



# **Andes Technology Corporation**

## **Handbook for the 2023 Annual Meeting of Shareholders**

**(Summary Translation)**

**Meeting Date: May 31<sup>st</sup>, 2023**

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# **Andes Technology Corporation**

## **Procedure for the 2023 Annual Meeting of Shareholders**

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

# Andes Technology Corporation

## Agenda of Year 2023 Annual Meeting of Shareholders

**Time:** 10:00 a.m., May 31<sup>st</sup>, 2023 (Wednesday)

**Venue:** Meeting Room Bach, 4F, No.1, Gongye E. 2<sup>nd</sup> Rd., Hsinchu Science Park,  
Hsinchu, Taiwan

**Meeting type:** Physical shareholders meeting

### **Agenda:**

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Report items
  - (1) 2022 business report
  - (2) Audit Committee's review report
  - (3) Report on 2022 employees' profit sharing bonus and directors' compensation
  - (4) Report on the 2022 cash dividend distribution
  - (5) Amendment to the Company's "Sustainable Development Best Practice Principles". (Previous name "Corporate Social Responsibility Best Practice Principles")
- IV. Acknowledgements
  - (1) Adoption of the 2022 business report and financial statements
  - (2) Adoption of the proposal for distribution of 2022 profits
- V. Proposed Resolutions
  - (1) Amendment to the Company's "Articles of Incorporation"
- VI. Extemporaneous Motions
- VII. Meeting Adjourned

# I. Report Items

## Report item (1)

Proposed by the Board of Directors

Subject: 2022 business report.

Descriptions: For 2022 business report is attached on P.7~P.8, Attachment 1.

## Report item (2)

Proposed by the Board of Directors

Subject: Audit Committee's review report.

Descriptions: 2022 Audit Committee's review report is attached on P.9, Attachment 2.

## Report item (3)

Proposed by the Board of Directors

Subject: Report on 2022 employees' profit sharing bonus and directors' compensation.

Descriptions:

- (1) According to Article 23 of the Company's Articles of Incorporation, if there is any profit for a specific fiscal year, the Company shall allocate no less than 2% of the profit as employees' profit sharing bonus and shall allocate at a maximum of 1% of the profit as compensation to directors, provided that the Company's accumulated losses shall have been covered in advance.
- (2) The Board has adopted a proposal for distribution of 2022 profit as follows: employees' profit sharing bonus is NT\$96,721,000 and the compensation to directors is NT\$3,868,000; both shall be paid in cash.

## Report item (4)

Proposed by the Board of Directors

Subject: Report on the 2022 cash dividend distribution.

Descriptions: Net income of 2022 was NT\$355,937,440. According to Article 23-1 of the Company's Articles of Incorporation, less s 10% legal serves NT\$35,593,744 and add reversal of special reserves NT\$2,219,508, the proposed Cash dividend to shareholders was NT\$75,976,367. The Chairman of the Board is authorized to make the Ex-dividend base date and the dividend payment date.

## Report item (5)

Proposed by the Board of Directors

Subject: Amendment to the Company's "Sustainable Development Best Practice Principles". (Previous name "Corporate Social Responsibility Best Practice Principles")

Descriptions:

- (1) In order to conform to the amendments of relevant laws and regulations, the Company plans to amend the Company's "Corporate Social Responsibility Best Practice Principles".
- (2) The comparison table illustrating the original and amended texts of the "Sustainable Development Best Practice Principles" is on P.10~P.19, Attachment 3.

## II. Acknowledgements

### Acknowledgement (1)

Proposed by the Board of Directors

Subject: Adoption of the 2022 business report and financial statements.

Descriptions:

- (1) 2022 financial statements, including the balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, were audited by independent auditors Yu-Ni Yang and Hsin-Min Hsu of Ernst & Young.
- (2) For the 2022 business report, independent auditors' report and the aforementioned financial statements, please refer to page 7~8, Attachment 1, page 20~30, Attachment 4, and page 31~41, Attachment 5.

Resolution:

### Acknowledgement (2)

Proposed by the Board of Directors

Subject: Adoption of the proposal for distribution of 2022 profits.

Descriptions:

- (1) The proposal for distribution of 2022 profits has been approved by the 10<sup>th</sup> Meeting of the 7<sup>th</sup> Board of Directors and reviewed by Audit Committee. The Audit Committee's review report was issued accordingly.
- (2) Please refer to the 2022 profit distribution table below:

Descriptions	Amount (NTD)
Unappropriated retained earnings of previous years	\$ 0
Plus: Net income of 2022	355,937,440
Earnings available for distribution	355,937,440
Less: 10% legal serves	(35,593,744)
Add: reversal of special reserves	2,219,508
Distributable net profit	322,563,204
Shareholders' dividends – Cash (NT\$ 1.5 per share)	(75,976,367)
Unappropriated retained earnings	<u>\$ 246,586,837</u>

1. The cash dividends will be distributed to each shareholder based on shareholding percentages and be rounded down to the nearest dollar. The amounts under one dollar due to the rounding off are summed and recognized as the Company's other income. The Chairman of the Board is authorized to make the Ex-dividend base date and the dividend payment date.
2. Cash dividend distributions are calculated based on Andes' outstanding shares of 50,650,911 shares as of March 8<sup>th</sup>, 2023.
3. In the event of any change in the number of outstanding shares resulting from the repurchase of the Company common stock, transfer, conversation or cancellation of the treasury stock, the dividend ratio must be adjusted. The Chairman of the Board is authorized to make any adjustment of the dividend ratio and to proceed on the relevant matters.

Chairman: Jyh-Ming Lin

President: Hong-Men Su

CFO: Han-Chang Cho

Resolution:

### **III. Proposed Resolutions**

#### **Proposal (1)**

Proposed by the Board of Directors

Subject: Amendment to the Company's "Articles of Incorporation".

Descriptions:

- (1) In order to conform to the amendments of relevant laws and regulations, the Company plans to amend the Company's "Articles of Incorporation".
- (2) The comparison table illustrating the original and amended texts of the "Articles of Incorporation" is on P.42, Attachment 6.

Resolution:

### **IV. Extemporary Motions**

### **V. Meeting Adjourned**

# **Attachment**



## 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

## **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

Chairman of the Audit Committee: Chen-Kuo Yang

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

**Attachment 3 Comparison Table Illustrating the Original and Amended Text of the ” Corporate Social Responsibility Best Practice Principles”.**

**Comparison Table Illustrating the Original and Amended Text of the “Corporate Social Responsibility Best Practice Principles”**

<b>Amended version</b>	<b>Original version</b>	<b>Explanation</b>
Title <u>Sustainable Development Best Practice Principles</u>	Title <u>Corporate Social Responsibility Best Practice Principles</u>	Amendment according to Taiwan Stock Exchange Announcement No. 1100024173, Taiwan Stock Exchange.
Article 1 The Company to fulfill their corporate social responsibility initiatives and to promote economic, Environmental, and social advancement for purposes of sustainable development. Therefore, this Code is formulated with reference to the " <u>Sustainable Development Best Practice Principles</u> " for compliance.	Article 1 The Company to fulfill their corporate social responsibility initiatives and to promote economic, Environmental, and social advancement for purposes of sustainable development. Therefore, this Code is formulated with reference to the " <u>Corporate Social Responsibility Best Practice Principles</u> " for compliance.	In line with international development trends, to practice the goal of sustainable development, and to strengthen the implementation of sustainable development by listed OTC companies in my country, the name of the code is revised.
Article 2 The principles apply to the entire operations of The Company <u>and its business group</u> . <u>The Principles encourage The Company to actively fulfill sustainable development in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on sustainable development.</u>	Article 2 The principles apply to the entire operations of The Company.	Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".
Article 3 In promoting <u>sustainable development initiatives</u> , The Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and	Article 3 In promoting <u>Corporate Social Responsibility</u> , The Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.	Modified to match the name of this Principles.

Amended version	Original version	Explanation
<p>corporate governance.</p> <p>Article 4 To implement <u>sustainable development initiatives</u>, The Company is advised to follow the principles below:</p> <ol style="list-style-type: none"> <li>1. Exercise corporate governance.</li> <li>2. Foster a sustainable environment.</li> <li>3. Preserve public welfare.</li> <li>4. Enhance disclosure of <u>corporate sustainable development information</u>.</li> </ol>	<p>Article 4 To implement <u>Corporate Social Responsibility</u>, The Company is advised to follow the principles below:</p> <ol style="list-style-type: none"> <li>1. Exercise corporate governance.</li> <li>2. Foster a sustainable environment.</li> <li>3. Preserve public welfare.</li> <li>4. Enhance disclosure of <u>corporate Social Responsibility</u>,</li> </ol>	<p>Modified to match the name of this Principles.</p>
<p>Article 5 The board of directors of The Company shall exercise the due care of good administrators to urge the company to perform its sustainable development initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its sustainable development policies.</p> <p>The Company is advised to give full consideration to the following matters, in the company's furtherance of its <u>sustainable development objectives</u>:</p> <ol style="list-style-type: none"> <li>1. <u>Identifying the company's sustainable development mission or vision, and declaring its sustainable development policy, systems or relevant management guidelines;</u></li> <li>2. <u>Making sustainable development the guiding principle of the company's operations and development, and ratifying concrete promotional plans for sustainable development initiatives; and</u></li> </ol> <p><u>The Company shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations and to report the status of the handling to the board of directors.</u></p>	<p>Article 5 The board of directors of The Company shall exercise the due care of good administrators to urge the company to perform its <u>Corporate Social Responsibility</u>, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its <u>Corporate Social Responsibility</u> policies.</p>	<p>Modified to match the name of this Principles. Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p>Article 6 <u>The Company shall take into consideration the correlation between the development of domestic and international</u></p>	<p>Article 6 In order to improve the management of <u>corporate social responsibility</u>, the company should set up a full-time (part-time) unit to promote</p>	<p>Modified to match the name of this Principles. Amended according to the latest " Sustainable Development Best</p>

Amended version	Original version	Explanation
<p><u>sustainable development issues and corporate core business operations, and the effect of the operation of individual companies and of their respective business groups as a whole on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for sustainable development programs,</u></p>	<p>corporate social responsibility, responsible for <u>corporate social responsibility</u> policies, systems or related management guidelines and specific promotion.</p>	<p>Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 7</u>  <u>The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.</u>  <u>It is advised that the employee performance evaluation system be combined with sustainable development policies, and that a clear and effective incentive and discipline system be established.</u></p>	<p>(Add new Article)</p>	<p>Add new Article according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 8</u>  The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important <u>sustainable development</u> issues which they are concerned about.</p>	<p><u>Article 7</u>  The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate Social Responsibility issues which they are concerned about.</p>	<p>Amended the Article number.  Modified to match the name of this Principles.</p>
<p><u>Article 9</u>  The Company shall follow relevant environmental laws, regulations and international standards to properly protect the environment and <u>shall endeavor to promote a sustainable environment when engaging in business operations and internal management.</u></p>	<p><u>Article 8</u>  The Company shall follow relevant environmental laws, regulations to properly protect the environment.</p>	<p>Amended the Article number.  Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 10</u>  The Company is advised to endeavor to utilize energy more efficiently <u>and use renewable materials which have a low impact on the environment to improve</u></p>	<p><u>Article 9</u>  The Company is advised to endeavor to utilize energy more efficiently to improve sustainability of natural resources.</p>	<p>Amended the Article number.  Amended according to the latest " Sustainable Development Best</p>

Amended version	Original version	Explanation
sustainability of natural resources.		Practice Principles for TWSE/TPEX Listed Companies".
<p><u>Article 11</u></p> <p>The Company is advised to take into account the effect of business operations on ecological efficiency, <u>promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles</u> to reduce the impact on the natural environment and human beings from their business operations:</p> <ol style="list-style-type: none"> <li>1. <u>Reduce resource and energy consumption of their products and services.</u></li> <li>2. <u>Reduce emission of pollutants, toxins and waste, and dispose of waste properly.</u></li> <li>3. <u>Improve recyclability and reusability of raw materials or products.</u></li> <li>4. <u>Maximize the sustainability of renewable resources.</u></li> <li>5. <u>Enhance the durability of products.</u></li> <li>6. <u>Improve efficiency of products and services</u></li> </ol>	<p><u>Article 10</u></p> <p>The Company is advised to take into account the effect of business operations on ecological efficiency, to reduce the impact on the natural environment and human beings from their business operations.</p>	<p>Amended the Article number.</p> <p>Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 12</u></p> <p><u>To improve water use efficiency, The Company shall properly and sustainably use water resources and establish relevant management measures.</u></p> <p><u>The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.</u></p>	(Add new Article)	<p>Add new Article according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<u>Article 13</u>	(Add new Article)	Add new Article

Amended version	Original version	Explanation
<p><u>The Company is advised to assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt related measures.</u></p> <p><u>The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:</u></p> <p><u>1.Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.</u></p> <p><u>2.Indirect greenhouse gas emissions: emissions resulting from the utilization of energy such as imported electricity, heating, or steam.</u></p> <p><u>The Company is advised to compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes.</u></p> <p><u>The company shall take relevant countermeasures based on its operating conditions and the results of the greenhouse gas inventory.</u></p>		<p>according to the latest "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p>Article 14</p> <p><u>The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.</u></p> <p><u>The Company shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion</u></p>	<p><u>Article 11</u></p> <p>The Company shall comply with relevant laws and regulations.</p> <p>The company shall not do anything that endangers the rights and interests of employees.</p>	<p>Amended the Article number.</p> <p>Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>



Amended version	Original version	Explanation
<p><u>opportunities.</u></p> <p><u>The Company shall provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed.</u></p> <p>The company shall respond to any employee's grievance in an appropriate manner.</p> <p>The company shall not do anything that endangers the rights and interests of employees.</p>		
<p><u>Article 15</u></p> <p><u>The company shall provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.</u></p>	(Add new Article)	Add new Article according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".
<p><u>Article 16</u></p> <p>The company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.</p> <p><u>The company is advised to organize training on safety and health for their employees on a regular basis.</u></p>	<p><u>Article 12</u></p> <p>The company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.</p>	Amended the Article number. Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".
<p><u>Article 17</u></p> <p>The company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.</p> <p>The company shall establish and implement reasonable employee welfare measures and appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and</p>	<p><u>Article 13</u></p> <p>The company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.</p> <p>The company shall establish and implement reasonable employee welfare measures and appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and</p>	Amended the Article number.

Amended version	Original version	Explanation
achieve the objective of sustainable operations.	achieve the objective of sustainable operations.	
<p><u>Article 18</u> The company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.</p> <p><u>The company shall respect the employee representatives' rights to bargain for the working conditions, and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.</u></p> <p><u>The company shall, by reasonable means, inform employees of operation changes that might have material impacts.</u></p>	<p><u>Article 14</u> The company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.</p>	<p>Amended the Article number. Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 19</u> The company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries. The company shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.</p>	<p><u>Article 15</u> The company shall ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries. The company shall follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.</p>	<p>Amended the Article number.</p>
<p><u>Article 20</u> <u>The company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.</u></p> <p><u>The company is advised to provide a clear and effective procedure for</u></p>	<p>(Add new Article)</p>	<p>Add new Article according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>

Amended version	Original version	Explanation
<p><u>accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.</u></p>		
<p><u>Article 21</u> The company is advised to assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their suppliers to jointly implement the corporate social responsibility initiative. Prior to engaging in commercial dealings, <u>The company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.</u></p>	<p><u>Article 16</u> Avoid conducting transactions with those against <u>corporate social responsibility policy.</u></p>	<p>Amended the Article number. Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 22</u> <u>The company shall evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.</u></p> <p><u>The company is advised to, through commercial activities, endowments, volunteering service or other charitable professional services etc., dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.</u></p>	<p>(Add new Article)</p>	<p>Add new Article according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>

Amended version	Original version	Explanation
<p><u>Article 23</u> The company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies and shall fully disclose relevant and reliable information relating to their <u>sustainable development</u> initiatives to improve information transparency.</p>	<p><u>Article 17</u> The company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies and shall fully disclose relevant and reliable information relating to their <u>corporate social responsibility</u> initiatives to improve information transparency.</p>	<p>Amended the Article number. Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 24</u> The company shall <u>adopt internationally widely recognized standards or guidelines when producing sustainability reports, to disclose the status of their implementation of the sustainable development policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:</u></p> <p><u>1.The policy, system, or relevant management guidelines and concrete promotion plans for implementing sustainable development initiatives.</u></p> <p><u>2.Major stakeholders and their concerns.</u></p> <p><u>3.Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.</u></p> <p><u>4.Future improvements and goals.</u></p>	<p><u>Article 18</u> The company shall <u>prepare a corporate social responsibility report to disclose the promotion of corporate social responsibility.</u></p>	<p>Amended the Article number. Amended according to the latest " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 25</u> The company shall at all times</p>	<p>(Add new Article)</p>	<p>Add new Article according to the latest "</p>

Amended version	Original version	Explanation
<p><u>monitor the development of domestic and foreign sustainable development standards and the change of business environment so as to examine and improve their established sustainable development framework and to obtain better results from the promotion of the sustainable development policy.</u></p>		<p>Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p>
<p><u>Article 26</u>  This Article will be implemented after being approved by <u>the Audit Committee and the Board of Directors</u>, and it will be the same when it is revised.  This code was formulated at the third meeting of the fifth board of directors of the Republic of China on December 9, 2015.   <u>First revised on November 9, 2022.</u></p>	<p><u>Article 19</u>  This Article will be implemented after being approved by the Board of Directors <u>and submitted to the shareholders meeting</u>, and it will be the same when it is revised.  This code was formulated at the third meeting of the fifth board of directors of the Republic of China on December 9, 2015.</p>	<p>Amended the Article number.  Add correction time  And the revision will be announced on the official website immediately.</p>

## Attachment 4 Independent Auditors' Report and Consolidated Financial Statements



安永聯合會計師事務所

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### 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 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)	22,560	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		\$ 93,344	1.72	\$ 72,021	1.43
Trade payables	4, 6(10)	-	-	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		43,137	0.80	-	-
Lease liabilities, noncurrent	4, 6(16)	70,740	1.30	82,755	1.65
Total non-current liabilities	4, 6(12)	<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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**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	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Other equity	
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	-	-	-	-	(3,514)	-	-
Legal reserve	-	-	3,514	-	(31,628)	-	(31,628)
Cash dividends	-	-	-	-	161,665	-	161,665
Net income for the year ended December 31, 2021	-	-	-	-	-	(1,201)	(1,201)
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	161,665	(1,201)	160,464
Total comprehensive income (loss)	80,000	3,367,084	-	-	-	(1,201)	3,447,084
Issuance of common stock for cash	506,509	4,096,056	8,906	1,019	161,665	(2,846)	4,771,309
Balance as of December 31, 2021	-	-	-	-	-	-	-
Appropriation and distribution of 2021 retained earnings	-	-	16,166	-	(16,166)	-	-
Legal reserve	-	-	-	1,201	(1,201)	-	-
Special reserve	-	-	-	-	(144,298)	-	(144,298)
Cash dividends	-	-	-	-	355,937	-	355,937
Net income for the year ended December 31, 2022	-	-	-	-	-	6,224	6,224
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	355,937	6,224	362,161
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



## Attachment 5 Independent Auditors' Report and Unconsolidated Financial Statements



安永聯合會計師事務所

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### 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 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		December 31, 2022	December 31, 2021	%	%
	Notes	\$	\$		
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	3,891,478	3,828,580	72.50	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	59,584	1.18	1.19
Trade receivables, net	4, 6(3), 6(12)	80,452	114,831	1.50	2.30
Trade receivables-related parties, net	4, 6(3), 6(12), 7	122,692	106,000	2.29	2.13
Other receivables		16,727	693	0.31	0.01
Inventories	4, 6(4)	2,198	1,135	0.04	0.02
Prepayments		61,624	41,400	1.15	0.83
Total current assets		4,238,656	4,332,223	78.97	86.86
<b>Non-current assets</b>					
Investments accounted for using the equity method	4, 6(5)	139,302	128,302	2.60	2.57
Property, plant and equipment	4, 6(6)	73,029	22,932	1.36	0.46
Right-of-use assets	4, 6(13)	76,412	90,515	1.42	1.81
Intangible assets	4, 6(7)	613,606	380,110	11.43	7.62
Deferred tax assets	4, 6(17)	22,550	711	0.42	0.02
Refundable deposits		4,772	4,700	0.09	0.10
Other noncurrent assets - others	6(8)	199,342	27,861	3.71	0.56
Total non-current assets		1,129,013	655,131	21.03	13.14
<b>Total assets</b>		\$ 5,367,669	\$ 4,987,354	100.00	100.00

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>		\$ 5,367,669	100.00	\$ 4,987,354	100.00

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>		728,327	99.90	660,267	99.78
<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		(807,837)	(110.81)	(538,343)	(81.36)
<b>Operating (loss) income</b>		(79,510)	(10.91)	121,924	18.42
<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		462,524	63.44	48,755	7.37
<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>		355,937	48.82	161,665	24.43
<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>		6,224	0.86	(1,201)	(0.18)
<b>Total comprehensive income</b>		\$ 362,161	49.68	\$ 160,464	24.25
<b>Earnings per share (NTD)</b>	6(18)				
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 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	-	-	3,514	-	(3,514)	-	-	
Legal reserve	-	-	-	-	(31,628)	-	(31,628)	
Cash dividends	-	-	-	-	-	-	-	
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	-	-	16,166	-	(16,166)	-	-	
Legal reserve	-	-	-	1,201	(1,201)	-	-	
Special reserve	-	-	-	-	(144,298)	-	(144,298)	
Cash dividends	-	-	-	-	-	-	-	
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	(12,217)	(9,217)
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

**Attachment 6 Comparison Table Illustrating the Original and Amended Text of the “Article of Incorporation”**

**Comparison Table Illustrating the Original and Amended Text of the “Article of Incorporation”**

Amended version	Original version	Explanation
<p>Article 8</p> <p>Shareholders' meeting can be divided into regular meetings and special meetings. Regular meetings are convened once a year and usually within six months of the end of each fiscal year. The regular meeting is convened by the Board of Directors according to the law. Special meetings may be convened according to the law when necessary. The procedure of convening Shareholders’ Meetings shall be in accordance with the Company Act, relevant laws, rules and regulations of the Republic of China.</p> <p><u>The shareholders’ meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.</u></p>	<p>Article 8</p> <p>Shareholders' meeting can be divided into regular meetings and special meetings. Regular meetings are convened once a year and usually within six months of the end of each fiscal year. The regular meeting is convened by the Board of Directors according to the law. Special meetings may be convened according to the law when necessary. The procedure of convening Shareholders’ Meetings shall be in accordance with the Company Act, relevant laws, rules and regulations of the Republic of China.</p>	<p>In accordance with Article 172-2 of the Company Act, the shareholders' meeting method is added.</p>
<p>Article 25</p> <p>These Articles of Incorporation were enacted on February 21, 2005. The first amendment was made on March 30, 2005, the second amendment was made on October 7, 2005, the third amendment was made on January 18, 2006, the fourth amendment was made on April 24, 2007, the fifth amendment was made on June 21, 2012, the sixth amendment was made on October 28, 2014, the seventh amendment was made on June 17, 2016, the eighth amendment was made on June 18, 2019, the ninth amendment was made on October 2, 2019, <u>and the tenth amendment was made on May 31, 2023.</u></p>	<p>Article 25</p> <p>These Articles of Incorporation were enacted on February 21, 2005. The first amendment was made on March 30, 2005, the second amendment was made on October 7, 2005, the third amendment was made on January 18, 2006, the fourth amendment was made on April 24, 2007, the fifth amendment was made on June 21, 2012, the sixth amendment was made on October 28, 2014, the seventh amendment was made on June 17, 2016, the eighth amendment was made on June 18, 2019, <u>and</u> the ninth amendment was made on October 2, 2019.</p>	<p>Add the date of this revision.</p>

# Appendix

## Appendix 1 Andes Rules and Procedures of Shareholders' Meeting

### Andes Technology Corporation Rules and Procedures of Shareholders' Meeting

The Procedures were passed in the Annual Shareholders' Meeting dated June 18, 2020.

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

Article 2 Convening shareholders meetings and shareholders meeting notices

1. Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.
2. A notice to convene a regular meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting date. A notice to convene a special meeting of shareholders shall be given to each shareholder no later than 15 days prior to the scheduled meeting date.
3. the Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) within the specified period of time . The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.
4. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
5. Election or dismissal of directors, amendments to the articles of incorporation, capital reduction, application for the withdrawal of an IPO, ,permit on Directors for participation in competitive business, capitalization of profits, capital surplus transferred to capital, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be specified and elaborated set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. Major contents of the meeting shall be posted on website of the agency in charge of securities or website as appointed by the Corporation. The URL of such a website shall be listed on the notice of meeting.
6. The cause(s) of subject(s) of the shareholders 'meeting has stated the full re-election of directors and the date of appointment, the same meeting may not change its appointment date by extemporary motion or other means after the re-election of the shareholders' meeting is completed.
7. A shareholder who holding 1 percent or more of the total number of issued shares may submit to the company a written proposal for discussion at a regular shareholders meeting. Such proposals however are limited to one item only, and who propose more than one item, will not be included in the meeting agenda. Unless there are reasonable grounds subject to requirements of laws and regulations, a shareholder's proposal proposed for urging the company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be

discussed at a regular meeting of shareholders by the board of direct. In addition, when the circumstances of any section about Article 172-1, paragraph 4 of the Company Act proposed by a shareholder, the board of director may exclude it from the agenda.

8. Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.
9. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.
10. Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

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

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

1. For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.
2. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
3. After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 Preparation of documents such as the attendance book

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

furnished.

6. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

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

1. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.
2. When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.
3. It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
4. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 7 The shareholders meeting attendance calculation and conference.

1. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
2. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.
3. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.
4. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.



## Article 8 Discussion of proposals

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

## Article 9 Shareholder speech

1. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.
2. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
3. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
4. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
5. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
6. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

## Article 10 Calculation of voting shares and recusal system

1. Voting at a shareholders meeting shall be calculated based the number of shares.
2. With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
3. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
4. The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented

- by attending shareholders.
5. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 11 Voting, ballot examination and ballot count.

1. A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act. The company shall be classified the electronic means as one of the method for shareholders to exercise their voting rights.
2. When the Company holds a shareholders meeting, it should exercise voting rights by electronic means, and may allow the shareholders to exercise voting rights by correspondence means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.
3. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.
4. Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.
5. A proposal is deemed to have passed when no attending shareholders gave a dissent after being inquired by the chair, and the effect thereof is the same as a vote; if there are dissents, a vote in the preceding paragraph shall be adopted.
6. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.
7. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be

shareholders of the Company.

8. Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.
9. The election of Directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company.

Article 12 Meeting minutes and acknowledgments

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

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

Article 14 Public disclosure

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

Article 15 Maintaining order at the meeting venue

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

Article 16 Recess and resumption of shareholders meeting

1. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances,

the meeting will be resumed.

2. If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.
3. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

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

**Appendix 2 Andes Articles of Incorporation (Before Amendment)**  
**Andes Technology Corporation**  
**Article of Incorporation**  
(Translation)

**Section I – General Provisions**

Article 1

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

Article 2

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

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

Article 3

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

Article 4

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

Article 4-1

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

Article 4-2

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

**Section II – Capital Stock**

Article 5

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

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

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

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

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

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

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

#### Article 6

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

#### Article 7

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

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

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

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

#### Article 9

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

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

#### Article 10

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

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

#### Article 11

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

#### Article 12

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

#### Article 13

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

#### Article 14

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

#### Article 15

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

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

#### Article 16

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

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

respective numbers of votes.

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

#### Article 17

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

#### Article 18

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

#### Article 19

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

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

#### Article 20

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

#### Article 20-1

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

#### Article 20-2

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



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

### Article 21

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

## **Section VI – Financial Reports**

### Article 22

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

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

### Article 23

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

### Article 23-1

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

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

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

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

## **Section VII –Supplementary Provisions**

### **Article 24**

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

### **Article 25**

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

### Appendix 3 Shareholdings of All Directors

## Andes Technology Corporation Shareholdings of All Directors

1. The Company's total outstanding shares: 50,650,911
2. Total shareholdings of all Directors required by law: 4,052,072
3. As of April 2<sup>nd</sup>, 2023, the cut-off date of this Shareholders' Meeting, the individual Directors and their aggregate shareholdings are listed below:

Title	Name	Date Elected	Shares	%
Chairman	Jyh-Ming Lin	2021.07.07	540,045	1.07
Director	Hong-Men Su	2021.07.07	303,329	0.60
Director	MediaTek Capital Corp. Representative: Andrew Chang	2021.07.07	5,657,324	11.17
Director	National Development Fund. Representative: Herming Chiueh	2021.07.07	2,979,237	5.88
Independent Director	Chien-Kuo Yang	2021.07.07	0	0
Independent Director	Tien-Fu Chen	2021.07.07	0	0
Independent Director	Jiun-Hao Lai	2021.07.07	0	0
Holding of all Directors			9,479,935	18.72