Stock Code: 6533

Andes Technology Corporation

Annual Report 2019

Printed on May 5, 2020

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

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

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

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2019 Andes Annual Report
Table of Contents

I. Letter to Shareholders **1**

II. Company Profile. **3**

1. Date of Incorporation *3*

2 Milestones *3*

III. Corporate Governance **4**

1. Organization. *4*

2. Information of Directors and Officials *6*

3. Remuneration for Directors, Supervisors, President and Vice Presidents *14*

4. Implementation of Corporate Governance *17*

5. Information Regarding the Company's Independent Auditors *37*

6. Changes in Independent Auditors *38*

7. The Company's Chairman, President or managers in charge of finance or accounting has been under current audit firm or its affiliates' employment in 2019 .... *38*

8. Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders with 10% Shareholding or More *39*

9. Top 10 Shareholders Who are Related Parties to Each Other *40*

10. Total shareholding of long-term investments held by the Company and Directors, Officers and Affiliates: *40*

IV. Capital and Shares **41**

1. Capital and Shares *41*

2. Status of Corporate Bonds *44*

3. Status of Preferred Stocks *44*

4. Status of GDR/ADR: *44*

5. Status of Employee Stock Option Plan *45*

6. Status of New Employees Restricted Stock Issuance: None. *46*

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None. *46*

8. Financing Plans and Implementation: Not applicable. *46*

V. Business Overview **47**

1. Business Scope *47*

2. Market and Sales Outlook *53*

3. Employees *59*

4. Environmental Protection & Expenditures *59*

5. Labor-Management Relations *59*

6. Material Contracts *61*

VI. Financial Information **62**

1. Condensed Balance Sheet and Comprehensive Income Statement *62*

2. Five-Year Financial Analysis *66*

3. Audit Committee's Review Report *69*

4. *Financial Statements and Independent Auditors' Report –the Company & Subsidiaries* ... *70*
5. *Financial Statements and Independent Auditors' Report – Parent Company* ... *70*
6. *The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties:* ... *70*

VII. Financial Status, Operating Results and Status of Risk Management ... 71

1. *Financial Status* ... *71*
2. *Operating Results* ... *72*
3. *Cash Flow Analysis* ... *72*
4. *Major Capital Expenditure* ... *72*
5. *Direct Investment Policy, Main Causes for Profit or Loss, Improvement Plan and Investment Plan for the Upcoming Year* ... *72*
6. *Risk Management* ... *73*
7. *Other Material Events* ... *75*

VIII. Special Disclosure ... 76

1. *Summary of Affiliated Companies* ... *76*
2. *Private Placement Securities* ... *78*
3. *Holding or Disposition of the Company Stocks by Subsidiaries* ... *78*
4. *Other Necessary Supplement* ... *78*
5. *Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan* ... *78*

Appendix ... 79

I. Letter to Shareholders

Andes Technology Corporation
Business Report

Dear Shareholders:

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

<u>Business results in 2019</u>

Financial status:
In 2019, Andes' consolidated revenue was NT$ 494,851,000, showing an increase of 62% from last year, and made a record high. The licensing of CUP IP accounted for 56% of the total revenue, royalty revenues accounted for 22%, custom computing for 16%, maintenance services and other income accounted for 6%. Custom computing is Andes' innovative business project, and has achieved good results in the first year of launch.

The consolidated operating income was NT$ 18,579,000, and the net profit for the whole year was NT$ 16,023,000, and this is the third consecutive year that Andes is profitable. Earnings per share was NT$ 0.38. The net cash outflow of NT$56,494,000 for the whole year was mainly used for research and development along with marketing activities, and the ending cash balance is NT$ 471,874,000.

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

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

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

Business plan summary in 2020

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

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

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

Chairman: Ming-Kai Tsai President: Jyh-Ming Lin Chief Financial Officer: Han-Chang Chou

II. Company Profile.

1. Date of Incorporation
   Andes Technology Corporation was founded on March 14, 2005.

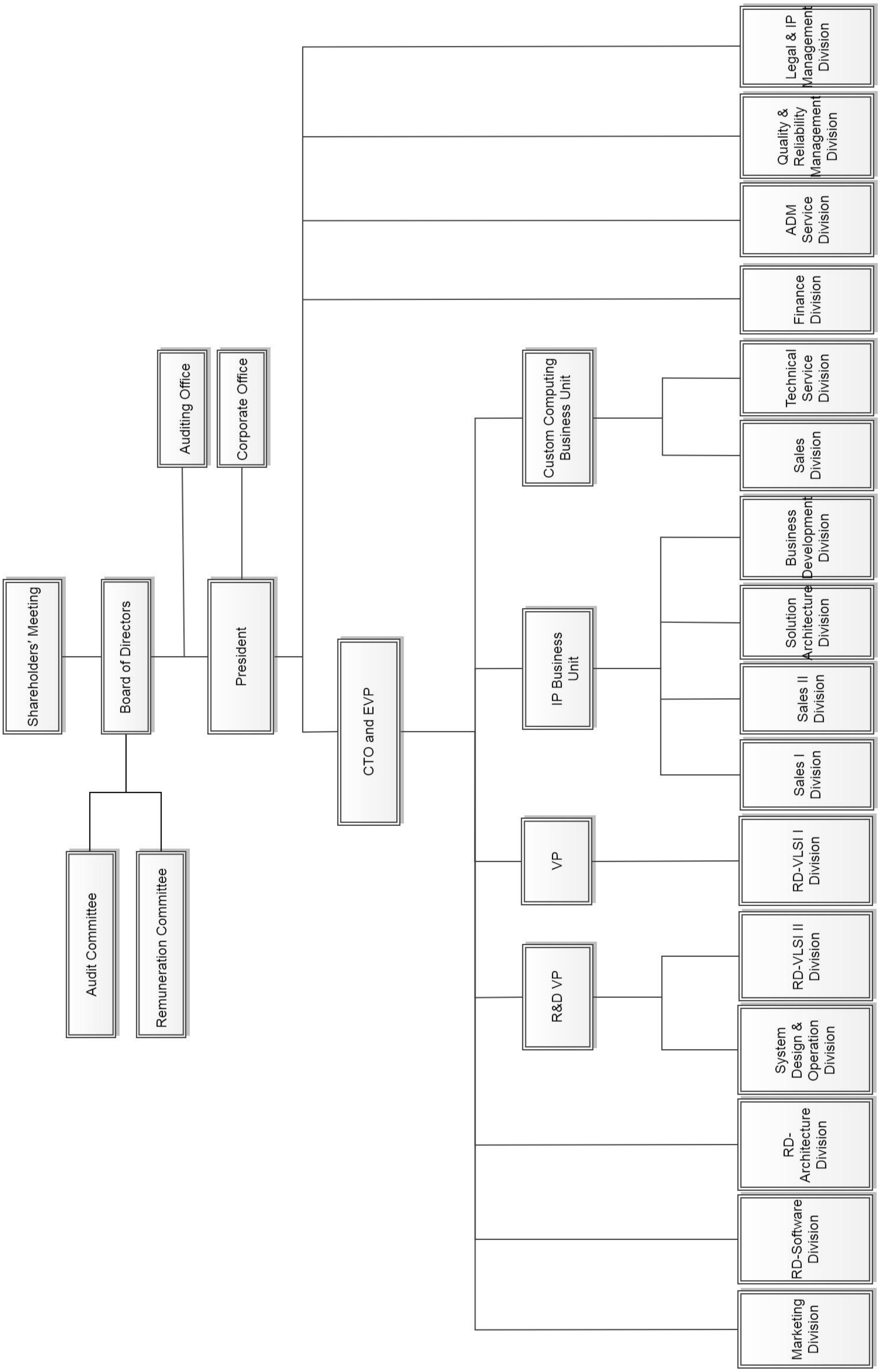
2. Milestones

Year	Milestones
Mar, 2017	Listed on the Taiwan Stock Exchange (TWSE)
Mar, 2017	Announced AndeStar™ 32-/64 bit V5 digital signal instructions
Mar, 2017	Announced the N820 processor, with a 3-stage pipeline supporting V3m+ architecture
May, 2017	Announced D15F and N15F processors, supporting Superscalar V3 architecture, DSP extension instructions, and floating point unit (FPU)
Jul, 2017	Selected as the 2017 Top 25 Internet of Things Solution Provider by APAC CIO outlook
Oct , 2017	Won “ASPA Excellence Prize” award
Nov, 2017	Announced the optimization for toolchains of BSP 4.2.0.
Nov, 2017	Announced AndeSight v3.1.0 STD/MCU/RDS
Dec, 2017	Announced platform IP AE300, supporting advanced AXI bus protocol
Dec, 2017	Announced32-bit N25 Processors, with a 5-stage pipeline supporting V5 architecture
Dec, 2017	Announced 64-bit NX25 Processors, with a 5-stage pipeline supporting V5 architecture
May, 2018	Selected as the 2018 Top 25 Best emerging technology Solution Provider by CIO Advisor Magazine
Sep, 2018	Established the RISC-V EasyStart Alliance, and united design service providers from multi countries to serve RISC-V core licensing.
Oct, 2018	Announced over 1.2 GHz RISC-V Cores Series at 28nm: A25/AX25 and N25F/NX25F
Oct, 2018	Established Hsinchu Branch
Mar, 2019	Announced N22, the smallest RISC-V core processor in its V5 Family.
Mar, 2019	Assisted to establish the RISC-V Alliance of Taiwan, and served as the vice chairman.
Apr, 2019	National Development Fund fulfilled its short-term goals of investment, and released 2,979,084 shares as of the date of this Annual Report. The percentage of shareholding decreased from 14.67% to 6.99%.
Apr, 2019	Announced D25F, the DSP core processor supporting RISC-V P-extension
May, 2019	Announced A25MP and AX25MP, multicore processors supporting RISC-V P-extension
Jun, 2019	Launched the N22 commercial-grade RISC-V CPU FreeStart program, providing academic and industry evaluation and mass production
Dec, 2019	Announced COPILOT v5.2, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
Dec, 2019	Upgraded its membership in the RISC-V Foundation to Platinum
Jan, 2020	Announced ground-breaking 27-series processors, which contain high-performance memory subsystems
Jan, 2020	Announced the NX27V processor, supporting RISC-V Vector instruction extension (RVV)
Jan, 2020	Announced 45-series RISC-V core processors, equipped with high-end 8-stage superscalar pipeline
May, 2020	Became the Founding Premier membership, BOD and Vice Chairman of the technical instructor committee in the RISC-V International Association (RISC-V Foundation).
May, 2020	AI Global Media Award “Most Outstanding Embedded Processor IP Supplier– 2020”

III. Corporate Governance

1. Organization.

   1.1. Organization Chart



1.2. Major Corporate Functions

DEPARTMENT		FUNCTIONS
Corporate Office		Analyze, plan and execute corporate strategies
Legal & IP Management Division		Manage corporate legal affairs, contracts, patents, and other intellectual property.
Quality & Reliability Management Division		Quality system, document control, non-conforming product disposal, instrument calibration management, customer service.
ADM Service Division		Human resource management, General affairs, plant operations, and information engineering service etc.
Finance Division		Manage finance and accounting, tax, treasury and asset, strategic investments and investor relations
Custom Computing Business Unit	Technical Service Division	Provide technical service, customers training course, reply the technical questions, and developing the online service system.
	Sales Division	Sell Custom Computing Service, develop customers, maintain customer relationship and manage sales operation
IP Business Unit	Business Development Division	Plan and execute customers developing and product promotion strategies.
	Solution Architecture Division	Provide technical service, customers training course, reply the technical questions etc.
	Sales I Division Sales II Division	Sell IP Business related product and service, develop customers, maintain customer relationship and manage sales operation.
RD-VLSI I & II Division		Develop CPU and other IP related design, maintenance and test.
System Design & Operation Division		Hardware development platform, specification of related board products and system architecture, product testing plan and program development, product characterization, raw material procurement of board products, production test, production operation, and material management.
RD-Architecture Division		Product development effectiveness analysis, performance verification and revision and maintenance of architectural specifications.
RD-Software Division		Cooperate with the CPU and other IP developed for related software design, maintenance and testing.
Marketing Division		Manage corporate image and promote market position.
Auditing Office		Manage internal audit, operational procedure and provide improved suggestion.

2. Information of Directors and Officials

2.1. Information Regarding Board Members

As of April 20, 2019/ Unit: Shares; %

Title	Nationality or Registry	Name	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Ming-Kai Tsai	Male	June 21, 2018	3	March 14, 2005	0	0	0	0	0	0	0	0	Master's Degree, Electrical Engineering, University of Cincinnati, USA	Chairman, MediaTek Inc.	-	-	-	-
	R.O.C	Representative: MediaTek Capital Corp.	-			February 22, 2006	5,387,928	13.26	5,657,324	13.26	0	0	0	0	-	Director/Supervisor, Chingis Technology Corporation. Director, Chunghwa Precision Test Tech. Co., Ltd. Director, Mars Semiconductor Corp. Director, Mediatek Research Corp. Director, Cyberon Corporation Director, CMOS-Crystal Technology Co., limited	-	-	-	-
Director	R.O.C	Hahn-Ming Lee	Male	June 21, 2018	3	February 6, 2009	0	0	0	0	0	0	0	0	Ph. D, Department of Computer Science & Information Engineering, National Taiwan University	Director, Frontier Foundation. Director, National Information Infrastructure Enterprise Promotion Association (NII). Supervisor, Consumers' Foundation Chairman, Telecom Technology Center Professor, Department of Computer Science and Information Engineering, National Taiwan University of Science and Technology. Joint Research Fellow, Institute of Information Science.	-	-	-	-
	R.O.C	Representative: National Development Fund	-			February 22, 2006	5,958,321	14.67	2,979,237	6.99	0	0	0	0	-	-	-	-	-	-
Director	R.O.C	Chun-Huei Ho	Male	June 21, 2018	3	June 30, 2015	0	0	0	0	0	0	0	0	Deputy Executive Secretary, National Development Fund, Executive Yuan, ROC. Equity representative supervisor, TSMC. Equity representative director, Taiwan High Speed Rail Corporation. Visiting scholar of Hoover Institution. Stanford University Hoover	Senior Deputy General Manager of CDIB Capital Management Corporation Limited. Chairman of China Development Bank Medical Venture Capital Co., Ltd. Director of China Development Equity Investment Management Co., Ltd. Supervisor, Ablerex Electronics Co., Ltd. Independent Director of AMPACS	-	-	-	-

Title	Nationality or Registry	Name	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Institution. Adjunct Associate Professor, National Central University and National Chiao Tung University College of Management. Receive a scholarship of the senior social science staff from the Executive Yuan, and advanced studies in the United States afterwards. Ph.D. in Economics, University of Pittsburgh Master's Degree, National Chiao Tung University Department of Transportation & Logistics Management. Bachelor's Degree, National Cheng Kung University Department of Naval Architecture and Marine Engineering	Corporation Chairman, HuaSheng Asset Management Consultant Co., Ltd. Chairman, ChenYing International Development Co., Ltd. Chairman , Hotran Resource Development Ltd.				
	Samoa	Representative : Hotran Resource Development Ltd.	-				866,500	2.13	455,000	1.07	0	0	0	0	-	Director, HuaSheng Asset Management Consultant Co., Ltd.	-	-	-	-
Director	R.O.C	Jyh-Ming Lin	Male	June 21, 2018	3	March 14, 2005	513,578	1.26	542,493	1.27	121,668	0.29	0	0	VP of Sales, Faraday Technology Corp. Business Manager, UMC MSEE, Portland State University, Oregon, USA.	The Company's President. Chairman, Everest Peaks Technology Corporation. Chairman, Andes Technology (Samoa) Corporation. Chairman, Andes Technology (Wuhan) Corporation. Chairman, Andes Technology USA Corporation. Chairman, Andes Technology Shanghai Corporation.	-	-	-	-
Independent Director	R.O.C	Chien-Kuo Yang	Male	June 21, 2018	3	June 30, 2015	0	0	0	0	0	0	0	0	Partner, Ernst & Young Accounting firm. Bachelor's Degree, Tamkang University Department of International Trade.	Chairman/Partner, Diwan & Company Accounting Firm. Chairman, Diwan Management Advisory Services Co., Ltd. Independent Director, Leadtrend Technology Co., Ltd.	-	-	-	-

Title	Nationality or Registry	Name	Gender	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Hsiao-Ping Lin	Male	June 21, 2018	3	June 30, 2015	0	0	0	0	0	0	0	0	President, Faraday Technology Corp. VP of RD, Faraday Technology Corp. ASIC Design Manager, UMC Senior Software Engineer, Cadence Design Systems Inc. Software Development Engineer, Cadence Design Systems, Inc. Executive Officer, NTU Department of Information Engineering. Bachelor's Degree, National Taiwan University Department of Electrical Engineering.	Chairman/ President, M31 Technology Co., Ltd. Chairman, VisualGoal Technology Co., Ltd. Chairman, M31 TECHNOLOGY USA, INC. Chairman, Sirius Venture Ltd. Chairman, M31 SIP (Shanghai) Information Technology Co., Ltd.	-	-	-	-
Independent Director	R.O.C	Tien-Fu Chen (Note1)	Male	October 2, 2019	3 (Note1)	October 2, 2019	0	0	0	0	0	0	0	0	Deputy Director of National Center for High-performance Computing (NCHC) Professor, Department of Computer Science and Information Engineering, National Chung Cheng University PhD in Electrical and Computer Engineering, University of Washington	Professor, Department of Computer Science, National Chiao Tung University	-	-	-	-

Note 1: The Company set up an audit committee at October 2, 2019 by a resolution of the shareholders' meeting to replace the supervisors and by-elect 1 independent director. The term of the new director is the same as the term of the sixth board of directors.

Note 2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

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

Table 1: Major Shareholders of the Institutional Shareholders

As of April 30, 2020

Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Percentage of Shares Held by Institutional Shareholders
MediaTek Capital Corp.	Hsu-Ta Investment Corp	100%
National Development Fund, Executive Yuan	Government Agencies	NA
Hotran Resource Development Ltd.	Chun-Huei Ho	100%

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

As of April 30, 2020

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

2.1.2. Professional qualifications and independence analysis of directors

As of April 30, 2020

Criteria / Name (Note2)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
MediaTek Capital Corp .(Representative: Ming-Kai Tsai)			✓			✓	✓			✓		✓	✓	✓		0
National Development Fund (Representative: Hahn-Ming Lee)			✓	✓	✓	✓	✓		✓	✓		✓	✓	✓		0
HOTRAN RESOURCE DEVELOPMENT LTD. (Representative: Chun-Huei Ho)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Jyh-Ming Lin			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chien-Kuo Yang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hsiao-Ping Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tien-Fu Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Not been a person of any conditions defined in Article 30 of the Company Law.

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2: The Company set up an audit committee at October 2, 2019 by a resolution of the Special shareholders' meeting to replace the supervisors and by-elect 1 independent director. The term of the new director is the same as the term of the sixth board of directors.

2.2. Profiles of Key Managers

As of April 30, 2020/Unit: Shares; %

Title	Nationality	Name	Gender	Date Effective (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Jyh-Ming Lin	Male	April 27, 2006	542,493	1.27	121,668	0.29	0	0	VP of Sales, Faraday Technology Corp. Business Manager, UMC MSEE, Portland State University, Oregon, USA	Chairman, Everest Peaks Technology Corporation Chairman, Andes Technology (Samoa) Corporation Chairman, Andes Technology (Wuhan) Corporation Chairman, Andes Technology USA Corporation Chairman, Andes Technology Shanghai Corporation	-	-	-	-
CTO & Executive Vice President	R.O.C	Hong-Men Su	Male	January 25, 2019	333,781	0.78	22,341	0.05	0	0	Director, Andes Technology Corp. Chief Architect, Faraday Technology Corp. Sr. Staff, Sun Microsystems Sr. Staff, Afara Websystems C-Cube Micro Director, Silicon Graphics Sr. Engineer, Intergraph Corp. Ph.D. in Computer Science ,University of Illinois.	Director, Andes Technology (Wuhan) Corporation Director, Andes Technology USA Corporation Director & President, Andes Technology Shanghai Corporation	-	-	-	-
VP of IP Business Unit	ROC	Kuo-Chi Lin	Male	January 25, 2019	130,811	0.31	0	0	0	0	The Company's VP of IP Business Unit. The Company's AVP of Sales, Manager of Sales, Deputy Manager of Sales & Senior Manager of Sales. Deputy minister of Sales, Faraday Technology Corp. Manager of R&D department, UMC. Master's degrees, NTU Department of Electrical Engineering. Bachelor's Degree, Department of Physics, National Chiao Tung University	Director, Andes Technology (Wuhan) Corporation Director, Andes Technology Shanghai Corporation	-	-	-	

Title	Nationality	Name	Gender	Date Effective (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
VP of Custom Computing Business Unit & RD-VLSI I Division	R.O.C	Jen-Chih Tseng	Male	January 25, 2019	166,500	0.39	0	0	0	0	The Company's VP of Technology The Company's AVP of R&D Division The Company's Senior Manager of RD-VLSI Division, Manager of RD-VLSI Division, Deputy Manager of RD-VLSI Division. MTS, Sun Microsystems, Inc. MSEE, University of Wisconsin-Madison	-	-	-	-	-
VP of R&D Division	R.O.C	Yung-Ching Hsiao	Male	March 20, 2018	116,550	0.27	0	0	0	0	The Company's AVP of RD-VLSI Division. The Company's Senior Manager of RD-VLSI Division, Manager of RD-VLSI Division, Deputy Manager of RD-VLSI Division. MTS, Sun Microsystems, Inc. MSEE, University of Wisconsin-Madison	-	-	-	-	-
AVP of RD-Software Division	R.O.C	Kuen-Chern Lin	Male	April 1, 2020	110,291	0.26	0	0	0	0	The Company's Senior Director of RD-Software Division, Director of RD-Software Division. Deputy Chief Technology Officer, Nuvoton Technology Co., Ltd. AVP of Microcontrol Product Center, AVP of Logic Design Technology Center, Winbond Electronics Co., Ltd. Product Manager, Research and Development Division, Jiebang Computer Co., Ltd. Engineer and Project Moderator, System Software Department, Institute of Electronics, Industrial Technology Research Institute Master's Degree, Department of Computer Science and Information Engineering, Tamkang University	-				

Title	Nationality	Name	Gender	Date Effective (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
AVP of RD-Architecture Division	R.O.C	Chuan-Hua Chang	Male	April 1, 2020	445	0.00	420	0.00	0	0	The Company's Senior Director of RD-Architecture Division, Director of RD- Architecture Division. Technical Manager of SoC Technology Center, Industrial Technology Research Institute Intel, Itanium processor architecture lead. Digital Equipment Corporation, Alpha CPU design architecture lead. Ph.D. in EECS, University of Michigan	-				
AVP of Finance Division & ADM Service Division Director	R.O.C	Han-Chang Chou	Female	May 5, 2017	151,685	0.36	0	0	0	0	The Company's Senior Manager of Finance and ADM Service Division, Manager of Finance and ADM Service Division, Deputy Manager of Finance and ADM Service Division. Manager of Finance Division, Gemstone Communications, Inc. Auditor, PwC Accounting Firm. Bachelor's Degree, Department of Accounting, Fu Jen Catholic University	Supervisor, Andes Technology (Wuhan) Corporation Director, Andes Technology USA Corporation Supervisor, Andes Technology Shanghai Corporation	-	-	-	-

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

Note 2: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

3. Remuneration for Directors, Supervisors, President and Vice Presidents

3.1. Remuneration of Directors and Independent Directors

Unit: NT$ thousands

Title	Name	Director's remuneration: Salary (A)		Pension (B)		Remunerations (C)		Allowances (D)		(A+B+C+D) as % of Net Income		Remuneration from concurrent position as employee: Salary, Bonus, etc. (E)		Pension (F)		Employee Compensation (G)				(A+B+C+D+E+F+G) as % of Net Income		re-investment business other
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company: Cash	The Company: Stock	Consolidated Entities: Cash	Consolidated Entities: Stock	The Company	Consolidated Entities	
Chairman	MediaTek Capital Corp. (Representative: Ming-Kai Tsai)	237.5	237.5	-	-	108.7	108.7	38	38	2.40	2.40	8,910	8,910	0	0	84	0	84	0	58.53	58.53	0
Director	National Development Fund (Representative: Hahn-Ming Lee)																					
Director	HOTRAN RESOURCE DEVELOPMENT LTD. (Representative: Chun-Huei Ho)																					
Director	Jyh-Ming Lin																					
Director	Hong-Men Su (Note 1)																					
Independent Director	Chien-Kuo Yang	177.5	177.5		-	42.5	42.5	18	18	1.49	1.49	0	0	0	0	0	0	0	0	0	0	0
Independent Director	Hsiao-Ping Lin																					
Independent Director	Tien-Fu Chen (Note 2)																					

1. The remuneration payment policy, system, standards and structure of the general directors and independent directors of the company, and according to the responsibilities, risks, time spent and other factors, describe the relevance to the amount of remuneration:
   (1) According to the company's articles of association, the remuneration of the company's chairman and directors, the value of their contribution to the company's operation and participation, and the level of industry peers, are determined by the salary and compensation committee and sent to the board of directors for approval.
   (2) The company's articles of association also specify that no more than 1% of the annual profit will be used as directors' remuneration.
   (3) The payment of directors' remuneration of the company is handled in accordance with the "Directors and Managers' Remuneration Management Measures", because all independent directors serve as members of the audit committee and the remuneration committee, and are required to participate in the discussion of relevant committee meetings and Resolution, so its remuneration is higher than that of general directors.
2. In addition to the disclosures in the above table, the directors of the company in recent years have provided services to all companies in the financial report (such as serving as consultants for non-employees). Remuneration: None.

Note 1: Director Hong-Men Su resigned on October 1, 2019, and the remuneration disclosure period was from January 1, 2019 to October 1, 2019.

Note 2: The Company established an audit committee to replace the supervisor On October 2, 2019 by resolution of the interim shareholders' meeting and elected one independent director. The term of the new director is the same as that of the sixth board of directors.

Remuneration Range

Remuneration Range	Name of Directors			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	Andes	Consolidated Entities	Andes	Consolidated Entities
Less than NT$ 1,000,000	MediaTek Capital Corp. (Representative: Ming-Kai Tsai); National Development Fund (Representative: Hahn-Ming Lee); HOTRAN RESOURCE DEVELOPMENT LTD. (Representative: Chun-Huei Ho); Jyh-Ming Lin; Hong-Men Su; Chien-Kuo Yang; Hsiao-Ping Lin; Tien-Fu Chen	MediaTek Capital Corp. (Representative: Ming-Kai Tsai); National Development Fund (Representative: Hahn-Ming Lee); HOTRAN RESOURCE DEVELOPMENT LTD. (Representative: Chun-Huei Ho); Jyh-Ming Lin; Hong-Men Su; Chien-Kuo Yang; Hsiao-Ping Lin; Tien-Fu Chen	MediaTek Capital Corp. (Representative: Ming-Kai Tsai); National Development Fund (Representative: Hahn-Ming Lee); HOTRAN RESOURCE DEVELOPMENT LTD. (Representative: Chun-Huei Ho); Chien-Kuo Yang; Hsiao-Ping Lin; Tien-Fu Chen	MediaTek Capital Corp. (Representative: Ming-Kai Tsai); National Development Fund (Representative: Hahn-Ming Lee); HOTRAN RESOURCE DEVELOPMENT LTD. (Representative: Chun-Huei Ho); Chien-Kuo Yang; Hsiao-Ping Lin; Tien-Fu Chen
NT$1,000,000 ~ NT$1,999,999				
NT$2,000,000 ~ NT$3,499,999				
NT$3,500,000 ~ NT$4,999,999			Hong-Men Su	Hong-Men Su
NT$5,000,000 ~ NT$9,999,999			Jyh-Ming Lin	Jyh-Ming Lin
NT$10,000,000 ~ NT$14,999,999				
NT$15,000,000 ~ NT$29,999,999				
NT$30,000,000 ~ NT$49,999,999				
NT$50,000,000 ~ NT$99,999,999				
Greater than or equal to NT$100,000,000				
Total	8	8	8	8

3.2. Remuneration of Supervisors

Unit: NT$ thousands

Title	Name	Supervisor's Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note)
		Salary (A)		Pension (B)		Allowances (C)				
		Andes	Companies in the consolidated financial statements	Andes	Companies in the consolidated financial statements	Andes	Companies in the consolidated financial statements	Andes	Companies in the consolidated financial statements	
Supervisor	Chien-Hsu Investment Corp. (Representative: Ding-Hua Hu) (Note 1)	25	25	9.4	9.4	4	4	0.24	0.24	0
Supervisor	Chung-Laung Liu (Note2)	37.5	37.5	14.2	14.2	6	6	0.36	0.36	0
Supervisor	Ying-Chih Wu (Note2)	37.5	37.5	14.2	14.2	8	8	0.37	0.37	0

Note 1: Supervisor Ding-Hua Hu passed away on July 11, 2019, and Chien-Hsu Investment Co., Ltd. resigned on July 23, 2019. The period for the disclosure of remuneration was from January 1, 2019 to July 23, 2019.

Note 2: The Company set up an audit committee to replace the supervisor on October 2, 2019 by a resolution of the shareholders' meeting, so the supervisor was dismissed on October 2, 2019, and the calculation period for the remuneration disclosure was from January 1, 2019 to October 2, 2019.

3.3.President's and Vice Presidents' Remuneration

Unit: NT$ thousands

Title	Name	Salary (A)		Pension (B)		Bonuses and special expenses (C)		Employee Compensation (D)				(A+B+C+D) as % of Net Income		Remuneration received from re-investment business other than subsidiaries
		Andes	Consolidated Entities	Andes	Consolidated Entities	Andes	Consolidated Entities	Andes		Consolidated Entities		Andes	Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Jyh-Ming Lin	13,241	13,241	0	0	8,711	8,711	170	0	170	0	138.06%	138.06%	0
CTO & Executive Vice President	Hong-Men Su													
VP of IP Business Unit	Kuo-Chi Lin													
VP of Custom Computing Business Unit & RD-VLSI I Division	Jen-Chih Tseng													
VP of R&D Division	Yung-Ching Hsiao													

Remuneration Range

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

3.4. Employee Compensation Paid to Key Managers:

Unit: NT$ thousands

Title	Name	Cash (Note 1)	stock	Total	Percentage of net income after tax
President	Jyh-Ming Lin	189	0	189	1.18
CTO & Executive Vice President	Hong-Men Su				
Vice President	Kuo-Chi Lin				
Vice President	Jen-Chih Tseng				
Vice President	Yung-Ching Hsiao				
Assistant Vice President	Han-Chang Chou				

Note 1: The employee compensation has been approved by the Board of Directors and Remuneration committee.

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

3.5.1. Percentage of total remuneration paid to Directors, Supervisor, President and Vice President compared to company net income after tax in 2018 and 2019.

Year / Item	Percentage of total remuneration compared to company net income after tax			
	2018 (%)		2019 (%)	
	Andes	Consolidated Entities	The Company	Consolidated Entities
Director	1.34	1.34	3.88	3.88
Supervisor	0.45	0.45	0.97	0.97
President and Vice President	46.73	46.73	138.06	138.06

(1) The proportion of total remuneration paid to directors, supervisors, President and Vice President in net income after tax in year 2019 increased from year 2018, mainly because the net income after tax in year 2019 was lower than that in year 2018, resulting in the total remuneration accounting for net income after tax Proportion increase.

3.5.2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(1) The policy for payment of directors' remuneration is in accordance with the provisions of Article 23 of the company's articles of association. If there is a profit in the year, no more than 1% shall be made for directors' remuneration. The director's remuneration is distributed by cash. The procedures for determining remuneration are based on the Company's "Directors and Managers' Remuneration Management Measures".

(2) The policy of paying supervisors' remuneration is the same as that of directors. Since the audit committee was set up by the shareholders' meeting on October 2, 2019 to replace the supervisor, the supervisor was dismissed on October 2, 2019.

(3) The payment of remuneration for the President and Vice President is based on personal performance, the company's operating profit status, and the level of reference to the industry, and in accordance with the company's "director and manager compensation management method". After evaluation by the committee, it is submitted to the board of directors for post-processing, and its relevance to operating performance and future risks is still acceptable.

4. Implementation of Corporate Governance

4.1. Board of Directors Governance

4.1.1. The 6th Board of Directors held meeting 5 times (A) in 2019. Attendance status of Directors is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B / A】	Remarks
Chairman	MediaTek Capital Corp. (Representative: Ming-Kai Tsai)	4	1	80	None
Director	National Development Fund (Representative: Hahn-Ming Lee)	3	2	60	None
Director	Jyh-Ming Lin	3	2	60	None
Director	Hong-Men Su	5	0	100	Resigned (Note 1)
Independent Director	Chien-Kuo Yang	4	0	80	（Note2）
Independent Director	Hsiao-Ping Lin	5	0	100	（Note2）
Independent Director	Tien-Fu Chen	5	0	100	Newly-elected （Note3）

Note 1： Director Hong-Men Su resigned on October 1, 2019.

Note 2： The attendance status of Independent Directors is as follows:

Meeting / Name	6th board				
	4th	5th	6th	7th	8th
Chien-Kuo Yang	Attend in Person	Attend in Person	Attend in Person	Attend in Person	Attend in Person
Hsiao-Ping Lin	Attend in Person	Attend in Person	Attend in Person	Attend in Person	Attend in Person
Tien-Fu Chen					By Proxy

Note 3: Tien-Fu Chen was elected by the 2019 First Extraordinary General Meeting on October 2, 2019.

4.1.2. Other Required Notes for the Board Meetings:

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

A: Items listed in Article 14-3

Date	Meeting	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
March 15, 2019	The 4th meeting of the 6th Board	1. Amendment to the Company's "Operational procedures for Acquisition and Disposal of Assets" 2. Matter of the Company's 2019 CPA compensation	None
May 2, 2019	The 5th meeting of the 6th Board	1. Amendment to the Company's "Operational Procedures for Endorsements and Guarantees" 2. Amendment to the Company's "Operational Procedures for Loaning of Company Funds"	None
August 7, 2019	The 6th meeting of the 6th Board	1. Amendment to the Company's "Rules of procedure for shareholders' meetings", "Operational Procedures for Loaning of Company Funds", "Operational Procedures for Endorsements and Guarantees", and "Operational procedures for Acquisition and Disposal of Assets. 2. Amend the company's "Internal Control System", "Internal Audit Implementation Rules", and "Internal Control System Self-assessment Operation Management Measures". 3. Amend the company's "Directors and Managers Remuneration Management Measures".	None
August 30, 2019	The 7th meeting of the 6th Board	1. Appointment of internal audit supervisor	None

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

(2) Recusals of Directors due to conflicts of interests in 2019 are as follows:

Meeting	Name	Agenda	Reason of recusals	Vote
The 4th meeting of the 6th Board	Jyh-Ming Lin Hong-Men Su	1. Amendment of the Company's 2019 managers compensation	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.
The 8th meeting of the 6th Board	Jyh-Ming Lin	1. Matter of the Company's 2019 managers compensation 2. Matter of the Company's 2020 managers compensation	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.

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

A. The Company has set "Rules Governing the Scope of Powers of Independent Directors", "Ethical Corporate Management Best Practice Principles", "Corporate Governance Best Practice Principles", "Self-Evaluation or Peer Evaluation of the Board of Directors", and "Rules of Procedure for Board of Directors Meetings". In accordance with the "Self-Evaluation or Peer Evaluation of the Board of Directors ", the board of directors regularly completes the performance evaluation by self-evaluation.

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

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

D. The convening of the board, the discussion of the motion, the issuance and preservation of the proceedings are handled in accordance with "Rules of Procedure for Board of Directors Meetings".

E. The training hours of directors have been registered in MOPS.

F. The board nomination system has implemented in the Company's articles of association.

4.2. Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once per year	2019/1/1~ 2019/12/31	(1) Board performance evaluation	Performance evaluation by internal questionnaire	1. Level of participation in company operations 2. The quality of Board decisions. 3. Board composition and structure. 4. Appointment of directors and their continued development. 5. Internal controls.
		(2) Individual director performance evaluation		1. Grasp of company targets and missions. 2. Understanding of the director's role and responsibilities. 3. Level of participation in company operations. 4. Internal relationship management and communication. 5. Director's specialty and continued development. 6. Internal controls.
		(3) Functional committee performance evaluation		1. Participation in company operations. 2. Understanding of the responsibilities of functional committees. 3. Improvement of the decision-making quality of functional committees. 4. Composition of functional committees and member selection. 5. Internal control.

4.3. Audit Committee and Attendance of Supervisors at Board Meetings

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

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

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

(2) Review annual financial report:

The Board of Directors prepared the Company's 2019 annual business report, financial statements and proposal for profit distribution. The financial statements have been audited and certified by Ernst & Young Taiwan. The aforementioned business report, financial statements and proposal for profit distribution have been audited by the Audit Committee and no disagreement has been found.

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

The Audit Committee evaluates the effectiveness of the Company's internal control system policies and procedures (including sales, procurement, production, personnel, finance, information security, compliance and other control measures), and oversees the internal audit unit operations and review internal control self-assessment result. The Audit Committee considered the company's internal control system to be effective.

4.3.2. Audit Committee Meeting：

(1) The Audit Committee held 1 (A) session in 2019. The attendance of the independent directors is shown in the following table:

Title	Name	Attendance in Person（B）	By Proxy	Attendance Rate in Person (%)【B / A】	Remarks
Independent Director	Chien-Kuo Yang	1	0	100	Note 1
Independent Director	Hsiao-Ping Lin	1	0	100	Note 1
Independent Director	Tien-Fu Chen	0	1	0	Note 1

Note 1：The Company set up an audit committee to replace the supervisor on October 2, 2019 by a resolution of the shareholders' meeting.

(2) Other mentionable items:

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

i. Matters referred to in Article 14-5 of the Securities and Exchange Act: None.

ii. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

II. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

III. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

i. The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the regular meetings of the Audit Committee.

ii. The communication channel between the Audit Committee and the internal auditor has been functioning well.

iii. The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee.

iv. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.

4.3.3. Attendance of Supervisors at Board Meetings:

(1) A total of 4 (A) meetings of the Board of Directors were held in 2019. The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【B / A】	Remarks
Supervisor	Chien-Hsu Investment Corp. Rep: Ding-Hua Hu	2	50	Note 1, 2
Supervisor	Chung-Laung Liu	3	75	Note 1
Supervisor	Ying-Chih Wu	3	75	Note 1

Note 1: The Company set up an audit committee to replace the supervisor on October 2, 2019 by a resolution of the shareholders' meeting, so the supervisor was dismissed on October 2, 2019, and the calculation period for the disclosure was from January 1, 2019 to October 2, 2019.

Note 2: Supervisor Ding-Hua Hu passed away on July 11, 108, and Chien-Hsu Investment Co., Ltd. resigned on July 23, 2019. The period for the disclosure was from January 1, 2019 to July 23, 2019.

(2) Other mentionable items:

I. Composition and responsibilities of supervisors:

i. Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): The supervisor listens to the company's important business financial reports on the board of directors, and can immediately understand if in doubt.

ii. Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.):

a. Communications with the chief internal auditor: The audit office sends an audit report every month and reports the audit findings and improvements to the board of directors. The supervisor can be informed of the audit operation.

b. Communications with the CPA: CPA is present at the board of directors, and the supervisor can discuss with the accountant.

II. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None.

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

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/ Listed Companies"?	V		The Company has formulated 【Corporate Governance Best Practice Principles】 with reference to "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"	None
2. Equity structure and shareholders' equity				
(1). Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement them according to the procedure?	V		The Company established【Procedures for Handling Material Inside Information】and the spokesperson system to handle shareholders' suggestions or disputes.	None
(2). Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company tracks the list of the major shareholders and the ultimate owners of those shares.	None
(3). Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has defined【Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises】 and【Procedures Governing the Monitoring of Subsidiaries】to establish a risk management mechanism at its subsidiaries.	None
(4). Does the Company establish internal rules against insiders trading with undisclosed information?	V		Besides established【Procedures for Handling Material Inside Information】, the Company require insiders shall declare the holding of shares.	None
3. Composition and Responsibilities of the Board of Directors				
(1). Does the Board develop and implement a diversified policy for the composition of its members?	V		The Company's board members are professional enough to provide advising.	None
(2). Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	Besides Remuneration Committee and the Audit Committee, the Company will establish other committee under the necessity.	As the Summary Description
(3). Does the Company establish a standard to measure the performance of the Board, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		The 6th Board approved "Rule of Board Performance Evaluation" and evaluation will process every year before the end of the first season of next year. Please refer to page 19 for assessment details. The outcome of 2019 assessment was graded as excellent (agree). Detailed information regarding the above evaluation were reported to 9th meeting of the 6th Board. It also is used as reference for the remuneration and re-election nomination of individual Director.	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(4). Does the Company regularly evaluate the independence of CPAs?	V		The Company evaluates the independence and suitability of its CPA annually. The Company also evaluates the statement of independence issued by the accounting firm, audit and non-audit quality, communication and rotation of CPA. The results of the most recent evaluations in the last two years were reported to the 4th meeting of the 6th Board and the 9th meeting of the 6th Board.	None
4. Does the company established an exclusively (or concurrently) corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc..	V		The Company's board of directors resolved to appoint Finance Assistant Vice President Han-Chang Chou as the supervisor for corporate governance. The Corporate Governance affairs of Han-Chang Chou as the following and for over 3years: Conducted matters relating to board meetings and shareholder meetings. Assisted in the matters of director appointment and professional enhancement. Handle matters relating to company registration and change of company registration. Arrange separate meetings between independent directors and CPA.	None
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company established a stakeholder section to timely respond issues which stakeholders care about. Supplementary is listed below:	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	

Stakeholders	Material Issue	Communication Channels and Response Mechanism
Shareholder Investor Other	1. Operating performance 2. Stock price 3. Product development 4. Prospect	Communication Channels: Spokesperson and acting spokesperson Response Mechanism: 1. Institutional investors' conference 2. Material information 3. Annual shareholders' meeting
Employee	1. Labor relations 2. Operating performance 3. Welfare policy	Communication Channels: HR division Response Mechanism: 1. Labor conference every quarter 2. Welfare Committee 3. Response of president
Customer	1. Product development 2. Product application	Communication Channels: Division of sales, marketing and technical service. Response Mechanism: 1. Customer satisfaction survey 2. Symposium on technology 3. The Company's E-service 4. Meeting with customers management
Supplier	1. Corporate image 2. Compliance	Communication Channels: Purchasing division Response Mechanism: 1. Annually audit 2. Field visit

Assessment Item	Implementation Status			Reason for Non-Implementation
	Yes	No	Summary Description	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company entrusted the stock agency of Horizon Securities Co., Ltd. to handle the affairs of the shareholders' meeting.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The Company has disclosed information of financial and corporate governance on the website.	None
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		The Company has established a spokesperson policy that properly handles shareholder recommendations and company information. The Company provides investor conferences webcasts and presentation materials on its website in a timely manner.	None
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	The Company announced and declared the quarterly and annual financial reports and the monthly operating situation within the prescribed time limit.	As the Summary Description
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) Employee rights and employee caring: The Company has established the Welfare Committee. (2) Investor relations: The Company established the spokesperson system to handle shareholders' suggestions or disputes. (3) The right of stakeholders: The Company's website has information for contact. (4) Status of continuing education for directors and supervisors. Apart form the independent director, Tien-Fu Chen, inaugurated lately, has completed the required training hours since February 2020, all the other directors have already completed the training hours which is officially required in 2019. Directors and supervisors training records are listed below: (5) Implementation of risk management policies and risk measurement: In addition to the internal control and related regulations and standardized operating procedures, the major business, finance or investment shall approved by the board, and the risk has been minimized or acceptable. (6) Implementation of customers policy: Costumer can make a request through e-Service system, and the engineers will reply immediately. (7) The Company maintains D&O insurance for its Directors and key officers. The period is from January 19, 2019 to January 19, 2020.	None

Assessment Item	Implementation Status			Reason for Non-Implementation
	Yes	No	Summary Description	

(8) Status of training for directors and supervisors.

Title	Name	Date	Course Title	Training hours
Chairman	Ming-Kai Tsai	Oct 31, 2019	Intellectual Property and Business Secrets	3
		Oct 31, 2019	Intellectual Property Protection and Response Strategies in China	3
Director	Hahn-Ming Lee	Oct 31, 2019	Critical Audit Matters and Countermeasures that the Board of Directors Shall Understand	3
		Oct 31, 2019	Board Functions Enhancement Seminars	3
Director	Chun-Huei Ho	Oct 31, 2019	Intellectual Property and Business Secrets	3
		Oct 31, 2019	Intellectual Property Protection and Response Strategies in China	3
Director	Jyh-Ming Lin	Oct 31, 2019	Intellectual Property and Business Secrets	3
		Oct 31, 2019	Intellectual Property Protection and Response Strategies in China	3
Director	Hong-Men Su	(Note1)		
Independent director	Chien-Kuo Yang	Oct 31, 2019	Intellectual Property and Business Secrets	3
		Oct 31, 2019	Intellectual Property Protection and Response Strategies in China	3
Independent director	Hsiao-Ping Lin	Oct 31, 2019	Intellectual Property and Business Secrets	3
		Oct 31, 2019	Intellectual Property Protection and Response Strategies in China	3
Independent director	Tien-Fu Chen	Nov 11, 2019	Board Functions Enhancement Seminars	3
		Dec 17, 2019	Enterprise labor relations: labor contracts, work rules and labor meetings analysis and Audit the focus	6
		Feb 21, 2020	Digital Technology, Artificial intelligence trends and Risk Management.	3

Note1: Director Hong-Men Su resigned on October 1st 2019.

Note2: Due to the short period of the appointed time of the independent director in the special meeting of shareholders on Oct 2nd 2019, Tien-Fu Chen has completed the training hours since Feb 21st 2020, 12 hours in total.

9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange:
The Company participated in the 6th corporate governance evaluation in 2019, Not received TWSE's confirmation for improvement.

4.5 Operation of the Company’s Remuneration Committee

4.5.1 The 2st Remuneration Committee’s members

Title (Note1)	Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note 2)										Number of other public companies concurrently serving as an independent director	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chien-Kuo Yang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Hsiao-Ping Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Other	Chih-Chan Wei (Note3)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Tien-Fu Chen (Note3)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note1: Fill in directors, independent directors or others separately.

Note2: Directors or Supervisors with a "✓" sign meet the following criteria:

(1). Not an employee of the Company or any of its affiliates.

(2). Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3). Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4). Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5). Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

(6). Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

(7). Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8). Not been a person of any conditions defined in Article 30 of the Company Law.

(9). Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that provides auditing service or commercial, legal, financial, or accounting services with a cumulative compensation not exceeding NT$500 thousand in the past two years to the Company or any of its affiliate. However, this requirement does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger/Acquisition who perform duties pursuant to laws and regulations in association with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10).Not being a person of any conditions defined in Article 30 of the Company Act.

Note3: Committee member Chih-Chan Wei resigned on 10/31/2019. Independent Director Tien-Fu Chen appointed as remuneration Committee’s members on 11/1/2019.

4.5.2 Responsibilities of the Company's Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation. The compensation to directors and other key management personnel were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends.

The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the Company's business. The annual earning distribution status is submitted to the Board of Directors for discussion.

4.5.3 Remuneration Committee Meeting Status

(1) The total members of the Company's Remuneration Committee are 3.

(2) The tenure of the Company's 2nd remuneration committee is from August 7, 2018 to June 20, 2021.

The Compensation Committee held meeting 3 times (A) for the preceding year (2019). Attendance statuses of Independent Directors are as follows:

Title	Name	Attend in Person (B)	Attendance by Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Convener	Chien-Kuo Yang	3	0	100	Renewal
Member	Hsiao-Ping Lin	3	0	100	Renewal
Member	Chih-Chan Wei	3	0	100	Oct 31st 2019 Resigned
Member	Tien-Fu Chen	0	0	None (Note1)	Nov 1st 2019 New

Note 1: After Tien-Fu Chen taking office in 2019, the company did not hold a remuneration Committee meeting.

4.5.4 Other Required Notes for Remuneration Committee:

In cases the Board doesn't adopt or revise Remuneration Committee's proposals, the Company shall list date/number of the Board meeting, agenda, the Board's resolution and the Company's response to Remuneration Committee's proposal: None.

In cases Remuneration Committee members have dissenting opinions or qualified opinions against their solution and recorded with notes in paper, the Company shall list date, number of the Remuneration Committee meeting, agenda, all members' opinion and the follow-up of the members' opinion:

Meeting	Resolutions	Any Board of Director Had a Dissenting Opinion or Qualified Opinion
The 3rd meeting of the 2nd Committee/March 15, 2019	1. The 2018 employees' compensation and remuneration to directors and supervisors. 2. Amendment of the key management's remuneration proposal for 2019.	None.
The 4th meeting of the 2nd Committee/August 7, 2019	Amendment "the Administration of Remuneration of Directors, Supervisors and Managers"	None.
The 5th meeting of the 2nd Committee/ October 31, 2019	1. Key management's remuneration proposal for 2019. 2. Key management's remuneration proposal for 2020.	None.

4.6 Performance in Corporate Social Responsibility and Non-compliance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and Reasons

Assessment Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
1. Does the Company make the risk assessment on the issues concerning environment, society and corporate governance which are related to the operation of Company according to the materiality principle, and establish relevant risk management policies or strategy?	V		To implement corporate governance and promote development forever Continue the environment and maintain social welfare, the Company has established a Code of Practice for Corporate Social Responsibility as guidelines. The company's internal control system has been consider to risk assessment and the content is prepared in accordance with relevant regulations	None
2. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		V	The Company has not set up a corporate social responsibility full-time unit. Yet, to fulfill corporate social responsibility, the Company has established a Code of Practice for Corporate Social Responsibility as guidelines. Depending on the size of the Company, the Company will set up a special (part-time) unit.	As the Summary Description
3. Environment Topic				
(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company is a professional CPU IP design company with no production process, so it has no significant impact on environmental impact. And also provides energy and resource saving technologies in product design to reduce the impact of global warming.	None
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		The Company strives for perpetual operations and development. During the lunch break, turn off the lights for 1 hour to save energy and reduce carbon, and provide employees with environmentally-friendly tableware to reduce the use of disposable tableware.	None
(3) Does the Company evaluate the potential risk and opportunity caused by the climate change currently and in the future, and take measures corresponding to the climate relevant issues?	V		The company's main operating activities do not make any pollutions to the environment. As for the corresponding acts on the potential risks under the climate change, we keep our surrounding area tidy and clean, and have the air conditioning temperature under control to reduce the carbon pollution..	None
(4) Does the Company make statistics of total greenhouse gas emissions, water consumption and waste weight of the Company during past two years, and establish strategies for energy conservation, carbon and greenhouse gas reduction, water consumption saving or waste management?		V	The Company has regular implementation of carbon dioxide testing, and Promote to employees to turn off lamps when leaving, sort garbage, and water saving etc. The Company is not manufacturing and has no gas emissions, so the greenhouse gas reduction strategy has not been clearly defined.	As the Summary Description

Assessment Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
4. Society Topic (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company abides by the rules, policies, and procedures of the Labor Standards Act and international human rights agreements to protect the legitimate rights and interests of employees. The explanation is as follows: 1. Working conditions, labor rights: Any distinction regardless of race, color, sex, language, religion, political or other opinion, nationality or social origin, property, birth or other status. The company has not hired child worker. 2. Freedom of assembly and association: Employees can apply for associations to organize club activities; labor conferences can negotiate and communicate the rights of employers and employees. 3. Physical and mental safety, social Security: Annual health checkup, prohibit workplace bullying and harassment and nursing breaks. 4. Other measures: Religious freedoms, personal data protection, encourage creation and education training.	None
(2)Does the Company establish and implement rational employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration policy?	V		Article 23, of the Articles of Association states that if the Company makes a profit for the year, it shall allocate no less than 2 percent of such profits. The Company‘s Remuneration Committee has formulated an overall, Company-wide remuneration policy. This remuneration policy includes monthly fixed salaries and annual bonuses. And the Company provides a certain percentage of profits as employee bonuses in accordance with Company performance. The Company also has approved “Principles of Ethical Corporate Management” and “Work Rules” that stipulate dishonest conduct and relevant punishments.	None
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The company has fire safety inspect annually, carbon dioxide testing twice a year, office fire insurance, public accident insurance, and has access control to enhance the safety of the working environment. Occupational safety and health education training and employee health checkups are held once a year to strengthen employees' awareness of safety and health. Since 2020 on-the-spot services for medical staff have been implemented, and health lectures have not been held regularly.	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation</th><th rowspan="2">Reason for Non-implementation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>The Company regularly implements labor safety awareness to employees, in case of the flu epidemic period advocated wearing masks and in the door-to-door entrance and exit with disinfection alcohol, for employees to enter and exit the use.</td><td></td></tr>
<tr><td>(4) Does the Company provide its employees with career development and training sessions?</td><td>V</td><td></td><td>The company arranges professional training, English learning courses and specific professional skills training courses to increase work quality and performance.</td><td>None</td></tr>
<tr><td>(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</td><td>V</td><td></td><td>When the company provides services to customers, the transaction process is completed according to the contract contents signed by both parties.</td><td>None</td></tr>
<tr><td>(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.</td><td>V</td><td></td><td>The company pays attention to the quality of the products. The suppliers' selection conditions emphasize the stable quality and the reputable manufacturers.
There is no violation of corporate social responsibility policy in the procurement contract between the Company and the supplier. The suppliers that the company has traded over the years are all good companies, and no violations of major regulations. If the supplier is found that has major violations of corporate social responsibility, environmental and social issues, the Company will take countermeasures.</td><td>None</td></tr>
<tr><td>5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?</td><td></td><td>V</td><td>The Company has not prepared the CSR report</td><td>As the Summary Description</td></tr>
<tr><td colspan="5">6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the Company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies:
The Company has established “Corporate Social Responsibility Best Practice Principles” according to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”. The Company has also established a stakeholder area on the website to respond issues of concern to stakeholders; The Company fully discloses relevant and reliable information for stakeholders, either. Except for the current CSR report, there is no significant difference in implementation.</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices：
The Company holds the "Andes Certified Engineer Test (ACET™) Program" every year, which can screen out engineers who are skilled in using the Andes development system. In 2019, a total of 175 students participated in</td></tr>
</table>

Assessment Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
the ACET™ test. The Company's accreditation plans and donations in order to help students understand practical, applied and future employment opportunities. For other information, please refer to the website: http://www.andestech.com				

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

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

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company has a president mailbox, and the Company's website also has a ethics reporting mailbox to serve as a pipeline for stakeholders.	None
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		The Company has established effective systems for both accounting and internal control, which are regularly audited by internal auditors.	None
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		The "Prevention of Insider Trading and Corporate Governance" was propagated to director at the department level and above in the regular. In addition, explain the Company's integrity management and ethical code of conduct for new employees.	None
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has a president mailbox, and the Company's website also has an ethics reporting mailbox to serve as a pipeline for stakeholders. mailbox: er@andestech.com	None
(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		Once the complaint is accepted, it must be immediately process; If the rights are damaged or there are other opinions, the appeal can be filed and the result will be overwritten by the complainant and will be treated with the highest level of confidentiality.	None
(3) Does the Company provide proper whistleblower protection?	V		Handling the above matters will give priority to protecting whistleblower.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company has set up an "Ethical Corporate Management Policy" and disclosed on the MOPS and Company's website at http://www.andestech.com .	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has set up an "Ethical Corporate Management Policy" and the practices are in accordance with Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): None.				

4.8. Corporate Governance Guidelines and Regulations

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

4.9. Other Important Corporate Governance Information: In addition to the Company's website, information is disclosed on the MOPS.

4.10. Status of the Internal Control System Implementation

4.10.1 Declaration of Internal Control

Andes Technology Corporation

Statement of Declaration of Internal Control

Date: March 3, 2020

Andes Technology Corporation has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31, 2019, and hereby declares the following:

i. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.

ii. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The Company will take immediate corrective actions once any shortcomings are identified.

iii. The Company judges the effectiveness of the internal control systems in design and enforcement according to the “Criteria for the Establishment of Internal Control Systems of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.

iv. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement

v. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.

vi. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.

vii. This statement of declaration has been approved by the Board on March 3, 2020 with all Directors in session under unanimous consent.

Andes Technology Corporation

Chairman: Ming-Kai Tsai

President: Jyh-Ming Lin

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

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

4.12. Major Resolutions of Shareholders' Meeting and Board Meetings

4.12.1. Shareholders' Meeting

Meeting	Date	Major Resolutions	Implementation Status
2019 Annual General Meeting	June 18th, 2019	Acknowledgement Items: (1) The 2018 business report and financial statements (2) Adoption of the Proposal for 2018 Deficit Compensation	Approved. Approved.
		Discussion Items: (1) Amendments to the Company's "Articles of Association" (2) Amendments to the Company's "Procedures Governing the Acquisition or Disposition of Assets" (3) Amendments to the Company's "Operating Procedures of Endorsement and Guarantee" (4) Amendments to the Company's "Operating Procedures of Outward Loans to Others"	Approved. Approved. Approved. Approved.
2019 First Extraordinary General Meeting	October 2nd, 2019	Discussion Items: (1)Amendments to the Company's "Articles of Association" (2) Amendments to the Company's "Rules for Election of Directors and Supervisor" (3) Amendments to the Company's "Rules and Procedures of Shareholders' Meeting" (4) Amendments to the Company's "Operating Procedures of Endorsement and Guarantee" (5) Amendments to the Company's "Operating Procedures of Outward Loans to Others" (6) Amendments to the Company's "Procedures Governing the Acquisition or Disposition of Assets"	Approved Approved. Approved. Approved. Approved. Approved.
		Elections: (1) By-election of the 6th independent director of the Company	The list of elected independent directors is as follows： Tien-Fu Chen Application for amendment of registration was approved by the Hsinchu Science Park Administration on October 21, 2019 with an approval letter.

4.12.2. Board Meetings

Meeting	Date	Major Approvals
The 4th meeting of the 6th board	March 15, 2019	1. Matter of the distribution of 2018 employee compensation and remuneration of directors and supervisors 2. Approving 2018 business report and financial statements. 3. Approving the distribution of 2018 profits 4. Amendment to the Company's "Procedures for Acquisition or Disposal of Assets" 5. Amendment to the Company's "Articles of Incorporation" 6. Amendment to the Company's "Corporate Governance Best Practice Principles" 7. Acceptance of the date, location and agenda for 2019 shareholders' meeting 8. Approving 2019 business plan. 9. Approving Loan Commitments with Land Bank Of Taiwan Co., Ltd. 10. Approving Loan Commitments with Mega International Commercial Bank Co., Ltd. 11. 2018 internal control system statement 12. Assess CPA's independence 13. CPA compensation 14. Amendment to the matter of 2019 managers' salary and compensation
The 5th meeting of the 6th board	May 2, 2019	1. Amendment to the Company's "Operational Procedures for Loaning of Company Funds" 2. Amendment to the Company's "Operational Procedures for Endorsements and Guarantees" 3. Amendment to the Company's "Rules and Procedures for Board of Directors Meetings" 4. Amendment to the Company's" regulations governing the board performance evaluation with reference" 5. Add case of Proposed Resolutions to the 2019 shareholders' meeting
The 6th meeting of the 6th board	August 7, 2019	1. Formulate the Company's "Organizational Rules of Audit Committee" 2. Amendments to the Company's "Articles of Association" 3. Amendments to the Company's "Rules for Election of Directors and Supervisor" 4. Amendments to the Company's "Rules and Procedures of Shareholders' Meeting", "Operating Procedures of Endorsement and Guarantee", "Operating Procedures of Outward Loans to Others" and "Procedures Governing the Acquisition or Disposition of Assets" 5. By-election of the 6th independent director of the Company 6. Adoption of the Independent Director candidate nomination time and place for the 6th term 7. Adoption of the removal of business strife limitation on the Company's 6th term newly independent directors. 8. Acceptance of the date, location and agenda for 2019 First Extraordinary General Meeting 9. Approving Loan Commitments with BANK SINOPAC CO.LTD. 10. Amendment to the Company's "accounting system" 11. Amendment to the Company's "Internal regulations" 12. Amendment to the Company's " Internal control policy, internal audit implementation rules and Internal control system self-assessment operation management method" 13. Amendment to the Company's" Compensation of the Directors, Supervisors and Managerial officers Administration Regulation" 14. Formulate the Company's "Staff Shareholding Trust Management "Measures"
The 7th meeting of the 6th board	August 30, 2019	1. Review the candidate list for election of the independent directors for the 6th term. 2. Adoption of the removal of business strife limitation on the Company's 6th term newly elected independent directors for 2019 First Extraordinary General meeting. 3. Amendment to the Company's the reason for convening 2019 First Extraordinary General meeting.

Meeting	Date	Major Approvals
		4. Appointment of Chief Internal Auditor
The 8th meeting of the 6th board	October 31, 2019	1. Approving of foreign subsidiary Everest Peaks Technology Corporation (BVI) to reinvest in US subsidiary Andes Technology USA Corporation. 2. Approving 2020 business plan. 3. Approving 2020 "Internal Audit Plan" 4. Appointment of independent director Tien-Fu Chen as a member of the second Remuneration Committee Meetings of the Company 5. Key management's remuneration proposal for 2019. 6. Key management's remuneration proposal for 2020.
The 9th meeting of the 6th board	March 3, 2020	1. Matter of the distribution of 2019 employee compensation and remuneration of directors and supervisors 2. Approving 2019 business report and financial statements. 3. Approving the distribution of 2019 profits 4. Co-opted the second seat of the 6th director of the Company 5. Adoption of the director candidate nomination time and place for the 6th term 6. Adoption of the director candidate nomination list for the 6th term. 7. Adoption of the removal of business strife limitation on the Company's 6th term newly elected directors .Amendment to the Company's " Corporate Governance Best Practice Principles" 8. Amendments to the Company's "Ethical Corporate Management Best Practice Principles" 9. Amendments to the Company's "Rules and Procedures of Shareholders' Meeting" 10. Acceptance of the date, location and agenda for 2020 shareholders' meeting 11. Amendments to the Company's "Management of Operation of Board Meeting" 12. Amendments to the Company's "Remuneration Committee Charter" 13. Amendments to the Company's "Audit Committee Charter" 14. Amendment to the Company's" Internal control policy" 15. 2019 Internal Control statement 16. Approving Loan Commitments with Mega International Commercial Bank Co., Ltd. 17. Assess CPA's independence 18. CPA's remuneration for 2020 19. Amendments to the Company's Key management's remuneration proposal for 2020
The 10th meeting of the 6th board	May 5, 2020	1. Amendment to the Company's the reason for 2020 shareholders' meeting 2. Approving Loan Commitments with Land Bank of Taiwan

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

4.14. Resignation of Personnel Related to Financial Statement Preparation in 2019 to the Printing Date of this Report:

Title	Name	Date of taking office	Resignation date	Reason for the change
Internal Audit Officer	Ying-Chen Liao	2014.05.02	2019.08.16	Resignation

5. Information Regarding the Company's Independent Auditors

5.1. Auditor Information

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	2019	-

5.2. Audit Fees

5.2.1. Information on Audit Fees

Unit: NT$ thousands

	Fee Items / Fee Range	Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000		✓	
2	NT$2,000,001 ~ NT$4,000,000	✓		✓
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Ernst & Young	Shou-Pin Kuo Jia-Ling Tu	2,470	0	0	0	0	0	2019	-

5.2.2. Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee: None.

5.2.3. Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: Not applicable.

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

6. Changes in Independent Auditors
Not applicable.

7. The Company's Chairman, President or managers in charge of finance or accounting has been under current audit firm or its affiliates' employment in 2019
Not Applicable.

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

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

Unit: Shares

Title	Name	2019		As of April 30, 2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	MediaTek Capital Corp.	0	0	0	0
	Rep: Ming-Kai Tsai	0	0	0	0
Director	National Development Fund	(3,277,000)	0	0	0
	Rep: Hahn-Ming Lee	0	0	0	0
Director	Hotran Resource Development Ltd.	(454,825)	0	0	0
	Rep: Chun-Huei Ho	0	0	0	0
Director & President	Jyh-Ming Lin	0	0	3,000	0
Independent Director	Hsiao-Ping Lin	0	0	0	0
Independent Director	Chien-Kuo Yang	0	0	0	0
Independent Director (Note 2)	Tien-Fu Chen	0	0	0	0
Supervisor(Note 3)	Jian-Hsu Investment Co., Ltd.	0	0	Not Applicable	Not Applicable
	Rep: Ding-Hua Hu	0	0	Not Applicable	Not Applicable
Supervisor(Note 4)	Chung-Laung Liu	0	0	Not Applicable	Not Applicable
Supervisor (Note 4)	Ying-Chih Wu	0	0	Not Applicable	Not Applicable
Proportion of more than 10% of shareholders	MediaTek Capital Corp.	0	0	0	0
CTO & Executive Vice President(Note 1)	Hong-Men Su	(2,000)	0	0	0
Vice President	Kuo-Chi Lin	112,000	0	(15,000)	0
Vice President	Jen-Chih Tseng	(38,000)	0	27,000	0
Vice President	Yung-Ching Hsiao	0	0	0	0
Assistant Vice President	Kuen-Chern Lin(Note5)	Not Applicable	Not Applicable	0	0
Assistant Vice President	Chuan-Hua Chang(Note5)	Not Applicable	Not Applicable	0	0
Assistant Vice President	Han-Chang Chou	0	0	0	0

Note 1: Director Hong-Men Su resigned on October 2,2019.

Note 2: The independent director of Tien-Fu Chen was elected on October 2, 2019 in the Extraordinary General meeting.

Note 3: Supervisor Ding-Hua Hu was Passing away on July 11,2019. Supervisor Jian-Hsu Investment Co., Ltd. resigned on July 23,2019. The calculation period for the number of shares disclosed is from January 1, 2019 to July 23, 2019.

Note 4: The Company set up an audit committee to replace the supervisor on October 2, 2019 by a resolution of the shareholders' interim meeting, so the supervisors Chung-Laung Liu and Ying-Chih Wu resigned on October 2, 2019 The calculation period for the number of shares disclosed is from January 1, 2019 to October 2, 2019.

Note 5: Assistant Vice President Kuen-Chern Lin and Assistant Vice President Chuan-Hua Chang took office on April 1, 2020, The calculation period for the number of shares disclosed is from April 1, 2020 to April 30, 2020.

8.2. Information on stock transfer: None.

8.3. Information on pledge of share: None.

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

As of April 20, 2020

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3rd Party		Top 10 Shareholders Who are Related Parties to Each Other	
	Shares	%	Shares	%	Shares	%	Name	Relationship
MediaTek Capital Corp.	5,657,324	13.26	0	0	0	0	-	-
Rep: Ming-Kai Tsai	0	0	0	0	0	0	-	-
National Development Fund	2,979,237	6.98	0	0	0	0	-	-
Rep: Hahn-Ming Lee	0	0	0	0	0	0	-	-
Shui-Cheng Tu	2,274,000	5.33	(Note 2)	0	(Note 2)	0	-	-
Jyh-Ming Lin	542,493	1.27	121,668	0.29	0	0		
Ming-Te Lai	515,000	1.21	(Note 2)		(Note 2)			
Kuo-Yao Kao	455,550	1.07	(Note 2)		(Note 2)			
Hotran Resource Development Ltd. managed by Mega International Commercial Bank (Note1)	455,000	1.07	0	0	0	0	-	-
Rep: Chun-Huei Ho	0	0	0	0	0	0	-	-
Transglobe Life Insurance Inc	400,000	0.94	0	0	0	0	-	-
Kuo-Kuang Chen	380,732	0.89	(Note 2)	0	(Note 2)	0	-	-
Ming-Chien Hsien	347,000	0.81	(Note 2)	0	(Note 2)	0	-	-

Note 1: According to Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals, Hotran Resource Development Ltd.as an offshore overseas Chinese or foreign national, that invests in domestic securities shall designate a bank or securities firm approved by the FSC to act as its custodian institution and to handle related matters.

Note 2: The Shareholder is not a internal of the Company, could not get the information of shareholding under spouse and minor and shareholding under 3rd party.

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

December 31, 2019

Investment	Investments by the Company (1)		Investments Directly or Indirectly Controlled by Directors and Managers of the Company (2)		Total Investment (1) + (2)	
	Shares	%	Shares	%	Shares	%
Everest Peaks Technology Corporation	5,858,780	100	0	0	5,858,780	100
Andes Technology （Samoa） Corporation	2,058,780	100	0	0	2,058,780	100
Andes Technology (Wuhan) Corporation	- (Note)	100	- (Note)	0	- (Note)	100
Andes Technology USA Corporation	3,800,000	100	0	0	3,800,000	100
Andes Shanghai Technology Corporation	- (Note)	100	- (Note)	0	- (Note)	100

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

IV. Capital and Shares

1. Capital and Shares

1.1. Source of Capital

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

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

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

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

As of April 20, 2020 Unit: Shares

Type of Stock	Authorized Capital			Remarks
	Outstanding	Un-Issued	Total	
Common Stock	42,650,911	27,349,089	70,000,000	Listed on TSE

Shelf Registration: Not Applicable

1.2. Composition of Shareholders

As of April 20, 2020 Unit: Shares, %

Type of Share-Holders / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Persons	Total
Number of Shareholders	1	4	109	11,656	19	11,789
Shareholding	2,979,237	665,050	6,136,186	31,614,591	1,255,847	42,650,911
Holding Percentage	6.98	1.56	14.39	74.12	2.95	100

1.3. Distribution of Shareholding

As of April 20, 2020

Common Share Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	6,293	156,447	0.37
1,000 ~ 5,000	4,517	8,142,736	19.09
5,001 ~ 10,000	519	3,865,237	9.06
10,001 ~ 15,000	150	1,827,320	4.29
15,001 ~ 20,000	80	1,447,589	3.39
20,001 ~ 30,000	82	2,084,455	4.89
30,001 ~ 50,000	62	2,443,434	5.73
50,001 ~ 100,000	39	2,642,386	6.20
100,001 ~ 200,000	29	3,826,865	8.97
200,001 ~ 400,000	11	3,335,838	7.82
400,001 ~ 600,000	4	1,968,043	4.61
600,001 ~ 800,000	0	0	0
800,001 ~ 1,000,000	0	0	0
Over 1,000,001	3	10,910,561	25.58
Total	11,789	42,650,911	100.00

Note: Andes has not issued preferred stocks.

1.4. Major Shareholders

As of April 20, 2020

Shares / Name	Total Shares Owned	Ownership (%)
MediaTek Capital Corp.	5,657,324	13.26
National Development Fund	2,979,237	6.98
Shui-Cheng Tu	2,274,000	5.33
Jyh-Ming Lin	542,493	1.27
Ming-De Lai	515,000	1.21
Guo-Yao Gao	455,550	1.07
Hotran Resource Development Ltd. managed by Mega International Commercial Bank	455,000	1.07
TransGlobe Life Insurance Inc.	400,000	0.94
Kuo-Kuang Chen	380,732	0.89
Ming-Jie Xie	347,000	0.81

Note 1: According to Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals, Hotran Resource Development Ltd.as an offshore overseas Chinese or foreign national, that invests in domestic securities shall designate a bank or securities firm approved by the FSC to act as its custodian institution and to handle related matters.

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

Unit: NT$

Item \ Year			2018	2019	April 30 2020
Market Price Per Share	Highest		196	151.5	137.5
	Lowest		59.5	75.2	66.1
	Average		115.73	116.1	104.53
Book Value Per Share	Before Distribution		27.88	27.53	26.30（Note 5）
	After Distribution		27.18	27.19	26.30（Note 5）
Earnings Per Share	Weighted Average Shares(K)		42,651	42,651	42,651（Note 5）
	Earnings Per Share		0.97	0.38	(0.89)（Note 5）
Dividends Per Share	Cash Dividends		0.70	0.34	NA
	Stock Dividend	From retained earnings	0	0	NA
		From capital reserve	0	0	NA
	Accumulated Undistributed Dividend		0	0	14,507
Return on Investment	Price/Earnings Ratio(Note 2)		119.31	305.53	NA
	Price/Dividend Ratio(Note 3)		166.02	341.35	NA
	Cash Dividend Yield(Note 4)		0.0060	0.0029	NA

Note 1: The Company has passed a special resolution on the board of director of March 3, 2020 to approve the distribution of cash dividends.

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

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

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

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

1.6. Dividend Policy and Status

1.6.1. Dividend Policy under the Articles of Incorporation

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

(1) Reserve for tax payments.

(2) Offset accumulated losses in previous years, if any.

(3) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company’s total capital stock.

(4) Allocation or reverse of special reserves as required by law or government authorities.

(5) The remaining net profits and the retained earnings from previous years will be allocated as shareholders’ dividend. The Board of Directors will prepare a distribution proposal. If the distribution proposal in form of new shares to be issued by the Company should submit the same to the shareholders’ meeting for review and approval by a resolution; If such surplus earning is distributed in the form of cash, it shall be special approved by the board of directors, and report to the shareholders' meeting.

In accordance with the provisions of Article 241 of the Company Law, the Company will issue all or part of the statutory surplus reserve and capital reserve to new shares or cash according to the proportion of the shareholders’ original shares. With more than two-thirds of the directors' attendance, and resolutions where more than half of the directors attended, and report to the shareholders' meeting.

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

1.6.2. Proposal to Distribute Profits:

On March 15, 2019, Andes' board of directors adopted a proposal recommending distribution of a 2018 cash dividend of NT$0.669708658 per common share, which was approved by the annual general meeting of shareholders on June 18, 2019. In the same meeting, shareholders also approved the amendments to Andes' Articles of Incorporation to authorize the Company's board of directors to approve cash dividends after the close of the year.

On March 3, 2020, Andes' board of directors passed a special resolution that the proposed Cash dividend to shareholders was NT$ 14,506,520 (NT$0.340122 per share). The Chairman of the Board is authorized to make the Ex-dividend base date and the dividend payment date.

1.7. Effect of 2019 Share Dividends to Operating Performance and EPS: Not applicable.

1.8. Employees' Compensation and Remuneration to Directors

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

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

1.8.2. Accounting for Employees' Compensation and Remuneration to Directors

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

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

(1) Based on the profit for the year ended December 31, 2019, ANDES estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 to be 2% and 0.99% of profit for the year ended December 31, 2019. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 amounted to NT$ 945 thousand and NT$ 189 thousand, respectively. There is no difference with the estimated annual amount of 2019 expenses.

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

1.8.4. Earnings Retained in Previous Period Allocated as Employee Compensation and Directors Remuneration:

Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amounted to NT$730 thousand and NT$ 363 thousand, respectively. The actual distribution number was no difference with the board of directors adopted proposal.

1.9. Repurchase of Company Shares: None.

2. Status of Corporate Bonds

None.

3. Status of Preferred Stocks

None.

4. Status of GDR/ADR:

None.

5. Status of Employee Stock Option Plan

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

Employee Stock Options Granted	10301 Grant	10302 Grant	10303 Grant	10401 Grant
Approval Date by the Securities & Futures Bureau	Not applicable	Not applicable	Not applicable	Not applicable
Issue (Grant) Date	2014.7.21	2014.10.03	2014.12.26	2015.03.27
Number of Options Granted	2,520	100	297	83
Percentage of Shares Exercisable to Outstanding Common Shares	6.20%	0.25%	0.73%	0.20%
Option Duration	6 years	6 years	6 years	6 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	Issuing day：100%	Issuing day：100%	Issuing day：100%	Issuing day：100%
Shares Exercised	2,468,000	80,000	297,000	77,000
Value of Shares Exercised	10	10	10	Before 2016.8.26：23.2 After 2016.8.26：22.5
Shares Unexercised	0	0	0	0
Adjusted Exercise Price Per Share($NT)	10	10	10	22.5(Note1)
Percentage of Shares Unexercised to Outstanding Common Shares	0	0	0	0
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited.			

Note1：Since the Company went through capital increase from capital reserve on August 26, 2016, the share capital increased from NT$ 360,305 thousands to NT$ 371,114.15 thousands, the Exercise Price was adjusted from NT$ 23.2 to NT$ 22.5 per share.

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

<table>
<tr><th colspan="2" rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Number of Option Acquired (shares)</th><th rowspan="2">Number of Option Acquired / Number of Option Issued (%)</th><th colspan="4">Exercised</th><th colspan="4">Not Exercised</th></tr>
<tr><th>Number of Option (shares)</th><th>Exercise Price (NT$)</th><th>Option amount(NT$)</th><th>Number of Option / Number of Option Issued (%)</th><th>Number of Option (shares)</th><th>Exercise Price (NT$)</th><th>Option amount(NT$)</th><th>Number of Option / Number of Option Issued (%)</th></tr>
<tr><td rowspan="10">Manager</td><td>President</td><td>Jyh-Ming Lin</td><td rowspan="10">1,681,000</td><td rowspan="10">4.14</td><td rowspan="4">1,088,500</td><td rowspan="4">10</td><td rowspan="4">10,885,000</td><td rowspan="4">2.68</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td></tr>
<tr><td>VP</td><td>Hong-Men Su</td></tr>
<tr><td>VP</td><td>Kuo-Chi Lin</td></tr>
<tr><td>VP</td><td>Jen-Chih Tseng</td></tr>
<tr><td>VP</td><td>Yung-Ching Hsiao</td><td rowspan="3">536,500</td><td rowspan="3">20</td><td rowspan="3">10,730,000</td><td rowspan="3">1.32</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td></tr>
<tr><td>AVP</td><td>Han-Chang Chou</td></tr>
<tr><td>VP (Note 1)</td><td>Lai,Chi-Chang</td></tr>
<tr><td>VP (Note 2)</td><td>Wang, Tung-Hua</td><td rowspan="3">21,500</td><td rowspan="3">19.4</td><td rowspan="3">417,100</td><td rowspan="3">0.05</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td></tr>
<tr><td>AVP (Note 3)</td><td>Yeh,I-Chung</td></tr>
<tr><td>AVP (Note 1)</td><td>Lai,Chun-Tse</td></tr>
<tr><td rowspan="10">Employee</td><td>AVP (Note 4)</td><td>Chang,chuan-hua</td><td rowspan="10">876,000</td><td rowspan="10">2.16</td><td rowspan="3">593,500</td><td rowspan="3">10</td><td rowspan="3">5,935,000</td><td rowspan="3">1.46</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td></tr>
<tr><td>Manager</td><td>Chen,hsin-ming</td></tr>
<tr><td>Director</td><td>Liu,chun-hung</td></tr>
<tr><td>Deputy Director</td><td>Chen, Tien-Hsiung</td><td rowspan="3">265,000</td><td rowspan="3">20</td><td rowspan="3">5,300,000</td><td rowspan="3">0.65</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td></tr>
<tr><td>Senior Director</td><td>Huang, Kuo-Cheng</td></tr>
<tr><td>AVP (Note 4)</td><td>Lin,Kun-Cheng</td></tr>
<tr><td>Deputy Director</td><td>Hu,Ta-Wei</td><td rowspan="2">6,000</td><td rowspan="2">23.2</td><td rowspan="2">139,200</td><td rowspan="2">0.01</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td></tr>
<tr><td>Senior Director</td><td>Hsieh,Yu-Ling</td></tr>
<tr><td>Senior Architect</td><td>Chen,I-Cheng</td><td rowspan="2">6,000</td><td rowspan="2">19.4</td><td rowspan="2">116,400</td><td rowspan="2">0.01</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td></tr>
<tr><td>Deputy Director (Note 1)</td><td>Wang, Ping-Hsing</td></tr>
</table>

Note 1: the owner has resigned.
Note 2: the owner has retired.
Note 3: the owner has passed.
Note4：The Company's employee stock option has been fully exercised in the year 2017. Although the employee was promoted to manager in April 2020, he is still listed under the employee's title according to the 2017-year title.

6. Status of New Employees Restricted Stock Issuance: None.
7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.
8. Financing Plans and Implementation: Not applicable.

V. Business Overview

1. Business Scope

1.1. Business Scope

1.1.1. Main Business Activities of the Company

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

1.1.2. Business Distribution of Our Main Products

Unit: NT$ thousands

Main Products	2018		2019	
	Amount	%	Amount	%
Licensing of CPU IP	211,029	69	276,064	56
Royalty revenues	74,953	25	106,716	22
Custom Computing Service	0	0	79,939	16
Maintenance services and others	18,774	6	32,132	6
Total	304,756	100	494,851	100

1.1.3. Products Currently Offered by the Company

The Company is the first domestic professional CPU IP supplier, and is committed to providing low power and high performance CPU and peripheral Platform IPs, as well as necessary development tools and software. Our main products are:

(1) Technical service revenues, including:
   a. AndesCore™: a series of configurable CPU core families series and their Companion IPs (hereinafter referred to as AndesCore™).
   b. AndeSight™, an integrated software development environment which is an optimized tool for software/hardware development and debugging. (hereinafter referred to as AndeSight™)
   c. Maintenance fee: customers pay the maintenance fee each year to get the updated revisions of CPU IPs and development tools.
   d. License fee: The Company has granted the licenses of our CPU IPs and Platform IPs to SoC design companies, and charges the license fee based on the quantity used.
   e. AndeStar™, an instruction set includes 16-bit and 32-bit mixed-length instructions (hereinafter referred to as AndeStar™).
   f. AndeSoft™, the optimized targets running on AndesCore™ processors, including system software, driver, and middleware (hereinafter referred to as AndeSoft™).
   g. Custom Computing, Provide high-value CPU IP design and integration services according to customer needs.

(2) Technology royalties: customers use licensed CPU IPs to design SoC ICs. The Company collects royalties based on their sales volume after mass production.

(3) Others: It refers to AndeShape™, an integrated hardware development environment including development platforms and Platform IPs which help customers quickly develop their SoC. It is mainly sold to customers and universities for research and development, chip debugging or teaching (hereinafter referred to as AndeShape™).

1.1.4. New Products Planned for Development

The Company continues to develop CPU IPs which meet the needs of customers and market. In addition to the existing V3 processors including N7 ~ N15, S8, E8, D10, and D15, as well as RISC-V V5 processors including N22, N(X)25, D25F, A(X)25, A(X)25MP, Andes is going to develop (1) single-core and multi-core 27-series processors with RISC-V vector extension technology and high-performance memory subsystems, as well as (2) Superscalar single-core and multi-core 45-series processors. Andes will as well enhance the security functions for CPU and build more complete hardware and software architecture. Meanwhile, we will corporate with more partners to establish the Andes' ecosystem that facilitates the development of SoC.

1.2. Industry Outlook

1.2.1. Current Condition of the Industry and its Development

As the semiconductor manufacturing process has grown with a doubling rate of Moore's Law and consumer electronic products evolves quickly with varying needs, the IC design industry in Taiwan has largely adopted the technologies of the SoC and embedded system to design products. With the features of strong performance, multiple functions, low price and rapid time-to-market, they have played an important role on global information products and consumer IC supplies. While the industry has developed and the products has evolved for many years, the 8-bit 8051 Micro Controller Unit (MCU) or low-bit Digital Signal Processor (DSP) is still used for low-end SoC products. However, as the tasks are getting more and more complex, the computing capability has to be improved to meet the needs for expanded functions, and provide network connectivity. The core processors of the products in this market segment have been gradually replaced by 32-/64-bit microcontroller. In addition to products from the Company, the processors used in high-end SoC products include Micro Processor Units (MPUs) from companies such as ARM and MIPS.

"Embedded processors" refers to the core processors of embedded systems. The commonly seen processor chips in the market are often used in the PC system, such as Intel Core processors or AMD processors. Another processor type is Application Processor (AP), which is an embedded processor, for example, Qualcomm's Snapdragon Series, a mobile application processor, or Apple's A7-A13 processors using the ARM-based SoC design.

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

(1) Normal License or Soft Core License: It is typically offered as synthesizable RTL codes. Customers can perform the optimal logic synthesis and physical design on their processors based on the fab, process, cell library, and the performance/power/area requirements. Its disadvantage is that it is susceptible to improper leak and usage without authorization. In practice, authorized vendors protect their Soft Core using legal provisions of the contract.

(2) Hard Core License: SIP vendor have to complete the logic synthesis and physical design in advance, and work with specific fabs and process parameters. Because the options available for customers may be limited, authorized vendors no longer provide hard core products in recent years.

(3) Architecture License: Architecture License is needed when customers with better engineering capabilities intend to use instruction set architecture for processors to perform implementations by themselves to add functions and features different than those of the Normal License. Architecture License fees are typical much higher than the Normal License ones.

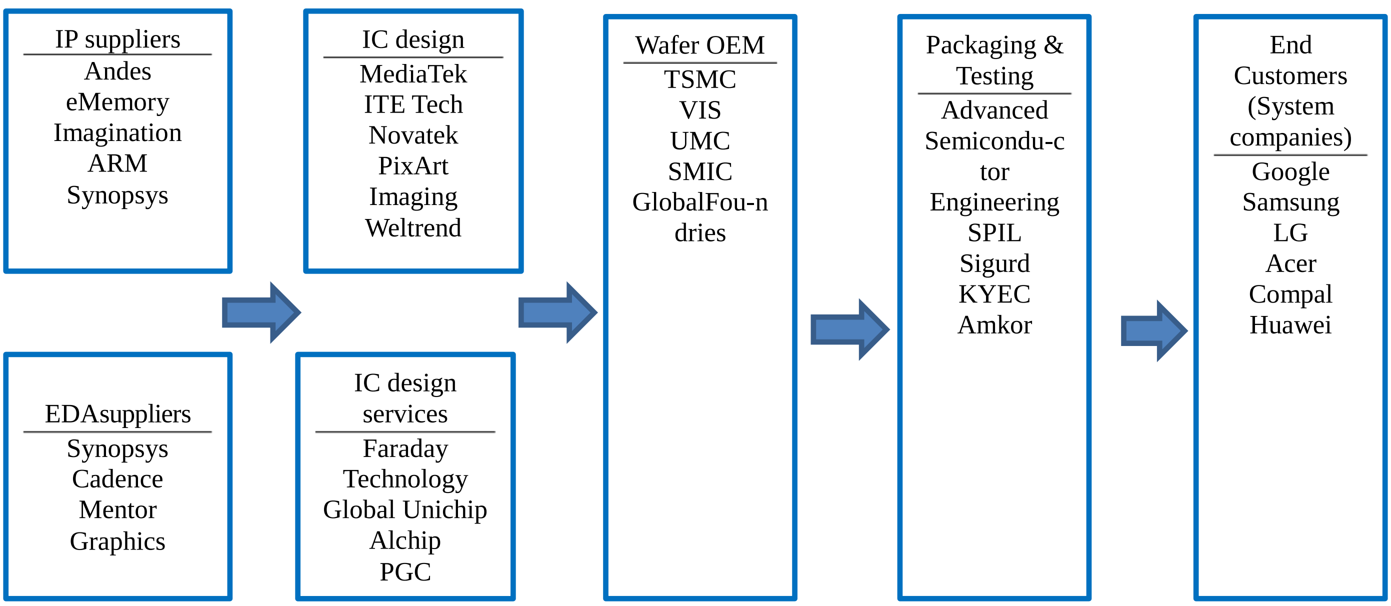
The Company's business is mainly on the Soft Core License.

1.2.2. The Supply Chain of the Industry

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

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

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



1.2.3. Development Trends of Products

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

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

(1) Architecture: To meet the needs of various applications, the processor architecture should be flexible in design, and can add function units, such as instruction set expansion, floating point unit, digital signal processing (DSP), single instruction multiple data (SIMD), vector engine, multi-core processor, and custom instruction set, etc.

(2) Trade-off between energy-saving and performance: For the technical aspect, there are often trade-offs between energy-saving and performance, and it is not easy to have advantages of both. In recent years, the design tools and methodologies have been improved and the practical concepts have been introduced to the industry. In addition to the pursuit of low power consumption, how to obtain the optimal performance and power consumption per unit area of a chip on the Performance-Power-Area (PPA) indicator is the goal that the IC design industry strives to achieve.

(3) Industry standards and ecosystem: As the application areas have been evolving, relevant industry organizations have been established and the industrial standard specifications have been developed. In addition to the development of various standards and applications, corresponding products and solutions should be launched. In response to the trend of professional division of labor in the industry, it is necessary to cooperate with technical partners to exert complementary effects on products and services, thereby enhancing market visibility and influence of the ecosystem, and further expanding the customer base.

1.2.4. Product Competition

In the current global embedded processor market, the major suppliers are ARM, ARC, MIPS, Tensilica and Andes. According to IPnest's data, the top three companies with the highest revenues in recent years are ARM, ARC, and MIPS. The following introduces the top three embedded processor companies:

(1) ARM

It is the world's largest embedded processor supplier. Its main application fields include smart phones, tablets, digital TVs, set-top boxes, etc. In addition to the previous-generation products ARM7 and ARM9 Series which have been widely used, the current processor product line is classified into Cortex-A, Cortex-R, and Cortex-M three series based on the application and technical characteristics. In addition to the function extension IPs related to the processors, ARM also provides GPU IP products. In September 2016, ARM was acquired by SoftBank, a Japanese telecommunications company.

(2) ARC

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

(3) MIPS

It is a company split from SGI in 2000 which provides processor IPs. In addition to being widely used for the computer systems and several video consoles, MIPS processors had a high market share in the networking & communication, digital TV, and multimedia. In December 2012, Imagination Technologies acquired MIPS. In September 2017, Imagination Technologies sold MIPS to Tallwood Venure Capital. In June 2018, Wave Computing, an AI chip start-up company, acquired MIPS.

In addition to the companies above, the IC design industries in Japan, Korea, China or other emerging countries have significantly invested in the R&D on the processor technology. They also have researched and developed related processor technology. Japan has invested in the processor technology and product development for decades. In recent years, except for the high-end super computers and SH architecture processors, the application of their own processors has been gradually replaced by licensable processors. Renesas Electronics Corporation owns the SH architecture processors which have a considerable market share in the consumer electronics and automotive electronics, but it has been declining gradually. The SH architecture processors are used in Renesas' own chips and are not licensed as SIP to other companies. China has set up processor development as its national-level strategic goal for the industry, and the specific output is represented by Loongson processor chips for servers used by government units. Its processor SIP is the licensed MIPS architecture so that there is no business like SIP license. In addition to low brand recognition and technical capabilities which are not recognized, some of the other small processor SIP companies in Chain do not possess of their own architectures and core technologies, while others are small-sized and only provide services for local customers. Some of the other embedded processor companies in Taiwan adopt Architecture License, such as Faraday Technology, a design service company (which uses the ARM-based architecture), while some adopt compatible instruction sets, such as RDC Semiconductor (which uses the x86 architecture). In addition to being unable to master the processor core technology and definition rights and lacking design flexibility, core processors of the former companies are only available for their own design service chips and cannot be licensed. Meanwhile, they have to pay a great deal of license fees and be constrained by technology source companies. The latter companies are able to enter the old ecosystem quickly. However, for newer functions and technological integration required by SoC and embedded systems, their products lag behind those of the instruction set source companies for several generations, because they do not have basic processor technology, the right to define specification, and the patents are not theirs. In addition, they have to invest more in the hardware/software integration. The RISC-V architecture is an open source instruction set developed by The University of California, Berkeley in U.S.A. Currently, the establishment and promotion of the follow-up architecture is led by the RISC-V Foundation established in 2015. RISC-V Foundation has more than 400 members all over the world. The x86-based architecture dominates the PC market while the ARM-based architecture dominates the mobile phone market. The simplified, modular, and scalable RISC-V architecture will become the dominating one for the IoT and other consumer electronics markets. Andes, as a founding member and a Platinum member of the RISC-V Foundation, is one of the main suppliers of hardware and software solutions for RISC-V core processors.

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

1.3. Technology and R&D

1.3.1. The R&D spending in 2019 and up to March 31, 2020 are NT$ 227,734 thousands and 60,796 thousands.

1.3.2. Technology or products successfully developed in 2019 and up to the printing date of this annual report

Year	Specific R&D outcomes
2019	A. Successfully developed the integrated development environment AndeSight v3.2.0 STD /RDS B. Successfully developed the 2-stage pipeline N22, which is the smallest RISC-V core processor C. Successfully developed the 32-bit A25MP RISC-V processor which supports the multi-core cache coherence and L2 cache controller D. Successfully developed the 64-bit AX25MP RISC-V processor which supports the multi-core cache coherence and L2 cache controller E. Successfully developed D25F, A25, and AX25 families supporting digital signal processing (DSP)instruction set F. Successfully development COPILOT v5.2, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
2020	A. Announced ground-breaking 27-series processors, which contain high-performance memory subsystems B. Announced the NX27V processor, which supports RISC-V Vector instruction extension (RVV) C. Announced 45-series RISC-V core processors, which are equipped with high-end 8-stage superscalar pipeline D. Successfully developed BSP 5.1.0 optimized software development kit

1.4. Long- and Short-term Business Development Plans

1.4.1. Short-term Plan:

(1) To expand Andes' advantages in Taiwan, deepen its relationship with existing customers, assist customers in mass production, and increase the contribution of Taiwanese customers to our revenues.

(2) To grasp the opportunities of the rapid growth of semiconductors in China, establish good sales and services offices in Beijing, Shanghai, and Shenzhen, and quickly accumulate the number of customers.

(3) To win customers from Japanese and Korean large IDM or IC design firms, provide good documentation and services, and establish a good customer base for long-term revenues.

(4) Strengthen business development in North America, Europe and Israel, and corporate with agents at the lowest cost to achieve great outcomes from key customers with our competitive products.

1.4.2. Long-term Plan:

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

2. Market and Sales Outlook

2.1.Market Analysis

2.1.1. Regions of distribution for the Company’s major products

Unit: NT$ thousands

Year / Regions	2018	2019
Taiwan	144,801	192,522
America	23,340	150,364
China	96,575	103,683
Europe	7,295	27,415
Korea	23,989	17,066
Japan	8,756	3,801
Total	304,756	494,851

2.1.2. Market Share

The key suppliers of the 32-/64-bit embedded processor SIP are ARM (SoftBank), ARC (Synopsys), MIPS (Wave Computing), and us. According to the statistics by Linley Group which specializes in the CPU technology analysis, the total global chips which use CPU IP reached 27.7 billion where our 2018 shipments reached 1 billion, accounting for 3.60% market share. The Company's shipments in 2019 were 1.5billion units, a 50% increase from 2018. Since 2018, shipments of chips using the Company's CPU IP have stood at the 1 billion mark and continued to grow substantially in 2019. It is expected that the market share in 2020 will continue to rise.

2.1.3. Future market supply, demand and growth

(1) Future market supply and demand

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

According to ARM's forecast, the system chip market is steadily growing, and the market size will reach US$ 178 billion by 2025. Our technologies and products have successfully penetrated various application fields of the SoC, such as various types of mobile communication devices, domestic digital TV, companies' network and its storage devices, smart devices, AI, and various microcontrollers, all of which will significantly contribute to our future revenues.

2025 Global SoC Market Size (Unit: US$ billion)

Item / Year	Mobile Communication	Consumer Electronics	Network Equipment	Smart Devices	Others	Total
2025	30	25	18	40	65	178

Source: ARM (2017/3), collated by Andes

(2) Future market growth

Due to the diversity of IC manufacturing processes and the increasing complexity of system chips, more and more IPs are used for a single chip to reduce the need for design manpower and shorten the time for chip development. According to Semico Research's forecast, the global IP revenues will reach US$ 10 billion by 2022.

For the emerging applications, DBS Asian Insights expects the global IoT device market to reach 125 billion devices by 2030. Additionally, based on IDC's research, Asia-Pacific (excluding Japan) is the region with the largest IoT spending in 2019, of which China is the largest consumer with US$168.6 billion. According to Tractica's forecast, deep learning chipset shipments will reach 41.2 million units by 2025. Our CPU IP shipments only account for less than 5% in the global market. Since IoT devices and AI have a high consumption, our revenue growth rate is expected to significantly improve.

2.1.4. Competitive niche

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

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

(2) International fame

We became the founding member of RISC-V Foundation in 2016 and has upgraded to Platinum in 2019. We are also the first commercial mainstream processor IP Company to include the RISC-V instruction set architecture developed by University of California, Berkeley, California, USA, to make the open, simplified, modular, and scalable RISC-V architecture make its way into the mainstream SoC applications. The new-generation AndeStar™ V5 architecture provides a complete solution for the embedded 32-/64-bit SoC design, and integrate the RISC-V technology with the proven AndeStar™ V3 architecture. It also includes several convenient functions and application enhanced units innovated by Andes, and Andes Custom Extension (ACE), Digital Signal Processing (DSP), Security Extension Instruction Set, etc.

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

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

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

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

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

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

(8) Elite partners
We have worked with more 150 partners, including famous hardware/software IP companies, foundries, design services, and software tool companies, for examples, TSMC, UMC, GlobalFoundries (foundry), Faraday Technology, Global Unichip, Alchip, Invecas, Silex Insight (design service), eMemory (memory SIP), SecureRF, Secure-iC (security IP), Kneron (AIIP), Imagination (GPU, Bluetooth IP), Rafael (RF IP), Mentor Graphics (simulation platforms), Express Logic, Micrium, RT-Thread (RTOS), Acoinfo SylixOS (real-time OS RTOS), Lauterbach, and J&D (software tool companies). In addition, our products have passed TSMC's stringent quality review and become one of the recommended processor IPs in its Open Innovation Platform (OIP). This not only improves our brand awareness but also boost our sales. After becoming one of the founding members of RISC-V Foundation, we make alliances with several companies, such as, UltraSoC (debugging and trace IP), Imperas (software simulation and virtual platform), Rambus, Silex Insight, Tiempo, Dover Microsystems, Hex-Five (security IP and platform), SEGGER, IAR (software tool companies), and DeepLite (AI software).

We will also further expand the number of our partners.

(9) Campus promotion plan
We have started the campus promotion plan since 2010. It is intended to make the students be familiar with our processor architecture and usage environment to cultivate future engineers for customers and us, and raise our brand awareness. We started with National Chiao Tung University. As of the fourth quarter in 2019, we have signed contracts with 71 universities where 32 universities in Taiwan, 32 universities in China, and 7 universities in other countries.

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

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

(1) Favorable factors in development:

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

b. The SoC market has grown rapidly and extensively
According to ARM’s forecast, the SoC market will grow by nearly 45% from 2016 to 2025. DBS Asian Insights predicts that worldwide IoT devices will reach 125 billion by 2030. Our products emphasize high power-saving efficiency and are in line with the essential requirements for low power consumption of IoT terminal devices. In addition, the big data collected by IoT applications have driven the upgrading demands for the infrastructure, such as the storage and network equipment, and emerging technologies such as AI/machine learning form the so-called edge computing. Our latest 64-bit products just meet the requirements of high performance, high bandwidth, and high addressing in these fields. Therefore, the thriving development of IoT devices, AI, edge computing, and SoC is expected to have a positive effect on our promotions and revenues.

c. The rapid development of IC industry in China
According to IC Insights’ Industry Report, China's IC production value has a compound growth rate of 15% from 2018 to 2023. With a favorable geographic location and language, it is expected that our customers and revenues in China will increase significantly.

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

a. Insufficient talents
In response to the growth demand, we must hire talents continuously. However, Taiwan did not have the commercialized processor companies and industry in the past. Several companies, such as UMC, VIA, and RDC Semiconductor, produced Intel x86-based instruction architecture in the early stage. They focus on the PC industry and have little research on embedded processors. The relevant research on processors is limited to few universities in Taiwan. Therefore, there are scarce talents of processor architecture, hardware design, development tools, embedded systems.
Our corresponding strategy:
(a) We cultivate R&D talents through internal and external education and training, and work with top-notch universities (NTU, NTHU, NCTU, NCKU,

and NCCU) in Taiwan to perform research or internship programs, inherit technologies, and hire talents in the future.

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

(c) Apply for the alternative military servicemen who graduates from the Departments of Electrical Engineering and Computer Science and give them long-term training.

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

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

b. Lack of custom standard cell libraries and memory SIPs

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

Our corresponding strategy:

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

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

c. Diverse application market goals

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

Our corresponding strategy:

(a) Enhance the market analysis and visit customers to invest resources in the market with the best ROI.

(b) Find more partners to cooperate with and use the minimum resources to provide the best total solutions for customers.

2.2. Important applications of major products and production processes:

2.2.1. Important applications of major products

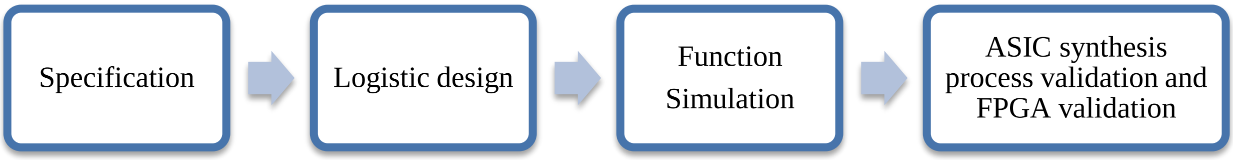
Andes is committed to the design and development of an innovative architecture with high-performance and low power consumption of 32-/64-bit embedded microprocessors and the corresponding SoC development platforms. We have microprocessors, system architecture, operating systems, software development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

(1) Consumer digital electronics
(2) Mobile communications
(3) Networking solutions
(4) Satellite positioning
(5) Embedded system solutions
(6) Multimedia solutions
(7) Thin client
(8) Memory storage
(9) Sensing
(10) Wearables
(11) IoT
(12) Power ICs

(13) Touch panel controllers
(14) Smart meters
(15) Industrial control
(16) Medical instruments
(17) Automotive electronics
(18) AI/machine learning
(19) Data center

2.2.2. Production process of major products

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



2.3. Supply of key materials

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

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

2.4.1. Major suppliers

Unit: NT$ thousands

Item	2018				2019				2020 Q1			
	Supplier	Amount	% of Total Purchase	Relation	Supplier	Amount	% of Total Purchase	Relation	Supplier	Amount	% of Total Purchase	Relation
1	BESA	361	31.50	None	BESA	1,488	50.08	None	BESA	543	71.01	None
2	Gao-Fu	270	23.56	None	Answer	863	29.05	None	Gao-Fu	139	18.16	None
	Other	515	44.94		Other	620	20.87		Other	83	10.83	
	Total	1,146	100.00		Total	2,971	100.00		Total	765	100.00	

Note: The Company’s major suppliers don’t have big difference. Due to mass production, the total purchase rate of BESA increased.

2.4.2. Major customers over the last two years

Unit: NT$ thousands

Item	2018				2019				2020 Q1			
	Sales	Amount	% of Total Revenue	Relation	Sales	Amount	% of Total Revenue	Relation	Sales	Amount	% of Total Revenue	Relation
1	-	-	-	-	Customer A	77,324	15.63	None	Customer A	41,032	38.76	None
2	Customer B	28,116	9.23	None	Customer B	61,183	12.36	None	Customer B	18,687	17.65	None
	Others	276,640	90.77		Others	356,344	72.01		Others	46,143	43.59	
	Total	304,756	100.00		Total	494,851	100.00		Total	105,862	100.00	

Note: The major customers changes primarily due to licensing contracts mix change

2.5. Production volume and value in the past two years

Unit: PCS/ NT$ thousands

Year / Main products	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Others	Not applicable（Note）	3,204	2,321	Not applicable（Note）	3,071	2,432

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

2.6. Sales Volume and Value in the Past Two Years

Unit: SET/ NT$ thousands

Year / Sales volume and value	2018				2019			
	Domestic sales		Export Sales		Domestic sales		Export Sales	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Licensing of CPU IP	Not applicable.	72,990	Not applicable.	138,039	Not applicable.	97,051	Not applicable.	179,013
Royalty revenues	Not applicable.	64,407	Not applicable.	10,546	Not applicable.	84,893	Not applicable.	21,823
Custom Computing Service	Not applicable.	0	Not applicable.	0	Not applicable.	0	Not applicable.	79,939
Maintenance services and others	152,654	7,404	1,176	11,370	1,318	10,578	980	21,554
Total		144,801		159,955		192,522		302,329

3. Employees

Year		2018	2019	2020 (As of April 30)
Number of Employees	R&D	118	131	137
	Management	53	65	66
	Total	171	196	203
Average Age		39	38	38
Average Years of Service		4.72	3.34	3.10
Education	Doctoral	17.54%	9.18%	8.87%
	Master	73.10%	72.45%	72.41%
	University & College	9.36%	18.37%	18.72%
	Total	100.00%	100.00%	100.00%

4. Environmental Protection & Expenditures

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

5. Labor-Management Relations

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

(1) Labor Conditions:

A. Beside the formal channels of communication, the Company also establishes the Employee Welfare Committee to host different types of events such as company event (anniversaries and family days), holiday celebrations, departmental activities (department outings and joint birthday celebrations), group outings, etc.

B. The Company has provided high-quality health checks and post-check consultations to its employees every year; Employees are entitled to basic insurance for labor, health insurance, etc. And in addition, the parents, spouses and children of the employees also enjoy the protection of group insurance.

C. The Company's regular running office environmental testing and fire detection for providing a safe working environment.

D. In accordance with the Labor Standards Law, provide such as paternity leave, parental leave, and breastfeeding time of female.

E. The Company held a painting competition, in order to promote parent-child interaction and the aesthetics of employees. And winner can get rewards.

(2) Training & development：

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

(3) status of retirement system：

A. the Company’s retirement system was designed in accordance to the Labor Standards Law and the Labor Pension Act. All employees choose the New System. The Company withdraws the pension to the labor personal account of the Labor Insurance Bureau every month according to law. In addition, the voluntary part of the employee's contribution shall be declared by the human resources unit after application.

B. According to Article 46 of the Company's "Work Rules", employees who have worked for more than 15 years and have reached 55 years old, or have worked for more than 25 years, or have worked for more than 10 years and have reached 60 years of age, may request retirement

C. No employees applied for retirement in 2019, so there is no such thing as asking for pension.

(4) Labor-Management Conference：

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

(5) Maintenance measures for various employee rights

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

B. the Company has not hired underage child labor.

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

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

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

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

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

6. Material Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Credit Contract	Bank SinoPac Co., Ltd.	2019.7.31 ~2020.7.31	Short-term loan(Note 1), Banking transaction	None
Credit Contract	Land Bank of Taiwan Co., Ltd.	2020.5.13 ~2021.5.13	Short-term loan(Note 1), Banking transaction	None
Credit Contract	Mega International Commercial Bank Co., Ltd.	2020.1.29 ~2021.1.28	Short-term loan(Note 1), Banking transaction	None
Office Lease	Hsinchu Science Park Administration	2020.1.1 ~2020.12.31	Office Lease	None
Office Lease	Taiwan Fertilizer Co., Ltd.	2018.8.1 ~2023..7.31	Office Lease	None

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

VI. Financial Information

1. Condensed Balance Sheet and Comprehensive Income Statement
   1.1. Condensed Balance Sheet
      1.1.1. Consolidated Condensed Balance Sheets - Based on IFRS

Unit: NT$ thousands

Item \ Year		Consolidated financial data (Note 1)					
		Financial Summary for The Last Five Years					As of March 31, 2020（Note 2）
		2015	2016	2017	2018	2019	
Current assets		858,072	832,634	1,139,150	1,082,279	1,028,005	945,331
Property, plant and equipment		568	1,328	3,209	23,154	25,583	24,158
Intangible assets		1,166	73	40,629	125,283	205,043	236,192
Other assets		921	1,185	1,455	6,391	131,281	126,722
Total assets		860,727	835,220	1,184,443	1,237,107	1,389,912	1,332,403
Current liabilities	Cum-dividend	27,811	32,772	30,109	48,105	105,938	105,326
	Ex-dividend	27,811	32,772	30,109	77,836	120,445 (Note 3)	105,326
Non-current liabilities		0	0	0	0	109,699	105,260
Total liabilities	Cum-dividend	27,811	32,772	30,109	48,105	215,637	210,586
	Ex-dividend	27,811	32,772	30,109	77,836	230,144 (Note 3)	210,586
Equity attributable to owners of the parent		832,916	802,448	1,154,334	1,189,002	1,174,275	1,121,817
Share capital		359,619	371,399	406,199	426,509	426,509	426,509
Capital surplus		469,637	459,761	756,338	728,972	728,972	728,972
Retained earnings	Cum-dividend	3,877	(27,984)	(6,451)	34,626	20,918	(31,362)
	Ex-dividend	3,877	(27,984)	(6,451)	4,895	6,411 (Note 3)	(31,362)
Other equity		(217)	(728)	(1,752)	(1,105)	(2,124)	(2,302)
Treasury shares		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Cum-dividend	832,916	802,448	1,154,334	1,189,002	1,174,275	1,121,817
	Ex-dividend	832,916	802,448	1,154,334	1,159,271	1,159,768 (Note 3)	1,121,817

Note 1: Consolidated financial data of 2015~ 2019 are audited.
Note 2: Q1 2020 is reviewed by CPA.
Note 3: The cash dividend distribution for the year 2019 has been passed by a special resolution of the board of directors on March 3, 2020.

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

Unit: NT$ thousands

Item \ Year		Parent company only financial data (Note 1)				
		2015	2016	2017	2018	2019
Current assets		844,404	808,503	1,126,621	1,055,317	957,531
Investments accounted for using the equity method		13,521	22,161	10,705	27,898	49,673
Property, plant and equipment		370	1,091	3,004	21,693	23,423
Intangible assets		841	73	40,629	125,283	205,043
Other assets		885	1,149	1,423	5,624	122,148
Total assets		860,021	832,977	1,182,382	1,235,815	1,357,818
Current liabilities	Before distribution	27,105	30,529	28,048	46,813	78,050
	After distribution	27,105	30,529	28,048	76,544	92,557 (Note 2)
Non-current liabilities		0	0	0	0	0
Total liabilities	Before distribution	27,105	30,529	28,048	46,813	183,543
	After distribution	27,105	30,529	28,048	76,544	198,050 (Note 2)
Share capital		359,619	371,399	406,199	426,509	426,509
Capital surplus		469,637	459,761	756,338	728,972	728,972
Retained earnings	Before distribution	3,877	(27,984)	(6,451)	34,626	20,918
	After distribution	3,877	(27,984)	(6,451)	4,895	6,411 (Note 2)
Other equity		(217)	(728)	(1,752)	(1,105)	(2,124)
Total equity	Before distribution	832,916	802,448	1,154,334	1,189,002	1,174,275
	After distribution	832,916	802,448	1,154,334	1,159,271	1,159,768 (Note 2)

Note 1: Parent company only financial data of 2015~ 2019 are audited.

Note 2: The cash dividend distribution for the year 2019 has been passed by a special resolution of the board of directors on March 3, 2020.

1.2. Condensed Statements of Comprehensive Income

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

Unit: NT$ thousands

Item \ Year	Consolidated financial data (Note 1)					
	2015	2016	2017	2018	2019	As of March 31, 2020（Note 2）
Operating revenue	218,923	208,635	289,377	304,756	494,851	105,862
Gross profit	218,244	207,599	288,437	304,340	494,031	105,737
Operating income	1,459	(37,508)	26,892	35,311	18,579	(39,411)
Non-operating income and expenses	4,488	8,840	(3,170)	7,653	(734)	2,407
Net income before income tax	5,947	(28,668)	23,722	42,964	17,845	(37,004)
Net income from operations of continued segments	3,877	(31,861)	21,533	41,567	16,023	(37,773)
Net income from discontinued operations	0	0	0	0	0	0
Net income (loss)	3,877	(31,861)	21,533	41,567	16,023	(37,773)
Other comprehensive Income, net of tax	550	(511)	(1,024)	647	(1,019)	(178)
Total comprehensive income	4,427	(32,372)	20,509	42,214	15,004	(37,951)
Net income (loss) for the periods attributable to Owners of the parent	3,877	(31,861)	21,533	41,567	16,023	(37,773)
Net income (loss) for the periods attributable to Non-controlling interests	0	0	0	0	0	0
Total comprehensive income for the periods attributable to Owners of the parent	4,427	(32,372)	20,509	42,214	15,004	(37,951)
Total comprehensive income for the periods attributable to Non-controlling interests	0	0	0	0	0	0
Earnings per share (NT$)	0.11	(0.86)	0.51	0.97	0.38	(0.89)

Note 1: Consolidated financial data of 2015~ 2019 are audited.
Note 2: Q1 2020 is reviewed by CPA.

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

Unit: NT$ thousands

Item \ Year	Parent company only financial data (Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	216,573	200,834	270,437	283,164	405,872
Gross profit	215,894	199,798	269,497	282,748	405,052
Operating income	9,566	(25,116)	37,327	39,506	59,296
Non-operating income and expenses	(3,619)	(3,578)	(13,629)	3,434	(41,518)
Net income before income tax	5,947	(28,694)	23,698	42,940	17,778
Net income from operations of continued segments	3,877	(31,861)	21,533	41,567	16,023
Net income from discontinued operations	0	0	0	0	0
Net income (loss)	3,877	(31,861)	21,533	41,567	16,023
Other comprehensive Income, net of tax	550	(511)	(1,024)	647	(1,019)
Total comprehensive income	4,427	(32,372)	20,509	42,214	15,004
Earnings per share (NT$)	0.11	(0.86)	0.51	0.97	0.38

Note 1: Parent company only financial data of 2015~ 2019 are audited.

1.3. Auditors' Opinions from 2015 to 2019

Year	Accounting Firm	Name of Auditors(CPA)	Audit Opinion
2015	Ernst & Young	Hsin-Ming Hsu, Shou-Pin Kuo	Unqualified Opinions
2016	Ernst & Young	Hsin-Ming Hsu, Shou-Pin Kuo	Unqualified Opinions
2017	Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	Unqualified Opinions
2018	Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	Unqualified Opinions
2019	Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	Unqualified Opinions

2. Five-Year Financial Analysis

2.1. Consolidated Financial Analysis – Based on IFRS

Item (Note 3) \ Year		Last Five-Year Financial Analysis (Note 1)					As of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Capital structure analysis (%)	Debt ratio	3.23	3.92	2.54	3.89	15.51	15.80
	Long-term fund to property, plant and equipment ratio	146,640.14	60,425.30	35,971.77	5,135.19	4,590.06	4,643.67
Liquidity Analysis (%)	Current ratio	3,085.37	2,540.69	3,783.42	2,249.83	970.38	897.53
	Quick ratio	3,050.17	2,507.52	3,748.99	2,215.18	944.01	877.21
	Times interest earned	（Note 3）	（Note 3）	（Note 3）	（Note 3）	9.00	(67.27)
Operating performance analysis	Average collection turnover (Times)	4.67	3.73	4.88	5.2	5.20	4.30
	Days sales outstanding	78	97	74	70	70.19	84.88
	Average inventory turnover (Times)	0.48	0.64	0.53	0.27	0.47	0.21
	Average payment turnover (Times)	5.16	42.29	21.86	0.72	1.44	7.35
	Average inventory turnover days	760	570	688	1,351	776.59	1,738.09
	Property, plant and equipment turnover (Times)	428.00	220.08	127.56	23.12	20.31	17.03
	Total assets turnover (Times)	0.26	0.25	0.29	0.25	0.38	0.31
Profitability analysis	Return on assets (%)	0.46	(3.76)	2.13	3.43	1.36	(2.74)
	Return on equity attributable to owners of the parent (%) (Note 7)	0.47	(3.90)	2.2	3.55	1.36	(3.29)
	Pre-tax income to paid-in capital (%)	1.65	(7.72)	5.84	10.07	4.18	(8.68)
	Net margin (%)	1.77	(15.27)	7.44	13.64	3.24	(35.68)
	Earnings per share (NT$)	0.11	(0.86)	0.51	0.97	0.38	(0.89)
Cash flow	Cash flow ratio (%)	3.26	（Note 4）	139.72	（Note 4）	29.16	54.87
	Cash flow adequacy ratio (%)	（Note 4）	（Note 4）	（Note 4）	（Note 4）	6.37	19.8
	Cash flow reinvestment ratio (%)	0.11	（Note 4）	3.77	(0.74)	0.12	4.92
Leverage	Operating leverage	8.23	0.87	1.25	1.77	4.75	0.45
	Financial leverage	1.00	1.00	1.00	1.00	1.14	0.99

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

1. Increase in liabilities to assets ratio: due to the recognition of lease liabilities in accordance with IFRS16, the total liabilities increased.
2. The current ratio and quick ratio decrease: due to the recognition of lease liabilities in accordance with IFRS 16, the increase in current liabilities reduces the current ratio and quick ratio.
3. Inventory turnover rate and account payable turnover rate increase: due to the inventory deduction and increased inventory in response to demand, the turnover rate increased.
4. Decrease in average sales days: because the demand for sales increased, so the average sales days decreased.
5. Increase in total asset turnover rate: Mainly due to the increase in total sales revenue, the increase in total asset turnover rate.
6. The return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share decreased: due to the decrease in net profit before tax in 2019.
7. Increased operating leverage: due to expansion of business scale and investment in R&D manpower, resulting in increased costs and decreased operating profit, operating leverage increased.

Note 1: The financial data of 2015~2019 are audited.

Note 2: Q1 2020 is review by CPA.

Note 3: The ratio does not apply due to the Company and subsidiaries do not have interest expense.

Note 4: The ratio does not apply due to the net cash provided by operating activities is negative.

2.2. Parent Company Only Financial Analysis – Based on IFRS

Item (Note3)	Year	Five-Year Financial Analysis (Note1)				
		2015	2016	2017	2018	2019
Capital structure analysis (%)	Debt ratio	3.15	3.67	2.37	3.79	13.52
	Long-term fund to property, plant and equipment ratio	225,112.43	73,551.60	38,426.56	5,481.04	5,796.94
Liquidity Analysis (%)	Current ratio	3,115.31	2,648.31	4,016.76	2,254.32	1,226.82
	Quick ratio	3,079.53	2,613.26	3,980.00	2,219.85	1,202.62
	Times interest earned	（Note 2）	（Note 2）	（Note 2）	（Note 2）	10.05
Operating performance analysis	Average collection turnover (Times)	4.66	3.64	5.00	5.88	4.31
	Days sales outstanding	78	100	72	62	82.26
	Average inventory turnover (Times)	0.48	0.64	0.53	0.27	0.55
	Average payment turnover (Times)	5.16	42.29	21.86	5.01	10.58
	Average inventory turnover days	765	569	685	1,364	668
	Property, plant, and equipment turnover (Times)	616.14	274.93	132.08	22.93	17.99
	Total assets turnover (Times)	0.25	0.24	0.27	0.23	0.31
Profitability analysis	Return on total assets (%)	0.46	(3.76)	2.14	3.44	1.36
	Return on equity attributable to shareholders of the parent (%)	0.47	(3.90)	2.20	3.55	1.36
	Pre-tax income to paid-in capital (%)	1.65	(7.73)	5.83	10.07	4.17
	Net margin (%)	1.79	(15.86)	7.96	14.68	3.95
	Earnings per share (NT$)	0.11	(0.86)	0.51	0.97	0.38
Cash flow	Cash flow ratio (%)	36.80	（Note 3）	188.24	13.26	58.95
	Cash flow adequacy ratio (%)	（Note 3）	（Note 3）	（Note 3）	（Note 3）	22.31
	Cash flow reinvestment ratio (%)	1.20	（Note 3）	4.74	0.58	7.20
Leverage	Operating leverage	2.03	0.83	1.17	1.66	2.10
	Financial leverage	1.00	1.00	1.00	1.00	1.03

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

1. Increase in liabilities to assets ratio: due to the recognition of lease liabilities in accordance with IFRS16, the total liabilities increased.
2. The current ratio and quick ratio decrease: due to the recognition of lease liabilities in accordance with IFRS 16, the increase in current liabilities reduces the current ratio and quick ratio.
3. Decrease in receivables turnover rate and increase in cash collection days: due to the increase in the total amount of receivables at the end of the period, the receivables turnover rate decreased and the relative cash collection days increased.
4. Inventory turnover rate and account payable turnover rate increase: due to the inventory deduction and increased inventory in response to demand, the turnover rate increased.
5. Decrease in average sales days: because the demand for sales increased, so the average sales days decreased.
6. Real estate, plant and equipment turnover rate decreased: due to the increase in fixed assets costs for the expansion of business scale and decoration of offices, so real estate, plant and equipment turnover ratio increased.
7. Increase in total asset turnover rate: due to the increase in total sales revenue, the increase in total asset turnover rate.
8. The return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share decreased: due to the decrease in net profit before tax in 2019.
9. The increase in cash flow ratio and net cash flow allowance ratio: due to the increase in net cash inflow from operating activities.
10. Increased operating leverage: due to expansion of business scale and investment in R&D manpower, resulting in increased costs and decreased operating profit, operating leverage increased.

Note 1: The financial data of 2015~2019are audited.
Note 2: The ratio does not apply due to the Company does not have interest expense.
Note 3: The ratio does not apply due to the net cash provided by operating activities is negative.
Note 4: Financial analysis equations

1. Capital Structure Analysis:
   (1). Debt ratio = Total liabilities / Total assets
   (2). Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment
2. Liquidity Analysis:
   (1). Current ratio = Current assets / Current liabilities
   (2). Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
   (3). Times interest earned = Earnings before interest and taxes / Interest expenses
3. Operating Performance Analysis:
   (1). Average collection turnover = Net sales / Average trade receivables
   (2). Days sales outstanding = 365 / Average collection turnover
   (3). Average inventory turnover = Operating costs / Average inventory
   (4). Average payment turnover = operating costs / Average trade payables
   (5). Average inventory turnover days = 365 / Average inventory turnover
   (6). Property, plant and equipment turnover = Net sales / Average property, plant and equipment
   (7). Total assets turnover = Net sales / total assets
4. Profitability Analysis:
   (1). Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
   (2). Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
   (3). Net margin = Net income / Net sales
   (4). Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding
5. Cash Flow:
   (1). Cash flow ratio = Net cash provided by operating activities / Current Liabilities
   (2). Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
   (3). Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)
6. Leverage:
   (1). Operating leverage = (Net sales – variable cost) / Operating income
   (2). Financial leverage = Operating income / (Operating income – interest expenses)

3. Audit Committee's Review Report

Andes Technology Corporation
Audit Committee's Review Report

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

To Andes Technology Corporation 2019 Annual General Shareholders' Meeting

Andes Technology Corporation

Chairman of the Audit Committee: Chen-Kuo Yang

March 3rd, 2020

4. Financial Statements and Independent Auditors' Report –the Company & Subsidiaries
   Appendix 1

5. Financial Statements and Independent Auditors' Report – Parent Company
   Appendix 2

6. The Impact on the Company's Financial Status in Cases where the Company or its Affiliates have Financial Difficulties:
   None.

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

1. Financial Status

Unit: NT$ thousands

Item \ Year	2018	2019	Difference	
			Amount	%
Current Assets	1,082,279	1,028,005	(54,274)	(5.01)
Property, Plant and Equipment	23,154	25,583	2,429	10.49
Intangible Assets	125,283	205,043	79,760	63.66
Other Assets	6,391	131,281	124,890	1,954.15
Total Assets	1,237,107	1,389,912	152,805	12.35
Current Liabilities	48,105	105,938	57,833	120.22
Long-term Liabilities	0	0	0	0
Other Liabilities	0	109,699	109,699	0
Total Liabilities	48,105	215,637	167,532	348.26
Share Capital	426,509	426,509	0	0
Capital Surplus	728,972	728,972	0	0
Retained Earnings	34,626	20,918	(13,708)	(39.59)
Other Equity	(1,105)	(2,124)	(1,019)	92.22
Total Equity	1,189,002	1,174,275	(14,727)	(1.24)

1. Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
   (1) Increase in intangible assets: due to continuous investment in Development costs.
   (2) Increase in other assets: due to the recognition of right-of-use assets in accordance with IFRS16 regulations.
   (3) Increase in current liabilities and other liabilities: due to the recognition of right-of-use liabilities in accordance with IFRS16.
   (4) Decrease in retained earnings: due to the payment of cash dividends in 2019.
2. If the impact is significant, the future response plan should be stated: Not applicable.

2. Operating Results

Unit: NT$ thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Net Sales	304,756	494,851	190,095	62.38
Operating Costs	416	820	404	97.12
Gross Profit	304,340	494,031	189,691	62.33
Operating Expenses	269,029	475,452	206,423	76.73
Operating Income	35,311	18,579	(16,732)	(47.38)
Non-Operating Income and Expenses	7,653	(734)	(8,387)	(109.59)
Net Income before Income Tax	42,964	17,845	(25,119)	(58.47)
Income Tax Expense	1,397	1,822	425	30.42
Net Income	41,567	16,023	(25,544)	(61.45)
Other Comprehensive Income, net of tax	647	(1,019)	(1,666)	(257.50)
Total Comprehensive Income	42,214	15,004	(27,210)	(64.46)

1. Explanation for changes that exceed 20% and reached NT$10 million in the past two years:
   (1) Increase in net sales and operating profit: due to sales growth in the year of 2019, the net sales and gross profit increased.
   (2) Increase in operating expenses, decrease in operating profits and pre-tax benefits: due to the number of employees increased in the year of 2019, the operating expenses increased and in relative operating profits decreased.
2. Possible impact on the Company's future financial business and corresponding plan: Not applicable.

3. Cash Flow Analysis

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

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Provided by operating Activities in 2019	Net Cash Outflows from Investing and Financing Activities in 2019	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2019	Leverage of Cash Deficit	
					Investment plan	Financing plan
528,368	30,896	(85,957)	(1,433)	471,874	-	-

Analysis of change in cash flow in the current year:
(1) **Operating activities**: Net cash inflow of NT$30,896 thousand, mainly from operating profits.
(2) **Investing activities:** Net cash outflow of NT$38,384 thousand, mainly due to acquisition of the intangible assets.
(3) **Financing activities**: Net cash outflow of NT$47,573 thousand, mainly due to distribution of cash dividend.

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

3.3. Analysis of cash flow project for the next period: As of March 31, 2020, the Cash and cash equivalents still have net NT$478,127 thousand. The Company has ample cash on-hand.

4. Major Capital Expenditure

None.

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

The Company's investments are long-term strategic investments. Investment loss from equity method investment in 2019 was NT$39,706 thousands. The Company will keep its long-term strategic investment policy and evaluate investment plans prudently.

6. Risk Management

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

Unit: NT$ thousands

Year / Item	2018	2019	As of March 31, 2020
Net Sales	304,756	494,851	105,862
Foreign Exchange Gains Or Losses	3,499	(4,835)	1,409
Foreign Exchange Gains Or Losses to Net Sales (%)	1.15	(0.98)	1.33

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

(2) Risks associated with foreign currency: The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries. The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. When NTD appreciates or depreciates against USD by 0.1%, the profit for the years ended December 31, 2019 and 2018 decreases/increases by NT$1,525thousand and NT$1,054 thousand. The impact of exchange rate fluctuations of the NTD against the USD on the Company is not significant.

The main income currency of the Company is US dollars and New Taiwan dollars. Over the last two years and the first Quarter of 2020, the exchange gain (loss) in net revenue accounted for 1.15%, (0.98%), and 1.33% of net operating income, respectively. The proportion was minor. The following measures were taken to deal with exchange rate changes:

A. The remittance of the imported money depends on the actual capital requirements and changes in exchange rate, Exchange into New Taiwan Dollars or deposit in a foreign currency account, Effective use of foreign exchange to reduce the impact of exchange rate changes.

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

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

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

(1) The Company has not engaged in high-risk or high-leveraged financial investments during 2019 and up to date of this report.。

(2) The Company has not engaged in the act of lending, endorsement guarantees and Financial Derivatives transactions during 2019 and up to date of this report.

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

Our future R&D focus on the continuous integration of new architecture definitions in AndeStar™ V5. These include the vector extension instructions, security function architecture, new-generation instruction set, etc. The near-term plan of the AndesCore™ processors consists of development the extension instruction set of the V5 architecture, and will focus on higher performance and lower power consumption based on the application trends. The development of the AndeSight™ Integration and Development Environment includes toolchains. In addition to the development of new LLVM compilers, it continues to optimize and support the new processor instruction set and core pipeline architecture. For the development of the AndeSoft™ Software Stack, we add the support for 64-bit operating systems and enhance IoT stack. We also continue to port and optimize the latest version for the existing OS and application functions. The AndeShape™ Platform IPs and FPGA Development Board include the Arduino-compatible Corvette-F1 Development Board and support the new core processors.

Most of our R&D expenditures belong to the salaries of the R&D personnel. We invested NT$ 227,734 thousand dollars and 117,203 thousand dollars in 2018 and 2019 respectively. In the future, we will hire more R&D talents to enhance our R&D capabilities. We estimate that the funds invested in the future R&D plans will account for 40% of the annual revenues.

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

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

6.5. Impact of New Technology and Industry Changes

The IT department of the Company reports directly to the general manager. In addition, an e-operation committee is set up, and the problems and solutions generated by the use of various systems are regularly reviewed monthly.

For information security management, "Information System Management Procedures" and "Information System Emergency Measures" have been formulated. It includes control of software and hardware (including purchase, maintenance, backup, troubleshooting, scrapping, etc.), account authority management, computer room control, and information security norms management.

The Company currently does not have IT insurance, yet. Currently, IT department regularly review system safety-related records. If an abnormal reaction is found, the identification and notification of security incidents shall be handled in accordance with the regulations; afterwards recovery and cause investigation will be kept as records for the review of security policy and the possibility of avoiding recidivism. If the situation is serious, it will be handled by the police unit to maintain the safety of the Company's assets and operations and customer information.

The Company will continue to monitor the latest trend of the related technology and technology development, in order to understand industry dynamics, for relevant planning and response measures. The changes in the new technology and industry change have no significant impact on the Company's business.

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

There are no changes in corporate image and impact on company's Crisis during 2019 and up to date of this report.

6.7. Risks Associated with Mergers and Acquisitions

There is no any plan with Mergers and Acquisitions during 2019 and up to date of this report.

6.8. Risks Associated with Facility Expansion

There is no any plan with Facility Expansion during 2019 and up to date of this report.

6.9. Risks Associated with Purchase Concentration and Sales Concentration

(1) Purchase Concentration

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

(2) Sales Concentration

The Company will continue to develop new clients. There are no major customers' revenue is over 10% of all during 2018. The sales concentration does not pose any risks since the Company's products are sold to reputable listing company or well-known company, and the relationship between the two parties is good, the collection situation is normal.

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

The National Development Fund, Executive Yuan, is a director of the Company and a Major Shareholders Who Own 10% or more of the Company's Total Outstanding Shares. Due to the accomplishment of the staged investment task, a total of 2,979,084 shares were released during 2018 and 2019, the shareholding ratio was reduced from 14.67% to 6.98%. The National Development Fund was dismissed as a major shareholder in April 2019 and remains a director of the Company. There was no significant impact on the Company.

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

6.11. Risks Associated with Change in Management

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

6.12. Risks Associated with Litigations

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

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

6.13. Other Material Risk

None.

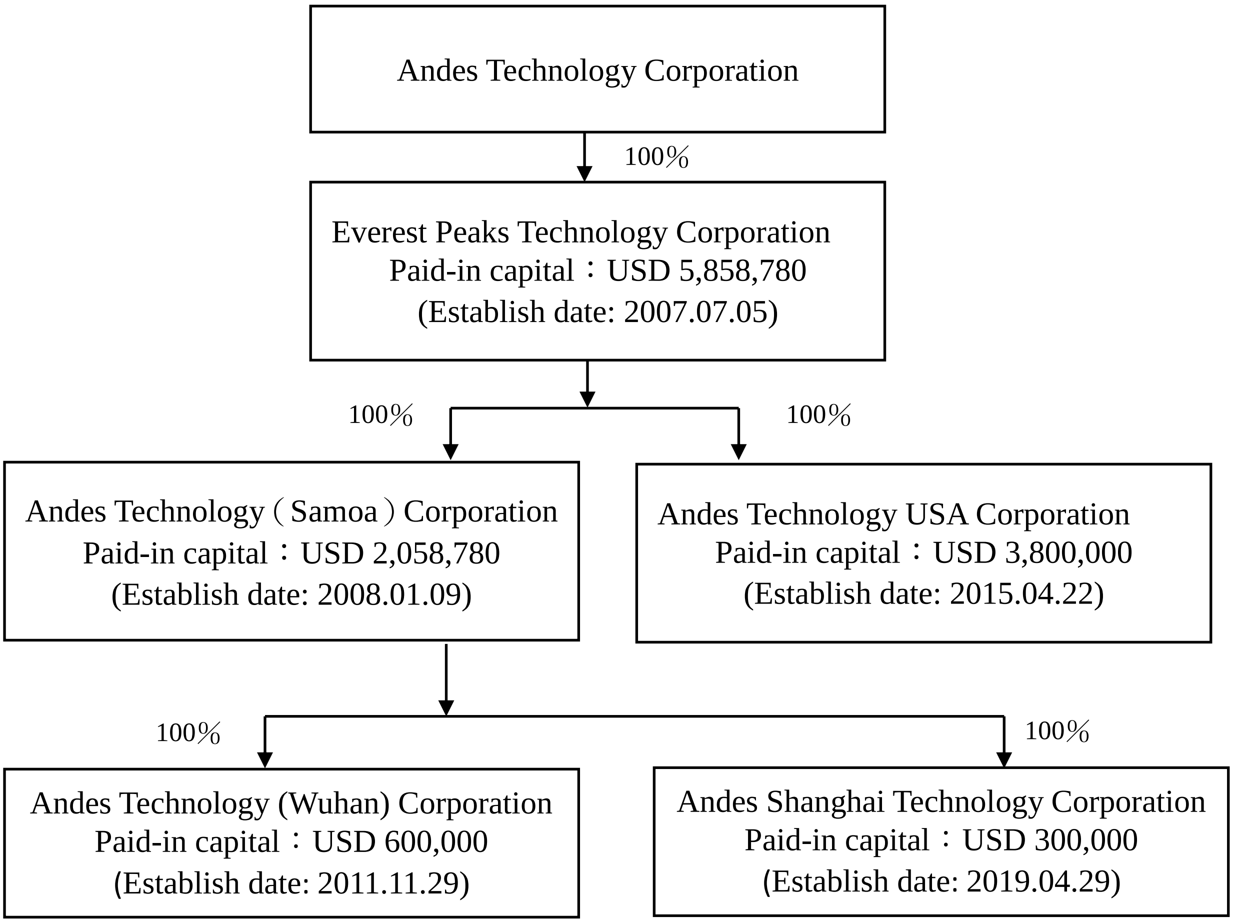
7. Other Material Events

None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

1.1. The Company's Affiliated Companies Chart (December 31, 2019)



1.2. The Company Affiliated Companies

December 31, 2019;

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Everest Peaks Technology Corporation	2007.7	B.V.I.	USD 5,858,780	General investing
Andes Technology（Samoa）Corporation	2008.1	Samoa	USD 2,058,780	General investing
Andes Technology USA Corporation	2015.4	USA	USD 3,800,000	Licensing CPU IP and providing related services
Andes Technology (Wuhan) Corporation	2011.11	China	USD 600,000	Licensing CPU IP and providing related services
Andes Shanghai Technology Corporation	2019.4	China	USD 300,000	Licensing CPU IP and providing related services

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

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

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

December 31, 2019

Company Name	Title	Name or Representative	Shareholding	
			Shares	% of Holding
Everest Peaks Technology Corporation	Chairman	Andes Technology Corporation Rep: Jyh-Ming Lin	5,808,780	100%
Andes Technology（Samoa）Corporation	Chairman	Everest Peaks Technology Corporation Rep: Jyh-Ming Lin	2,058,780	100%
Andes Technology USA Corporation	Chairman	Everest Peaks Technology Corporation Rep: Jyh-Ming Lin	3,800,000	100%
	Director	Everest Peaks Technology Corporation Rep: Hong-Men Su		
	Director	Everest Peaks Technology Corporation Rep: Han-Chang Chou		
Andes Technology (Wuhan) Corporation	Chairman	Andes Technology（Samoa）Corporation Rep: Jyh-Ming Lin	- (Note)	100%
	Director	Andes Technology（Samoa）Corporation Rep: Hong-Men Su		
	Director	Andes Technology（Samoa）Corporation Rep: Kuo-Chi Lin		
	Supervisor	Andes Technology（Samoa）Corporation Rep: Han-Chang Chou		
Andes Shanghai Technology Corporation	Chairman	Andes Technology（Samoa）Corporation Rep: Jyh-Ming Lin	- (Note)	100%
	Director	Andes Technology（Samoa）Corporation Rep: Hong-Men Su		
	Director	Andes Technology（Samoa）Corporation Rep: Kuo-Chi Lin		
	Supervisor	Andes Technology（Samoa）Corporation Rep: Han-Chang Chou		

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

1.7. Operation Highlights of the Company's Affiliated Companies

December 31, 2019 / Unit: NT$ thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Income	EPS (NT$)
Everest Peaks Technology Corporation	181,318	49,673	0	49,673	0	0	(39,706)	(6.78)
Andes Technology（Samoa）Corporation	64,450	25,010	0	25,010	0	0	1,523	0.74
Andes Technology USA Corporation	116,868	110,423	85,760	24,663	154,398	(41,155)	(41,229)	(10.85)
Andes Technology（Wuhan）Corporation	18,117	25,267	6,891	18,376	14,727	2,173	3,677	- (Note)
Andes Shanghai Technology Corporation	9,258	8,480	1,849	6,631	4,215	(2,062)	(2,154)	- (Note)

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

2. Private Placement Securities
   None.

3. Holding or Disposition of the Company Stocks by Subsidiaries
   None.

4. Other Necessary Supplement
   None.
   .

5. Any Events that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan
   None.

Appendix

<u>English Translation of a Report and Financial Statements Originally Issued in Chinese</u>

ANDES TECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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

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

Appendix 1

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2019 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the Combined Financial Statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the consolidated financial statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the consolidated financial statements.

Very truly yours,

Andes Technology Corporation

Chairman: Ming-Kai Tsai

March 3, 2020

Independent Auditors' Report Translated from Chinese

Independent Auditors' Report

To: Andes Technology Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

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

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

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

An intangible asset arising from development costs

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

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

Kuo, Shao-Pin

Tu, Jia-Ling

Ernst & Young, Taiwan
March 3, 2020

Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai　　President : Jyh-Ming Lin　　Chief Financial Officer : Han-Chang Chou

Appendix 1

English Translation of Consolidated Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai　　President : Jyh-Ming Lin　　Chief Financial Officer : Han-Chang Chou

Appendix 1

English Translation of Consolidated Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

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

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

Chairman : Ming-Kai Tsai　　President : Jyh-Ming Lin　　Chief Financial Officer : Han-Chang Chou

Appendix 1

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai　　President : Jyh-Ming Lin　　Chief Financial Officer : Han-Chang Chou

English Translation of Consolidated Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai President : Jyh-Ming Lin Chief Financial Officer : Han-Chang Chou

Appendix 1

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. History, Organization and Operation

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

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

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

The consolidated financial statements of the Group were authorized for issue in accordance with a resolution of the board meeting on March 3, 2019.

3. Newly Issued or Revised Standards and Interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Group followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

(a) Please refer to Note 4 for the accounting policies before or after January 1, 2019.

(b) For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group needs to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that 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. The Group assessed most of the contracts are, or contain, leases and has no significant impact arisen.

(c) The Group as a lessee: The Group elected not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

I. Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. In addition, the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Group's right-of-use asset and lease liability both increased by NT$128,614 thousand.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

II. Please refer to Note 4, Note 5 and Note 6 for additional disclosures of lessees which are required by IFRS 16.

III. As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 2.17%.
ii. The explanation for the difference of NT$32,888 thousand between:
   (i) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and
   (ii) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

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

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$95,726
Discounted using the incremental borrowing rate on January 1, 2019	$81,866
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(1,077)
Add: adjustments to the option to extend the lease that is reasonably certain to exercise	47,634
Add: adjustment to variable lease payments that depend on an index or a rate	191
The carrying value of lease liabilities recognized as of January 1, 2019	$128,614

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	Definition of a Business – Amendments to IFRS 3	January 1, 2020
B	Definition of Material – Amendments to IAS 1 and 8	January 1, 2020
C	Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. Definition of a Business – Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

B. Definition of a Material – Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

C. Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(a) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(b) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

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

(c) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80~125%) for hedging relationships directly affected by the interest rate benchmark reform.

(d) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. All standards and interpretations have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	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 Ventures	To be determined by IASB
B	IFRS 17 Insurance Contracts	January 1, 2021
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

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 Ventures

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 ventures. 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 gains 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 fulfilment cash flows comprise of the following:

(a) estimates of future cash flows;
(b) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(c) a risk adjustment for non-financial risk.

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.

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.

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

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the year ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and interpretations issued, revised or amended which are endorsed by FSC (TIFRS).

(2) Basis of Preparation

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

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when ANDES is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, ANDES controls an investee if and only if ANDES has:

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

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

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

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

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

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

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

If loses control of a subsidiary, it:
A. derecognizes the assets (including goodwill) and liabilities of the subsidiary.
B. derecognizes the carrying amount of any non-controlling interest.
C. recognizes the fair value of the consideration received.
D. recognizes the fair value of any investment retained.
E. recognizes any surplus or deficit in profit or loss.
F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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

The consolidated entities are listed as follows:

			Percentage of Ownership	
Investor	Subsidiary	Business nature	December 31, 2019	December 31, 2018
ANDES	Everest Peaks Technology Corporation (Note 1&2)	General investing	100%	100%
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation (Note 2)	General investing	100%	100%
Everest Peaks Technology Corporation	Andes Technology USA Corporation (Note 1)	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Shanghai Technology Corporation (Note 2)	Licensing CPU IP and providing related services	100%	-

Note 1: On March 20, 2018, the board meeting resolved the additional investments in Andes Technology USA Corporation via Everest Peaks Technology Corporation in the amounts of US$750,000, US$750,000 and US$1,000,000 (US$2,500,000 in total) in March 2018, January 2019 and December 2019, respectively.

Note 2: On Novemver 5, 2018, the board meeting resolved the investment in Andes Shanghai Technology Corporation via Everest Peaks Technology Corporation and Andes Technology (Samoa) Corporation in the amount of US$300,000 in April 2019.

(4) Foreign currency transactions

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

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

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

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 is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises 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.

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

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

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, 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 Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) 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:

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

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group makes an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from measurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset 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 statement of financial position.

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

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

The loss allowance is measured as follows:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in short term.
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

Inventory costs include costs incurred in bringing each inventory to its present location and condition:
Raw materials – valued at purchase cost
Finished goods and work in progress – costs of direct materials and a proportion of manufacturing overheads are calculated by the weighted-average method.

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

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

(11) Property, plant and equipment

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

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

Machinery and equipment	3 years
Computer and telecommunication equipment	3 years
Office equipment	3 years
Leasehold improvements	5~10 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 accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

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

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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

Group as a lessee

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

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses 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 Group is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

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

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

The accounting policy before January 1, 2019 as follow:

Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. 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 Group can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring 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 expected future benefit.

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

Computer software	3 years
Technologies	3 years

A summary of the policies applied to the Group'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 period of expected future benefit
Internally generated or acquired	Acquired	Internally generated

(14) Impairment of non-financial assets

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

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

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

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

(15) Revenue recognition

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

Licensing of CPU IP

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

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

Rendering of maintenance services

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

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

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

Rendering of Custom Computing Service

The Custom Computing Service combines licensing of CPU IPs & dedicated design services.

Royalty revenues

The Group recognizes revenue for a sales-based royalty promised in exchange for a licence of CPU IP when the subsequent sale occurs.

(16) Post-employment benefits

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

(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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgement

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

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

An intangible asset arising from development costs

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

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash	$20	$20
Checking and savings accounts	88,439	71,781
Time deposits	237,100	278,600
Reverse repurchase agreements-corporate bonds	146,315	177,967
Total	$471,874	$528,368

(2) Financial assets measured at amortized cost, current

	December 31, 2019	December 31, 2018
Time deposits	$325,500	$420,000

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

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

(3) Trade receivables and trade receivables-related parties

	December 31, 2019	December 31, 2018
Trade receivables	$126,760	$60,947
Less: allowance	(11,409)	(7,389)
Subtotal	$115,351	53,558
Trade receivables-related parties	-	2,580
Less: allowance	-	-
Subtotal	-	2,580
Total	$115,351	$56,138

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

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(10) for more details on impairment of trade receivables for the year ended December 31, 2019 and 2018. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$235	$436
Work in progress	-	103
Finished goods	1,373	372
Net amount	$1,608	$911

For the year ended December 31, 2019, the cost of inventories recognized in expenses amounted to NT$820 thousand, including the write-down of inventories of NT$28 thousand (consisting of inventory scraped in the amount of NT$18 thousand).

For the year ended December 31, 2018, the cost of inventories recognized in expenses amounted to NT$416 thousand, including the reversal of write-down of inventories of NT$175 thousand.

Inventories were not pledged.

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

(5) Property, plant and equipment

	December 31, 2019 (Note)	December 31, 2018
Owner occupied property, plant and equipment	$ 25,583	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2019	$2,988	$-	$8,183	$14,990	$26,161
Additions	4,644	1,743	923	386	7,696
Disposals	(281)	-	(480)	-	(761)
Exchange differences	-	-	(50)	-	(50)
As of December 31, 2019	$7,351	$1,743	$8,576	$15,376	$33,046
Depreciation and impairment:					
As of January 1, 2019	$979	$-	$1,612	$416	$3,007
Depreciation	1,526	195	1,905	1,380	5,006
Disposals	(281)	-	(240)	-	(521)
Exchange differences	-	-	(27)	(2)	(29)
As of December 31, 2019	$2,224	$195	$3,250	$1,794	$7,463
Net carrying amount as of:					
December 31, 2019	$5,127	$1,548	$5,326	$13,582	$25,583

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

B. Property, plant and equipment (prior to the application of IFRS 16)

	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Construction in progress and equipment awaiting inspection	Total
Cost:					
As of January 1, 2018	$1,582	$2,855	$-	$-	$4,437
Additions	1,406	5,372	-	14,990	21,768
Disposals	-	(41)	-	-	(41)
Transfers	-	-	14,990	(14,990)	-
Exchange differences	-	(3)	-	-	(3)
As of December 31, 2018	$2,988	$8,183	$14,990	$-	$26,161
Depreciation and impairment:					
As of January 1, 2018	$470	$758	$-	$-	$1,228
Depreciation	509	861	416	-	1,786
Disposals	-	(4)	-	-	(4)
Exchange differences	-	(3)	-	-	(3)
As of December 31, 2018	$979	$1,612	$416	$-	$3,007
Net carrying amount as of:					
December 31, 2018	$2,009	$6,571	$14,574	$-	$23,154

Property, plant and equipment were not pledged.

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

(6) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2019	$85,085	$56,907	$1,132	$143,124
Additions-internally generated	125,595	-	-	125,595
Additions-acquired separately	-	-	92	92
Transfers	(112,208)	112,208	-	-
As of December 31, 2019	$98,472	$169,115	$1,224	$268,811
As of January 1, 2018	$6,020	$35,700	$1,119	$42,839
Additions-internally generated	100,272	-	-	100,272
Additions-acquired separately	-	-	108	108
Disposals	-	-	(95)	(95)
Transfers	(21,207)	21,207	-	-
As of December 31, 2018	$85,085	$56,907	$1,132	$143,124
Amortization and impairment:				
As of January 1, 2019	$-	$17,402	$439	$17,841
Amortization	-	45,519	408	45,927
As of December 31, 2019	$-	$62,921	$847	$63,768
As of January 1, 2018	$-	$2,058	$152	$2,210
Amortization	-	15,344	382	15,726
Disposals	-	-	(95)	(95)
As of December 31, 2018	$-	$17,402	$439	$17,841
Net carrying amount as of:				
December 31, 2019	$98,472	$106,194	$377	$205,043
December 31, 2018	$85,085	$39,505	$693	$125,283

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

The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
Selling expenses	$36	$36
Administrative expenses	$341	$341
Research and development expenses	$45,550	$15,349

(7) Post-employment benefits

Defined contribution plan

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

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

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

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT$11,864 thousand and NT$8,882 thousand, respectively.

(8) Equity

A. Common stock

ANDES’ authorized capital as of December 31, 2019 and 2018 was NT$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT$10. ANDES’ issued capital was NT$426,509 thousand, and NT$426,509 thousand, divided into 42,651 thousand shares, and 42,651 thousand shares as of December 31, 2019 and 2018, respectively. Each share has one voting right and a right to receive dividends.

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

The shareholders meeting held on June 21, 2018 approved to distribute stock dividends form capital surplus in the amount of NT$20,310 thousand and issue 2,031 thousand new shares, each at a par value of NT$10. The board meeting approved the record date of the issuance to be September 2, 2018, and the newly issued shares had been registered.

B. Capital surplus

	December 31, 2019	December 31, 2018
Additional paid-in capital	$727,198	$727,198
Employee stock options	1,774	1,774
Total	$728,972	$728,972

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.

C. Retained earnings and dividend policies

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

(a) Reserve for tax payments
(b) Offset accumulated losses in previous years, if any
(c) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds ANDES' total capital stock
(d) Allocation or reverse of special reserves as required by law or government authorities
(e) The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution

(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.

According to the Company Act, ANDES needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of ANDES. When ANDES incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

D. Details of the 2019 and 2018 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 3, 2020 and the board meeting on March 15, 2019, respectively, are as follows:

	Appropriation of earnings (in thousand NT dollars)		Dividends per share (NT dollars)	
	2019	2018	2019	2018
Legal reserve	$1,602	$3,402	-	-
Aside to special reserve (reversal)	(86)	888	-	-
Cash dividends	14,507	29,731	$0.34012216	$0.69708658

The shareholders' meeting on June 21, 2018 resolved to transfer capital surplus to offset accumulated deficits in the amount of NT$7,056 thousand.

Please refer to Note 6(12) for information on the employees' compensation and remuneration to directors.

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

(9) Sales

	For the year ended December 31, 2019	Percent of total sales	For the year ended December 31, 2018	Percent of total sales
Revenue from contracts with customers				
Licensing of CPU IP	$276,064	56%	$211,029	69%
Royalty revenues	106,716	22%	74,953	25%
Custom Computing Service	79,939	16%	-	-
Maintenance services	29,718	6%	17,022	5%
Subtotal	492,437	100%	303,004	99%
Others	2,414	-	1,752	1%
Total	$494,851	100%	$304,756	100%

Analysis of revenue from contracts with customers for the years ended December 31, 2019 and 2018 is as follows:

A. Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Timing of revenue recognition:		
At a point in time (Note)	$419,350	$287,734
Over time	75,501	17,022
Total	$494,851	$304,756

Note: Includes royalty revenue of NT$106,716 thousand and NT$74,953 thousand for the years ended December 31, 2019 and 2018, respectively, and royalty revenue is calculated on sale basis and recognized when subsequent sale occurs.

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

B. Contract balances

(a) Contract assets, current

	December 31, 2019	December 31, 2018	January 1, 2018
Licensing of CPU IP	$87,111	$60,061	$22,826

Contract assets represent the amount that the Group has transferred CPU IPs to customers but not yet billed. Contract assets will be transferred to trade receivables as the Group obtains an unconditional right to receive the consideration. The Group transferred NT$58,976 thousand and NT$21,741 thousand of the beginning balance of contract assets to trade receivables during 2019 and 2018, respectively. Please refer to Note 6(10) for more details on the impairment impact.

(b) Contract liabilities

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities, current			
Licensing of CPU IP	$2,412	$3,912	$-
Maintenance services	33,407	12,401	9,637
Deductions	1,904	3,274	3,274
Total	$37,723	$19,587	$12,911

NT$12,753 thousand and NT$8,878 thousand of beginning balance of contract liabilities have been recognized as revenues during 2019 and 2018, respectively.

(10) Expected credit losses

	For the years ended December 31,	
	2019	2018
Operating expenses – expected credit losses		
Trade receivables	$(11,282)	$(2,013)

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

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

The Group measures the loss allowance of its contract assets and receivables (including trade receivables - related parties) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at December 31, 2019 and 2018 is as follows:

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

December 31, 2019

Group 1 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	Past due 31~90 days	Past due 91~120 days	Past due 121~180 days	Past due 181~360 days	Past due >=361 days	Total
Gross carrying amount	$112,293	$-	$4,128	$29,039	$11	$-	$3,073	$148,544
Loss ratio	-%	-%	2%	10%	30%	50%	100%	
Lifetime expected credit losses	-	-	(33)	(2,904)	(3)	-	(3,073)	(6,013)
Subtotal	$112,293	$-	$4,095	$26,135	$8	$-	$-	$142,531

Group 2 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	Past due 31~90 days	Past due 91~120 days	Past due 121~180 days	Past due >=181 days	Total
Gross carrying amount	$59,931	$-	$-	$-	$-	$5,396	$65,327
Loss ratio	-%	-%	3%	10%	40%	100%	
Lifetime expected credit losses	-	-	-	-	-	(5,396)	(5,396)
Subtotal	$59,931	$-	$-	$-	$-	$-	$59,931
Carrying amount of contract assets and receivables (including trade receivables-related parties)							$202,462

Note 1: The group 1 and group 2 are classified based on where the counterparties are located. Expected loss ratio is evaluated by each customer under each group.

Note 2: The contract assets were not past due.

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

December 31, 2018

Group 1 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	Past due 31~90 days	Past due 91~120 days	Past due 121~180 days	Past due 181~360 days	Past due >=361 days	Total
Gross carrying amount	$63,328	$2,396	$-	$921	$1	$-	$1,129	$67,775
Loss ratio	-%	-%	2%	10%	30%	50%	100%	
Lifetime expected credit losses	-	-	-	(92)	-	-	(1,129)	(1,221)
Subtotal	$63,328	$2,396	$-	$829	$1	$-	$-	$66,554

Group 2 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	Past due 31~90 days	Past due 91~120 days	Past due 121~180 days	Past due >=181 days	Total
Gross carrying amount	$49,262	$-	$-	$323	$154	$6,074	$55,813
Loss ratio	-%	-%	3%	10%	40%	100%	
Lifetime expected credit losses	-	-	-	(32)	(62)	(6,074)	(6,168)
Subtotal	$49,262	$-	$-	$291	$92	$-	$49,645
Carrying amount of contract assets and receivables (including trade receivables-related parties)							$116,199

Note 1: The group 1 and group 2 are classified based on where the counterparties are located. Expected loss ratio is evaluated by each customer under each group.

Note 2: The contract assets were not past due.

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, 2019	$-	$7,389
Addition for the current period	-	11,282
Write off (Note)	-	(7,075)
Effect of changes in exchange rate	-	(187)
As of December 31, 2019	$-	$11,409

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

	Contract assets	Trade receivables
As of January 1, 2018 (in accordance with IAS 39)	$-	$8,138
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 39)	-	8,138
Addition for the current period	-	2,013
Write off	-	(2,719)
Effect of changes in exchange rate	-	(43)
2018.12.31	$-	$7,389

Note: The Group wrote off NT7,075 thousand for contractual amount of financial assets outstanding during the year; for which the Group is still undertaking collection activities.

(11) Leases

A. The Group as a lessee (applicable to the disclosure requirement under IFRS 16)

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

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

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2019	2018 (Note)
Buildings	$125,152	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

For the year ended December 31, 2019, the Group's addition to right-of-use assets amounted to NT$14,367 thousand.

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

II. Lease liabilities

	As of December 31,	
	2019	2018 (Note)
Lease liabilities	$127,164	
Current	$17,465	
Non-current	$109,699	

Please refer to Note 6(13)C for the interest on lease liabilities recognized for the year ended December 31, 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2019.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Buildings	$17,634	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$857	
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	$250	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

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

(d) Cash outflow relating to leasing activities

For the year ended December 31, 2019, the Group total cash outflows for leases amounted to NT$17,842 thousand.

B. The Group as a lessee－Operating leases (in accordance with IAS 17)

The Group has entered into commercial leases of office for operating uses. These leases have an average life of one to five years with no renewal options. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		$22,361
Later than one year but not later than five years		73,365
Total		$95,726

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$9,503

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

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

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

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$-	$228,896	$228,896	$-	$137,028	$137,028
Labor and health insurance	-	21,923	21,923	-	15,223	15,223
Pension	-	11,864	11,864	-	8,882	8,882
Others	-	882	882	-	525	525
Depreciation	-	22,639	22,639	-	1,786	1,786
Amortization	-	45,927	45,927	-	15,726	15,726

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

Based on the profit for the year ended December 31, 2019, ANDES estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 to be 4.99% and 0.99% of profit for the year ended December 31, 2019. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 amounted to NT$ 945 thousand and NT$ 189 thousand, respectively.

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

Based on the profit for the year ended December 31, 2018, ANDES estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be 2% and 0.99% of profit for the year ended December 31, 2018. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amounted to NT$ 730 thousand and NT$ 363 thousand, respectively.

The estimated amount NT$ 730 thousand and NT$ 363 thousand of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2018 were consistent with the resolutions of the Board of Directors meeting held on June 18, 2019.

(13) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$4,972	$5,141
Others	3,347	1,004
Total	$8,319	$6,145

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Foreign exchange gains (losses), net	$(4,835)	$3,499
Losses on disposal of property, plant and equipment	(240)	(37)
Others	(1,746)	(1,954)
Total	$(6,821)	$1,508

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

C. Finance costs

	For the years Ended December 31,	
	2019	2018
Interest expenses on lease liabilities	$(2,232)	(Note)

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(14) Components of other comprehensive income

For the year ended December 31, 2019:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax	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	$(1,274)	$-	$(1,274)	$255	$(1,019)

For the year ended December 31, 2018:

	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	$730	$-	$730	$(83)	$647

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

(15) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Group’s applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expenses:		
Current income tax charge	$-	$-
Adjustments in respect of current income tax of prior periods	-	-
Deferred tax expense (income):		
Others	$1,822	$1,397
Income tax expense	$1,822	$1,397

Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax income:		
Exchange differences resulting from translation the financial statements of foreign operations	$255	$(83)
Income tax relating to components of other comprehensive income	$255	$(83)

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

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, 2019	For the years ended December 31, 2018
Accounting profit before tax from continuing operations	$17,845	$42,964
At ANDES's statutory income tax rate	$3,569	$8,593
Adjustments in respect of current income tax of prior periods	1,347	-
Adjustments in respect of current income tax of prior periods	-	-
Recognition of tax losses or temporary differences of prior periods not recognized	(4,903)	(8,588)
Others	1,809	1,392
Income tax expense recognized in profit or loss	$1,822	$1,397

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Generated from consolidation	Exchange differences	Ending balance
Temporary differences							
Investments accounted for using the equity method	$276	$-	$255	$-	$-	$-	$531
Deferred income tax		$-	$255	$-	$-	$-	
Net deferred tax assets (liabilities)	$276						$531
Reflected in balance sheet as follows:							
Deferred tax assets	$276						$531
Deferred tax liabilities	$-						$-

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

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

Company name	Occurrence year	Accumulated loss	Unutilized accumulated loss December 31, 2019	Unutilized accumulated loss December 31, 2018	Expiration year
ANDES	2008	$82,011	$-	$40,688	2018
	2009	145,944	81,704	145,944	2019
	2010	119,980	119,980	119,980	2020
	2011	114,257	114,257	114,257	2021
	2012	88,644	88,644	88,644	2022
	2013	87,983	87,983	87,983	2023
	2016	18,406	18,406	18,406	2026
	Total		$510,974	$615,902	

As of December 31, 2019 and 2018, the subsidiaries' unused tax losses at their respective jurisdictions were NT$82,668 thousand and NT$59,138 thousand, respectively.

Unrecognized deferred income tax assets

As of December 31, 2019 and 2018, the Group's unrecognized deferred income tax assets were NT$132,157 thousand and NT$145,542 thousand, respectively.

The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of ANDES and its subsidiaries are as follows:

	The assessment of income tax returns
ANDES	Assessed and approved up to 2017
Subsidiary - Andes Technology (Wuhan) Corporation	Assessed up to 2018
Subsidiary - Andes Technology USA Corporation	Assessed up to 2018

(16) 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 (after adjusting for interest on the convertible preference shares) 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,	
	2019	2018
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$16,023	$41,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Basic earnings per share (NT$)	$0.38	$0.97
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$16,023	$41,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Effect of dilution:		
Employees' compensation-stock (share)	8	9
Weighted average number of ordinary shares outstanding after dilution (in thousands)	42,659	42,660
Diluted earnings per share (NT$)	$0.38	$0.97

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

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 Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Mediatek Inc.	Substantive related party

(1) Sales

	For the years ended December 31,	
	2019	2018
Mediatek Inc.	$9,336	$29,929

The collection periods for related parties and third-party customers were both month-end 30 to 75 days.

(2) Contract assets

	December 31, 2019	December 31, 2018
Mediatek Inc.	$-	$1,536

(3) Trade receivables - related parties

	December 31, 2019	December 31, 2018
Mediatek Inc.	$-	$2,580

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

(4) Contract liabilities, current

	December 31, 2019	December 31, 2018
Mediatek Inc.	$3,052	$2,200

(5) Others

The Group entered into office leases with Mediatek Inc. for the year ended December 31, 2018, and lease expenses recognized were NT$790 thousand. The rents were paid monthly.

(6) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$22,188	$19,446
Post-employment benefits	540	540
Total	$22,728	$19,986

8. <u>Assets Pledged as Collateral</u>

None

9. <u>Commitments and Contingencies</u>

None

10. <u>Losses due to Major Disasters</u>

None

11. <u>Significant Subsequent Events</u>

None

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

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2019	December 31, 2018
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	$471,854	$528,348
Financial assets measured at amortized cost	325,500	420,000
Trade receivables, net (including related parties)	115,351	56,138
Other receivables	230	1,047
Refundable deposits	5,598	6,115
Total	$918,533	$1,011,648

Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Trade payables	$29	$1,108
Other payables	48,423	26,021
Lease liabilities, current	17,465	(Note)
Lease liabilities, noncurrent	109,699	(Note)
Total	$175,616	$27,129

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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.

<u>Foreign currency risk</u>

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2019 and 2018 decreases/increases by NT$1,525 thousand and NT$1,054 thousand, respectively.

(4) Credit risk management

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

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

As of December 31, 2019 and 2018, receivables from top ten customers represented 54.26% and 38.85% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

(5) Liquidity risk management

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

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	more than 5 years	Total
December 31, 2019					
Trade payables	$29	$-	$-	$-	$29
Other payables	48,423	-	-	-	48,423
Lease liabilities	17,465	30,840	27,392	51,467	127,164
December 31, 2018					
Trade payables	$1,108	$-	$-	$-	$1,108
Other payables	26,021	-	-	-	26,021

(6) Fair value of financial instruments

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

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

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

(7) Significant assets and liabilities denominated in foreign currencies

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

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

	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$5,839	29.98	$175,062
CNY	4,064	4.305	17,497
Financial liabilities			
Monetary item:			
USD	$752	29.98	$22,538
CNY	422	4.305	1,818

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$3,579	30.715	$109,935
CNY	6,462	4.472	28,897
Financial liabilities			
Monetary item:			
USD	$148	30.715	$4,531
CNY	359	4.472	1,606

Foreign currencies of entities of the Group varied. Accordingly, the Group is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains (losses) were NT$(4,835) thousand and NT$3,499 thousand for the years ended December 31, 2019 and 2018, respectively.

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

(8) Capital management

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

13. Segment Information

(1) General information

The major sales of the Group come from designing and selling CPU IP. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated and evaluates the overall performance. Therefore, the Group is aggregated into a single segment.

(2) Geographical information

	For the years ended December 31,	
	2019	2018
Taiwan	$192,522	$144,801
United States	150,364	96,575
Mainland China	103,683	23,989
Europe	27,415	23,340
Korea	17,066	8,756
Japan	3,801	7,295
Total	$494,851	$304,756

Sales are presented by customers’ country.

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

A. Non-current assets

	December 31, 2019	December 31, 2018
Taiwan	$345,415	$146,976
Mainland China	1,781	83
United States	8,582	1,378
Total	$355,778	$148,437

B. The major customer

The information for individual customer accounting for more than 10% of net sales for the years ended December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Customer A	$77,324	$-
Customer B	61,183	28,116
Total	$138,507	$28,116

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

ANDES TECHNOLOGY CORPORATION
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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

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

<u>Independent Auditors' Report Translated from Chinese</u>

Independent Auditors' Report

To: Andes Technology Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

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

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

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

An intangible asset arising from development costs

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Shao-Pin

Tu, Jia-Ling

Ernst & Young, Taiwan
March 3, 2020

<u>Notice to Readers</u>

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai　　President : Jyh-Ming Lin　　Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai　　President : Jyh-Ming Lin　　Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

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

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

Chairman : Ming-Kai Tsai　　President : Jyh-Ming Lin　　Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai President : Jyh-Ming Lin Chief Financial Officer : Han-Chang Chou

Appendix 2

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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Ming-Kai Tsai President : Jyh-Ming Lin Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

(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. 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 3, 2020.

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 recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Company followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

(a) Please refer to Note 4 for the accounting policies before or after January 1, 2019.

(b) For the definition of a lease, the Company elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Company was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company needs to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that 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. The Company assessed most of the contracts are, or contain, leases and has no significant impact arisen.

(c) The Company as a lessee: The Company elected not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

I. Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company's right-of-use asset and lease liability both increased by NT$115,760 thousand.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

II. Please refer to Note 4, Note 5 and Note 6 for additional disclosures of lessees which are required by IFRS 16.

III. As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.70%.
ii. The explanation for the difference of NT$37,212 thousand between：
    (i) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and
    (ii) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

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

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$78,548
Discounted using the incremental borrowing rate on January 1, 2019	$75,510
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(1,092)
Add: adjustments to the option to extend the lease that is reasonably certain to exercise	41,147
Add: adjustment to variable lease payments that depend on an index or a rate	195
The carrying value of lease liabilities recognized as of January 1, 2019	$115,760

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are recognized 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	Definition of a Business – Amendments to IFRS 3	January 1, 2020
B	Definition of Material – Amendments to IAS 1 and 8	January 1, 2020
C	Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. Definition of a Business – Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

B. Definition of a Material – Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

C. Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:
(a) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.
(b) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

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

(c) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80~125%) for hedging relationships directly affected by the interest rate benchmark reform.

(d) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. All standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not 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	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 Ventures	To be determined by IASB
B	IFRS 17 Insurance Contracts	1 January 2021
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

A. FRS 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 Ventures

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 ventures. 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 fulfilment cash flows comprise of the following:

(a) estimates of future cash flows;
(b) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(c) a risk adjustment for non-financial risk.

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.

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.

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 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 is 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 comprises 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, fair value through other comprehensive income or fair value through profit or loss 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 note receivables, 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.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) 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:

   I. 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.
   II. 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.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company makes an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from measurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset 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 statement of financial position.

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 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

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in short term.
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

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

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new shares, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate 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.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investment in Connected Enterprises and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IFRS 36 *Impairment of financial assets*.

In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(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:

Machinery and equipment	3 years
Computer and telecommunication equipment	3 years
Office equipment	3 years
Leasehold improvements	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

<u>The accounting policy from January 1, 2019 as follow:</u>

For contracts entered on or after January 1, 2019, 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.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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

Company as a lessee

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses 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 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 statements 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.

The accounting policy before January 1, 2019 as follow:

Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. 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 reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring 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 expected future benefit.

The company’s intangible assets are amortized on a sraight-line basis over the estimated useful life as follow:

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 period of expected future benefit
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 service, custom computing service 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 licences 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. Due to the maintenance services and CPU IPs are not highly interdependent or highly interrelated, it is identified as a separate performance obligation. 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.

Rendering of Custom Computing Service

The Custom Computing Service combines licensing of CPU IPs & dedicated design services.

Royalty revenues

The Company recognizes revenue for a sales-based royalty promised in exchange for a licence of CPU IP when the subsequent sale occurs.

(16) Post-employment benefits

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. 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:

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

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 has possessed matured technology, resources, clear judgement of development timelines and products specifications for those development projects. The Company also assessed that those assets will 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.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash	$20	$20
Checking and savings accounts	30,463	54,333
Time deposits	237,100	278,600
Reverse repurchase agreements-corporate bonds	146,315	177,967
Total	$413,898	$510,920

(2) Financial assets measured at amortized cost, current

	December 31, 2019	December 31, 2018
Time deposits	$325,500	$420,000

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.

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

(3) Trade receivables and trade receivables – related parties

	December 31, 2019	December 31, 2018
Trade receivables	$79,699	$38,699
Less: allowance	(5,402)	(5,308)
Subtotal	74,297	33,391
Trade receivables – related parties	50,919	18,929
Total	$125,216	$52,320

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

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(11) for more details on impairment of trade receivables. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$235	$436
Work in progress	-	103
Finished goods	1,373	372
Net amount	$1,608	$911

For the year ended December 31, 2019, the cost of inventories recognized in expenses amounted to NT$820 thousand, including the write-down of inventories of NT$28 thousand (consisting of inventory scraped in the amount of NT$18 thousand).

For the year ended December 31, 2018, the cost of inventories recognized in expenses amounted to NT$416 thousand, including the reversal of write-down of inventories of NT$175 thousand.

Inventories were not pledged.

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

(5) Investments accounted for using the equity method

	December 31, 2019		December 31, 2018	
Investees:	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
Everest Peaks Technology Corporation	$49,673	100.00	$27,898	100.00

A. The Company invested in Andes Technology USA Corporation in the amount of US$750 thousand and US$1,750 thousand through Everest Peaks Technology Corporation in 2018 and 2019, respectively.

B. The Company invested in Andes Shanghai Technology Corporation in the amount of US$300 thousand through Everest Peaks Technology Corporation and Andes Technology (Samoa) Corporation in April 2019.

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

(6) Property, plant and equipment

	December 31, 2019 (Note)	December 31, 2018
Owner occupied property, plant and equipment	$23,423	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

A. Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2019	$2,988	$-	$6,280	$14,990	$24,258
Additions	4,644	1,743	135	-	6,522
Disposals	(281)	-	(480)	-	(761)
As of December 31, 2019	$7,351	$1,743	$5,935	$14,990	$30,019
Depreciation and impairment:					
As of January 1, 2019	$979	$-	$1,170	$416	$2,565
Depreciation	1,526	195	1,498	1,333	4,552
Disposals	(281)	-	(240)	-	(521)
As of December 31, 2019	$2,224	$195	$2,428	$1,749	$6,596
Net carrying amount as of:					
December 31, 2019	$5,127	$1,548	$3,507	$13,241	$23,423

B. Property, plant and equipment (prior to the application of IFRS 16)

	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Construction in progress and equipment awaiting inspection	Total
Cost:					
As of January 1, 2018	$1,582	$2,318	$-	$-	$3,900
Additions	1,406	3,962	-	14,990	20,358
Transfers	-	-	14,990	(14,990)	-
As of December 31, 2018	$2,988	$6,280	$14,990	$-	$24,258

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

	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Construction in progress and equipment awaiting inspection	Total
Depreciation and impairment:					
As of January 1, 2018	$470	$426	$-	$-	$896
Depreciation	509	744	416	-	1,669
As of December 31, 2018	$979	$1,170	$416	$-	$2,565
Net carrying amount as of:					
December 31, 2018	$2,009	$5,110	$14,574	$-	$21,693

Property, plant and equipment were not pledged.

(7) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2019	$85,085	$56,907	$1,132	$143,124
Additions-internally generated	125,595	-	-	125,595
Additions-acquired separately	-	-	92	92
Transfers	(112,208)	112,208	-	-
As of December 31, 2019	$98,472	$169,115	$1,224	$268,811
As of January 1, 2018	$6,020	$35,700	$1,119	$42,839
Additions-internally generated	100,272	-	-	100,272
Additions-acquired separately	-	-	108	108
Disposals	-	-	(95)	(95)
Transfers	(21,207)	21,207	-	-
As of December 31, 2018	$85,085	$56,907	$1,132	$143,124

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

	Development costs	Technologies	Computer software	Total
Amortization and impairment:				
As of January 1, 2019	$-	$17,402	$439	$17,841
Amortization	-	45,519	408	45,927
As of December 31, 2019	$-	$62,921	$847	$63,768
As of January 1, 2018	$-	$2,058	$152	$2,210
Amortization	-	15,344	382	15,726
Disposals	-	-	(95)	(95)
As of December 31, 2018	$-	$17,402	$439	$17,841
Net carrying amount as of:				
December 31, 2019	$98,472	$106,194	$377	$205,043
December 31, 2018	$85,085	$39,505	$693	$125,283

The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
Selling expenses	$36	$36
Administrative expenses	$341	$341
Research and development expenses	$45,550	$15,349

(8) 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, 2019 and 2018 were NT$10,624 thousand and NT$8,568 thousand, respectively.

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

(9) Equity

A. Common stock

The Company's authorized capital as of December 31, 2019 and 2018 was NT$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT$10. The Company's issued capital was NT$426,509 thousand, and NT$426,509 thousand, divided into 42,651 thousand shares, and 42,651 thousand shares as of December 31, 2019 and 2018, respectively. Each share has one voting right and a right to receive dividends.

The shareholders meeting held on June 21, 2018 approved to distribute stock dividends form capital surplus in the amount of NT$20,310 thousand and issue 2,031 thousand new shares, each at a par value of NT$10. The board meeting approved the record date of the issuance to be September 2, 2018, and the newly issued shares had been registered.

B. Capital surplus

	December 31, 2019	December 31, 2018
Additional paid-in capital	$727,198	$727,198
Employee stock options	1,774	1,774
Total	$728,972	$728,972

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.

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:

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

(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 and submit the same to the shareholders' meeting for review and approval by a resolution

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.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

D. Details of the 2019 and 2018 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 3, 2020 and the board meeting on March 15, 2019, respectively, are as follows:

	Appropriation of earnings (in thousand NT dollars)		Dividends per share (NT dollars)	
	2019	2018	2019	2018
Legal reserve	$1,602	$3,402	-	-
Special reserve (reversal)	(86)	888	-	-
Cash dividends	14,507	29,731	$0.34012216	$0.69708658

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

The shareholders’ meeting on June 21, 2018 resolved to transfer capital surplus to offset accumulated deficits in the amount of NT$7,056 thousand.

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

(10) Sales

	For the year ended December 31, 2019	Percent of total sales	For the year ended December 31, 2018	Percent of total sales
Revenues from contracts with customers				
Licensing of CPU IP	$239,909	59%	$191,467	68%
Royalty revenues	105,492	26%	74,629	26%
Custom Computing Service	33,466	8%	-	-
Maintenance services	24,709	6%	15,642	5%
Subtotal	403,576	99%	281,738	99%
Others	2,296	1%	1,426	1%
Total	$405,872	100%	$283,164	100%

Analysis of revenue from contracts with customers for the years ended December 31, 2019 and 2018 is as follows:

A. Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Timing of revenue recognition:		
At a point in time (Note)	$365,222	$267,522
Over time	40,650	15,642
Total	$405,872	$283,164

Note: Includes royalty revenue of NT$105,492 thousand and NT$74,629 thousand for the years ended December 31, 2019 and 2018, respectively, and royalty revenue is calculated on sale basis and recognized when subsequent sale occurs.

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

B. Contract balance

(a) Contract assets, current

	December 31, 2019	December 31, 2018	January 1, 2018
Licensing of CPU IP	$73,352	$55,443	$19,344

Contract assets represent the amount that the Company has transferred CPU IPs to customers but not yet billed. Contract assets will be transferred to trade receivables as the Company obtains an unconditional right to receive the consideration. The Company transferred NT$49,600 thousand and NT$19,344 thousand of the beginning balance of contract assets to trade receivables during 2019 and 2018, respectively. Please refer to Note 6(11) for more details on the impairment impact.

(b) Contract liabilities

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities, current			
Licensing of CPU IP	$2,412	$3,912	$-
Maintenance services	18,498	11,247	9,495
Deductions	1,904	3,274	3,274
Total	$22,814	$18,433	$12,769

NT$9,808 thousand and NT$8,734 thousand of beginning balance of contract liabilities have been recognized as revenues during 2019 and 2018, respectively.

(11) Expected credit losses

	For the years ended December 31,	
	2019	2018
Operating expenses – expected credit losses		
Trade receivables	$(6,830)	$(2,171)

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

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

The Company measures the loss allowance of its contract assets and receivables (including trade receivables – related parties) at an amount equal to lifetime expected credit losses. The assessments of the Company's loss allowance as at December 31, 2019 and 2018 are as follows:

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

December 31, 2019

Group 1 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	31~90 days	91~120 days	121~180 days	181~360 days	>=361 days	Total
Gross carrying amount	$148,626	$-	$126	$-	$11	$-	$-	$148,763
Loss ratio	-%	-%	2%	10%	30%	50%	100%	
Lifetime expected credit losses	-	-	(3)	-	(3)	-	-	(6)
Subtotal	$148,626	$-	$123	$-	$8	$-	$-	$148,757

Group 2 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	31~90 days	91~120 days	121~180 days	>=181 days	Total
Gross carrying amount	$49,811	$-	$-	$-	$-	$5,396	$55,207
Loss ratio	-%	-%	3%	10%	40%	100%	
Lifetime expected credit losses	-	-	-	-	-	(5,396)	(5,396)
Subtotal	$49,811	$-	$-	$-	$-	$-	$49,811
Carrying amount of contract assets and receivables (including trade receivables-related parties)							$198,568

Note 1: The group 1 and group 2 are classified based on where the counterparties are located. Expected loss ratio is evaluated by each customer under each group.

Note 2: The contract assets were not past due.

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

December 31, 2018

Group 1 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	Past due 31~90 days	Past due 91~120 days	Past due 121~180 days	Past due 181~360 days	Past due >=361 days	Total
Gross carrying amount	$74,324	$-	$-	$921	$1	$-	$1,129	$76,375
Loss ratio	-%	-%	2%	10%	30%	50%	100%	
Lifetime expected credit losses	-	-	-	(92)	-	-	(1,129)	(1,221)
Subtotal	$74,324	$-	$-	$829	$1	$-	$-	$75,154

Group 2 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	Past due 31~90 days	Past due 91~120 days	Past due 121~180 days	Past due >=181 days	Total
Gross carrying amount	$32,226	$-	$-	$323	$154	$3,993	$36,696
Loss ratio	-%	-%	3%	10%	40%	100%	
Lifetime expected credit losses	-	-	-	(32)	(62)	(3,993)	(4,087)
Subtotal	$32,226	$-	$-	$291	$92	$-	$32,609
Carrying amount of contract assets and receivables (including trade receivables-related parties)							$107,763

Note 1: The group 1 and group 2 are classified based on where the counterparties are located. Expected loss ratio is evaluated by each customer under each group.

Note 2: The contract assets and trade receivables-related parties were not past due.

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, 2019	$-	$5,308
Addition for the current period	-	6,830
Write off (Note)	-	(6,736)
As of December 31, 2019	$-	$5,402

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

	Contract assets	Trade receivables
As of January 1, 2018 (in accordance with IAS 39)	$-	$5,856
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	5,856
Addition for the current period	-	2,171
Write off	-	(2,719)
2018.12.31	$-	$5,308

Note: The Company wrote off NT6,736 thousand for contractual amount of financial assets outstanding during the year; for which the Company is still undertaking collection activities.

(12) Leases

A. The Company as a lessee (applicable to the disclosure requirement under IFRS 16)

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 follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2019	2018 (Note)
Buildings	$116,949	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

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

For the year ended December 31, 2019, the Company's addition to right-of-use assets amounted to NT$14,367 thousand.

II. Lease liabilities

	As of December 31,	
	2019	2018 (Note)
Lease liabilities	$118,577	
Current	$13,084	
Non-current	$105,493	

Please refer to Note 6(14)C for the interest on lease liabilities recognized for the year ended December 31, 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Buildings	$13,178	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$1,106	
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	$250	

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

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(d) Cash outflow relating to leasing activities

For the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT$13,515 thousand.

B. The Company as a lessee－Operating leases (in accordance with IAS 17)

The Company has entered into commercial leases of office for operating uses. These leases have an average life of one to five years with no renewal options. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		$16,770
Later than one year but not later than five years		61,778
Total		$78,548

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$8,504

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

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

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

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$-	$156,628	$156,628	$-	$113,720	$113,720
Labor and health insurance	-	16,913	16,913	-	13,626	13,626
Pension	-	10,624	10,624	-	8,568	8,568
Director's emoluments	-	660	660	-	559	559
Others	-	881	881	-	525	525
Depreciation	-	17,730	17,730	-	1,669	1,669
Amortization	-	45,927	45,927	-	15,726	15,726

Note: The average number of employees of the Company was 175 and 156 for the years ended December 31, 2019 and 2018, respectively, including 6 and 5 non-employee directors for the years ended December 31, 2019 and 2018, respectively.

The Company's average employee benefit expenses for the years ended December 31, 2019 and 2018 were NT$1,095 thousand and NT$904 thousand, respectively. The Company's average employee salaries for the years ended December 31, 2019 and 2018 were NT$927 thousand and NT$753 thousand, respectively. The Company's average employee salary increase rate was 23.11% for the year ended December 31, 2019.

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

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

Based on the profit for the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 to be 4.99% and 0.99% of profit for the year ended December 31, 2019. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 amounted to NT$ 945 thousand and NT$ 189 thousand, respectively.

Based on the profit for the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be 2% and 0.99% of profit for the year ended December 31, 2018. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amounted to NT$ 730 thousand and NT$ 363 thousand, respectively.

The estimated amount NT$ 730 thousand and NT$ 363 thousand of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2018 were consistent with the resolutions of the Board of Directors meeting held on June 18, 2019.

(14) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$4,831	$5,069
Others	2,048	959
Total	$6,879	$6,028

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Foreign exchange gains (losses), net	$(4,771)	$3,621
Losses on disposal of property, plant and equipment	(240)	-
Others	(1,715)	(752)
Total	$(6,726)	$2,869

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

C. Finance costs

	For the years ended December 31, 2019	2018
Interest expenses on lease liabilities	$(1,965)	(Note)

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(15) Components of other comprehensive income

For the year ended December 31, 2019:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax	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	$(1,274)	$-	$(1,274)	$255	$(1,019)

For the year ended December 31, 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax	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	$730	$-	$730	$(83)	$647

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

(16) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expenses:		
Current income tax charge	$-	$-
Adjustments in respect of current income tax of prior periods	-	-
Deferred tax expense (income):		
Others	1,755	1,373
Income tax expense	$1,755	$1,373

Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax income:		
Exchange differences resulting from translation the financial statements of foreign operations	$255	$(83)
Income tax relating to components of other comprehensive income	$255	$(83)

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

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,	
	2019	2018
Accounting profit before tax from continuing operations	$17,778	$42,940
At the Company's statutory income tax rate	$3,556	$8,588
Tax effect of expenses not deductible for tax purposes	1,347	-
Adjustments in respect of current income tax of prior periods	-	-
Recognition of tax losses or temporary differences of prior periods not recognized	(4,903)	(8,588)
Others	1,755	1,373
Income tax expense recognized in profit or loss	$1,755	$1,373

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Generated from consolidation	Exchange differences	Ending balance
Temporary differences							
Investments accounted for using the equity method	$276	$-	$255	$-	$-	$-	$531
Deferred income tax		$-	$255	$-	$-	$-	
Net deferred tax assets (liabilities)	$276						$531
Reflected in balance sheet as follows:							
Deferred tax assets	$276						$531
Deferred tax liabilities	$-						$-

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

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

		Unutilized accumulated loss		
Occurrence year	Accumulated loss	December 31, 2019	December 31, 2018	Expiration year
2008	$82,011	$-	$40,688	2018
2009	145,944	81,674	145,944	2019
2010	119,980	119,980	119,980	2020
2011	114,257	114,257	114,257	2021
2012	88,644	88,644	88,644	2022
2013	87,983	87,983	87,983	2023
2016	18,406	18,406	18,406	2026
Total		$510,944	$615,902	

Unrecognized deferred income tax assets

As of December 31, 2019 and 2018, the Company's unrecognized deferred income tax assets were NT$132,157 thousand and NT$145,542 thousand, respectively.

The assessment of income tax returns

As of December 31, 2019, the income tax returns of the Company through 2017 have been assessed by the tax authorities.

(17) Earnings per share

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

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the parent entity (after adjusting for interest on the convertible preference shares) 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, 2019	2018
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$16,023	$41,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Basic earnings per share (NT$)	$0.38	$0.97
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$16,023	$41,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Effect of dilution:		
Employees' compensation-stock (share)	8	9
Weighted average number of ordinary shares outstanding after dilution (in thousands)	42,659	42,660
Diluted earnings per share (NT$)	$0.38	$0.97

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.

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

7. Related Party Transactions

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Mediatek Inc.	Substantive related party
Andes Technology (Wuhan) Corporation	Subsidiary
Andes Shanghai Technology Corporation	Subsidiary
Andes Technology (Samoa) Corporation	Subsidiary
Andes Technology USA Corporation	Subsidiary
Everest Peaks Technology Corporation	Subsidiary

(1) Sales

	For the years ended December 31,	
	2019	2018
Mediatek Inc.	$9,336	$29,929
Subsidiaries	84,360	32,889
Total	$93,696	$62,818

The collection periods for related parties and third-party customers were both month-end 30 to 75 days.

(2) Contract assets

	December 31, 2019	December 31, 2018
Mediatek Inc.	$-	$1,536
Subsidiaries	5,692	5,842
Total	$5,692	$7,378

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

(3) Trade receivables – related parties

	December 31, 2019	December 31, 2018
Mediatek Inc.	$-	$2,580
Subsidiary	50,919	16,349
Total	$50,919	$18,929

(4) Contract liabilities, current

	December 31, 2019	December 31, 2018
Mediatek Inc.	$3,052	$2,200
Subsidiaries	5,848	2,085
Total	$8,900	$4,285

(5) Others

A. The Company entered into office leases with Mediatek Inc. for the year ended December 31, 2018, and lease expenses recognized were NT$790 thousand. The rents were paid monthly.

B. The Company paid NT$6,520 thousand as commission expenses to the subsidiaries for the year ended December 31, 2018.

C. The Company paid NT$7,409 thousand of R&D and design fees to the subsidiaries for the year ended December 31, 2018.

D. Other payables to related parties

	December 31, 2019	December 31, 2018
Subsidiaries	$-	$3,686

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

(6) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$22,188	$19,446
Post-employment benefits	540	540
Total	$22,728	$19,986

8. Assets Pledged as Collateral

None

9. Commitments and Contingencies

None

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, 2019	December 31, 2018
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	$413,878	$510,900
Financial assets measured at amortized cost	325,500	420,000
Trade receivables, net (including related parties)	125,216	52,320
Other receivables	187	495
Refundable deposits	4,668	5,348
Total	$869,449	$989,063

Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Trade payables	$29	$126
Other payables	39,825	26,865
Lease liabilities, current	13,084	(Note)
Lease liabilities, noncurrent	105,493	(Note)
Total	$158,431	$26,991

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate comparative periods in accordance with the transition provision in IFRS 16.

(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 supervisors 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.

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.

<u>Foreign currency risk</u>

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, 2019 and 2018 decreases/increases by NT$1,429 thousand and NT$1,013 thousand, respectively.

(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 trade receivables and notes 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, 2019 and 2018, receivables from top ten customers represented 82.19% and 54.40% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts 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.

(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. 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.

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	more than 5 years	Total
December 31, 2019					
Trade payables	$29	$-	$-	$-	$29
Other payables	39,825	-	-	-	39,825
Lease liabilities	13,084	26,634	27,392	51,467	118,577
December 31, 2018					
Trade payables	$126	$-	$-	$-	$126
Other payables	26,865	-	-	-	26,865

(6) Fair value of financial instruments

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

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

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

(7) Significant assets and liabilities denominated in foreign currencies

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

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

	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$4,976	29.98	$149,178
Financial liabilities			
Monetary item:			
USD	209	29.98	6,270

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$3,514	30.715	$107,943
Financial liabilities			
Monetary item:			
USD	215	30.715	6,603

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 (losses) were NT$(4,771) thousand and NT$3,621 thousand for the years ended December 31, 2019 and 2018, respectively.

(8) 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.