying attention to for a long time. In order to ensure that various information security management operations can be effectively implemented, and early detection of illegal behaviors and security loopholes or threats. Early identification can help deter wrongdoing and minimize potential risks.

- Establish and implement an information security management system
- Comply with the information security requirements of laws and contracts
- Assess risks and set goals and control measures to continuously improve information security
- Disseminate information security requirements to employees and relevant groups

#### 6.1.3 IT Security Resource

The company attaches great importance to information security control, and the specific methods adopted in information security protection are mainly as follows:

##### (1) Employee management

When an employee is hired, the company signs an "employment contract" with the employee, in which it is stipulated that the intellectual property rights of all creations and inventions of the employee during the employment period shall belong to the company. At the same time, it also signed a detailed "confidentiality contract" with the employees. No

matter during or after the employment contract is terminated, the employed employees shall keep confidential all business information, technologies, programs, processes, designs or any other company confidential information that can be used for design, sales or operation that they come into contact with during their employment. If there is a violation of the contract, the company may impose punishment in accordance with the work rules. And depending on the seriousness of the circumstances, the criminal responsibility shall be prosecuted.

(2) Device Control

All computer equipment in the company needs to be installed with anti-virus software, and only those computers that meet the specifications are allowed to connect to the network by the system. Computer equipment that is not authorized by the company is strictly prohibited from accessing the company network. If there is an unauthorized device access, the system will automatically block the network to prevent non-compliant computer devices from affecting the company's internal network and equipment.

(3) Rights management

Employees of the company need to pass two-factor authentication to log in to their personal computers to avoid account theft and fraudulent use. Each R&D project has strict authority control. Project members need to submit an application. After the approval of the supervisor, the information management personnel will set the access authority, and regularly review the access authority to ensure the correctness of the authority management.

(4) Data management

The company's research and development related data are all stored in professional storage devices with high-availability backup capabilities. Project research and development data are all subject to authority control, and only authorized members are allowed to access them. The company's R&D data has a complete regular backup mechanism and is stored off-site to ensure recovery in the event of a disaster.

(5) Output management

When the product is delivered to the customer, it is necessary to complete the application process. After the approval of the relevant supervisors and business operators, the system will encrypt the data and upload it directly to the exclusive space provided by the company for customers to download. The process does not involve any manual work. The opening time of the line is limited to one week, and if it is overdue, you must apply for the opening again.

6.2 Damage and Impact

From 2022 to April 30 2023, the company has not suffered losses due to major information security incidents.

7 Material Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Credit Contract	Bank SinoPac Co., Ltd.	2022.8.31-2023.8.31	Short-term loan (Note 1), Banking transaction	None
Credit Contract	Land Bank of Taiwan Co., Ltd.	2022.6.7-2023.6.7	Short-term loan (Note 1), Banking transaction	None
Credit Contract	Mega International Commercial Bank Co., Ltd.	2023.2.7-2024.2.6	Short-term loan (Note 1), Banking transaction	None
Office Lease	Hsinchu Science Park Administration	2023.1.1~2023.12.31	Office Lease	None
Office Lease	Taiwan Fertilizer Co., Ltd.	2018.8.1~2028.7.31	Office Lease	None
Purchase Building	Yuchen Development Co., Ltd.	2022.9.19-2026.12.31	Purchase Building	None

Note 1: The Company has not used the loan credit amount.

## VI. Financial Information

### 1. Condensed Balance Sheet and Comprehensive Income Statement

#### 1.1. Condensed Balance Sheet

##### 1.1.1. Consolidated Condensed Balance Sheets - Based on IFRS

Unit: NT\$ thousands

Item		Consolidated financial data (Note 1)				
		Financial Summary for The Last Five Years				
		2018	2019	2020	2021	2022
Current assets		1,082,279	1,028,005	977,101	4,495,000	4,422,090
Property, plant and equipment		23,154	25,583	22,793	24,531	74,884
Intangible assets		125,283	205,043	290,441	380,110	613,606
Other assets		6,391	131,281	112,568	129,558	313,478
Total assets		1,237,107	1,389,912	1,402,903	5,029,199	5,424,058
Current liabilities	Cum-dividend	48,105	105,938	115,183	175,135	321,009
	Ex-dividend	77,836	120,445	146,811	319,433	396,985 (Note2)
Non-current liabilities		0	109,699	92,331	82,755	113,877
Total liabilities	Cum-dividend	48,105	215,637	207,514	257,890	434,886
	Ex-dividend	77,836	230,144	239,142	402,188	510,862 (Note2)
Equity attributable to owners of the parent		1,189,002	1,174,275	1,195,389	4,771,309	4,989,172
Share capital		426,509	426,509	426,509	506,509	506,509
Capital surplus		728,972	728,972	728,972	4,096,056	4,096,056
Retained earnings	Cum-dividend	34,626	20,918	41,553	171,590	383,229
	Ex-dividend	4,895	6,411	9,925	27,292	307,253 (Note2)
Other equity		(1,105)	(2,124)	(1,645)	(2,846)	3,378
Treasury shares		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Cum-dividend	1,189,002	1,174,275	1,195,389	4,771,309	4,989,172
	Ex-dividend	1,159,271	1,159,768	1,163,761	4,627,011	4,913,196 (Note2)

Note 1: Parent company only financial data of 2018~ 2022 are audited.

Note 2: The cash dividend distribution of NT\$75,976 thousands for the year 2022 have been passed by a special resolution of the board of directors on March 8, 2023.

1.1.2. Parent Company Only Condensed Balance Sheets – Based on IFRS

Unit: NT\$ thousands

Item \ Year		Parent company only financial data (Note 1)				
		2018	2019	2020	2021	2022
Current assets		1,055,317	957,531	924,452	4,332,223	4,238,656
Investments accounted for using the equity method		27,898	49,673	34,317	128,302	139,302
Property, plant and equipment		21,693	23,423	21,233	22,932	73,029
Intangible assets		125,283	205,043	290,441	380,110	613,606
Other assets		5,624	122,148	107,943	123,787	303,076
Total assets		1,235,815	1,357,818	1,378,386	4,987,354	5,367,669
Current liabilities	Before distribution	46,813	78,050	90,787	136,172	269,672
	After distribution	76,544	92,557	122,415	280,470	345,648 (Note 2)
Non-current liabilities		0	105,493	92,210	79,873	108,825
Total liabilities	Before distribution	46,813	183,543	182,997	216,045	378,497
	After distribution	76,544	198,050	214,625	360,343	454,473 (Note 2)
Share capital		426,509	426,509	426,509	506,509	506,509
Capital surplus		728,972	728,972	728,972	4,096,056	4,096,056
Retained earnings	Before distribution	34,626	20,918	41,553	171,590	383,229
	After distribution	4,895	6,411	9,925	27,292	307,253 (Note 2)
Other equity		(1,105)	(2,124)	(1,645)	(2,846)	3,378
Total equity	Before distribution	1,189,002	1,174,275	1,195,389	4,771,309	4,989,172
	After distribution	1,159,271	1,159,768	1,163,761	4,627,011	4,913,196 (Note 2)

Note 1: Parent company only financial data of 2018~ 2022 are audited.

Note 2: The cash dividend distribution of NT\$75,976 thousands for the year 2022 have been passed by a special resolution of the board of directors on March 8, 2023.

## 1.2. Condensed Statements of Comprehensive Income

### 1.2.1. Consolidated Condensed Statements of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year	Consolidated financial data (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		304,756	494,851	581,012	819,778	931,821
Gross profit		304,340	494,031	579,829	818,307	931,090
Operating income		35,311	18,579	37,622	158,664	(69,168)
Non-operating income and expenses		7,653	(734)	1,068	18,471	452,918
Net income before income tax		42,964	17,845	38,690	177,135	383,750
Net income from operations of continued segments		41,567	16,023	35,142	161,665	355,937
Net income from discontinued operations		0	0	0	0	0
Net income (loss)		41,567	16,023	35,142	161,665	355,937
Other comprehensive Income, net of tax		647	(1,019)	479	(1,201)	6,224
Total comprehensive income		42,214	15,004	35,621	160,464	362,161
Net income (loss) for the periods attributable to Owners of the parent		41,567	16,023	35,142	161,665	355,937
Net income (loss) for the periods attributable to Non-controlling interests		0	0	0	0	0
Total comprehensive income for the periods attributable to Owners of the parent		42,214	15,004	35,621	160,464	362,161
Total comprehensive income for the periods attributable to Non-controlling interests		0	0	0	0	0
Earnings per share (NT\$)		0.97	0.38	0.82	3.59	7.03

Note 1: Consolidated financial data of 2018~ 2022 are audited.



1.2.2. Parent Company Only Condensed Statements of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands

Item	Year	Parent company only financial data (Note 1)				
		2018	2019	2020	2021	2023
Operating revenue		283,164	405,872	456,724	661,738	729,058
Gross profit		282,748	405,052	455,541	660,267	728,327
Operating income		39,506	59,296	82,028	121,924	(79,510)
Non-operating income and expenses		3,434	(41,518)	(44,223)	48,755	462,524
Net income before income tax		42,940	17,778	37,805	170,679	383,014
Net income from operations of continued segments		41,567	16,023	35,142	161,665	355,937
Net income from discontinued operations		0	0	0	0	0
Net income (loss)		41,567	16,023	35,142	161,665	355,937
Other comprehensive Income, net of tax		647	(1,019)	479	(1,201)	6,224
Total comprehensive income		42,214	15,004	35,621	160,464	362,161
Earnings per share (NT\$)		0.97	0.38	0.82	3.59	7.03

Note 1: Parent company only financial data of 2018~ 2022 are audited.

1.3. Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	Name of Auditors (CPA)	Audit Opinion
2018	Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	Unqualified Opinions
2019	Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	Unqualified Opinions
2020	Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	Unqualified Opinions
2021	Ernst & Young	Yu-Ni Yang, Jia-Ling Tu	Unqualified Opinions
2022	Ernst & Young	Yu-Ni Yang, Hsin-Min Hsu	Unqualified Opinions

## 2. Five-Year Financial Analysis

### 2.1. Consolidated Financial Analysis – Based on IFRS

Item	Year	Last Five-Year Financial Analysis (Note 1)				
		2018	2019	2020	2021	2022
Capital structure analysis (%)	Debt ratio	3.89	15.51	14.79	5.13	8.02
	Long-term fund to property, plant and equipment ratio	5,135.19	4,590.06	5,244.54	19,787.47	6,814.61
Liquidity Analysis (%)	Current ratio	2,249.83	970.38	848.30	2,566.59	1,377.56
	Quick ratio	2,215.18	944.01	827.04	2,539.78	1,356.14
	Times interest earned	(Note 2)	9.00	19.95	100.35	22,282.08
Operating performance analysis	Average collection turnover (Times)	5.2	5.20	4.13	5.19	6.71
	Days sales outstanding	70	70.19	88.37	70.32	54.39
	Average inventory turnover (Times)	0.27	0.47	0.53	0.75	0.34
	Average payment turnover (Times)	0.72	1.44	8.30	0.92	0.50
	Average inventory turnover days	1,351	776.59	688.67	486.66	1,073.52
	Property, plant and equipment turnover (Times)	23.12	20.31	24.02	34.65	18.75
	Total assets turnover (Times)	0.25	0.38	0.42	0.25	0.18
Profitability analysis	Return on assets (%)	3.43	1.36	2.64	5.07	6.84
	Return on equity attributable to owners of the parent (%) (Note 7)	3.55	1.36	2.97	5.42	7.29
	Pre-tax income to paid-in capital (%)	10.07	4.18	9.07	34.97	75.76
	Net margin (%)	13.64	3.24	6.05	19.72	38.20
	Earnings per share (NT\$)	0.97	0.38	0.82	3.59	7.03
Cash flow	Cash flow ratio (%)	(Note 3)	29.16	95.66	177.75	223.71
	Cash flow adequacy ratio (%)	(Note 3)	6.37	25.39	63.57	87.94
	Cash flow reinvestment ratio (%)	(0.74)	0.12	10.59	6.36	13.02
Leverage	Operating leverage	1.77	4.75	4.17	2.05	(31.02)
	Financial leverage	1.00	1.14	1.06	1.01	0.98

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

- The debt ratio increased: mainly due to the increase in the number of employees, the increase in payable bonuses and employee bonuses, and the deferred tax liabilities arising from the research and development expenditures and the purchase of real estate in subsequent years, resulting in a change in the ratio.
- The ratio of long-term funds to real estate, plant and equipment decreased: mainly due to research and development needs, purchasing computer communication equipment, cause the change in the ratio.
- Decrease in current ratio and quick ratio interest coverage ratio: mainly due to the increase in the number of employees, the increase in payable bonuses and employee bonuses, resulting in a change in ratio.
- Increase in interest coverage ratio: Mainly due to the increase in net profit before income tax and foreign exchange gain in 2022, resulting in a change in ratio.
- Increase in turnover rate of accounts receivable and decrease in collection days: due to the increase in sales revenue at the end of the period and the increase in accounts receivable, so the turnover rate decreased, and the number of collection days increased.
- Decrease Average inventory turnover and increased in average sales days: due to the lower demand for inventory, the lower cost of goods sold cause the change in the ratio.
- Decrease in turnover rate of payables: due to the lower demand for inventory, the turnover rate has decreased.
- Decrease in turnover rate of real estate, plant, and equipment: The decrease in turnover rate was mainly due to the needs of computer communication equipment.
- Decrease in total asset turnover rate: Mainly due to issuing new common shares by cash capital in 2021, cause the increase in the total average of asset and the decrease in total asset turnover rate.
- Increase in the return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share: due to the increase in net profit before tax in 2022.
- Increase in cash flow ratio, cash flow fair ratio and cash reinvestment ratio: due to continuous profitability and operating cash inflows in recent years, the related cash flow ratio has increased.
- Decrease in operating leverage: mainly due to the increase in the number of employees, cause the decrease of the operating profits and the operating leverage decreased.

Note 1: The financial data of 2018~2022 are audited.

Note 2: The ratio does not apply due to the Company and subsidiaries do not have interest expense.

Note 3: The ratio does not apply due to the net cash provided by operating activities is negative.

## 2.2. Parent Company Only Financial Analysis – Based on IFRS

Item		Year	Five-Year Financial Analysis (Note1)				
		2018	2019	2020	2021	2022	
Capital structure analysis (%)	Debt ratio	3.79	13.52	13.28	4.33	7.05	
	Long-term fund to property, plant and equipment ratio	5,481.04	5,796.94	6,491.72	21,154.64	6,980.78	
Liquidity Analysis (%)	Current ratio	2,254.32	1,226.82	1,018.26	3,181.43	1,571.78	
	Quick ratio	2,219.85	1,202.62	992.66	3,150.20	1,548.29	
	Times interest earned	(Note 2)	10.05	20.98	102.53	263.34	
Operating performance analysis	Average collection turnover (Times)	5.88	4.31	3.4	3.05	3.42	
	Days sales outstanding	62	82.26	107.5	119.74	106.74	
	Average inventory turnover (Times)	0.27	0.55	0.7	0.94	0.44	
	Average payment turnover (Times)	5.01	10.58	6.19	7.99	13.05	
	Average inventory turnover days	1,364	668	523	388	832.00	
	Property, plant, and equipment turnover (Times)	22.93	17.99	21.28	29.97	15.19	
	Total assets turnover (Times)	0.23	0.31	0.35	0.21	0.14	
Profitability analysis	Return on total assets (%)	3.44	1.36	2.81	5.12	6.9	
	Return on equity attributable to shareholders of the parent (%)	3.55	1.36	2.95	5.42	7.29	
	Pre-tax income to paid-in capital (%)	10.07	4.17	8.86	33.70	75.62	
	Net margin (%)	14.68	3.95	7.69	24.43	48.82	
	Earnings per share (NT\$)	0.97	0.38	0.82	3.59	7.03	
Cash flow	Cash flow ratio (%)	13.26	58.95	120.32	196.61	256.15	
	Cash flow adequacy ratio (%)	(Note 3)	22.31	34.42	64.39	79.87	
	Cash flow reinvestment ratio (%)	0.58	7.20	14.08	6.87	19.36	
Leverage	Operating leverage	1.66	2.10	2.2	2.19	(1.57)	
	Financial leverage	1.00	1.03	1.02	1.01	0.98	

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

- The debt ratio increased: mainly due to the increase in the number of employees, the increase in payable bonuses and employee bonuses, and the deferred tax liabilities arising from the research and development expenditures and the purchase of real estate in subsequent years, resulting in a change in the ratio.
- The ratio of long-term funds to real estate, plant and equipment decreased: mainly due to the research and development needs, purchasing computer communication equipment, cause the change in the ratio.
- Decrease in current ratio and quick ratio interest coverage ratio: mainly due to the increase in the number of employees, the increase in payable bonuses and employee bonuses, resulting in a change in ratio.
- Increase in interest coverage ratio: Mainly due to the increase in net profit before income tax and foreign exchange gain in 2022, resulting in a change in ratio.
- Decrease Average inventory turnover and increased in average sales days: due to the lower demand for inventory, the lower cost of goods sold cause the change in the ratio.
- Increase in turnover rate of payables: due to the decrease of the inventory at the end of the period, the turnover rate has decreased.
- Decrease in turnover rate of real estate, plant, and equipment: The decrease in turnover rate was mainly due to the needs of computer communication equipment.
- Decrease in total asset turnover rate: Mainly due to issuing new common shares by cash capital in 2021, cause the increase in the total average of asset and the decrease in total asset turnover rate.
- Increase in the return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share: due to the increase in net profit before tax in 2022.
- Increase in cash flow ratio, cash flow fair ratio and cash reinvestment ratio: due to continuous profitability and operating cash inflows in recent years, the related cash flow ratio has increased.
- Decrease in operating leverage: mainly due to the increase in the number of employees, cause the decrease of the operating profits and the operating leverage decreased.

Note 1: The financial data of 2018~2022 are audited.

Note 2: The ratio does not apply due to the Company does not have interest expense.

Note 3: The ratio does not apply due to the net cash provided by operating activities is negative.

Note 4: Financial analysis equations

1. Capital Structure Analysis:

(1). Debt ratio = Total liabilities / Total assets

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

2. Liquidity Analysis:

(1). Current ratio = Current assets / Current liabilities

(2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities

(3). Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating Performance Analysis:

(1). Average collection turnover = Net sales / Average trade receivables

(2). Days sales outstanding = 365 / Average collection turnover

(3). Average inventory turnover = Operating costs / Average inventory

(4). Average payment turnover = operating costs / Average trade payables

(5). Average inventory turnover days = 365 / Average inventory turnover

(6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment

(7). Total assets turnover = Net sales / total assets

4. Profitability Analysis:

(1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets

(2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent

(3). Net margin = Net income / Net sales

(4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash Flow:

(1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities

(2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

(1). Operating leverage = (Net sales – variable cost) / Operating income

(2). Financial leverage = Operating income / (Operating income – interest expenses)

### 3. Audit Committee's Review Report

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

The Board of Directors has prepared the Company's 2022 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 2023 Annual General Shareholders' Meeting

Andes Technology Corporation

Convenor of the Audit Committee: Chen-Kuo Yang

March 8<sup>th</sup>, 2023

4. Financial Statements and Independent Auditors' Report –the Company & Subsidiaries  
Please refer to Appendix 1.
5. Financial Statements and Independent Auditors' Report – Parent Company  
Please refer to Appendix 2
6. The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have  
Financial Difficulties  
None.

## VII. Financial Status, Operating Results and Status of Risk Management

### 1. Financial Status

Unit: NT\$ thousands

Item	Year	2021	2022	Difference	
				Amount	%
Current Assets		4,495,000	4,422,090	(72,910)	(1.62)
Property, Plant and Equipment		24,531	74,884	50,353	205.26
Intangible Assets		380,110	613,606	233,496	61.43
Other Assets		129,558	313,478	183,920	141.96
Total Assets		5,029,199	5,424,058	394,859	7.85
Current Liabilities		175,135	321,009	145,874	83.29
Long-term Liabilities		0	0	0	0
Other Liabilities		82,755	113,877	31,122	37.61
Total Liabilities		257,890	434,886	176,996	68.63
Share Capital		506,509	506,509	0	0
Capital Surplus		4,096,056	4,096,056	0	0
Retained Earnings		171,590	383,229	211,639	123.34
Other Equity		(2,846)	3,378	6,224	(218.69)
Total Equity		4,771,309	4,989,172	217,863	4.57
<p>1. Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:</p> <p>(1) Increase in property, plant and equipment: mainly due to the research and development needs, purchasing computer communication equipment for the needs.</p> <p>(2) Increase in intangible assets: due to continuous investment in Development costs.</p> <p>(3) Increase in other assets: mainly due to the long-term development planning to purchase of pre-sale real estate.</p> <p>(4) Increase in current liabilities: mainly due to the increase in the number of employees, the increase in payable bonuses and employee bonuses.</p> <p>(5) Increase in other liabilities: mainly due to the increase in deferred income tax liabilities.</p> <p>(6) Increase in retained earnings: due to the profit growth in 2022.</p> <p>2. If the impact is significant, the future response plan should be stated: Not applicable.</p>					

## 2. Operating Results

Unit: NT\$ thousands

Item	Year	2021	2022	Difference	
				Amount	%
Net Sales		819,778	931,821	112,043	13.67
Operating Costs		1,471	731	(740)	(50.31)
Gross Profit		818,307	931,090	112,783	13.78
Operating Expenses		659,643	1,000,258	340,615	51.64
Operating Income		158,664	(69,168)	(227,832)	(143.59)
Non-Operating Income and Expenses		18,471	452,918	434,447	2,352.05
Net Income before Income Tax		177,135	383,750	206,615	116.64
Income Tax Expense		15,470	27,813	12,343	79.79
Net Income		161,665	355,937	194,272	120.17
Other Comprehensive Income, net of tax		(1,201)	6,224	7,425	(618.23)
Total Comprehensive Income		160,464	362,161	201,697	125.70
<p>1. Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:</p> <p>(1) Increase in operating expenses and decrease in operating gross profit: mainly due to the increase in the number of employees, the operating expenses increased and decrease in operating gross profit.</p> <p>(2) Increase in non-operating income and expenses, and pre-tax benefits: Mainly due to the increase in foreign exchange benefits, and the increase in foreign exchange benefits is greater than the decrease in operating benefits, so the pre-tax benefits increased.</p> <p>(3) Increase in income tax expense: mainly due to the temporary differences in R&amp;D expenditures and real estate purchases in subsequent years, cause the increase in income tax expense.</p> <p>2. Possible impact on the Company's future financial business and corresponding plan: Not applicable.</p>					

## 3. Cash Flow Analysis

### 3.1. Analysis of cash flow deviation for the current period:

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Provided by operating Activities in 2022	Net Cash Outflows from Investing and Financing Activities in 2022	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2022	Leverage of Cash Deficit	
					Investment plan	Financing plan
4,004,740	718,120	(632,588)	7,343	4,097,615	-	-
<p>Analysis of change in cash flow in the current year:</p> <p>(1) Operating activities: Net cash inflow of NT\$718,120 thousands, mainly from operating profits.</p> <p>(2) Investing activities: Net cash outflow of NT\$468,944 thousands, mainly due to acquisition of the intangible assets.</p> <p>(3) Financing activities: Net cash inflow of NT\$163,644 thousands, mainly due to the cash dividend.</p> <p>Remedial measures and liquidity analysis for insufficient cash: Not applicable.</p>						

3.2. Remedy for cash shortfall: The Company has ample cash on-hand; remedial actions are not required.

3.3. Analysis of cash flow project for the next period: As of March 31, 2023 the Cash and cash equivalents still have net NT\$ 3,888,003 thousands. The Company has ample cash on-hand.

## 4. Major Capital Expenditure

None.

## 5. Direct Investment Policy, Main Causes for Profit or Loss, Improvement Plan and Investment Plan for the Upcoming Year



The Company's investments are long-term strategic investments. Investment gain from equity method investment in 2022 was NT\$3,221 thousands. The Company will keep its long-term strategic investment policy and evaluate investment plans prudently.

## 6. Risk Management

### 6.1. Risks Associated with Interest Rate Fluctuation, Foreign Exchange Volatility, and Inflation

Unit: NT\$ thousands

Item	Year	2021	2022
Net Sales		819,778	931,821
Foreign Exchange Gains or Losses		640	390,026
Foreign Exchange Gains or Losses to Net Sales (%)		0.08	41.86

(1) Risks associated with interest rate: the Company does not have bank borrowings, therefore changes in market interest rates are not influence to the Company.

(2) Risks associated with foreign currency: The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries. The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2022 and 2021 decreases/increases by NT\$37,105 thousands and NT\$32,567 thousands. The impact of exchange rate fluctuations of the NTD against the USD on the Company is not significant.

The main income currency of the Company is US dollars and New Taiwan dollars. The proportion of net exchange gain (loss) to net operating income for the years ended December 31, 2022 and 2021 is 41.86%, and 0.08%, respectively. The proportion was minor. The following measures were taken to deal with exchange rate changes:

A. Observe the impact of the economic situation on the exchange rate at any time, and fully grasp the exchange rate trend, take necessary risk avoidance measures.

(3) Risks associated with inflation: There was no major impact from inflation on the Company's operations. The Company has not been profitable due to inflation. The past profit and loss has not been significantly affected by inflation. If the cost or expense is increased due to inflation, the Company will also adjust the sales price appropriately.

### 6.2. Risks Associated with High-Risk/High-Leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

(1) The Company has not engaged in high-risk or high-leveraged financial investments during 2022 and up to date of this report.

(2) The Company has not engaged in the act of lending, endorsement guarantees and Financial Derivatives transactions during 2022 and up to date of this report.

### 6.3. Future R&D Plans and Expected R&D Spending

The company's future research and development will continue to add new architecture definitions to AndeStar™ V5 in accordance with the extension instructions formulated by the RISC-V International. These include bit manipulation, security function architecture, code size reduction, encrypted instructions, new-generation instruction set, etc. The near-term plan of the AndesCore™ processors consists of development the extension instruction set of the V5 architecture, and will focus on higher performance and lower power consumption based on the application trends as well as develop a series of products that comply with ISO-26262. High-end application processor CPUs will further support Profiles such as RVA23 and RVA24, and will

also move toward multi-cluster architectures to provide greater computing power for SoCs. For vector processors, Andes will also continue to optimize the architecture to provide better performance for applications such as data center accelerators. The development of the AndeSight™ Integration and Development Environment includes toolchains. In addition to the development of new LLVM compilers, it continues to optimize and support the new processor instruction set and core pipeline architecture. For the development of the AndeSoft™ Software Stack, we add the support for 64-bit operating systems and enhance IoT stack. We also continue to port and optimize the latest version for the existing OS and application functions. The parallel programming that supports OpenCL™ (Open Computing Language) heterogeneous systems helps the application of large systems, especially vector processors, in cloud servers. AndeSentry™ is a newly established architecture for security that includes Andes' own technology and the IPs of partners to meet the needs of different customers. In addition to enhancing the ACE (Andes Custom Extension) customer-defined acceleration instruction architecture and its development software COPILOT (Custom-Optimized Instruction development Tools), we will also continue to research AI deep learning and acceleration-related applications, such as the development of the Deep Learning Accelerator (AnDLA), Andes' RISC-V scalable AI subsystems, as well as AI software stacks and development tools, in order to offer more help to our customers.

Most of our R&D expenditures belong to the salaries of the R&D personnel. We invested NT\$ 559,679 thousands and NT\$ 343,835 thousands in 2022 and 2021 respectively. In the future, we will hire more R&D talents to enhance our R&D capabilities. We estimate that the funds invested in the future R&D plans will account for 40% of the annual revenues.

#### 6.4. Risk Associated with Changes in the Political and Regulatory Environment

The Company's Legal Department and Finance Department are responsible for risks associated with changes in the political and regulatory environment. The Company pays close attention to any changes in policies and laws that may affect the Company's operations, and adjusts the relevant internal regulations of the Company.

#### 6.5. New technology change (including the risk of IT security) and industry change impact on the Company's finance and business operations

The company has established an e-operation committee, which regularly in half year reports on information security and information security improvement measures on a quarterly basis, and regularly explains information security cases such as information security issues and phishing letters to all employees, and sends email notifications from time to time. All employees are notified about the prevention of malicious emails.

The information security policy has stipulated information security regulations in the information system management process, specify the necessary implementation principles and measures for employee information security, such as company information protection and security, remote access multi-factor authentication (MFA) to add a layer of protection to the login process and prohibit colleagues from installing, using or sharing unauthorized Software... etc. information security protection restrictions,

The company has information system emergency response measures, in order to enable information operations to take emergency measures in order after natural disasters or man-made damages occur, and to resume various computer operations as soon as possible to maintain the operation of the company's business.

It also stipulates that in the event of an information security incident, an emergency response team for major critical safety incidents should be established immediately. The general manager and department heads shall be organized according to their powers to be responsible for the emergency response handling of information security incidents, and the information department shall be responsible for information security prevention and crisis. Related measures such as notification and emergency response.

#### 6.6. Changes in Corporate Image and Impact on Company's Crisis Management

There are no changes in corporate image and impact on company's Crisis during 2022 and up to date of this report.

#### 6.7. Risks Associated with Mergers and Acquisitions

There is no any plan with Mergers and Acquisitions during 2022 and up to date of this report.

#### 6.8. Risks Associated with Facility Expansion

The company signed a contract for the purchase of a pre-sale factory building in September 2022. It is expected that the benefits can save rental expenses and increase the space flexibility for the future growth of the number of employees. It is positively beneficial to the company's medium and long-term operation and development, and has no adverse impact on shareholders' equity. The possible risks of the pre-sale factory building are construction defects, etc. The company has hired full-time factory personnel to supervise and check relevant construction information to ensure that the factory building is properly completed within the schedule.

#### 6.9. Risks Associated with Purchase Concentration and Sales Concentration

##### (1) Purchase Concentration

The Company is a professional CPU IP design company, in which the purchase of raw materials, components and accessories for the Company's AndeShape™ production. This hardware platform can provide customers with software development, verification procedures and error detection, but the purchase amount is not large, so the Company does not have the purchase concentration situation.

##### (2) Sales Concentration

The company did not have a single customer sales ratio of 40% in the last two years. The sales concentration does not pose any risks and customers with more than 10% sales are all reputable listed companies or well-known international companies, and the relationship between the two parties is good, the collection situation is normal.

#### 6.10. Risks Associated with Sales of Significant Numbers of Shares by the Company's Directors and Major Shareholders Who Own 10% or more of the Company's Total Outstanding Shares

The Company regularly announces the directors, supervisors and major shareholders who hold more than 10% of the shares every month, and keeps paying attention to the sales of significant numbers of shares.

In the most recent year (2022), there has been no substantial transfer of shares of directors or major shareholders

#### 6.11. Risks Associated with Change in Management

In the latest fiscal year and as of the date of this Annual Report, there were no such risks for the Company.

#### 6.12. Risks Associated with Litigations

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuits: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

#### 6.13. Other Material Risk

None.

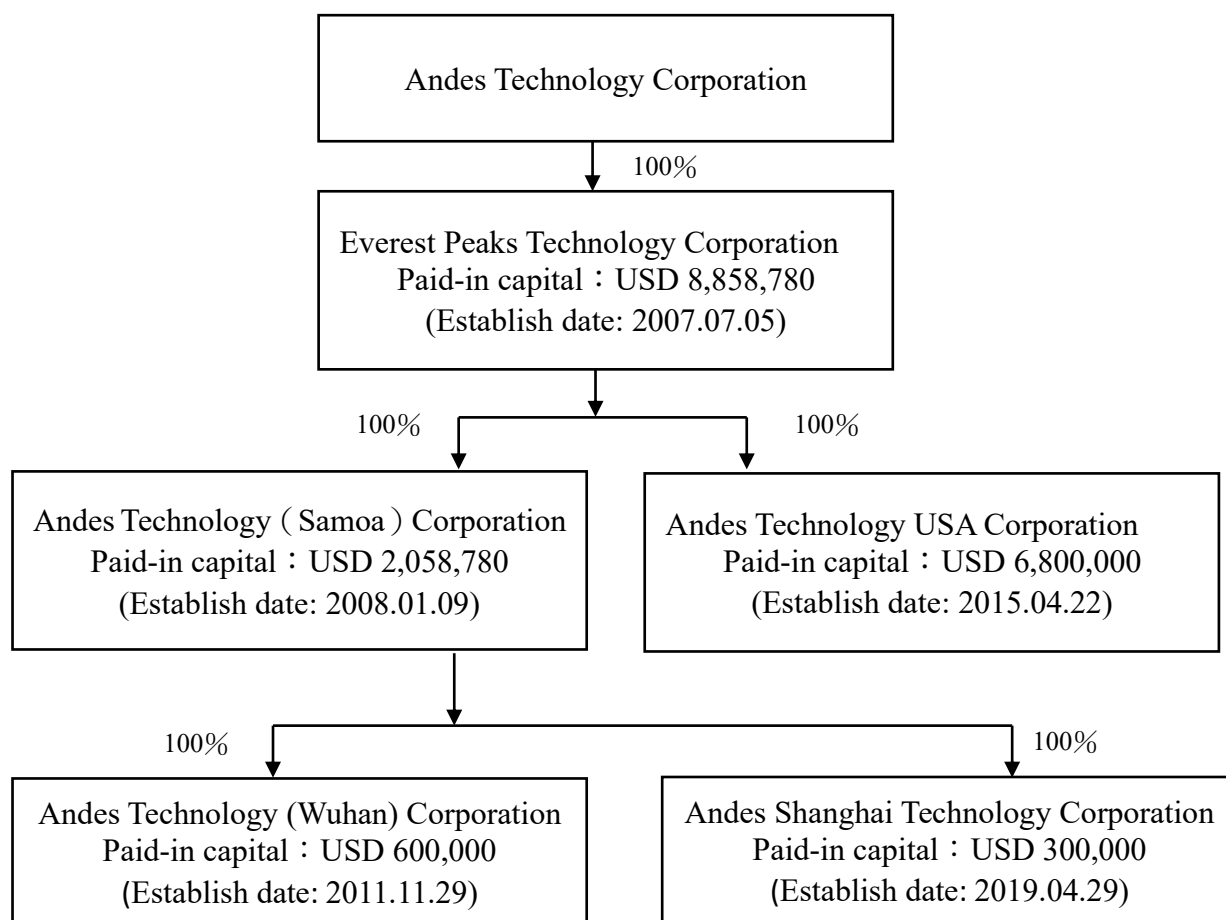
#### 7. Other Material Events

None.

## VIII. Special Disclosure

### 1. Summary of Affiliated Companies

#### 1.1. The Company's Affiliated Companies Chart (December 31, 2022)



#### 1.2. The Company Affiliated Companies

December 31, 2022

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Everest Peaks Technology Corporation	2007.7	B.V.I.	USD 8,858,780	General investing
Andes Technology ( Samoa ) Corporation	2008.1	Samoa	USD 2,058,780	General investing
Andes Technology USA Corporation	2015.4	USA	USD 6,800,000	Licensing CPU IP and providing related services
Andes Technology (Wuhan) Corporation	2011.11	China	USD 600,000	Licensing CPU IP and providing related services
Andes Shanghai Technology Corporation	2019.4	China	USD 300,000	Licensing CPU IP and providing related services

#### 1.3. Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual or Deemed Control: None.

#### 1.4. Business Scope of the Company and Its Affiliated Companies: Licensing CPU IP and providing related services.

1.5. List of Directors, Supervisors and Presidents of the Company's Affiliated Companies

December 31, 2022

Company Name	Title	Name or Representative	Shareholding	
			Shares	% of Holding
Everest Peaks Technology Corporation	Chairman	Andes Technology Corporation Rep: Jyh-Ming Lin	8,858,780	100%
Andes Technology (Samoa) Corporation	Chairman	Everest Peaks Technology Corporation Rep: Jyh-Ming Lin	2,058,780	100%
Andes Technology USA Corporation	Chairman	Everest Peaks Technology Corporation Rep: Jyh-Ming Lin	6,800,000	100%
	Director	Everest Peaks Technology Corporation Rep: Hong-Men Su		
	Director	Everest Peaks Technology Corporation Rep: Han-Chang Chou		
Andes Technology (Wuhan) Corporation	Chairman	Andes Technology (Samoa) Corporation Rep: Jyh-Ming Lin	- (Note)	100%
	Director	Andes Technology (Samoa) Corporation Rep: Hong-Men Su		
	Director	Andes Technology (Samoa) Corporation Rep: Kuo-Chi Lin		
	Supervisor	Andes Technology (Samoa) Corporation Rep: Han-Chang Chou		
Andes Shanghai Technology Corporation	Chairman	Andes Technology (Samoa) Corporation Rep: Jyh-Ming Lin	- (Note)	100%
	Director	Andes Technology (Samoa) Corporation Rep: Hong-Men Su		
	Director	Andes Technology (Samoa) Corporation Rep: Kuo-Chi Lin		
	Supervisor	Andes Technology (Samoa) Corporation Rep: Han-Chang Chou		

Note: The Corporation is not a company limited by shares, unissued shares.

1.6. Operation Highlights of the Company's Affiliated Companies

December 31, 2022 / Unit: NT\$ thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Income	EPS (NT\$)
Everest Peaks Technology Corporation	267,423	139,302	0	139,302	0	0	3,221	0.36
Andes Technology (Samoa) Corporation	64,450	74,536	0	74,536	0	0	9,830	4.77
Andes Technology USA Corporation	202,973	230,517	165,751	64,766	325,732	(6,423)	(6,609)	(0.97)
Andes Technology (Wuhan) Corporation	18,117	77,042	32,905	44,137	46,867	9,550	8,029	(Note)
Andes Shanghai Technology Corporation	9,258	98,850	68,455	30,395	92,836	2,460	1,801	(Note)

Note: The Corporation is not a company limited by shares, unissued shares.

2. Private Placement Securities  
None.
3. Holding or Disposition of the Company Stocks by Subsidiaries  
None.
4. Other Necessary Supplement  
None.
5. Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan  
None.

# Appendix

**English Translation of a Report and Financial Statements Originally Issued in Chinese**

**ANDES TECHNOLOGY CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

Address: A1-4, 3F, No.1, Li-Hsin First Road, Hsinchu Science Park, Hsinchu City 300, Taiwan R.O.C.  
Telephone: 886-3-572-6533

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.



## REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2022 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the Combined Financial Statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the consolidated financial statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the consolidated financial statements.

Very truly yours,

Andes Technology Corporation

Chairman: Jyh-Ming Lin

March 8, 2023

## 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, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, 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 the Standards on Auditing of 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 2022 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

Operating revenues recognized by the Group amounted to NT\$931,821 thousand for the year ended December 31, 2022. 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.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Notes 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\$611,186 thousand as of December 31, 2022, NT\$394,075 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 evidence 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 4, 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 and became effective 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 the Standards on Auditing of 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 the Standards on Auditing of 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 2022 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, 2022 and 2021.

Yang, Yu-Ni

Hsu, Hsin-Min

Ernst & Young, Taiwan

March 8, 2023

### 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 auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of 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, 2022 and 2021**

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 4,097,615	75.55	\$ 4,004,740	79.63
Financial assets measured at amortized cost, current	4, 6(2)	-	-	180,000	3.58
Contract assets, current	4, 6(10), 6(11)	127,664	2.35	107,989	2.15
Trade receivables, net	4, 6(3), 6(11)	111,318	2.05	154,521	3.07
Other receivables		16,727	0.31	801	0.02
Inventories	4, 6(4)	2,198	0.04	1,135	0.02
Prepayments		66,568	1.23	45,814	0.91
Total current assets		<u>4,422,090</u>	<u>81.53</u>	<u>4,495,000</u>	<u>89.38</u>
<b>Non-current assets</b>					
Property, plant and equipment	4, 6(5)	74,884	1.38	24,531	0.49
Right-of-use assets	4, 6(12)	85,403	1.57	95,284	1.89
Intangible assets	4, 6(6)	613,606	11.31	380,110	7.56
Deferred tax assets	4, 6(16)	22,550	0.42	711	0.02
Refundable deposits		6,183	0.11	5,708	0.11
Other noncurrent assets - others	6(7)	199,342	3.68	27,855	0.55
Total non-current assets		<u>1,001,968</u>	<u>18.47</u>	<u>534,199</u>	<u>10.62</u>
<b>Total assets</b>		<u>\$ 5,424,058</u>	<u>100.00</u>	<u>\$ 5,029,199</u>	<u>100.00</u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

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, 2022 and 2021**

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current liabilities</b>					
Contract liabilities, current	4, 6(10)	\$ 93,344	1.72	\$ 72,021	1.43
Trade payables		-	-	2,930	0.06
Other payables		205,304	3.79	80,142	1.59
Lease liabilities, current	4, 6(12)	16,904	0.31	13,961	0.28
Other current liabilities		5,457	0.10	6,081	0.12
Total current liabilities		<u>321,009</u>	<u>5.92</u>	<u>175,135</u>	<u>3.48</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	4, 6(16)	43,137	0.80	-	-
Lease liabilities, noncurrent	4, 6(12)	70,740	1.30	82,755	1.65
Total non-current liabilities		<u>113,877</u>	<u>2.10</u>	<u>82,755</u>	<u>1.65</u>
Total liabilities		<u>434,886</u>	<u>8.02</u>	<u>257,890</u>	<u>5.13</u>
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(9)	506,509	9.34	506,509	10.07
Capital surplus	6(9)	4,096,056	75.52	4,096,056	81.45
Retained earnings	6(9)				
Legal reserve		25,072	0.46	8,906	0.18
Special reserve		2,220	0.04	1,019	0.02
Undistributed earnings		355,937	6.56	161,665	3.21
Total retained earnings		<u>383,229</u>	<u>7.06</u>	<u>171,590</u>	<u>3.41</u>
Other equity		3,378	0.06	(2,846)	(0.06)
Total equity		<u>4,989,172</u>	<u>91.98</u>	<u>4,771,309</u>	<u>94.87</u>
<b>Total liabilities and equity</b>		<u>\$ 5,424,058</u>	<u>100.00</u>	<u>\$ 5,029,199</u>	<u>100.00</u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

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

For the years ended December 31, 2022 and 2021

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

Description	Notes	2022	%	2021	%
<b>Operating revenues</b>	4, 6(10), 7	\$ 931,821	100.00	\$ 819,778	100.00
<b>Operating costs</b>	6(4)	(731)	(0.08)	(1,471)	(0.18)
<b>Gross profit</b>		931,090	99.92	818,307	99.82
<b>Operating expenses</b>	6(11), 6(12), 6(13), 7				
Selling expenses		(312,604)	(33.55)	(230,775)	(28.15)
Administrative expenses		(129,399)	(13.89)	(85,034)	(10.37)
Research and development expenses		(559,679)	(60.06)	(343,835)	(41.94)
Expected credit gains		1,424	0.15	1	-
Total operating expenses		(1,000,258)	(107.35)	(659,643)	(80.46)
<b>Operating (loss) income</b>		(69,168)	(7.43)	158,664	19.36
<b>Non-operating income and expenses</b>	6(14)				
Interest income		62,775	6.74	4,233	0.52
Other income		8,683	0.93	19,516	2.38
Other gains and losses		383,190	41.12	(3,495)	(0.43)
Finance costs		(1,730)	(0.18)	(1,783)	(0.22)
Total non-operating income and expenses		452,918	48.61	18,471	2.25
<b>Net income before income tax</b>		383,750	41.18	177,135	21.61
<b>Income tax expense</b>	4, 6(16)	(27,813)	(2.98)	(15,470)	(1.89)
<b>Net income</b>		355,937	38.20	161,665	19.72
<b>Other comprehensive income (loss)</b>	6(15), 6(16)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		7,779	0.84	(1,501)	(0.18)
Income tax relating to those items to be reclassified to profit or loss		(1,555)	(0.17)	300	0.04
<b>Other comprehensive income (loss) , net of tax</b>		6,224	0.67	(1,201)	(0.14)
<b>Total comprehensive income</b>		\$ 362,161	38.87	\$ 160,464	19.58
<b>Net income attributable to:</b>					
Owners of the parent		\$ 355,937		\$ 161,665	
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		\$ 362,161		\$ 160,464	
<b>Earnings per share (NTD)</b>	6(17)				
Basic Earnings Per Share		\$ 7.03		\$ 3.59	
Diluted Earnings Per Share		\$ 7.00		\$ 3.59	

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

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

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent						Total equity
	Capital		Retained earnings			Other equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2021	\$ 426,509	\$ 728,972	\$ 5,392	\$ 1,019	\$ 35,142	\$ (1,645)	\$ 1,195,389
Appropriation and distribution of 2020 retained earnings							
Legal reserve	-	-	3,514	-	(3,514)	-	-
Cash dividends	-	-	-	-	(31,628)	-	(31,628)
Net income for the year ended December 31, 2021	-	-	-	-	161,665	-	161,665
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(1,201)	(1,201)
Total comprehensive income (loss)	-	-	-	-	161,665	(1,201)	160,464
Issuance of common stock for cash	80,000	3,367,084	-	-	-	-	3,447,084
Balance as of December 31, 2021	506,509	4,096,056	8,906	1,019	161,665	(2,846)	4,771,309
Appropriation and distribution of 2021 retained earnings							
Legal reserve	-	-	16,166	-	(16,166)	-	-
Special reserve	-	-	-	1,201	(1,201)	-	-
Cash dividends	-	-	-	-	(144,298)	-	(144,298)
Net income for the year ended December 31, 2022	-	-	-	-	355,937	-	355,937
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	6,224	6,224
Total comprehensive income	-	-	-	-	355,937	6,224	362,161
Balance as of December 31, 2022	\$ 506,509	\$ 4,096,056	\$ 25,072	\$ 2,220	\$ 355,937	\$ 3,378	\$ 4,989,172

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

## ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

Description	2022	2021
<b>Cash flows from operating activities:</b>		
Net income before income tax	\$ 383,750	\$ 177,135
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	31,879	25,056
Amortization	163,275	122,607
Expected credit gains	(1,424)	(1)
Interest expense	1,730	1,783
Interest income	(62,775)	(4,233)
Changes in operating assets and liabilities:		
Contract assets	(19,675)	25,015
Trade receivables	44,559	(65,146)
Trade receivables - related parties	-	23,962
Other receivables	109	(77)
Inventories	(1,063)	864
Prepayments	(20,754)	(23,323)
Other noncurrent assets	17,328	(24,066)
Contract liabilities	21,323	43,178
Trade payables	(2,930)	2,674
Other payables	124,742	17,147
Other current liabilities	(624)	549
Cash generated from operating activities	679,450	323,124
Interest received	51,623	3,852
Income tax paid	(12,953)	(15,673)
Net cash provided by operating activities	718,120	311,303
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets measured at amortized cost	-	(180,000)
Proceeds from disposal of financial assets measured at amortized cost	180,000	180,000
Acquisition of property, plant and equipment	(59,895)	(9,088)
Increase in refundable deposits	(90)	(260)
Decrease in refundable deposits	17	119
Acquisition of intangible assets	(396,771)	(212,276)
Increase in other noncurrent assets	(192,205)	(3,789)
Net cash used in investing activities	(468,944)	(225,294)
<b>Cash flows from financing activities:</b>		
Issuance of common stock for cash	-	3,447,084
Cash payments for the principal portion of the lease liabilities	(17,616)	(19,625)
Cash dividends	(144,298)	(31,628)
Interest paid	(1,730)	(1,783)
Net cash (used in) provided by financing activities	(163,644)	3,394,048
Effect of changes in exchange rate on cash and cash equivalents	7,343	(1,999)
Net increase in cash and cash equivalents	92,875	3,478,058
Cash and cash equivalents at the beginning of the year	4,004,740	526,682
Cash and cash equivalents at the end of the year	\$ 4,097,615	\$ 4,004,740

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

1. History, Organization and Operation

As officially approved, Andes Technology Corporation (“ANDES”) was incorporated at Hsinchu Science Park on March 14, 2005. Since then, it has been specialized in the R&D, designing, manufacturing and marketing of embedded processor intellectual property (IP), related hardware/software developing platform and toolchains.

ANDES’ shares were publicly listed on the Taiwan Stock Exchange (TWSE) on March 14, 2017. And its Global depository receipts (GDR) were listed on the Luxembourg Stock Exchange on September 13, 2021. The registered location is at A1-4, 3F, No.1, Li-Hsin First Road, Hsinchu Science Park, Hsinchu City 300, Taiwan R.O.C. The operating location is at 10F, No.1, Section 3, Gongdao 5th Road, East District, Hsinchu City 300, Taiwan R.O.C.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of Andes Technology Corporation and its subsidiaries (“the Group”) were authorized for issue in accordance with a resolution of the board meeting on March 8, 2023.

3. Newly Issued or Revised Standards and Interpretations

- (1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of the new standards and amendments had no material impact on the Group.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- (a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

- (b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

- (c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2023, and have no material impact on the Group.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 *Presentation of Financial Statements* and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessee’s additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.



**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) 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.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when ANDES is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

power over the investee. Specifically, ANDES controls an investee if and only if ANDES has:

- A. power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- B. exposure, or rights, to variable returns from its involvement with the investee; and
- C. the ability to use its power over the investee to affect its returns.

When ANDES has less than a majority of the voting or similar rights of an investee, ANDES considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee;
- B. rights arising from other contractual arrangements; and (or)
- C. ANDES' voting rights and potential voting rights.

ANDES re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which Andes obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- B. derecognizes the carrying amount of any non-controlling interest.
- C. recognizes the fair value of the consideration received.
- D. recognizes the fair value of any investment retained.
- E. recognizes any surplus or deficit in profit or loss.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership	
			December 31, 2022	December 31, 2021
ANDES	Everest Peaks Technology Corporation	Investment holding	100%	100%
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Investment holding	100%	100%
Everest Peaks Technology Corporation	Andes Technology USA Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	100%	100%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the parent company's functional currency. Each entity in the Group determines its functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

- A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- C. exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retaining partial equity is considered a disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Group expects to settle the liability in its normal operating cycle.
- B. the Group holds the liability primarily for the purpose of trading.
- C. the liability is due to be settled within twelve months after the reporting period.
- D. the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within six months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sale of financial assets on the trade date.

The Group classifies financial assets as subsequently measured at amortized cost considering both factors below:

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost and are not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

**B. Impairment of financial assets**

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- (a) at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) at an amount equal to the lifetime expected credit losses: the credit risk on a

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financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

- (c) for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) the rights to receive cash flows from the asset have expired.
- (b) the Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an



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equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset

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the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. in the principal market for the asset or liability, or
- B. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Inventory costs include costs incurred in bringing each inventory to its present location and condition:

Raw materials – valued at purchase cost and calculated by the weighted-average method.

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Finished goods and work in progress – costs of direct materials and a proportion of manufacturing overheads are calculated by the weighted-average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, Plant and Equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Computer and telecommunication equipment	3 years
Test equipment	3 years
Office equipment	3~5 years
Leasehold improvements	3~10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected

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from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

**(12) Leases**

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

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At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use asset applying a cost

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model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associated with those leases in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal

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year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Development costs - research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- A. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- B. its intention to complete and its ability to use or sell the asset;
- C. how the asset will generate future economic benefits;
- D. the availability of resources to complete the asset; and
- E. the ability to measure the expenditure reliably during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied to require the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of estimated useful life.

The Group's intangible assets are amortized on a straight-line basis over the estimated useful life as follows:

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Computer software	3 years
Technologies	3 years

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Computer software</u>	<u>Technologies</u>
Useful lives	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Internally generated

(14) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A CGU, or groups of CGUs, to which goodwill has been allocated is tested for



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impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the CGU (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Revenue recognition

The Group's revenues arising from contracts with customers are primarily related to licensing of CPU IP, rendering of maintenance services and royalty revenues. The accounting policies are explained as follows:

Licensing of CPU IP

When a promised CPU IP is licensed to a customer, the customer can direct the use of, and obtain substantially all of the remaining benefits from the license. The nature of the Group's promise is to provide a right to use the CPU IP at the point in time at which the license of the CPU IP is granted to the customer. Therefore, revenue is recognized when the control of the promised goods has been transferred to the customer. The consideration promised in the contract may vary such as the terms of deduction. The Group shall estimate an amount of variable consideration by using either the expected value method or the most likely amount method, depending on which method the Group expects to better predict the amount of consideration to which it will be entitled. An amount of variable consideration is estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, contract liabilities are recognized for the expected deductions.

For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. In addition, in accordance with IFRS

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9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of maintenance services

In addition to a promise to grant licenses to a customer, the Group may also promise to transfer maintenance services to a customer. Maintenance services include support and enhancements on delivered CPU IPs or developing tools. As the maintenance services and CPU IPs are not highly interdependent or highly interrelated, they are identified as separate performance obligations. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Revenues of maintenance services are recognized on a straight-line basis over the contract period.

For some rendering of maintenance services, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

Royalty revenues

Sales-based royalties on CPU IPs licenses are recognized when subsequent sale occurs.

(16) Post-employment benefits

For the defined contribution plan, ANDES and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. ANDES recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

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(17) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary

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differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- A. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

An intangible asset arising from development costs

The Group assessed that certain internally generated intangible assets have attained technical feasibility and will be available for use or sale. The assessment was mainly based on the fact that the Group possessed matured technology, resources, clear judgment of development timelines and product specifications for those development projects. The Group also assessed that those assets would generate future economic benefits and the benefits will exceed costs input.

The Group capitalizes development phase expenditures only when all the capitalization criteria are met.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash	\$20	\$20
Checking and savings accounts	356,436	247,212
Time deposits	2,459,853	3,151,180
Reverse repurchase agreements-corporate bonds and central government bonds	1,281,306	606,328
Total	<u>\$4,097,615</u>	<u>\$4,004,740</u>

(2) Financial assets measured at amortized cost, current

	December 31, 2022	December 31, 2021
Time deposits	<u>\$-</u>	<u>\$180,000</u>

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The Group classified certain financial assets as financial assets measured at amortized cost. The financial assets measured at amortized cost were not pledged. Please refer to Note 12 for more details on credit risk.

(3) Trade receivables

	December 31, 2022	December 31, 2021
Trade receivables	\$116,518	\$161,077
Less: allowance	(5,200)	(6,556)
Total	\$111,318	\$154,521

Trade receivables were not pledged.

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(11) for more details on impairment of trade receivables for the years ended December 31, 2022 and 2021. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$1,537	\$718
Raw materials	661	417
Total	\$2,198	\$1,135

For the year ended December 31, 2022, the cost of inventories recognized in expenses amounted to NT\$731 thousand, including the write-down of inventories of NT\$34 thousand and the loss on scrap of inventories of NT\$13 thousand.

For the year ended December 31, 2021, the cost of inventories recognized in expenses amounted to NT\$1,471 thousand, including the write-down of inventories of NT\$123 thousand and the loss on scrap of inventories of NT\$39 thousand.

Inventories were not pledged.

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(5) Property, plant and equipment

	December 31, 2022		December 31, 2021		
Owner occupied property, plant and equipment	<u>\$74,884</u>		<u>\$24,531</u>		
	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2022	\$9,050	\$8,401	\$7,315	\$16,898	\$41,664
Additions	45,242	11,536	1,834	1,703	60,315
Disposals	(1,406)	-	(3,697)	-	(5,103)
Reclassifications	460	2,930	-	-	3,390
Exchange differences	-	-	285	6	291
As of December 31, 2022	<u>\$53,346</u>	<u>\$22,867</u>	<u>\$5,737</u>	<u>\$18,607</u>	<u>\$100,557</u>
As of January 1, 2021	\$8,074	\$3,754	\$8,060	\$15,382	\$35,270
Additions	1,849	4,647	599	1,519	8,614
Disposals	(873)	-	(1,275)	-	(2,148)
Exchange differences	-	-	(69)	(3)	(72)
As of December 31, 2021	<u>\$9,050</u>	<u>\$8,401</u>	<u>\$7,315</u>	<u>\$16,898</u>	<u>\$41,664</u>
Depreciation and impairment:					
As of January 1, 2022	\$4,995	\$2,172	\$4,841	\$5,125	\$17,133
Depreciation	5,723	4,144	1,664	1,954	13,485
Disposals	(1,406)	-	(3,697)	-	(5,103)
Exchange differences	-	-	153	5	158
As of December 31, 2022	<u>\$9,312</u>	<u>\$6,316</u>	<u>\$2,961</u>	<u>\$7,084</u>	<u>\$25,673</u>
As of January 1, 2021	\$3,706	\$711	\$4,538	\$3,522	\$12,477
Depreciation	2,162	1,461	1,609	1,605	6,837
Disposals	(873)	-	(1,275)	-	(2,148)
Exchange differences	-	-	(31)	(2)	(33)
As of December 31, 2021	<u>\$4,995</u>	<u>\$2,172</u>	<u>\$4,841</u>	<u>\$5,125</u>	<u>\$17,133</u>

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	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Net carrying amount as of:					
December 31, 2022	\$44,034	\$16,551	\$2,776	\$11,523	\$74,884
December 31, 2021	\$4,055	\$6,229	\$2,474	\$11,773	\$24,531

Property, plant and equipment were not pledged.

(6) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2022	\$110,134	\$531,788	\$895	\$642,817
Additions-internally generated	394,075	-	-	394,075
Additions-acquired separately	-	-	2,696	2,696
Disposals	-	-	(92)	(92)
Transfers	(146,414)	146,414	-	-
As of December 31, 2022	\$357,795	\$678,202	\$3,499	\$1,039,496
As of January 1, 2021	\$151,923	\$278,043	\$1,572	\$431,538
Additions-internally generated	211,956	-	-	211,956
Additions-acquired separately	-	-	320	320
Disposals	-	-	(997)	(997)
Transfers	(253,745)	253,745	-	-
As of December 31, 2021	\$110,134	\$531,788	\$895	\$642,817



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	Development costs	Technologies	Computer software	Total
Amortization and impairment:				
As of January 1, 2022	\$-	\$262,291	\$416	\$262,707
Amortization	-	162,520	755	163,275
Disposals	-	-	(92)	(92)
As of December 31, 2022	<u>\$-</u>	<u>\$424,811</u>	<u>\$1,079</u>	<u>\$425,890</u>
As of January 1, 2021	\$-	\$139,983	\$1,114	\$141,097
Amortization	-	122,308	299	122,607
Disposals	-	-	(997)	(997)
As of December 31, 2021	<u>\$-</u>	<u>\$262,291</u>	<u>\$416</u>	<u>\$262,707</u>
Net carrying amount as of:				
December 31, 2022	<u>\$357,795</u>	<u>\$253,391</u>	<u>\$2,420</u>	<u>\$613,606</u>
December 31, 2021	<u>\$110,134</u>	<u>\$269,497</u>	<u>\$479</u>	<u>\$380,110</u>

The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2022	2021
Selling expenses	<u>\$-</u>	<u>\$-</u>
Administrative expenses	<u>\$663</u>	<u>\$268</u>
Research and development expenses	<u>\$162,612</u>	<u>\$122,339</u>

(7) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for land and buildings	\$155,350	\$-
Long-term outsourcing R&D expenses	37,080	-
Long-term software usage fees	6,912	24,072
Prepayments for equipment and others	-	3,783
Total	<u>\$199,342</u>	<u>\$27,855</u>

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In response to the long-term development plan, the board of directors passed a resolution to purchase a pre-sale of real estate, which entered a contract with Yuchen Development Co., Ltd. ("Yuchen Development") on September 19, 2022. The total contract price is NT\$1,195,000 thousand. As of December 31, 2022, NT\$155,350 thousand has been paid to Yuchen Development.

(8) Post-employment benefits

Defined contribution plan

ANDES adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. ANDES has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of foreign subsidiaries are provided in accordance with local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$23,291 thousand and NT\$17,561 thousand, respectively.

(9) Equity

A. Common stock

ANDES' authorized capital as of December 31, 2022 and 2021 was NT\$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT\$10. ANDES' issued capital was NT\$506,509 thousand divided into 50,651 thousand shares as of December 31, 2022 and 2021. Each share has one voting right and a right to receive dividends.

On September 13, 2021, ANDES issued 4,000 thousand units of Global Depositary Receipts (GDR) at NT\$880 (US\$31.78) per unit on the Luxembourg

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Stock Exchange. Each unit represents 2 shares of common stock of ANDES, totaling 8,000 thousand shares of common stock. The GDR holders entitle the rights equal to the existed common shareholders of ANDES. As of December 31, 2022, there was no outstanding GDR.

B. Capital surplus

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$4,094,282	\$4,094,282
Employee stock options	1,774	1,774
Total	<u>\$4,096,056</u>	<u>\$4,096,056</u>

According to the Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

The transaction cost of issuing GDR in the amount of NT\$65,878 thousand was recognized as a deduction from capital surplus.

C. Retained earnings and dividend policies

According to ANDES' Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Reserve for tax payments
- (b) Offset accumulated losses in previous years, if any
- (c) 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 ANDES' total capital stock.
- (d) Allocation or reverse of special reserves as required by law or government authorities.
- (e) The remaining net profits and the retained earnings from previous years will

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be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal. When the distribution proposal is in the form of new shares to be issued by ANDES, it shall be submitted to the shareholders' meeting for review and approval by a resolution. When the distribution proposal 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, such distribution shall be reported to the shareholders' meeting.

According to Article 241 of the Company Act, ANDES may distribute its legal reserve and the capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. When the distribution proposal is 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, such distribution shall be reported 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 ANDES decides to issue dividends, cash dividends shall not be lower than 10% of the total dividends.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 8, 2023 and the shareholders' meeting on May 26, 2022, respectively, are as follows:

	Appropriation of earnings (In thousand NT dollars)		Dividends per share (NT dollars)	
	2022	2021	2022	2021
Legal reserve	\$35,594	\$16,166	-	-
Special reserve	(2,220)	1,201	-	-
Cash dividends (Note)	75,976	144,298	\$1.5	\$2.84887117

Note: According to the authorization by Andes' Articles of Incorporation, the board of directors passed a special resolution to distribute cash dividends on

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March 8, 2023 and March 8, 2022 for the 2022 and 2021 earnings distribution, respectively.

Please refer to Note 6(13) for information on the employees' compensation and remuneration to directors.

(10) Operating revenues

	For the year ended December 31, 2022	Percent of total revenues (%)	For the year ended December 31, 2021	Percent of total revenues (%)
Revenue from contracts with customers				
Licensing of CPU IP	\$557,351	60	\$490,340	60
Royalty revenues	229,725	25	233,676	29
Maintenance services	138,547	15	67,568	8
Others	6,198	-	28,194	3
Total	<u>\$931,821</u>	<u>100</u>	<u>\$819,778</u>	<u>100</u>

Analysis of revenues from contracts with customers for the years ended December 31, 2022 and 2021 is as follows:

A. Disaggregation of revenues

	For the years ended December 31,	
	2022	2021
Timing of revenue recognition:		
At a point in time	\$793,274	\$752,210
Over time	138,547	67,568
Total	<u>\$931,821</u>	<u>\$819,778</u>

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B. Contract balances

(a) Contract assets, current

	December 31, 2022	December 31, 2021	January 1, 2021
Licensing of CPU IP	<u>\$127,664</u>	<u>\$107,989</u>	<u>\$133,004</u>

Contract assets represent the amount that the Group has transferred CPU IPs to customers but not yet billed. Contract assets will be reclassified to trade receivables as the Group obtains an unconditional right to receive the consideration. The Group reclassified NT\$102,752 thousand and NT\$133,004 thousand of the beginning balance of contract assets to trade receivables during 2022 and 2021, respectively. Please refer to Note 6(11) for related impairment.

(b) Contract liabilities, current

	December 31, 2022	December 31, 2021	January 1, 2021
Maintenance services	\$92,154	\$58,627	\$26,611
Licensing of CPU IP	-	11,683	-
Deductions	1,190	1,711	2,232
Total	<u>\$93,344</u>	<u>\$72,021</u>	<u>\$28,843</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Revenue recognized during the period that was included in the beginning balance	<u>\$(59,897)</u>	<u>\$(24,024)</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$80,550</u>	<u>\$67,072</u>

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(11) Expected credit gains

	For the years ended December 31,	
	2022	2021
Operating expenses – expected credit gains		
Trade receivables	\$1,424	\$1

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of contract assets and trade receivables at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2022 and 2021 is as follows:

The Group determines the grouping of trade receivables by considering counterparties' geographical regions and its loss allowance is measured by using a provision matrix. Details are as follows:

December 31, 2022

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$152,278	\$516	\$92	\$-	\$-	\$-	\$152,886
Loss ratio	-%	2%	23%	-%	-%	-%	
Lifetime expected credit losses	-	(11)	(21)	-	-	-	(32)
Subtotal	\$152,278	\$505	\$71	\$-	\$-	\$-	\$152,854
	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
Gross carrying amount	\$76,401	\$-	\$8,716	\$3,200	\$-	\$2,979	\$91,296
Loss ratio	-%	-%	13%	33%	-%	100%	
Lifetime expected credit losses	-	-	(1,133)	(1,056)	-	(2,979)	(5,168)
Subtotal	\$76,401	\$-	\$7,583	\$2,144	\$-	\$-	\$86,128
Carrying amount of contract assets and trade receivables							\$238,982

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December 31, 2021

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$111,346	\$-	\$-	\$-	\$-	\$-	\$111,346
Loss ratio	-%	-%	-%	-%	-%	-%	
Subtotal	\$111,346	\$-	\$-	\$-	\$-	\$-	\$111,346

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
Gross carrying amount	\$138,231	\$3,292	\$2,318	\$8,360	\$3,858	\$1,661	\$157,720
Loss ratio	-%	3%	13%	33%	45%	100%	
Lifetime expected credit losses	-	(99)	(301)	(2,759)	(1,736)	(1,661)	(6,556)
Subtotal	\$138,231	\$3,193	\$2,017	\$5,601	\$2,122	\$-	\$151,164
Carrying amount of contract assets and trade receivables							<u>\$262,510</u>

The movement in the provision for impairment of contract assets and trade receivables during the year is as follows:

	Contract assets	Trade receivables
As of January 1, 2022	\$-	\$6,556
Reversal for the current period	-	(1,424)
Effect of changes in exchange rate	-	68
As of December 31, 2022	<u>\$-</u>	<u>\$5,200</u>
As of January 1, 2021	\$-	\$42,043
Reversal for the current period	-	(1)
Write off (Note)	-	(34,935)
Effect of changes in exchange rate	-	(551)
As of December 31, 2021	<u>\$-</u>	<u>\$6,556</u>

Note: For the year ended December 31, 2021, the amount written off by the Group includes the unpaid amount due to bankruptcy of customers. Subsequently, the Group sold the creditor's claim and collected NT\$16,095 thousand, which was accounted as non-operating income and expenses - other income.



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(12) Leases

A. The Group as a lessee

The Group leases various properties, including real estate such as buildings. The lease terms range from 2 to 10 years. There are no restrictions placed upon the Group by entering into these leases.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Buildings	\$85,403	\$95,284

For the years ended December 31, 2022 and 2021, the Group's addition to right-of-use assets amounted to NT\$8,288 thousand and NT\$6,987 thousand, respectively.

II. Lease liabilities

	December 31, 2022	December 31, 2021
Lease liabilities	\$87,644	\$96,716
Current	\$16,904	\$13,961
Non-current	\$70,740	\$82,755

Please refer to Note 6(14)D for the interest on lease liabilities recognized for the years ended December 31, 2022 and 2021, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

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(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended	
	December 31,	
	2022	2021
Buildings	\$18,394	\$18,219

(c) Income and costs relating to leasing activities

	For the years ended	
	December 31,	
	2022	2021
The expenses relating to short-term leases	\$1,453	\$1,107
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	\$239	\$379

(d) Cash outflows relating to leasing activities

For the years ended December 31, 2022 and 2021, the Group's total cash outflows for leases amounted to NT\$21,038 thousand and NT\$22,894 thousand, respectively.

(13) Summary statement of employee benefits, depreciation and amortization expenses by function

	For the years ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$495,353	\$495,353	\$-	\$308,597	\$308,597
Labor and health insurance	-	42,245	42,245	-	30,417	30,417
Pension	-	23,291	23,291	-	17,561	17,561
Others	-	7,840	7,840	-	2,938	2,938
Depreciation	-	31,879	31,879	-	25,056	25,056
Amortization	-	163,275	163,275	-	122,607	122,607

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According to the Articles of Incorporation of ANDES, no lower than 2% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, ANDES' accumulated losses shall have been covered (if any). ANDES may, by a resolution adopted by a majority vote at the meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

ANDES based on a specific rate of profit to accrue the employees' compensation and remuneration to directors. Differences between the accrued amount and the actual distribution of the employees' compensation and remuneration to directors are recognized in profit or loss of the subsequent year. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution.

Based on the profit for the year ended December 31, 2022, ANDES accrued employee's compensation and remuneration to directors based on a specific rate of profit for the year ended December 31, 2022. As such, employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$96,721 thousand and NT\$3,868 thousand, respectively, recognized as salary expenses. And employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$12,985 thousand and NT\$1,836 thousand, respectively, recognized as salary expenses.

A resolution was passed at a Board of Directors meeting held on March 8, 2023 to distribute NT\$96,721 thousand and NT\$3,868 thousand in cash as employees' compensation and remuneration to directors of 2022, respectively. No material differences exist between the accrued amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2022. A resolution was passed at a Board of Directors meeting held on March 8, 2022 to distribute NT\$12,985 thousand and NT\$1,836 thousand in cash as employees' compensation and remuneration to directors of 2021, respectively. No

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material differences exist between the accrued amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2021.

No material differences between the accrued amounts and the actual distribution of the employees' compensation and remuneration of directors for the year ended December 31, 2021.

(14) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	\$62,775	\$4,233

B. Other income

	For the years ended December 31,	
	2022	2021
Others		\$19,516
	\$8,683	(Note)

Note: Mainly from the sale of creditor's claim, please refer to Note 6(11).

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains, net	\$390,026	\$640
Others	(6,836)	(4,135)
Total	\$383,190	\$(3,495)

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D. Finance costs

	For the years ended	
	December 31,	
	2022	2021
Interest expenses on lease liabilities	\$(1,730)	\$(1,783)

(15) Components of other comprehensive income

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	\$7,779	\$-	\$7,779	\$(1,555)	\$6,224

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	\$(1,501)	\$-	\$(1,501)	\$300	\$(1,201)

(16) Income tax

The major components of income tax expense are as follows:

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Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expense:		
Current income tax charge	\$8,070	\$15,470
Deferred income tax expense (income):		
Deferred tax relating to origination and reversal of temporary differences	41,021	-
Deferred tax relating to origination and reversal of tax loss	(21,278)	-
Income tax expense	\$27,813	\$15,470

Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2022	2021
Deferred tax expense (income):		
Exchange differences resulting from translating the financial statements of foreign operations	\$1,555	\$(300)

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$383,750	\$177,135
At ANDES's statutory income tax rate	\$76,750	\$35,427
Tax effect of expenses not deductible for tax purpose	-	1,541
Tax effect of deferred tax assets/liabilities	19,743	-
Recognition of tax losses or temporary differences of prior periods not recognized	(76,601)	(35,677)
Recognition of different tax rates applicable to entities operating in other taxation region	587	5,165
Foreign taxes have been paid in the source country	7,334	9,014
Income tax expense recognized in profit or loss	\$27,813	\$15,470

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Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Investments accounted for using the equity method	\$711	\$-	\$(1,555)	\$(844)
Unrealized exchange gain or loss	-	(42,293)	-	(42,293)
Others	-	1,272	-	1,272
Unused tax losses	-	21,278	-	21,278
Deferred tax (expense)/income		<u>\$(19,743)</u>	<u>\$(1,555)</u>	
Net deferred tax assets/(liabilities)	<u>\$711</u>			<u>\$(20,587)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$711</u>			<u>\$22,550</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$(43,137)</u>

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Investments accounted for using the equity method	\$411	\$-	\$300	\$711
Deferred tax (expense)/income		<u>\$-</u>	<u>\$300</u>	
Net deferred tax assets/(liabilities)	<u>\$411</u>			<u>\$711</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$411</u>			<u>\$711</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

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A summary of the unused tax loss carry-forward of the entities in the Group is as follows:

Company name	Occurrence year	Accumulated losses	Unutilized accumulated losses		Expiration year
			December 31, 2022	December 31, 2021	
ANDES	2012	\$88,644	\$75,756	\$86,490	2022
	2013	87,983	87,983	87,983	2023
	2016	18,406	18,406	18,406	2026
	Total		\$182,145	\$192,879	

As of December 31, 2022 and 2021, the subsidiaries' unused tax losses at their respective jurisdictions were NT\$143,117 thousand and NT\$122,891 thousand, respectively.

Unrecognized deferred tax assets

As of December 31, 2022 and 2021, the Group's unrecognized deferred tax assets were NT\$26,468 thousand and NT\$66,389 thousand, respectively.

The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of ANDES and its subsidiaries are as follows:

	The assessment of income tax returns
ANDES	Assessed and approved up to 2020
Subsidiary - Andes Technology (Wuhan) Corporation	Filed up to 2021
Subsidiary - Andes Shanghai Technology Corporation	Filed up to 2021
Subsidiary - Andes Technology USA Corporation	Filed up to 2021

(17) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year.



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Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2022	2021
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$355,937	\$161,665
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	50,651	45,062
Basic earnings per share (NT\$)	\$7.03	\$3.59
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$355,937	\$161,665
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	50,651	45,062
Effect of dilution:		
Employees' compensation-stock (in thousands)	200	25
Weighted average number of ordinary shares outstanding after dilution (in thousands)	50,851	45,087
Diluted earnings per share (NT\$)	\$7.00	\$3.59

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
MediaTek Inc.	The chairman of ANDES and the chairman of MediaTek Inc. are the same person (Note)
MediaTek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc. (Note)

Note: The Board members of ANDES was reelected on July 7, 2021, and the chairman of ANDES was no longer the same as the chairman of MediaTek Inc. Thereafter, MediaTek Inc. and its subsidiaries were no longer related parties of ANDES.

(1) Operating revenues

	For the years ended December 31,	
	2022	2021
MediaTek Inc.	\$-	\$33,634
MediaTek Singapore Pte. Ltd.	-	503
Total	\$-	\$34,137

The selling price to related parties was referred to the market price and negotiated by both parties. The collection periods for related parties and third-party customers were both month-end 30 to 75 days.

(2) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$35,274	\$26,256
Post-employment benefits	432	495
Total	\$35,706	\$26,751

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

8. Assets Pledged as Collateral

None

9. Significant Contingencies and Unrecognized Contractual Commitments

Contractual commitments please refer to Note 6(7).

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2022	December 31, 2021
	<hr/>	<hr/>
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	\$4,097,595	\$ 4,004,720
Financial assets measured at amortized cost	-	180,000
Trade receivables	111,318	154,521
Other receivables	16,727	801
Refundable deposits	6,183	5,708
Total	<hr/> <u>\$4,231,823</u>	<hr/> <u>\$ 4,345,750</u>

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at amortized cost:		
Trade payables	\$-	\$2,930
Other payables	205,304	80,142
Lease liabilities	87,644	96,716
Total	\$292,948	\$179,788

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on the Group's policy and risk tendency.

The Group has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by the board of directors and the audit committee in accordance with relevant regulations and internal controls. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables which are denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is applied. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2022 and 2021 decreases/increases by NT\$37,105 thousand and NT\$32,567 thousand, respectively.

Interest rate risk

The Group's financial assets with exposure to interest rates were mainly time deposits, with carrying amount of NT\$2,459,853 thousand and NT\$3,331,180 thousand as of December 31, 2022 and 2021, respectively. The interest rate risk was insignificant of the Group since their contractual term was not long-term and the contracts were entered with fixed interest rate.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets and trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to credit risk management. Credit limits are

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established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain counter parties' credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment.

As of December 31, 2022 and 2021, contract assets and trade receivables from top ten customers represented 42.95% and 41.16% of the total contract assets and trade receivables of the Group, respectively. The credit concentration risk of other contract assets and trade receivables was insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of contract assets and trade receivables which is measured at lifetime expected credit losses, for debt instrument investments which are not measured at fair value through profit or loss and are at low credit risk upon acquisition, an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio. The measurement indicators of the Group are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	<u>Gross carrying amount as of</u>	
			December 31, 2022	December 31, 2021
Low credit risk	Financial institutions with good credit rating	12-month expected credit losses	\$-	\$180,000
Simplified approach (Note) (Note)		Lifetime expected credit losses	\$244,182	\$269,066

Note: The Group adopted simplified approach (lifetime expected credit loss) to measure credit risk. It includes contract assets and trade receivables.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
December 31, 2022					
Other payables	\$205,304	\$-	\$-	\$-	\$205,304
Lease liabilities	18,307	35,235	29,588	8,070	91,200
December 31, 2021					
Trade payables	\$2,930	\$-	\$-	\$-	\$2,930
Other payables	80,142	-	-	-	80,142
Lease liabilities	15,534	33,683	29,588	22,863	101,668

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended December 31, 2022.

	<u>Lease liabilities</u>
As of January 1, 2022	\$96,716
Cash flows	(17,616)
Non-cash changes	
Additions	8,288
Effect of changes in exchange rate	256
As of December 31, 2022	<u><u>\$87,644</u></u>

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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Reconciliation of liabilities for the year ended December 31, 2021.

	<u>Lease liabilities</u>
As of January 1, 2021	\$109,414
Cash flows	(19,625)
Non-cash changes	
Additions	6,987
Effect of changes in exchange rate	(60)
As of December 31, 2021	\$96,716

(7) Fair value of financial instruments

The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

The carrying amount of cash and cash equivalents, financial assets measured at amortized cost, trade receivables, trade payables and other payables approximate their fair value due to their short maturities.

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2022		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
Financial assets			
Monetary item:			
USD	\$121,907	30.71	\$3,743,764
CNY	37,919	4.4069	167,105



**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

December 31, 2022			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial liabilities</u>			
Monetary item:			
USD	\$1,083	30.71	\$33,253
CNY	2,311	4.4069	10,184
December 31, 2021			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$118,680	27.68	\$3,285,064
CNY	18,276	4.343	79,569
<u>Financial liabilities</u>			
Monetary item:			
USD	\$1,023	27.68	\$28,320
CNY	1,263	4.343	5,486

Foreign currencies of entities of the Group varied. Accordingly, the Group is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains were NT\$390,026 thousand and NT\$640 thousand for the years ended December 31, 2022 and 2021, respectively.

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

13. Additional Disclosures

(1) The following are additional disclosures for the Group:

- (a) Financing provided to others for the year ended December 31, 2022: None.
- (b) Endorsement/guarantee provided to others for the year ended December 31, 2022: None.
- (c) Securities held as of December 31, 2022 (excluding subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 1.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 2.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2022: None.
- (i) Trading in derivative instruments: None.
- (j) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to Attachment 5.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(2) Information on investees

Information of investees over which the Company has direct or indirect significant influence or control: Please refer to Attachment 3.

(3) Information on investments in Mainland China

(a) The name of the investee company in Mainland China, main businesses and products, its issued capital, method of investment, accumulated inflows and outflows of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 4.

(b) Significant direct or indirect transactions with the investees, its prices, payment terms, unrealized gain or loss and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 5.

(4) Information on major shareholders:

List of shareholders with ownership of 5 percent or greater showing the names, number of shares and the percentage of ownership held by each shareholder: Please refer to Attachment 6.

14. Segment Information

(1) General information

The major operating revenues of the Group come from designing and selling CPU IP. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated and evaluates the overall performance. Therefore, the Group is aggregated into a single segment.

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Geographical information

A. Revenue from external customers

	For the years ended December 31,	
	2022	2021
Taiwan	\$332,307	\$276,994
United States	297,050	206,051
Mainland China	235,487	283,567
Others	66,977	53,166
<b>Total</b>	<b>\$931,821</b>	<b>\$819,778</b>

Revenues are presented by customers' country.

B. Non-current assets

	December 31, 2022	December 31, 2021
Taiwan	\$962,389	\$521,411
United States	9,305	4,032
Mainland China	1,541	2,337
<b>Total</b>	<b>\$973,235</b>	<b>\$527,780</b>

C. The major customer

The information for individual customer accounting for more than 10% of consolidated revenues is as follows:

	For the years ended December 31,	
	2022	2021
Customer A	\$181,310	\$130,277
Customer B	129,051	Note
<b>Total</b>	<b>\$310,361</b>	<b>\$130,277</b>

Note: Revenue from individual customer was less than 10% of consolidated revenues.

ATTACHMENT 1 : Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
Andes	Land No. 502, Fuxing Section, Hsinchu City (partially held) Buildings: "A TEAM" building 7F~11F and 126 parking spaces built in Land No. 502, Fuxing Section, Hsinchu City	2022/9/19	\$1,195,000	Prepaid \$155,350	Yuchen Development Co.,Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Refer to the market price and real estate appraisal report (Note)	Self-use office building	None

Note : Andes engaged CCIS Real Estate Joint Appraisers Firm and Zhan-Mao Real Estate Valuation Appraisers Firm to perform real estate appraisal, and the appraisal prices were NT\$1,236,031 thousand and NT\$1,319,575 thousand, respectively.

ATTACHMENT 2 : Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2022  
(Amounts in Thousands of New Taiwan Dollars)

Company name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and Trade receivables (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales) (Note)	Term	Unit price	Term	Balance	Percentage of total receivables (payable) (Note)	
Andes	Andes Technology USA Corporation	Subsidiary	Sales	\$ 114,518	15.71%	Net 60 days	-	-	\$ 76,060	37.36%	-

Note : The ratio is calculated based on the parent company only financial statements of Andes Technology Corporation.

ATTACHMENT 3 : NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
Andes	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	\$264,723	\$264,723	8,858,780	100%	\$139,302	\$3,221	\$3,221	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	\$64,450	\$64,450	2,058,780	100%	\$74,536	\$9,830	\$9,830	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	\$202,973	\$202,973	6,800,000	100%	\$64,766	\$(6,609)	\$(6,609)	(Note)

Note : The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

ATTACHMENT 4 : INFORMATION ON INVESTMENT IN MAINLAND CHINA

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Investee Company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2022	Accumulated inward remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	\$18,117	(ii)Andes Technology (Samoa) Corporation	\$18,117	\$-	\$-	\$18,117	\$8,029	100%	\$8,029 (ii)	\$44,137	\$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	\$9,258	(ii)Andes Technology (Samoa) Corporation	\$9,258	\$-	\$-	\$9,258	\$1,801	100%	\$1,801 (ii)	\$30,395	\$-

Accumulated investment in Mainland China as of December 31, 2022 (Note 3)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment
\$27,375 (USD900,000)	\$27,639 (USD900,000)	\$2,993,503

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (i) Direct investment in Mainland China.
- (ii) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- (iii) Other methods.

Note 2 : The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis:

- (i) The financial report was audited by an international certified public accounting firm having a business cooperation relationship with an R.O.C. accounting firm.
- (ii) The financial statements were audited by the auditors of the parent company.
- (iii) Others.

Note 3 : Investment amounts are converted by the exchange rates at the remittance date.

Note 4 : Amounts denominated in foreign currency is converted into New Taiwan Dollars by the exchange rate at December 31, 2022.



ATTACHMENT 5 : INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			
				Financial Statement Account	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
0	Andes Technology Corporation	Andes Technology (Wuhan) Corporation	1	Trade receivables-related parties	\$21,792	Net 60 days	0.40%
				Contract assets	\$4,864	According to the contract terms	0.09%
				Operating revenues	\$31,097	Net 60 days	3.34%
				Contract liabilities, current	\$2,523	According to the contract terms	0.05%
		Andes Technology USA Corporation	1	Trade receivables-related parties	\$76,060	Net 60 days	1.40%
				Operating revenues	\$114,518	Net 60 days	12.29%
				Contract liabilities, current	\$28,224	According to the contract terms	0.52%
				R&D design fees	\$47,111	According to the contract terms	5.06%
		Andes Shanghai Technology Corporation	1	Other payables	\$17,505	According to the contract terms	0.32%
				Trade receivables-related parties	\$24,840	Net 60 days	0.46%
				Contract assets	\$33,039	According to the contract terms	0.61%
				Operating revenues	\$71,687	Net 60 days	7.69%
				Contract liabilities, current	\$4,461	According to the contract terms	0.08%

Note 1 : The Company and its subsidiaries are coded as follows:

(1) The Company is coded 0.

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above

Note 2 : There are three types of relationship categorized as follow:

(1) The holding companies to subsidiaries.

(2) Subsidiaries to the holding companies.

(3) Subsidiaries to subsidiaries.

Note 3 : Percentage of consolidated net sales or total assets is calculated as follows: for the balance sheet accounts, the ending balance of assets or liabilities divided by consolidated total assets, or for the income statement accounts, the interim accumulated amounts divided by consolidated sales.

ATTACHMENT 6 : THE INFORMATION OF MAJOR SHAREHOLDERS

Name of major shareholders	Number of ordinary shares	Number of shares held (shares)	Percentage of ownership
Hsiang Fa Co.		5,657,324	11.16%
Shui-Cheng, Tu		3,588,000	7.08%
National Development Fund, Executive Yuan		2,979,237	5.88%

**English Translation of a Report and Financial Statements Originally Issued in Chinese**

**ANDES TECHNOLOGY CORPORATION  
PARENT COMPANY ONLY  
FINANCIAL STATEMENTS  
WITH  
REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

Address: A1-4, 3F, No.1, Li-Hsin First Road, Hsinchu Science Park, Hsinchu City 300, Taiwan R.O.C.  
Telephone: 886-3-572-6533

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## 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, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and financial performance and cash flows for the years ended December 31, 2022 and 2021, 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 the Standards on Auditing of 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 2022 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

Operation revenues recognized by the Company amounted to NT\$729,058 thousand for the year ended December 31, 2022. 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.

We also assessed the adequacy of disclosures of operating revenues. Please refer to Notes 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\$611,186 thousand as of December 31, 2022, NT\$394,075 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 evidence 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 4, 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 the Standards on Auditing of 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 the Standards on Auditing of 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 2022 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.

Yang, Yu-Ni

Hsu, Hsin-Min

Ernst & Young, Taiwan  
March 8, 2023



#### Notice to Readers

The accompanying parent company only 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 parent company only 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 auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of 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, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 3,891,478	72.50	\$ 3,828,580	76.77
Financial assets measured at amortized cost, current	4, 6(2)	-	-	180,000	3.61
Contract assets, current	4, 6(11), 6(12), 7	63,485	1.18	59,584	1.19
Trade receivables, net	4, 6(3), 6(12)	80,452	1.50	114,831	2.30
Trade receivables-related parties, net	4, 6(3), 6(12), 7	122,692	2.29	106,000	2.13
Other receivables		16,727	0.31	693	0.01
Inventories	4, 6(4)	2,198	0.04	1,135	0.02
Prepayments		61,624	1.15	41,400	0.83
Total current assets		<u>4,238,656</u>	<u>78.97</u>	<u>4,332,223</u>	<u>86.86</u>
<b>Non-current assets</b>					
Investments accounted for using the equity method	4, 6(5)	139,302	2.60	128,302	2.57
Property, plant and equipment	4, 6(6)	73,029	1.36	22,932	0.46
Right-of-use assets	4, 6(13)	76,412	1.42	90,515	1.81
Intangible assets	4, 6(7)	613,606	11.43	380,110	7.62
Deferred tax assets	4, 6(17)	22,550	0.42	711	0.02
Refundable deposits		4,772	0.09	4,700	0.10
Other noncurrent assets - others	6(8)	199,342	3.71	27,861	0.56
Total non-current assets		<u>1,129,013</u>	<u>21.03</u>	<u>655,131</u>	<u>13.14</u>
<b>Total assets</b>		<u>\$ 5,367,669</u>	<u>100.00</u>	<u>\$ 4,987,354</u>	<u>100.00</u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

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, 2022 and 2021**

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2022	%	December 31, 2021	%
<b>Current liabilities</b>					
Contract liabilities, current	4, 6(11), 7	\$ 56,527	1.05	\$ 54,224	1.09
Trade payables		-	-	112	-
Other payables	7	195,409	3.64	63,713	1.28
Lease liabilities, current	4, 6(13)	12,280	0.23	12,042	0.24
Other current liabilities		5,456	0.10	6,081	0.12
Total current liabilities		269,672	5.02	136,172	2.73
<b>Non-current liabilities</b>					
Deferred tax liabilities	4, 6(17)	43,137	0.80	-	-
Lease liabilities, noncurrent	4, 6(13)	65,688	1.23	79,873	1.60
Total non-current liabilities		108,825	2.03	79,873	1.60
Total liabilities		378,497	7.05	216,045	4.33
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(10)	506,509	9.44	506,509	10.16
Capital surplus	6(10)	4,096,056	76.31	4,096,056	82.13
Retained earnings	6(10)				
Legal reserve		25,072	0.47	8,906	0.18
Special reserve		2,220	0.04	1,019	0.02
Undistributed earnings		355,937	6.63	161,665	3.24
Total retained earnings		383,229	7.14	171,590	3.44
Other equity		3,378	0.06	(2,846)	(0.06)
Total equity		4,989,172	92.95	4,771,309	95.67
<b>Total liabilities and equity</b>		<u>\$ 5,367,669</u>	<u>100.00</u>	<u>\$ 4,987,354</u>	<u>100.00</u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2022 and 2021**  
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2022	%	2021	%
<b>Operating revenues</b>	4, 6(11), 7	\$ 729,058	100.00	\$ 661,738	100.00
<b>Operating costs</b>	6(4)	(731)	(0.10)	(1,471)	(0.22)
<b>Gross profit</b>		<u>728,327</u>	<u>99.90</u>	<u>660,267</u>	<u>99.78</u>
<b>Operating expenses</b>	6(7),6(12), 6(13), 6(14), 7				
Selling expenses		(170,461)	(23.38)	(109,942)	(16.62)
Administrative expenses		(125,699)	(17.24)	(80,660)	(12.19)
Research and development expenses		(513,186)	(70.39)	(347,339)	(52.49)
Expected credit gains (losses)		1,509	0.20	(402)	(0.06)
Total operating expenses		<u>(807,837)</u>	<u>(110.81)</u>	<u>(538,343)</u>	<u>(81.36)</u>
<b>Operating (loss) income</b>		<u>(79,510)</u>	<u>(10.91)</u>	<u>121,924</u>	<u>18.42</u>
<b>Non-operating income and expenses</b>	6(15)				
Interest income		62,516	8.57	4,025	0.61
Other income		8,683	1.19	9,185	1.39
Other gains and losses		389,564	53.44	(1,700)	(0.26)
Finance costs		(1,460)	(0.20)	(1,681)	(0.25)
Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method		3,221	0.44	38,926	5.88
Total non-operating income and expenses		<u>462,524</u>	<u>63.44</u>	<u>48,755</u>	<u>7.37</u>
<b>Net income before income tax</b>		383,014	52.53	170,679	25.79
<b>Income tax expense</b>	4, 6(17)	(27,077)	(3.71)	(9,014)	(1.36)
<b>Net income</b>		<u>355,937</u>	<u>48.82</u>	<u>161,665</u>	<u>24.43</u>
<b>Other comprehensive income (loss)</b>	6(16), 6(17)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		7,779	1.07	(1,501)	(0.23)
Income tax relating to those items to be reclassified to profit or loss		(1,555)	(0.21)	300	0.05
<b>Other comprehensive income (loss), net of tax</b>		<u>6,224</u>	<u>0.86</u>	<u>(1,201)</u>	<u>(0.18)</u>
<b>Total comprehensive income</b>		<u>\$ 362,161</u>	<u>49.68</u>	<u>\$ 160,464</u>	<u>24.25</u>
<b>Earnings per share (NTD)</b>	6(18)				
Basic Earnings Per Share		<u>\$ 7.03</u>		<u>\$ 3.59</u>	
Diluted Earnings Per Share		<u>\$ 7.00</u>		<u>\$ 3.59</u>	

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

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, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

	Capital		Retained earnings			Other equity	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2021	\$ 426,509	\$ 728,972	\$ 5,392	\$ 1,019	\$ 35,142	\$ (1,645)	\$ 1,195,389
Appropriation and distribution of 2020 retained earnings							
Legal reserve	-	-	3,514	-	(3,514)	-	-
Cash dividends	-	-	-	-	(31,628)	-	(31,628)
Net income for the year ended December 31, 2021	-	-	-	-	161,665	-	161,665
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(1,201)	(1,201)
Total comprehensive income (loss)	-	-	-	-	161,665	(1,201)	160,464
Issuance of common stock for cash	80,000	3,367,084	-	-	-	-	3,447,084
Balance as of December 31, 2021	506,509	4,096,056	8,906	1,019	161,665	(2,846)	4,771,309
Appropriation and distribution of 2021 retained earnings							
Legal reserve	-	-	16,166	-	(16,166)	-	-
Special reserve	-	-	-	1,201	(1,201)	-	-
Cash dividends	-	-	-	-	(144,298)	-	(144,298)
Net income for the year ended December 31, 2022	-	-	-	-	355,937	-	355,937
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	6,224	6,224
Total comprehensive income	-	-	-	-	355,937	6,224	362,161
Balance as of December 31, 2022	\$ 506,509	\$ 4,096,056	\$ 25,072	\$ 2,220	\$ 355,937	\$ 3,378	\$ 4,989,172

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**

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

(Amounts in thousands of New Taiwan Dollars)

Description	2022	2021
<b>Cash flows from operating activities:</b>		
Net income before income tax	\$ 383,014	\$ 170,679
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	26,920	20,422
Amortization	163,275	122,607
Expected credit (gains) losses	(1,509)	402
Interest expense	1,460	1,681
Interest income	(62,516)	(4,025)
Share of profit of subsidiaries, associates, and joint ventures accounted for using the equity method	(3,221)	(38,926)
Changes in operating assets and liabilities:		
Contract assets	(3,901)	15,516
Trade receivables	35,888	(31,586)
Trade receivables - related parties	(16,692)	12,472
Other receivables	1	-
Inventories	(1,063)	864
Prepayments	(20,224)	(19,830)
Other noncurrent assets	17,334	(24,072)
Contract liabilities	2,303	31,402
Trade payables	(112)	(144)
Other payables	131,276	15,293
Other current liabilities	(625)	549
Cash generated from operating activities	<u>651,608</u>	<u>273,304</u>
Interest received	51,364	3,644
Income tax paid	<u>(12,217)</u>	<u>(9,217)</u>
Net cash provided by operating activities	<u>690,755</u>	<u>267,731</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets measured at amortized cost	-	(180,000)
Proceeds from disposal of financial assets measured at amortized cost	180,000	180,000
Acquisition of investments accounted for using the equity method	-	(56,560)
Acquisition of property, plant and equipment	(59,104)	(8,489)
Increase in refundable deposits	(89)	(13)
Decrease in refundable deposits	17	5
Acquisition of intangible assets	(396,771)	(212,276)
Increase in other noncurrent assets	(192,205)	(3,789)
Net cash used in investing activities	<u>(468,152)</u>	<u>(281,122)</u>
<b>Cash flows from financing activities:</b>		
Issuance of common stock for cash	-	3,447,084
Cash payments for the principal portion of the lease liabilities	(13,947)	(15,359)
Cash dividends	(144,298)	(31,628)
Interest paid	(1,460)	(1,681)
Net cash (used in) provided by financing activities	<u>(159,705)</u>	<u>3,398,416</u>
Net increase in cash and cash equivalents	62,898	3,385,025
Cash and cash equivalents at the beginning of the year	3,828,580	443,555
Cash and cash equivalents at the end of the year	<u>\$ 3,891,478</u>	<u>\$ 3,828,580</u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

1. History, Organization and Operation

As officially approved, Andes Technology Corporation (“the Company” or “Andes”) was incorporated at Hsinchu Science Park on March 14, 2005. Since then, it has been specialized in the R&D, designing, manufacturing and marketing of embedded processor intellectual property (IP), related hardware/software developing platform and toolchains.

Andes’ shares were publicly listed on the Taiwan Stock Exchange (TWSE) on March 14, 2017. And its Global depositary receipts (GDR) were listed on the Luxembourg Stock Exchange on September 13, 2021. The registered location is at A1-4, 3F, No.1, Li-Hsin First Road, Hsinchu Science Park, Hsinchu City 300, Taiwan R.O.C. The operating location is at 10F, No.1, Section 3, Gongdao 5th Road, East District, Hsinchu City 300, Taiwan R.O.C.

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements were authorized for issue in accordance with a resolution of the board meeting on March 8, 2023.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of the new standards and amendments had no material impact on the Company.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- (a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

- (b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

- (c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2023, and have no material impact on the Company.



**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial *Statements* and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessee’s additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT\$.

Transactions in foreign currencies are initially recorded by the Company's functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- C. exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retaining partial equity is considered a disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted in "investments accounted for using the equity method". In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

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

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All other assets are classified as non-current.

A liability is classified as current when:

- A. the Company expects to settle the liability in its normal operating cycle.
- B. the Company holds the liability primarily for the purpose of trading.
- C. the liability is due to be settled within twelve months after the reporting period.
- D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within six months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sale of financial assets on the trade date.

The Company classifies financial assets as subsequently measured at amortized cost considering both factors below:

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- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost and are not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

**B. Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying

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amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- (a) at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

**C. Derecognition of financial assets**

A financial asset is derecognized when:

- (a) the rights to receive cash flows from the asset have expired.
- (b) the Company has transferred the asset and substantially all the risks and



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rewards of the asset have been transferred.

- (c) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

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Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. in the principal market for the asset or liability, or
- B. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Inventory costs include costs incurred in bringing each inventory to its present location and condition:

Raw materials – valued at purchase cost and calculated by the weighted-average method.

Finished goods and work in progress – costs of direct materials and a proportion of manufacturing overheads are calculated by the weighted-average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Investments accounted for using the equity method

A subsidiary is an entity over which the Company has control.

Under the equity method, the investment in the subsidiary is carried on the balance

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sheet at cost plus post acquisition changes in the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company's share of changes in subsidiaries' profit or loss and other comprehensive income is recognized directly in the Company's profit or loss and other comprehensive income. Distributions received from a subsidiary reduce the carrying amount of the investment.

Financial statements of subsidiaries are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When changes in the net assets of the subsidiary were not resulted from their profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentages, the Company recognizes its proportionate share of all related changes in equity. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of investment in the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method upon loss of control and significant influence over the subsidiary. Any difference between the carrying amount of the investment in a subsidiary upon loss of control and the fair value of the retained investment plus proceeds from disposal will be recognized in profit or loss. If an investment in a subsidiary becomes an investment in an associate or a joint venture or an investment in an associate or a joint venture becomes an investment in a subsidiary, the Company continues to apply the equity method and remeasures the retained interest.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. An impairment loss, being the difference between the recoverable amount of the subsidiary and its carrying amount, is recognized in profit or loss in the statement of comprehensive income and forms part of the carrying amount of the investments.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and

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accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, Plant and Equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Computer and telecommunication equipment	3 years
Test equipment	3 years
Office equipment	3~5 years
Leasehold improvements	3~10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(12) Leases

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

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Company assesses whether, throughout the period of use, it has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associated with those leases in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

**(13) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the



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asset and are recognized in profit or loss.

Development costs – research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- A. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- B. its intention to complete and its ability to use or sell the asset;
- C. how the asset will generate future economic benefits;
- D. the availability of resources to complete the asset; and
- E. the ability to measure the expenditure reliably during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied to require the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of estimated useful life.

The Company's intangible assets are amortized on a straight-line basis over the estimated useful life as follows:

Computer software	3 years
Technologies	3 years

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Computer software</u>	<u>Technologies</u>
Useful lives	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Internally generated

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(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A CGU, or groups of CGUs, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the CGU (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Revenue recognition

The Company's revenues arising from contracts with customers are primarily related

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to licensing of CPU IP, rendering of maintenance services and royalty revenues. The accounting policies are explained as follows:

Licensing of CPU IP

When a promised CPU IP is licensed to a customer, the customer can direct the use of, and obtain substantially all of the remaining benefits from the license. The nature of the Company's promise is to provide a right to use the CPU IP at the point in time at which the license of the CPU IP is granted to the customer. Therefore, revenue is recognized when the control of the promised goods has been transferred to the customer. The consideration promised in the contract may vary such as the terms of deduction. The Company shall estimate an amount of variable consideration by using either the expected value method or the most likely amount method, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. An amount of variable consideration is estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, contract liabilities are recognized for the expected deductions.

For some of the contracts, the Company has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. In addition, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of maintenance services

In addition to a promise to grant licenses to a customer, the Company may also promise to transfer maintenance services to a customer. Maintenance services include support and enhancements on delivered CPU IPs or developing tools. As the maintenance services and CPU IPs are not highly interdependent or highly interrelated, they are identified as separate performance obligations. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Revenues of maintenance services are recognized on a straight-line basis over the contract period.

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For some rendering of maintenance services, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

Royalty revenues

Sales-based royalties on CPU IPs licenses are recognized when subsequent sale occurs.

(16) Post-employment benefits

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(17) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

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Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- A. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets

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and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent company only financial statements:

An intangible asset arising from development costs

The Company assessed that certain internally generated intangible assets have attained technical feasibility and will be available for use or sale. The assessment was mainly based on the fact that the Company possessed matured technology, resources, clear judgment of development timelines and product specifications for those development projects. The Company also assessed that those assets would generate future economic benefits and the benefits will exceed costs input.

The Company capitalizes development phase expenditures only when all the capitalization criteria are met.

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6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash	\$20	\$20
Checking and savings accounts	150,298	71,052
Time deposits	2,459,853	3,151,180
Reverse repurchase agreements-corporate bonds and central government bonds	1,281,307	606,328
Total	<u>\$3,891,478</u>	<u>\$3,828,580</u>

(2) Financial assets measured at amortized cost, current

	December 31, 2022	December 31, 2021
Time deposits	<u>\$-</u>	<u>\$180,000</u>

The Company classified certain financial assets as financial assets measured at amortized cost. The financial assets measured at amortized cost were not pledged. Please refer to Note 12 for more details on credit risk.

(3) Trade receivables and trade receivables – related parties

	December 31, 2022	December 31, 2021
Trade receivables	\$80,909	\$116,797
Less: allowance	(457)	(1,966)
Subtotal	80,452	114,831
Trade receivables – related parties	122,692	106,000
Total	<u>\$203,144</u>	<u>\$220,831</u>

Trade receivables and trade receivables – related parties were not pledged.

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(12) for

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more details on impairment of trade receivables for the years ended December 31, 2022 and 2021. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$1,537	\$718
Raw materials	661	417
Total	\$2,198	\$1,135

For the year ended December 31, 2022, the cost of inventories recognized in expenses amounted to NT\$731 thousand, including the write-down of inventories of NT\$34 thousand and the loss on scrap of inventories of NT\$13 thousand.

For the year ended December 31, 2021, the cost of inventories recognized in expenses amounted to NT\$1,471 thousand, including the write-down of inventories of NT\$123 thousand and the loss on scrap of inventories of NT\$39 thousand.

Inventories were not pledged.

(5) Investments accounted for using the equity method

	December 31, 2022		December 31, 2021	
	Carrying amount	Percentage of <b>Ownership (%)</b>	Carrying amount	Percentage of <b>ownership (%)</b>
Investees				
Subsidiaries:				
Everest Peaks Technology Corporation	\$139,302	100.00	\$128,302	100.00

A. The Company invested in Everest Peaks Technology Corporation in the amount of US\$2,000 thousand in 2021.

B. The investments in subsidiaries are presented as “Investments accounted for using equity method” in the parent company only financial statement with necessary adjustments.



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(6) Property, plant and equipment

	December 31, 2022		December 31, 2021		
Owner occupied property, plant and equipment	<u>\$73,029</u>		<u>\$22,932</u>		
	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2022	\$9,050	\$8,401	\$4,098	\$16,509	\$38,058
Additions	45,242	11,536	1,043	1,703	59,524
Disposals	(1,406)	-	(3,697)	-	(5,103)
Reclassifications	460	2,930	-	-	3,390
As of December 31, 2022	<u>\$53,346</u>	<u>\$22,867</u>	<u>\$1,444</u>	<u>\$18,212</u>	<u>\$95,869</u>
As of January 1, 2021	\$8,074	\$3,754	\$5,373	\$14,990	\$32,191
Additions	1,849	4,647	-	1,519	8,015
Disposals	(873)	-	(1,275)	-	(2,148)
As of December 31, 2021	<u>\$9,050</u>	<u>\$8,401</u>	<u>\$4,098</u>	<u>\$16,509</u>	<u>\$38,058</u>
Depreciation and impairment:					
As of January 1, 2022	\$4,995	\$2,172	\$3,158	\$4,801	\$15,126
Depreciation	5,723	4,144	1,042	1,908	12,817
Disposals	(1,406)	-	(3,697)	-	(5,103)
As of December 31, 2022	<u>\$9,312</u>	<u>\$6,316</u>	<u>\$503</u>	<u>\$6,709</u>	<u>\$22,840</u>
As of January 1, 2021	\$3,706	\$711	\$3,293	\$3,248	\$10,958
Depreciation	2,162	1,461	1,140	1,553	6,316
Disposals	(873)	-	(1,275)	-	(2,148)
As of December 31, 2021	<u>\$4,995</u>	<u>\$2,172</u>	<u>\$3,158</u>	<u>\$4,801</u>	<u>\$15,126</u>
Net carrying amount as of:					
December 31, 2022	<u>\$44,034</u>	<u>\$16,551</u>	<u>\$941</u>	<u>\$11,503</u>	<u>\$73,029</u>
December 31, 2021	<u>\$4,055</u>	<u>\$6,229</u>	<u>\$940</u>	<u>\$11,708</u>	<u>\$22,932</u>

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Property, plant and equipment were not pledged.

(7) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2022	\$110,134	\$531,788	\$895	\$642,817
Additions-internally generated	394,075	-	-	394,075
Additions-acquired separately	-	-	2,696	2,696
Transfers	(146,414)	146,414	-	-
Disposals	-	-	(92)	(92)
As of December 31, 2022	<u>\$357,795</u>	<u>\$678,202</u>	<u>\$3,499</u>	<u>\$1,039,496</u>
As of January 1, 2021	\$151,923	\$278,043	\$1,572	\$431,538
Additions-internally generated	211,956	-	-	211,956
Additions-acquired separately	-	-	320	320
Disposals	-	-	(997)	(997)
Transfers	(253,745)	253,745	-	-
As of December 31, 2021	<u>\$110,134</u>	<u>\$531,788</u>	<u>\$895</u>	<u>\$642,817</u>
Amortization and impairment:				
As of January 1, 2022	\$-	\$262,291	\$416	\$262,707
Amortization	-	162,520	755	163,275
Disposals	-	-	(92)	(92)
As of December 31, 2022	<u>\$-</u>	<u>\$424,811</u>	<u>\$1,079</u>	<u>\$425,890</u>
As of January 1, 2021	\$-	\$139,983	\$1,114	\$141,097
Amortization	-	122,308	299	122,607
Disposals	-	-	(997)	(997)
As of December 31, 2021	<u>\$-</u>	<u>\$262,291</u>	<u>\$416</u>	<u>\$262,707</u>

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	Development costs	Technologies	Computer software	Total
Net carrying amount as of:				
December 31, 2022	\$357,795	\$253,391	\$2,420	\$613,606
December 31, 2021	\$110,134	\$269,497	\$479	\$380,110

The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2022	2021
Selling expenses	\$-	\$-
Administrative expenses	\$663	\$268
Research and development expenses	\$162,612	\$122,339

(8) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for land and buildings	\$155,350	\$-
Long-term outsourcing R&D expenses	37,080	-
Long-term software usage fees	6,912	24,072
Prepayments for equipment and others	-	3,789
Total	\$199,342	\$27,861

In response to the long-term development plan, the board of directors passed a resolution to purchase a pre-sale of real estate, which entered a contract with Yuchen Development Co., Ltd. ("Yuchen Development") on September 19, 2022. The total contract price is NT\$1,195,000 thousand. As of December 31, 2022, NT\$155,350 thousand has been paid to Yuchen Development.

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(9) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$20,010 thousand and NT\$13,992 thousand, respectively.

(10) Equity

A. Common stock

ANDES' authorized capital as of December 31, 2022 and 2021 was NT\$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT\$10. ANDES' issued capital was NT\$506,509 thousand divided into 50,651 thousand shares as of December 31, 2022 and 2021. Each share has one voting right and a right to receive dividends.

On September 13, 2021, the Company issued 4,000 thousand units of Global Depositary Receipts (GDR) at NT\$880 (US\$31.78) per unit on the Luxembourg Stock Exchange. Each unit represents 2 shares of common stock of the Company, totaling 8,000 thousand shares of common stock. The GDR holders entitle the rights equal to the existed common shareholders of the Company. As of December 31, 2022, there was no outstanding GDR.

B. Capital surplus

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$4,094,282	\$4,094,282
Employee stock options	1,774	1,774
Total	<u>\$4,096,056</u>	<u>\$4,096,056</u>

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According to the Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

The transaction cost of issuing GDR in the amount of NT\$65,878 thousand was recognized as a deduction from capital surplus.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Reserve for tax payments
- (b) Offset accumulated losses in previous years, if any
- (c) 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.
- (d) Allocation or reverse of special reserves as required by law or government authorities.
- (e) 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. When the distribution proposal is in the form of new shares to be issued by the Company, it shall be submitted to the shareholders' meeting for review and approval by a resolution. When the distribution proposal 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, such distribution shall be reported to the shareholders' meeting.

According to Article 241 of the Company Act, the Company may distribute its legal reserve and the capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion

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to the number of shares being held by each of them or by cash. When the distribution proposal is 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, such distribution shall be reported 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.

- D. Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 8, 2023 and the shareholders' meeting on May 26, 2022, respectively, are as follows:

	Appropriation of earnings (In thousand NT dollars)		Dividends per share (NT dollars)	
	2022	2021	2022	2021
Legal reserve	\$35,594	\$16,166	-	-
Special reserve	(2,220)	1,201	-	-
Cash dividends (Note)	75,976	144,298	\$1.5	\$2.84887117

Note: According to the authorization by the Company's Articles of Incorporation, the board of directors passed a special resolution to distribute cash dividends on March 8, 2023 and March 8, 2022 for the 2022 and 2021 earnings distribution, respectively.

Please refer to Note 6(14) for information on the employees' compensation and remuneration to directors.

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(11) Operating revenues

	For the year ended December 31, 2022	Percent of total revenues (%)	For the year ended December 31, 2021	Percent of total revenues (%)
Revenue from contracts with customers				
Licensing of CPU IP	\$425,413	58	\$368,692	56
Royalty revenues	212,812	29	225,980	34
Maintenance services	85,038	12	44,429	7
Others	5,795	1	22,637	3
<b>Total</b>	<b>\$729,058</b>	<b>100</b>	<b>\$661,738</b>	<b>100</b>

Analysis of revenues from contracts with customers for the years ended December 31, 2022 and 2021 is as follows:

A. Disaggregation of revenues

	For the years ended December 31,	
	2022	2021
Timing of revenue recognition:		
At a point in time	\$644,020	\$617,309
Over time	85,038	44,429
<b>Total</b>	<b>\$729,058</b>	<b>\$661,738</b>

B. Contract balances

(a) Contract assets, current

	December 31, 2022	December 31, 2021	January 1, 2021
Licensing of CPU IP	\$63,485	\$59,584	\$75,100

Contract assets represent the amount that the Company has transferred CPU IPs to customers but not yet billed. Contract assets will be reclassified to trade receivables as the Company obtains an unconditional right to receive the consideration. The Company reclassified NT\$55,598 thousand and NT\$73,396 thousand of the beginning balance of contract assets to trade receivables during 2022 and 2021, respectively. Please refer to Note 6(12) for related impairment.

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(b) Contract liabilities, current

	December 31, 2022	December 31, 2021	January 1, 2021
Maintenance services	\$55,337	\$40,830	\$20,590
Licensing of CPU IP	-	11,683	-
Deductions	1,190	1,711	2,232
Total	<u>\$56,527</u>	<u>\$54,224</u>	<u>\$22,822</u>

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognized during the period that was included in the beginning balance	<u>\$(39,575)</u>	<u>\$(18,306)</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$41,878</u>	<u>\$49,708</u>

(12) Expected credit gains (losses)

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating expenses – expected credit gains (losses)		
Trade receivables	<u>\$1,509</u>	<u>\$(402)</u>

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of contract assets and trade receivables (including trade receivables – related parties) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2022 and 2021 is as follows:



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The Company determines the grouping of trade receivables by considering counterparties' geographical regions and its loss allowance is measured by using a provision matrix. Details are as follows:

December 31, 2022

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$150,838	\$5,505	\$-	\$-	\$-	\$-	\$156,343
Loss ratio	-%	2%	-%	-%	-%	-%	
Lifetime expected credit losses	-	(10)	-	-	-	-	(10)
Subtotal	\$150,838	\$5,495	\$-	\$-	\$-	\$-	\$156,333

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
Gross carrying amount	\$97,332	\$6,387	\$3,440	\$-	\$1,838	\$1,746	\$110,743
Loss ratio	-%	-%	13%	-%	-%	-%	
Lifetime expected credit losses	-	-	(447)	-	-	-	(447)
Subtotal	\$97,332	\$6,387	\$2,993	\$-	\$1,838	\$1,746	\$110,296
Carrying amount of contract assets and trade receivables (including trade receivables-related parties)							<u>\$266,629</u>

December 31, 2021

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$167,988	\$-	\$10,551	\$4,501	\$-	\$-	\$183,040
Loss ratio	-%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	\$167,988	\$-	\$10,551	\$4,501	\$-	\$-	\$183,040

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	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
Gross carrying amount	\$95,224	\$138	\$2,318	\$-	\$-	\$1,661	\$99,341
Loss ratio	-%	3%	13%	-%	-%	100%	
Lifetime expected credit losses	-	(4)	(301)	-	-	(1,661)	(1,966)
Subtotal	\$95,224	\$134	\$2,017	\$-	\$-	\$-	\$97,375
Carrying amount of contract assets and trade receivables (including trade receivables-related parties)							<u>\$280,415</u>

The movement in the provision for impairment of contract assets and trade receivables during the year is as follows:

	Contract assets	Trade receivables
As of January 1, 2022	\$-	\$1,966
Reversal for the current period	-	(1,509)
As of December 31, 2022	<u>\$-</u>	<u>\$457</u>
As of January 1, 2021	\$-	\$9,270
Addition for the current period	-	402
Write off	-	(7,706)
As of December 31, 2021	<u>\$-</u>	<u>\$1,966</u>

(13) Leases

A. The Company as a lessee

The Company leases various properties, including real estate such as buildings. The lease terms range from 2 to 10 years. There are no restrictions placed upon the Company by entering into these leases.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

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(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Buildings	\$76,412	\$90,515

For the years ended December 31, 2022 and 2021, the Company's addition to right-of-use assets amounted to nil and NT\$1,781 thousand, respectively.

II. Lease liabilities

	December 31, 2022	December 31, 2021
Lease liabilities	\$77,968	\$91,915
Current	\$12,280	\$12,042
Non-current	\$65,688	\$79,873

Please refer to Note 6(15)D for the interest on lease liabilities recognized for the years ended December 31, 2022 and 2021, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Buildings	\$14,103	\$14,106

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(c) Income and costs relating to leasing activities

	For the years ended	
	December 31,	
	2022	2021
The expenses relating to short-term leases	\$1,102	\$1,107
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	\$239	\$379

(d) Cash outflows relating to leasing activities

For the years ended December 31, 2022 and 2021, the Company's total cash outflows for leases amounted to NT\$16,748 thousand and NT\$18,526 thousand, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses by function

	For the years ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$336,339	\$336,339	\$-	\$196,574	\$196,574
Labor and health insurance	-	34,787	34,787	-	24,139	24,139
Pension	-	20,010	20,010	-	13,992	13,992
Directors' remuneration	-	4,750	4,750	-	2,552	2,552
Others	-	7,840	7,840	-	2,938	2,938
Depreciation	-	26,920	26,920	-	20,422	20,422
Amortization	-	163,275	163,275	-	122,607	122,607

Note: The average number of employees of the Company was 282 and 217 for the years ended December 31, 2022 and 2021, respectively, including 5 and 5 non-employee directors for the years ended December 31, 2022 and 2021, respectively.

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The Company's average employee benefits expense for the years ended December 31, 2022 and 2021 were NT\$1,440 thousand and NT\$1,121 thousand, respectively. The Company's average employee salaries for the years ended December 31, 2022 and 2021 were NT\$1,214 thousand and NT\$927 thousand, respectively. The Company's average employee salary increase rate was 31% for the year ended December 31, 2022.

The Company's policy for compensation of directors, managers and employees is as follows:

- A. The Company set the policy for directors and employees' compensation in its Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the remuneration policy for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the Company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company's operation results, corporate strategies, industry trends and also individual contribution.
  
- B. The Company developed a comprehensive employee welfare policy in accordance with laws, government regulations and regional needs to provide employees with competitive salary and welfare conditions. Employees' compensation includes monthly salary, bonus based on personal performance, and the compensation based on the Company's earnings performance and regulated by the Articles of Incorporation. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and distributing compensation.

According to the Articles of Incorporation of the Company, no lower than 2% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at the meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as

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employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company based on a specific rate of profit to accrue the employees' compensation and remuneration to directors. Differences between the accrued amount and the actual distribution of the employees' compensation and remuneration to directors are recognized in profit or loss of the subsequent year. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution.

Based on the profit for the year ended December 31, 2022, the Company accrued employee's compensation and remuneration to directors based on a specific rate of profit for the year ended December 31, 2022. As such, employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$96,721 thousand and NT\$3,868 thousand, respectively, recognized as salary expenses. And employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$12,985 thousand and NT\$1,836 thousand, respectively, recognized as salary expenses.

A resolution was passed at a Board of Directors meeting held on March 8, 2023 to distribute NT\$96,721 thousand and NT\$3,868 thousand in cash as employees' compensation and remuneration to directors of 2022, respectively. No material differences exist between the accrued amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2022. A resolution was passed at a Board of Directors meeting held on March 8, 2022 to distribute NT\$12,985 thousand and NT\$1,836 thousand in cash as employees' compensation and remuneration to directors of 2021, respectively. No material differences exist between the accrued amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2021.

No material differences between the accrued amounts and the actual distribution of

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the employees' compensation and remuneration of directors for the year ended December 31, 2021.

(15) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	\$62,516	\$4,025

B. Other income

	For the years ended December 31,	
	2022	2021
Others	\$8,683	\$9,185

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains, net	\$391,640	\$153
Others	(2,076)	(1,853)
Total	\$389,564	\$(1,700)

D. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expenses on lease liabilities	\$(1,460)	\$(1,681)

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(16) Components of other comprehensive income

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	\$7,779	\$-	\$7,779	\$(1,555)	\$6,224

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	\$(1,501)	\$-	\$(1,501)	\$300	\$(1,201)

(17) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expenses:		
Current income tax charge	\$7,334	\$9,014
Deferred income tax expenses (income):		
Deferred tax relating to origination and reversal of temporary differences	41,021	-
Deferred tax relating to origination and reversal of tax loss	(21,278)	-
Income tax expense	<u>\$27,077</u>	<u>\$9,014</u>



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Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2022	2021
Deferred tax expense (income):		
Exchange differences resulting from translating the financial statements of foreign operations	\$1,555	\$(300)

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$383,014	\$170,679
At the Company's statutory income tax rate	\$76,601	\$34,136
Tax effect of expenses not deductible for tax purposes	-	1,541
Tax effect of deferred tax assets/liabilities	19,743	-
Recognition of tax losses or temporary differences of prior periods not recognized	(76,601)	(35,677)
Foreign taxes have been paid in the source country	7,334	9,014
Income tax expense recognized in profit or loss	\$27,077	\$9,014

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Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Investments accounted for using the equity method	\$711	\$-	\$(1,555)	\$(844)
Unrealized exchange gain or loss	-	(42,293)	-	(42,293)
Others	-	1,272	-	1,272
Unused tax losses	-	21,278	-	21,278
Deferred tax (expense)/income		<u>\$(19,743)</u>	<u>\$(1,555)</u>	
Net deferred tax assets/(liabilities)	<u>\$711</u>			<u>\$(20,587)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$711</u>			<u>\$22,550</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$(43,137)</u>

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Investments accounted for using the equity method	\$411	\$-	\$300	\$711
Deferred tax (expense)/income		<u>\$-</u>	<u>\$300</u>	
Net deferred tax assets/(liabilities)	<u>\$411</u>			<u>\$711</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$411</u>			<u>\$711</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

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A summary of the unused tax loss carry-forward of the Company is as follows:

Occurrence year	Accumulated losses	Unutilized accumulated losses		Expiration year
		December 31, 2022	December 31, 2021	
2012	\$88,644	\$75,756	\$86,490	2022
2013	87,983	87,983	87,983	2023
2016	18,406	18,406	18,406	2026
		<u>\$182,145</u>	<u>\$192,879</u>	

Unrecognized deferred tax assets

As of December 31, 2022 and 2021, the Company's unrecognized deferred tax assets were NT\$26,468 thousand and NT\$66,389 thousand, respectively.

The assessment of income tax returns

As of December 31, 2022, the income tax returns of the Company through 2020 have been assessed by the tax authorities.

(18) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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	For the years ended December 31,	
	2022	2021
(a) Basic earnings per share		
Net income (in thousand NT\$)	\$355,937	\$161,665
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	50,651	45,062
Basic earnings per share (NT\$)	\$7.03	\$3.59
 (b) Diluted earnings per share		
Net income (in thousand NT\$)	\$355,937	\$161,665
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	50,651	45,062
Effect of dilution:		
Employees' compensation-stock (in thousands)	200	25
Weighted average number of ordinary shares outstanding after dilution (in thousands)	50,851	45,087
Diluted earnings per share (NT\$)	\$7.00	\$3.59

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

**7. Related Party Transactions**

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

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Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are the same person (Note)
Andes Technology (Wuhan) Corporation	Subsidiary
Andes Shanghai Technology Corporation	Subsidiary
Andes Technology USA Corporation	Subsidiary
MediaTek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc. (Note)

Note: The Board members of the Company was reelected on July 7, 2021, and the chairman of ANDES was no longer the same as the chairman of MediaTek Inc. Thereafter, MediaTek Inc. and its subsidiaries were no longer related parties of the Company.

(1) Operating revenues

	For the years ended December 31,	
	2022	2021
Andes Technology USA Corporation	\$114,518	\$116,926
MediaTek Inc.	-	33,634
Andes Shanghai Technology Corporation	71,687	45,975
Andes Technology (Wuhan) Corporation	31,097	34,876
MediaTek Singapore Pte. Ltd.	-	503
Total	<u>\$217,302</u>	<u>\$231,914</u>

The selling price to related parties was referred to the market price and negotiated by both parties. The collection periods for related parties and third-party customers were both month-end 30 to 75 days.

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(2) Contract assets

	December 31, 2022	December 31, 2021
Andes Shanghai Technology Corporation	\$33,039	\$18,542
Andes Technology (Wuhan) Corporation	4,864	8,436
Total	<u>\$37,903</u>	<u>\$26,978</u>

(3) Trade receivables – related parties

	December 31, 2022	December 31, 2021
Andes Technology USA Corporation	\$76,060	\$89,255
Andes Shanghai Technology Corporation	24,840	6,564
Andes Technology (Wuhan) Corporation	21,792	10,181
Total	<u>\$122,692</u>	<u>\$106,000</u>

(4) Contract liabilities, current

	December 31, 2022	December 31, 2021
Andes Technology USA Corporation	\$28,224	\$16,819
Subsidiaries	6,984	5,139
Total	<u>\$35,208</u>	<u>\$21,958</u>

(5) Others

The Company recognized operating expenses in the amount of NT\$47,111 thousand and NT\$54,631 for the years ended December 31, 2022 and 2021, respectively, for the R&D design service provided by Andes Technology USA Corporation. NT\$ 17,505 thousand and NT\$9,294 thousand were not paid to Andes Technology USA Corporation and were recorded as other payables as of December 31, 2022 and 2021.

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(6) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	\$35,274	\$26,256
Post-employment benefits	432	495
Total	<u>\$35,706</u>	<u>\$26,751</u>

8. Assets Pledged as Collateral

None

9. Significant Contingencies and Unrecognized Contractual Commitments

Contractual commitments please refer to Note 6(8).

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

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12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2022	December 31, 2021
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	\$3,891,458	\$3,828,560
Financial assets measured at amortized cost	-	180,000
Trade receivables (including related parties)	203,144	220,831
Other receivables	16,727	693
Refundable deposits	4,772	4,700
Total	<u>\$4,116,101</u>	<u>\$4,234,784</u>

Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at amortized cost:		
Trade payables	\$-	\$112
Other payables	195,409	63,713
Lease liabilities	77,968	91,915
Total	<u>\$273,377</u>	<u>\$155,740</u>

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures and manages the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by the board of directors and the audit committee in accordance with relevant



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regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenues or expenses are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables which are denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is applied. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2022 and 2021 decreases/increases by NT\$35,276 thousand and NT\$31,973 thousand, respectively.

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Interest rate risk

The Company's financial assets with exposure to interest rates were mainly time deposits, with carrying amount of NT\$2,459,853 thousand and NT\$3,331,180 thousand as of December 31, 2022 and 2021, respectively. The interest rate risk was insignificant of the Company since their contractual term was not long-term and the contracts were entered with fixed interest rate.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets and trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain counter parties' credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment.

As of December 31, 2022 and 2021, contract assets and trade receivables from top ten customers represented 72.22% and 74.2% of the total contract assets and trade receivables of the Company, respectively. The credit concentration risk of other contract assets and trade receivables was insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of contract assets and trade receivables which is measured at lifetime expected credit losses, for debt instrument investments which are not measured at

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fair value through profit or loss and are at low credit risk upon acquisition, an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio. The measurement indicators of the Company are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	<u>Gross carrying amount as of</u>	
			December 31, 2022	December 31, 2021
Low credit risk	Financial institutions with good credit rating	12-month expected credit losses	\$-	\$180,000
Simplified approach (Note)		Lifetime expected credit losses	\$267,086	\$282,381

Note: The Company adopted simplified approach (lifetime expected credit loss) to measure credit risk. It includes contract assets and trade receivables (including trade receivables-related parties).

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
December 31, 2022					
Other payables	\$195,409	\$-	\$-	\$-	\$195,409
Lease liabilities	13,503	29,998	29,588	8,069	81,158

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	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
December 31, 2021					
Trade payables	\$112	\$-	\$-	\$-	\$112
Other payables	63,713	-	-	-	63,713
Lease liabilities	13,503	30,612	29,588	22,863	96,566

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended December 31, 2022.

	<u>Lease liabilities</u>
As of January 1, 2022	\$91,915
Cash flows	(13,947)
As of December 31, 2022	<u>\$77,968</u>

Reconciliation of liabilities for the year ended December 31, 2021.

	<u>Lease liabilities</u>
As of January 1, 2021	\$105,493
Cash flows	(15,359)
Non-cash changes	
Additions	1,781
As of December 31, 2021	<u>\$91,915</u>

(7) Fair value of financial instruments

The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

The carrying amount of cash and cash equivalents, financial assets measured at amortized cost, trade receivables (including related parties), trade payables and other payables approximate their fair value due to their short maturities.

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(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2022		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$115,657	30.71	\$3,551,826
Non-Monetary item:			
USD	\$4,536	30.71	\$139,302
<u>Financial liabilities</u>			
Monetary item:			
USD	\$788	30.71	\$24,199
	December 31, 2021		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$115,940	27.68	\$3,209,219
Non-Monetary item:			
USD	\$4,635	27.68	\$128,302
<u>Financial liabilities</u>			
Monetary item:			
USD	\$430	27.68	\$11,902

Foreign currencies of entities of the Company varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains were NT\$391,640 thousand and NT\$153 thousand for the years ended December 31, 2022 and 2021, respectively.

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(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its subsidiaries

- (a) Financing provided to others for the year ended December 31, 2022: None.
- (b) Endorsement/guarantee provided to others for the year ended December 31, 2022: None.
- (c) Securities held as of December 31, 2022 (excluding subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 1.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 2.

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- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2022: None.
- (i) Trading in derivative instruments: None.
- (j) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to Attachment 5.

(2) Information on investees

Information of investees over which the Company has direct or indirect significant influence or control: Please refer to Attachment 3.

(3) Information on investments in Mainland China

- (a) The name of the investee company in Mainland China, main businesses and products, its issued capital, method of investment, accumulated inflows and outflows of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 4.
- (b) Significant direct or indirect transactions with the investees, its prices, payment terms, unrealized gain or loss and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 5.

(4) Information on major shareholders:

List of shareholders with ownership of 5 percent or greater showing the names, number of shares and the percentage of ownership held by each shareholder: Please refer to Attachment 6.

ATTACHMENT 1 : Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
The Company	Land No. 502, Fuxing Section, Hsinchu City (partially held) Buildings: "A TEAM" building 7F~11F and 126 parking spaces built in Land No. 502, Fuxing Section, Hsinchu City	2022/9/19	\$1,195,000	Prepaid \$155,350	Yuchen Development Co.,Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Refer to the market price and real estate appraisal report (Note)	Self-use office building	None

Note : The Company engaged CCIS Real Estate Joint Appraisers Firm and Zhan-Mao Real Estate Valuation Appraisers Firm to perform real estate appraisal, and the appraisal prices were NT\$1,236,031 thousand and NT\$1,319,575 thousand, respectively.



ATTACHMENT 2 :Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2022  
(Amounts in Thousands of New Taiwan Dollars)

Company name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and Trade receivables (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales) (Note)	Term	Unit price	Term	Balance	Percentage of total receivables (payable) (Note)	
The Company	Andes Technology USA Corporation	Subsidiary	Sales	\$ 114,518	15.71%	Net 60 days	-	-	\$ 76,060	37.36%	-

Note : The ratio is calculated based on the parent company only financial statements of Andes Technology Corporation.

ATTACHMENT 3 : NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	\$264,723	\$264,723	8,858,780	100%	\$139,302	\$3,221	\$3,221	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	\$64,450	\$64,450	2,058,780	100%	\$74,536	\$9,830	\$9,830	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	\$202,973	\$202,973	6,800,000	100%	\$64,766	\$(6,609)	\$(6,609)	(Note)

Note : The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

ATTACHMENT 4 : INFORMATION ON INVESTMENT IN MAINLAND CHINA

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Investee Company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2022	Accumulated inward remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	\$18,117	(ii)Andes Technology (Samoa) Corporation	\$18,117	\$-	\$-	\$18,117	\$8,029	100%	\$8,029 (ii)	\$44,137	\$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	\$9,258	(ii)Andes Technology (Samoa) Corporation	\$9,258	\$-	\$-	\$9,258	\$1,801	100%	\$1,801 (ii)	\$30,395	\$-

Accumulated investment in Mainland China as of December 31, 2022 (Note 3)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment
\$27,375 (USD900,000)	\$27,639 (USD900,000)	\$2,993,503

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (i) Direct investment in Mainland China.
- (ii) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- (iii) Other methods.

Note 2 : The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis:

- (i) The financial report was audited by an international certified public accounting firm having a business cooperation relationship with an R.O.C. accounting firm.
- (ii) The financial statements were audited by the auditors of the parent company.
- (iii) Others.

Note 3 : Investment amounts are converted by the exchange rates at the remittance date.

Note 4 : Amounts denominated in foreign currency is converted into New Taiwan Dollars by the exchange rate at December 31, 2022.

ATTACHMENT 5 : INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			Percentage of Consolidated Net Sales or Total Assets (Note 3)
				Financial Statement Account	Amount	Transaction Terms	
0	Andes Technology Corporation	Andes Technology (Wuhan) Corporation	1	Trade receivables-related parties	\$21,792	Net 60 days	0.40%
				Contract assets	\$4,864	According to the contract terms	0.09%
				Operating revenues	\$31,097	Net 60 days	3.34%
				Contract liabilities, current	\$2,523	According to the contract terms	0.05%
		Andes Technology USA Corporation	1	Trade receivables-related parties	\$76,060	Net 60 days	1.40%
				Operating revenues	\$114,518	Net 60 days	12.29%
				Contract liabilities, current	\$28,224	According to the contract terms	0.52%
				R&D design fees	\$47,111	According to the contract terms	5.06%
		Andes Shanghai Technology Corporation	1	Other payables	\$17,505	According to the contract terms	0.32%
				Trade receivables-related parties	\$24,840	Net 60 days	0.46%
				Contract assets	\$33,039	According to the contract terms	0.61%
				Operating revenues	\$71,687	Net 60 days	7.69%
				Contract liabilities, current	\$4,461	According to the contract terms	0.08%

Note 1 : The Company and its subsidiaries are coded as follows:

(1) The Company is coded 0.

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above

Note 2 : There are three types of relationship categorized as follow:

(1) The holding companies to subsidiaries.

(2) Subsidiaries to the holding companies.

(3) Subsidiaries to subsidiaries.

Note 3 : Percentage of consolidated net sales or total assets is calculated as follows: for the balance sheet accounts, the ending balance of assets or liabilities divided by consolidated total assets, or for the income statement accounts, the interim accumulated amounts divided by consolidated sales.

ATTACHMENT 6 : THE INFORMATION OF MAJOR SHAREHOLDERS

Name of major shareholders	Number of ordinary shares	Number of shares held (shares)	Percentage of ownership
Hsiang Fa Co.		5,657,324	11.16%
Shui-Cheng, Tu		3,588,000	7.08%
National Development Fund, Executive Yuan		2,979,237	5.88%

# Andes Technology Corporation

Chairman Jyh-Ming Lin