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

ANDES TECHNOLOGY CORPORATION
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Operation revenues recognized by the Company amounted to NT$729,058 thousand for the year ended December 31, 2022. The Company provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Company recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

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

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

An intangible asset arising from development costs

The Company devotes itself to developing and constructing a unique system architecture and contributes significant R&D efforts in development of embedded processor IPs and hardware/software developing platforms. Therefore, the Company determined to capitalize the expenditures during development phases of certain R&D projects. Net carrying value of intangible assets arising from development recognized by the Company was NT$611,186 thousand as of December 31, 2022, NT$394,075 thousand of which was recognized during the year. Both amounts are significant to the Company. In order to meet all of the capitalization criteria, the Company's management performed assessments on each individual project based on the internal and external information available, which involved management judgement and assumptions. Therefore, we considered this a key audit matter.

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

We also assessed the adequacy of disclosures of intangible assets. Please refer to Notes 4, 5 and 6 to the parent company only financial statements.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yang, Yu-Ni

Hsu, Hsin-Min

Ernst & Young, Taiwan
March 8, 2023

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Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2022 and 2021

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	4, 6(1)	$ 3,891,478	72.50	$ 3,828,580	76.77
Financial assets measured at amortized cost, current	4, 6(2)	-	-	180,000	3.61
Contract assets, current	4, 6(11), 6(12), 7	63,485	1.18	59,584	1.19
Trade receivables, net	4, 6(3), 6(12)	80,452	1.50	114,831	2.30
Trade receivables-related parties, net	4, 6(3), 6(12), 7	122,692	2.29	106,000	2.13
Other receivables		16,727	0.31	693	0.01
Inventories	4, 6(4)	2,198	0.04	1,135	0.02
Prepayments		61,624	1.15	41,400	0.83
Total current assets		4,238,656	78.97	4,332,223	86.86
Non-current assets					
Investments accounted for using the equity method	4, 6(5)	139,302	2.60	128,302	2.57
Property, plant and equipment	4, 6(6)	73,029	1.36	22,932	0.46
Right-of-use assets	4, 6(13)	76,412	1.42	90,515	1.81
Intangible assets	4, 6(7)	613,606	11.43	380,110	7.62
Deferred tax assets	4, 6(17)	22,550	0.42	711	0.02
Refundable deposits		4,772	0.09	4,700	0.10
Other noncurrent assets - others	6(8)	199,342	3.71	27,861	0.56
Total non-current assets		1,129,013	21.03	655,131	13.14
Total assets		$ 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

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	%
Current liabilities					
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
Non-current liabilities					
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
Equity attributable to owners of the parent					
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
Total liabilities and equity		$ 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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

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

Description	Notes	2022	%	2021	%
Operating revenues	4, 6(11), 7	$ 729,058	100.00	$ 661,738	100.00
Operating costs	6(4)	(731)	(0.10)	(1,471)	(0.22)
Gross profit		728,327	99.90	660,267	99.78
Operating expenses	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)
Operating (loss) income		(79,510)	(10.91)	121,924	18.42
Non-operating income and expenses	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
Net income before income tax		383,014	52.53	170,679	25.79
Income tax expense	4, 6(17)	(27,077)	(3.71)	(9,014)	(1.36)
Net income		355,937	48.82	161,665	24.43
Other comprehensive income (loss)	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
Other comprehensive income (loss), net of tax		6,224	0.86	(1,201)	(0.18)
Total comprehensive income		$ 362,161	49.68	$ 160,464	24.25
Earnings per share (NTD)	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

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

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

Chairman : Jyh-Ming Lin President : Hong-Meng Su Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

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
Cash flows from operating activities:		
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	651,608	273,304
Interest received	51,364	3,644
Income tax paid	(12,217)	(9,217)
Net cash provided by operating activities	690,755	267,731
Cash flows from investing activities:		
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	(468,152)	(281,122)
Cash flows from financing activities:		
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	(159,705)	3,398,416
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	$ 3,891,478	$ 3,828,580

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

Chairman : Jyh-Ming Lin　　President : Hong-Meng Su　　Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History, Organization and Operation

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

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

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

The parent company only financial statements were authorized for issue in accordance with a resolution of the board meeting on March 8, 2023.

3. Newly issued or revised standards and interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) IFRS 17 “Insurance Contracts”

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

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

(3) Foreign currency transactions

The Company’s parent company only financial statements are presented in NT$.

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

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

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

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

(4) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retaining partial equity is considered a disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjusted in “investments accounted for using the equity method”. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:
(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

(a) at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) the rights to receive cash flows from the asset have expired.
(b) the Company has transferred the asset and substantially all the risks and

rewards of the asset have been transferred.

(c) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

D. Financial liabilities and equity

<u>Classification between liabilities or equity</u>

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

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

<u>Financial liabilities</u>

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

<u>Financial liabilities at amortized cost</u>

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

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

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

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

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

(10) Investments accounted for using the equity method

A subsidiary is an entity over which the Company has control.

Under the equity method, the investment in the subsidiary is carried on the balance sheet at cost plus post acquisition changes in the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company's share of changes in subsidiaries' profit or loss and other comprehensive income is recognized directly in the Company's profit or loss and other comprehensive income. Distributions received from a subsidiary reduce the carrying amount of the investment.

Financial statements of subsidiaries are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When changes in the net assets of the subsidiary were not resulted from their profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentages, the Company recognizes its proportionate share of all related changes in equity. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of investment in the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method upon loss of control and significant influence over the subsidiary. Any difference between the carrying amount of the investment in a subsidiary upon loss of control and the fair value of the retained investment plus proceeds from disposal will be recognized in profit or loss. If an investment in a subsidiary becomes an investment in an associate or a joint venture or an investment in an associate or a joint venture becomes an investment in a subsidiary, the Company continues to apply the equity method and remeasures the retained interest.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. An impairment loss, being the difference between the recoverable amount of the subsidiary and its carrying amount, is recognized in profit or loss in the statement of comprehensive income and forms part of the carrying amount of the investments.

(11) Property, plant and equipment

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

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

(12) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the

Company assesses whether, throughout the period of use, it has both of the following:

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

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

<u>Company as a lessee</u>

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

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

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

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

(13) Intangible assets

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

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

Intangible assets with finite useful lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

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

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

Development costs – research and development costs

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

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

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

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

Computer software	3 years
Technologies	3 years

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

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

(14) Impairment of non-financial assets

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

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

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

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

(15) Revenue recognition

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

Licensing of CPU IP

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

For some of the contracts, the Company has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. In addition, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of maintenance services

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

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

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

Royalty revenues

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

(16) Post-employment benefits

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(17) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgement

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

An intangible asset arising from development costs

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

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

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash	$20	$20
Checking and savings accounts	150,298	71,052
Time deposits	2,459,853	3,151,180
Reverse repurchase agreements-corporate bonds and central government bonds	1,281,307	606,328
Total	$3,891,478	$3,828,580

(2) Financial assets measured at amortized cost, current

	December 31, 2022	December 31, 2021
Time deposits	$-	$180,000

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

(3) Trade receivables and trade receivables – related parties

	December 31, 2022	December 31, 2021
Trade receivables	$80,909	$116,797
Less: allowance	(457)	(1,966)
Subtotal	80,452	114,831
Trade receivables – related parties	122,692	106,000
Total	$203,144	$220,831

Trade receivables and trade receivables – related parties were not pledged.

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

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

(4) Inventories

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

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

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

Inventories were not pledged.

(5) Investments accounted for using the equity method

	December 31, 2022		December 31, 2021	
Investees	Carrying amount	Percentage of **Ownership** (%)	Carrying amount	Percentage of **ownership** (%)
Subsidiaries:				
Everest Peaks Technology Corporation	$139,302	100.00	$128,302	100.00

A. The Company invested in Everest Peaks Technology Corporation in the amount of US$2,000 thousand in 2021.

B. The investments in subsidiaries are presented as “Investments accounted for using equity method” in the parent company only financial statement with necessary adjustments.

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

(6) Property, plant and equipment

	December 31, 2022	December 31, 2021
Owner occupied property, plant and equipment	$73,029	$22,932

	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2022	$9,050	$8,401	$4,098	$16,509	$38,058
Additions	45,242	11,536	1,043	1,703	59,524
Disposals	(1,406)	-	(3,697)	-	(5,103)
Reclassifications	460	2,930	-	-	3,390
As of December 31, 2022	$53,346	$22,867	$1,444	$18,212	$95,869
As of January 1, 2021	$8,074	$3,754	$5,373	$14,990	$32,191
Additions	1,849	4,647	-	1,519	8,015
Disposals	(873)	-	(1,275)	-	(2,148)
As of December 31, 2021	$9,050	$8,401	$4,098	$16,509	$38,058
Depreciation and impairment:					
As of January 1, 2022	$4,995	$2,172	$3,158	$4,801	$15,126
Depreciation	5,723	4,144	1,042	1,908	12,817
Disposals	(1,406)	-	(3,697)	-	(5,103)
As of December 31, 2022	$9,312	$6,316	$503	$6,709	$22,840
As of January 1, 2021	$3,706	$711	$3,293	$3,248	$10,958
Depreciation	2,162	1,461	1,140	1,553	6,316
Disposals	(873)	-	(1,275)	-	(2,148)
As of December 31, 2021	$4,995	$2,172	$3,158	$4,801	$15,126
Net carrying amount as of:					
December 31, 2022	$44,034	$16,551	$941	$11,503	$73,029
December 31, 2021	$4,055	$6,229	$940	$11,708	$22,932

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

Property, plant and equipment were not pledged.

(7) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2022	$110,134	$531,788	$895	$642,817
Additions-internally generated	394,075	-	-	394,075
Additions-acquired separately	-	-	2,696	2,696
Transfers	(146,414)	146,414	-	-
Disposals	-	-	(92)	(92)
As of December 31, 2022	$357,795	$678,202	$3,499	$1,039,496
As of January 1, 2021	$151,923	$278,043	$1,572	$431,538
Additions-internally generated	211,956	-	-	211,956
Additions-acquired separately	-	-	320	320
Disposals	-	-	(997)	(997)
Transfers	(253,745)	253,745	-	-
As of December 31, 2021	$110,134	$531,788	$895	$642,817
Amortization and impairment:				
As of January 1, 2022	$-	$262,291	$416	$262,707
Amortization	-	162,520	755	163,275
Disposals	-	-	(92)	(92)
As of December 31, 2022	$-	$424,811	$1,079	$425,890
As of January 1, 2021	$-	$139,983	$1,114	$141,097
Amortization	-	122,308	299	122,607
Disposals	-	-	(997)	(997)
As of December 31, 2021	$-	$262,291	$416	$262,707

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

	Development costs	Technologies	Computer software	Total
Net carrying amount as of:				
December 31, 2022	$357,795	$253,391	$2,420	$613,606
December 31, 2021	$110,134	$269,497	$479	$380,110

The amortization amounts of intangible assets are as follows:

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

(8) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for land and buildings	$155,350	$-
Long-term outsourcing R&D expenses	37,080	-
Long-term software usage fees	6,912	24,072
Prepayments for equipment and others	-	3,789
Total	$199,342	$27,861

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

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

(9) Post-employment benefits

Defined contribution plan

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

Pension expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$20,010 thousand and NT$13,992 thousand, respectively.

(10) Equity

A. Common stock

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

On September 13, 2021, the Company issued 4,000 thousand units of Global Depositary Receipts (GDR) at NT$880 (US$31.78) per unit on the Luxembourg Stock Exchange. Each unit represents 2 shares of common stock of the Company, totaling 8,000 thousand shares of common stock. The GDR holders entitle the rights equal to the existed common shareholders of the Company. As of December 31, 2022, there was no outstanding GDR.

B. Capital surplus

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

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

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

C. Retained earnings and dividend policies

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

(a) Reserve for tax payments
(b) Offset accumulated losses in previous years, if any
(c) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
(d) Allocation or reverse of special reserves as required by law or government authorities.
(e) The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal. When the distribution proposal is in the form of new shares to be issued by the Company, it shall be submitted to the shareholders' meeting for review and approval by a resolution. When the distribution proposal be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, such distribution shall be reported to the shareholders' meeting.

According to Article 241 of the Company Act, the Company may distribute its legal reserve and the capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. When the distribution proposal is paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, such distribution shall be reported to the shareholders' meeting.

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

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

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

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

Note: According to the authorization by the Company's Articles of Incorporation, the board of directors passed a special resolution to distribute cash dividends on March 8, 2023 and March 8, 2022 for the 2022 and 2021 earnings distribution, respectively.

Please refer to Note 6(14) for information on the employees' compensation and remuneration to directors.

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

(11) Operating revenues

	For the year ended December 31, 2022	Percent of total revenues (%)	For the year ended December 31, 2021	Percent of total revenues (%)
Revenue from contracts with customers				
Licensing of CPU IP	$425,413	58	$368,692	56
Royalty revenues	212,812	29	225,980	34
Maintenance services	85,038	12	44,429	7
Others	5,795	1	22,637	3
Total	$729,058	100	$661,738	100

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

A. Disaggregation of revenues

	For the years ended December 31, 2022	2021
Timing of revenue recognition:		
At a point in time	$644,020	$617,309
Over time	85,038	44,429
Total	$729,058	$661,738

B. Contract balances

(a) Contract assets, current

	December 31, 2022	December 31, 2021	January 1, 2021
Licensing of CPU IP	$63,485	$59,584	$75,100

Contract assets represent the amount that the Company has transferred CPU IPs to customers but not yet billed. Contract assets will be reclassified to trade receivables as the Company obtains an unconditional right to receive the consideration. The Company reclassified NT$55,598 thousand and NT$73,396 thousand of the beginning balance of contract assets to trade receivables during 2022 and 2021, respectively. Please refer to Note 6(12) for related impairment.

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

(b) Contract liabilities, current

	December 31, 2022	December 31, 2021	January 1, 2021
Maintenance services	$55,337	$40,830	$20,590
Licensing of CPU IP	-	11,683	-
Deductions	1,190	1,711	2,232
Total	$56,527	$54,224	$22,822

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

	For the years ended December 31,	
	2022	2021
Revenue recognized during the period that was included in the beginning balance	$(39,575)	$(18,306)
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	$41,878	$49,708

(12) Expected credit gains (losses)

	For the years ended December 31,	
	2022	2021
Operating expenses – expected credit gains (losses)		
Trade receivables	$1,509	$(402)

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

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

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

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

December 31, 2022

Group 1：	Not past due	Past due <=60 days	Past due 61~120 days	Past due 121~180 days	Past due 181~360 days	Past due >=361 days	Total
Gross carrying amount	$150,838	$5,505	$-	$-	$-	$-	$156,343
Loss ratio	-%	2%	-%	-%	-%	-%	
Lifetime expected credit losses	-	(10)	-	-	-	-	(10)
Subtotal	$150,838	$5,495	$-	$-	$-	$-	$156,333

Group 2：	Not past due	Past due <=60 days	Past due 61~120 days	Past due 121~180 days	Past due 181~360 days	Past due >=361 days	Total
Gross carrying amount	$97,332	$6,387	$3,440	$-	$1,838	$1,746	$110,743
Loss ratio	-%	-%	13%	-%	-%	-%	
Lifetime expected credit losses	-	-	(447)	-	-	-	(447)
Subtotal	$97,332	$6,387	$2,993	$-	$1,838	$1,746	$110,296
Carrying amount of contract assets and trade receivables (including trade receivables-related parties)							$266,629

December 31, 2021

Group 1：	Not past due	Past due <=60 days	Past due 61~120 days	Past due 121~180 days	Past due 181~360 days	Past due >=361 days	Total
Gross carrying amount	$167,988	$-	$10,551	$4,501	$-	$-	$183,040
Loss ratio	-%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	$167,988	$-	$10,551	$4,501	$-	$-	$183,040

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

		Past due					
Group 2：	Not past due	<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	Total
Gross carrying amount	$95,224	$138	$2,318	$-	$-	$1,661	$99,341
Loss ratio	-%	3%	13%	-%	-%	100%	
Lifetime expected credit losses	-	(4)	(301)	-	-	(1,661)	(1,966)
Subtotal	$95,224	$134	$2,017	$-	$-	$-	$97,375
Carrying amount of contract assets and trade receivables (including trade receivables-related parties)							$280,415

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

	Contract assets	Trade receivables
As of January 1, 2022	$-	$1,966
Reversal for the current period	-	(1,509)
As of December 31, 2022	$-	$457
As of January 1, 2021	$-	$9,270
Addition for the current period	-	402
Write off	-	(7,706)
As of December 31, 2021	$-	$1,966

(13) Leases

A. The Company as a lessee

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

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

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

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Buildings	$76,412	$90,515

For the years ended December 31, 2022 and 2021, the Company's addition to right-of-use assets amounted to nil and NT$1,781 thousand, respectively.

II. Lease liabilities

	December 31, 2022	December 31, 2021
Lease liabilities	$77,968	$91,915
Current	$12,280	$12,042
Non-current	$65,688	$79,873

Please refer to Note 6(15)D for the interest on lease liabilities recognized for the years ended December 31, 2022 and 2021, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Buildings	$14,103	$14,106

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

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2022	2021
The expenses relating to short-term leases	$1,102	$1,107
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	$239	$379

(d) Cash outflows relating to leasing activities

For the years ended December 31, 2022 and 2021, the Company's total cash outflows for leases amounted to NT$16,748 thousand and NT$18,526 thousand, respectively.

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

	For the years ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$-	$336,339	$336,339	$-	$196,574	$196,574
Labor and health insurance	-	34,787	34,787	-	24,139	24,139
Pension	-	20,010	20,010	-	13,992	13,992
Directors' remuneration	-	4,750	4,750	-	2,552	2,552
Others	-	7,840	7,840	-	2,938	2,938
Depreciation	-	26,920	26,920	-	20,422	20,422
Amortization	-	163,275	163,275	-	122,607	122,607

Note: The average number of employees of the Company was 282 and 217 for the years ended December 31, 2022 and 2021, respectively, including 5 and 5 non-employee directors for the years ended December 31, 2022 and 2021, respectively.

The Company’s average employee benefits expense for the years ended December 31, 2022 and 2021 were NT$1,440 thousand and NT$1,121 thousand, respectively. The Company’s average employee salaries for the years ended December 31, 2022 and 2021 were NT$1,214 thousand and NT$927 thousand, respectively. The Company’s average employee salary increase rate was 31% for the year ended December 31, 2022.

The Company’s policy for compensation of directors, managers and employees is as follows:

A. The Company set the policy for directors and employees’ compensation in its Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the remuneration policy for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the Company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company’s operation results, corporate strategies, industry trends and also individual contribution.

B. The Company developed a comprehensive employee welfare policy in accordance with laws, government regulations and regional needs to provide employees with competitive salary and welfare conditions. Employees’ compensation includes monthly salary, bonus based on personal performance, and the compensation based on the Company’s earnings performance and regulated by the Articles of Incorporation. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and distributing compensation.

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

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

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

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

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

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

(15) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Interest income		
Financial assets measured at amortized cost	$62,516	$4,025

B. Other income

	For the years ended December 31,	
	2022	2021
Others	$8,683	$9,185

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains, net	$391,640	$153
Others	(2,076)	(1,853)
Total	$389,564	$(1,700)

D. Finance costs

	For the years ended December 31,	
	2022	2021
Interest expenses on lease liabilities	$(1,460)	$(1,681)

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

(16) Components of other comprehensive income

For the year ended December 31, 2022:

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

For the year ended December 31, 2021:

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

(17) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31, 2022	For the years ended December 31, 2021
Current income tax expenses:		
Current income tax charge	$7,334	$9,014
Deferred income tax expenses (income):		
Deferred tax relating to origination and reversal of temporary differences	41,021	-
Deferred tax relating to origination and reversal of tax loss	(21,278)	-
Income tax expense	$27,077	$9,014

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

Income tax related to components of other comprehensive income

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

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

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	$383,014	$170,679
At the Company's statutory income tax rate	$76,601	$34,136
Tax effect of expenses not deductible for tax purposes	-	1,541
Tax effect of deferred tax assets/liabilities	19,743	-
Recognition of tax losses or temporary differences of prior periods not recognized	(76,601)	(35,677)
Foreign taxes have been paid in the source country	7,334	9,014
Income tax expense recognized in profit or loss	$27,077	$9,014

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

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2022

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

For the year ended December 31, 2021

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

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

A summary of the unused tax loss carry-forward of the Company is as follows:

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

Unrecognized deferred tax assets

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

The assessment of income tax returns

As of December 31, 2022, the income tax returns of the Company through 2020 have been assessed by the tax authorities.

(18) Earnings per share

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

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

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

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

7. Related Party Transactions

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

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are the same person (Note)
Andes Technology (Wuhan) Corporation	Subsidiary
Andes Shanghai Technology Corporation	Subsidiary
Andes Technology USA Corporation	Subsidiary
MediaTek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc. (Note)

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

(1) Operating revenues

	For the years ended December 31,	
	2022	2021
Andes Technology USA Corporation	$114,518	$116,926
MediaTek Inc.	-	33,634
Andes Shanghai Technology Corporation	71,687	45,975
Andes Technology (Wuhan) Corporation	31,097	34,876
MediaTek Singapore Pte. Ltd.	-	503
Total	$217,302	$231,914

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

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

(2) Contract assets

	December 31, 2022	December 31, 2021
Andes Shanghai Technology Corporation	$33,039	$18,542
Andes Technology (Wuhan) Corporation	4,864	8,436
Total	$37,903	$26,978

(3) Trade receivables – related parties

	December 31, 2022	December 31, 2021
Andes Technology USA Corporation	$76,060	$89,255
Andes Shanghai Technology Corporation	24,840	6,564
Andes Technology (Wuhan) Corporation	21,792	10,181
Total	$122,692	$106,000

(4) Contract liabilities, current

	December 31, 2022	December 31, 2021
Andes Technology USA Corporation	$28,224	$16,819
Subsidiaries	6,984	5,139
Total	$35,208	$21,958

(5) Others

The Company recognized operating expenses in the amount of NT$47,111 thousand and NT$54,631 for the years ended December 31, 2022 and 2021, respectively, for the R&D design service provided by Andes Technology USA Corporation. NT$ 17,505 thousand and NT$9,294 thousand were not paid to Andes Technology USA Corporation and were recorded as other payables as of December 31, 2022 and 2021.

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

(6) Key management personnel compensation

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

8. Assets Pledged as Collateral

None

9. Significant Contingencies and Unrecognized Contractual Commitments

Contractual commitments please refer to Note 6(8).

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

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

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2022	December 31, 2021
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	$3,891,458	$3,828,560
Financial assets measured at amortized cost	-	180,000
Trade receivables (including related parties)	203,144	220,831
Other receivables	16,727	693
Refundable deposits	4,772	4,700
Total	$4,116,101	$4,234,784

Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at amortized cost:		
Trade payables	$-	$112
Other payables	195,409	63,713
Lease liabilities	77,968	91,915
Total	$273,377	$155,740

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2022 and 2021 decreases/increases by NT$35,276 thousand and NT$31,973 thousand, respectively.

Interest rate risk

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

(4) Credit risk management

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

Credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain counter parties' credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment.

As of December 31, 2022 and 2021, contract assets and trade receivables from top ten customers represented 72.22% and 74.2% of the total contract assets and trade receivables of the Company, respectively. The credit concentration risk of other contract assets and trade receivables was insignificant.

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

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

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Gross carrying amount as of December 31, 2022	Gross carrying amount as of December 31, 2021
Low credit risk	Financial institutions with good credit rating	12-month expected credit losses	$-	$180,000
Simplified approach (Note)	(Note)	Lifetime expected credit losses	$267,086	$282,381

Note: The Company adopted simplified approach (lifetime expected credit loss) to measure credit risk. It includes contract assets and trade receivables (including trade receivables-related parties).

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
December 31, 2022					
Other payables	$195,409	$-	$-	$-	$195,409
Lease liabilities	13,503	29,998	29,588	8,069	81,158

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

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
December 31, 2021					
Trade payables	$112	$-	$-	$-	$112
Other payables	63,713	-	-	-	63,713
Lease liabilities	13,503	30,612	29,588	22,863	96,566

(6) Reconciliation of liabilities from financing activities

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

	Lease liabilities
As of January 1, 2022	$91,915
Cash flows	(13,947)
As of December 31, 2022	$77,968

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

	Lease liabilities
As of January 1, 2021	$105,493
Cash flows	(15,359)
Non-cash changes	
Additions	1,781
As of December 31, 2021	$91,915

(7) Fair value of financial instruments

<u>The methods and assumptions applied in determining the fair value of financial instruments:</u>

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

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

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

(8) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2022		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$115,657	30.71	$3,551,826
Non-Monetary item:			
USD	$4,536	30.71	$139,302
Financial liabilities			
Monetary item:			
USD	$788	30.71	$24,199

	December 31, 2021		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$115,940	27.68	$3,209,219
Non-Monetary item:			
USD	$4,635	27.68	$128,302
Financial liabilities			
Monetary item:			
USD	$430	27.68	$11,902

Foreign currencies of entities of the Company varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains were NT$391,640 thousand and NT$153 thousand for the years ended December 31, 2022 and 2021, respectively.

(9) Capital management

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

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its subsidiaries

(a) Financing provided to others for the year ended December 31, 2022: None.

(b) Endorsement/guarantee provided to others for the year ended December 31, 2022: None.

(c) Securities held as of December 31, 2022 (excluding subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 1.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2022: Please refer to Attachment 2.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2022: None.

(i) Trading in derivative instruments: None.

(j) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to Attachment 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

(a) The name of the investee company in Mainland China, main businesses and products, its issued capital, method of investment, accumulated inflows and outflows of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 4.

(b) Significant direct or indirect transactions with the investees, its prices, payment terms, unrealized gain or loss and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 5.

(4) Information on major shareholders:

List of shareholders with ownership of 5 percent or greater showing the names, number of shares and the percentage of ownership held by each shareholder: Please refer to Attachment 6.

ATTACHMENT 1 : Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
The Company	Land No. 502, Fuxing Section, Hsinchu City (partially held) Buildings: "A TEAM" building 7F~11F and 126 parking spaces built in Land No. 502, Fuxing Section, Hsinchu City	2022/9/19	$1,195,000	Prepaid $155,350	Yuchen Development Co.,Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Refer to the market price and real estate appraisal report (Note)	Self-use office building	None

Note： The Company engaged CCIS Real Estate Joint Appraisers Firm and Zhan-Mao Real Estate Valuation Appraisers Firm to perform real estate appraisal, and the appraisal prices were NT$1,236,031 thousand and NT$1,319,575 thousand, respectively.

ATTACHMENT 2 :Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of capital stock for the year ended December 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

Company name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and Trade receivables (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales) (Note)	Term	Unit price	Term	Balance	Percentage of total receivables (payable) (Note)	
The Company	Andes Technology USA Corporation	Subsidiary	Sales	$ 114,518	15.71%	Net 60 days	-	-	$ 76,060	37.36%	-

Note： The ratio is calculated based on the parent company only financial statements of Andes Technology Corporation.

ATTACHMENT 3 : NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	$264,723	$264,723	8,858,780	100%	$139,302	$3,221	$3,221	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	$64,450	$64,450	2,058,780	100%	$74,536	$9,830	$9,830	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	$202,973	$202,973	6,800,000	100%	$64,766	$(6,609)	$(6,609)	(Note)

Note：The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

ATTACHMENT 4：INFORMATION ON INVESTMENT IN MAINLAND CHINA

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Dollars)

Investee Company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2022	Accumulated inward remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	$18,117	(ii)Andes Technology (Samoa) Corporation	$18,117	$-	$-	$18,117	$8,029	100%	$8,029 (ii)	$44,137	$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	$9,258	(ii)Andes Technology (Samoa) Corporation	$9,258	$-	$-	$9,258	$1,801	100%	$1,801 (ii)	$30,395	$-

Accumulated investment in Mainland China as of December 31, 2022 (Note 3)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment
$27,375 (USD900,000)	$27,639 (USD900,000)	$2,993,503

Note 1 : The methods for engaging in investment in Mainland China include the following:
(i) Direct investment in Mainland China.
(ii) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
(iii) Other methods.

Note 2 : The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis:
(i) The financial report was audited by an international certified public accounting firm having a business cooperation relationship with an R.O.C. accounting firm.
(ii) The financial statements were audited by the auditors of the parent company.
(iii) Others.

Note 3 : Investment amounts are converted by the exchange rates at the remittance date.

Note 4 : Amounts denominated in foreign currency is converted into New Taiwan Dollars by the exchange rate at December 31, 2022.

ATTACHMENT 5：INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			
				Financial Statement Account	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
0	Andes Technology Corporation	Andes Technology (Wuhan) Corporation	1	Trade receivables-related parties	$21,792	Net 60 days	0.40%
				Contract assets	$4,864	According to the contract terms	0.09%
				Operating revenues	$31,097	Net 60 days	3.34%
				Contract liabilities, current	$2,523	According to the contract terms	0.05%
		Andes Technology USA Corporation	1	Trade receivables-related parties	$76,060	Net 60 days	1.40%
				Operating revenues	$114,518	Net 60 days	12.29%
				Contract liabilities, current	$28,224	According to the contract terms	0.52%
				R&D design fees	$47,111	According to the contract terms	5.06%
				Other payables	$17,505	According to the contract terms	0.32%
		Andes Shanghai Technology Corporation	1	Trade receivables-related parties	$24,840	Net 60 days	0.46%
				Contract assets	$33,039	According to the contract terms	0.61%
				Operating revenues	$71,687	Net 60 days	7.69%
				Contract liabilities, current	$4,461	According to the contract terms	0.08%

Note 1 : The Company and its subsidiaries are coded as follows:

(1) The Company is coded 0.

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above

Note 2 : There are three types of relationship categorized as follow:

(1) The holding companies to subsidiaries.

(2) Subsidiaries to the holding companies.

(3) Subsidiaries to subsidiaries.

Note 3 : Percentage of consolidated net sales or total assets is calculated as follows: for the balance sheet accounts, the ending balance of assets or liabilities divided by consolidated total assets, or for the income statement accounts, the interim accumulated amounts divided by consolidated sales.

ATTACHMENT 6：THE INFORMATION OF MAJOR SHAREHOLDERS

Name of major shareholders / Number of ordinary shares	Number of shares held (shares)	Percentage of ownership
Hsiang Fa Co.	5,657,324	11.16%
Shui-Cheng, Tu	3,588,000	7.08%
National Development Fund, Executive Yuan	2,979,237	5.88%

ANDES TECHNOLOGY CORPORATION

1. STATEMENT OF CASH AND CASH EQUIVALENTS

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Patty cash		$ 20	Foreign exchange rate as of December 31, 2022
Checking and savings accounts	Including USD4,016,205	150,298	USD1=NTD30.71
Time deposits	Including USD74,300,000	2,459,853	
Cash equivalents	Corporate bonds and central government bonds Including USD37,340,953	1,281,307	Expiration date 2023/1/4~2023/2/22; Interest rate at 0.68%~4.75%
Total		$ 3,891,478	

ANDES TECHNOLOGY CORPORATION

2. STATEMENT OF TRADE RECEIVABLES AND TRADE RECEIVABLES FROM RELATED PARTIES

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Trade receivables			
Client A		$ 14,188	Trade receivables were all derived from operations.
Client B		12,415	
Client C		9,582	
Client D		9,121	
Client E		6,763	
Client F		6,756	
Client G		6,142	
Client H		5,804	
Client I		4,914	
Others	The amount of individual client in others does not exceed 5% of the account balance.	5,224	
Subtotal		80,909	
Less: allowance		(457)	
Net amount		$ 80,452	
Trade receivables - related parties			
Andes Technology USA Corporation		$ 76,060	
Andes Shanghai Technology Corporation		24,840	
Andes Technology (Wuhan) Corporation		21,792	
Total		$ 122,692	

ANDES TECHNOLOGY CORPORATION

3. STATEMENT OF PREPAYMENTS

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid expenses- maintenance and usage fees of software		$ 58,404	
Others	The amount of individual item in others does not exceed 5% of the account balance.	3,220	
Total		$ 61,624	
			Expiration date 2023/1/4~2023/2/

ANDES TECHNOLOGY CORPORATION

4. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Acquisition		Disposal		Investment Income (Loss)	Exchange Differences on Translation of Foreign Operations	Ending Balance			Net Assets Value/ Fair Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	Unit Price (NTD)	Total Amount		
Everest Peaks Technology Corporation	8,858,780	$ 128,302	-	$ -	-	$ -	$ 3,221	$ 7,779	8,858,780	100.00%	$ 139,302	$ 15.72	$ 139,302	None	

ANDES TECHNOLOGY CORPORATION

5. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Please refer to Note 6(6)					

ANDES TECHNOLOGY CORPORATION

6. STATEMENT OF CHANGES IN INTANGIBLE ASSETS

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Please refer to Note 6(7)					

ANDES TECHNOLOGY CORPORATION

7. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Cost					
Buildings	$ 130,306	$ -	$ -	$ 130,306	
Accumulated depreciation					
Buildings	$ 39,791	$ 14,103	$ -	$ 53,894	
Carrying amounts	$ 90,515	Expiration date 2023/1/4~2023/2/		$ 76,412	

ANDES TECHNOLOGY CORPORATION

8. STATEMENT OF NON-CURRENT ASSETS

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non-current assets			
Prepayments for land and buildings		$ 155,350	
Long-term outsourcing R&D expenses		37,080	
Long-term software usage fees		6,912	
Total		$ 199,342	

ANDES TECHNOLOGY CORPORATION

9. STATEMENT OF OTHER PAYABLES

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued expenses			
Accrued bonuses		$ 48,641	
Payment of employees’ compensation		96,721	
Payment of R&D design fees		17,505	
Others	The amount of individual item in others does not exceed 5% of the account balance.	32,542	Expiration date 2023/1/4~2023/2/22
Total		$ 195,409	

ANDES TECHNOLOGY CORPORATION

10. STATEMENT OF LEASE LIABILITIES

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Lease Terms	Discount Rate	Ending Balance	Note
Buildings	2022/1/1~2028/7/31	1.7%	$ 77,968	
Less: current portion			(12,280)	
Noncurrent portion			$ 65,688	

ANDES TECHNOLOGY CORPORATION

11. STATEMENT OF NET REVENUES

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Revenues from contracts with customers			
Licensing of CPU IP		$ 425,413	
Royalty revenues		212,812	
Maintenance services		85,038	
Others		5,795	
Net revenues		$ 729,058	

ANDES TECHNOLOGY CORPORATION

12. STATEMENT OF SELLING EXPENSES

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 112,667	
Commission expense		16,820	
Others	The amount of individual item in others does not exceed 5% of the account balance.	40,974	
Total		$ 170,461	Expiration date 2023/1/4~2023/2/22:

ANDES TECHNOLOGY CORPORATION

13. STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 84,609	
Depreciation		8,517	
Computer usage fees		11,454	
Others	The amount of individual item in others does not exceed 5% of the account balance.	21,119	
Total		$ 125,699	Expiration date 2023/1/4~202

ANDES TECHNOLOGY CORPORATION

14. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Amortization		$ 162,612	
Payroll expense		143,769	
Computer usage fees		69,949	
R&D commissioned to other companies		58,197	
Insurance expense		27,907	
Others	The amount of individual item in others does not exceed 5% of the account balance.	50,752	Expiration date 2023/1/4~2023/2/
Total		$ 513,186	

ANDES TECHNOLOGY CORPORATION

15. STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense	Please refer to Note 6(14)					
Salaries						
Labor and health insurance						
Pension						
Directors' remuneration						
Others						
Depreciation		Expiration date 2023/1/4~2023/2/22; Interest rate at 0.68%~4.75%				
Amortization						