

# Andes Technology Corporation

## Annual Report 2020

Printed on April 30, 2021

- 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.**

**Spokesperson and Acting spokesperson:**

## Spokesperson

Name: Han-Chang Chou  
Title: AVP of Finance Division  
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**Headquarters , Branch office and Factory:**

## Headquarters:

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Tel: +886-3-572-6533

Factory: Not Applicable.

**Transfer Agent:**

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Website: <http://srd.honsec.com.tw>

Tel: +886-2-2326-8818

**Independent Auditor:**

Company: Ernst & Young

Auditors: Shou-Pin Kuo and Jia-Ling Tu

Accounting Firm: Ernst & Young

Address: 9F, No. 333, Sec. 1, Keelung Road, Taipei City, Taiwan.

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Tel: +886-2-2757-8888

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

**Website:** <http://www.andestech.com>

# 2020 Andes Annual Report

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## I. Letter to Shareholders

### Andes Technology Corporation Business Report

Dear Shareholders:

In 2020, the world experienced an unprecedented COVID-19 pandemic. The global economy has shown a very peculiar change, as well as human life and work patterns. Andes cannot stand outside the impact of COVID-19 either. Fortunately, Taiwan's response to the virus is outstanding, and Andes has not been seriously affected. We provided most of our sales, marketing, and technical services online as well as strictly verified sales colleagues' business trip plans, making the overall operation return to prosperity from the rapid decline in the early stage of the pandemic and achieve sustained growth and profitability.

#### **Business results in 2020**

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

In 2020, Andes Technology's consolidated revenue was NT\$581,012 thousands, showing an increase of 17% from last year, and made a record high. The licensing of CPU IP accounted for 54% of the total revenue, royalty revenues accounted for 27%, CPU IP technical service revenue (custom computing) accounted for 11%, maintenance service and other income accounted for 8%. Royalty revenues continued to grow at a high rate.

The consolidated operating income was NT\$37,622 thousands, and the net profit for the whole year was NT\$35,142 thousands, and this is the fourth consecutive year that Andes is profitable. Earnings per share was NT\$0.82. The net cash inflows of NT\$54,808 thousands for the whole year was mainly from the growth of operating revenue, and the end cash balance was NT\$526,682 thousands.

In terms of budget execution, Andes Technology only set its internal budget targets in 2020, and did not disclose financial forecasts. However, there is a small gap between revenue growth and expectations. Profits did not reach our target due to substantial investment in research and development and the associated cost and expenses.

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

In 2020, Andes Technology continued to market RISC-V products, making RISC-V products account for the majority of our licensed products. In terms of the total proportion, the turnovers of RISC-V products have exceeded 50% of all turnovers, and we have already received royalties in the fourth quarter after licensing our RISC-V products. Coupled with the continued high growth of royalty revenues in recent years, RISC-V products can be said as our second cash cow. According to statistics, our customers have produced over 2 billion AndeStar V3 SoCs in 2020, and the accumulative total has exceeded 6 billion. Until the fourth quarter, RISC-V and AndeStar V3 products continued to be licensed for SoC development.

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

In 2020, Andes Technology continued to develop RISC-V high-end processor products. In this year, Andes Technology continued to launch 32-bit and 64-bit multi-core RISC-V high-end microprocessors and vector computing IP products, such as A27, AX27L2, N45, A45, D45, NX45, AX45, DX45, and NX27V. We also invested resources to continue to lead the RISC-V International Association in developing the P-Extension instruction set, Linux operating system, LLVM Compiler, etc. Being one of the leading manufacturers in the RISC-V camp, Andes has already showed the strength of its research and development team and has become one of the world's first-class CPU IP suppliers, laying the foundation for the future development of high-end multi-core products.

## **Business plan summary in 2021**

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

Andes Technology will continue to develop and provide high-end RISC-V microprocessor IPs and supporting solutions, as well as participate in managing strategies of the RISC-V board of directors to expand its competitiveness. At present, the 32-bit and 64-bit multi-core RISC-V A45MP and AX45MP processors have been released, and are in the final testing stage of research and development. They are expected to be delivered before the middle of the year. On that basis, Andes Technology has the ability to provide more complex and efficient computing platforms. Cooperating with our partners, Andes will help customers enter more HPC, PC, Mobile Phone, AI, and Cloud application processor (AP) fields.

### **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. Since 2019, the China-US trade war has continued to bring uncertainties to the global economy. The world also faced the threat of COVID-19 pandemic in 2020. NVIDIA announced to acquire ARM in the third quarter of 2020. These events had dynamic negative or positive influences and changes to Andes. The management team of Andes Technology continuously pays close attention to the development of the situation, adjusts the corresponding strategy to reduce the risks, 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.

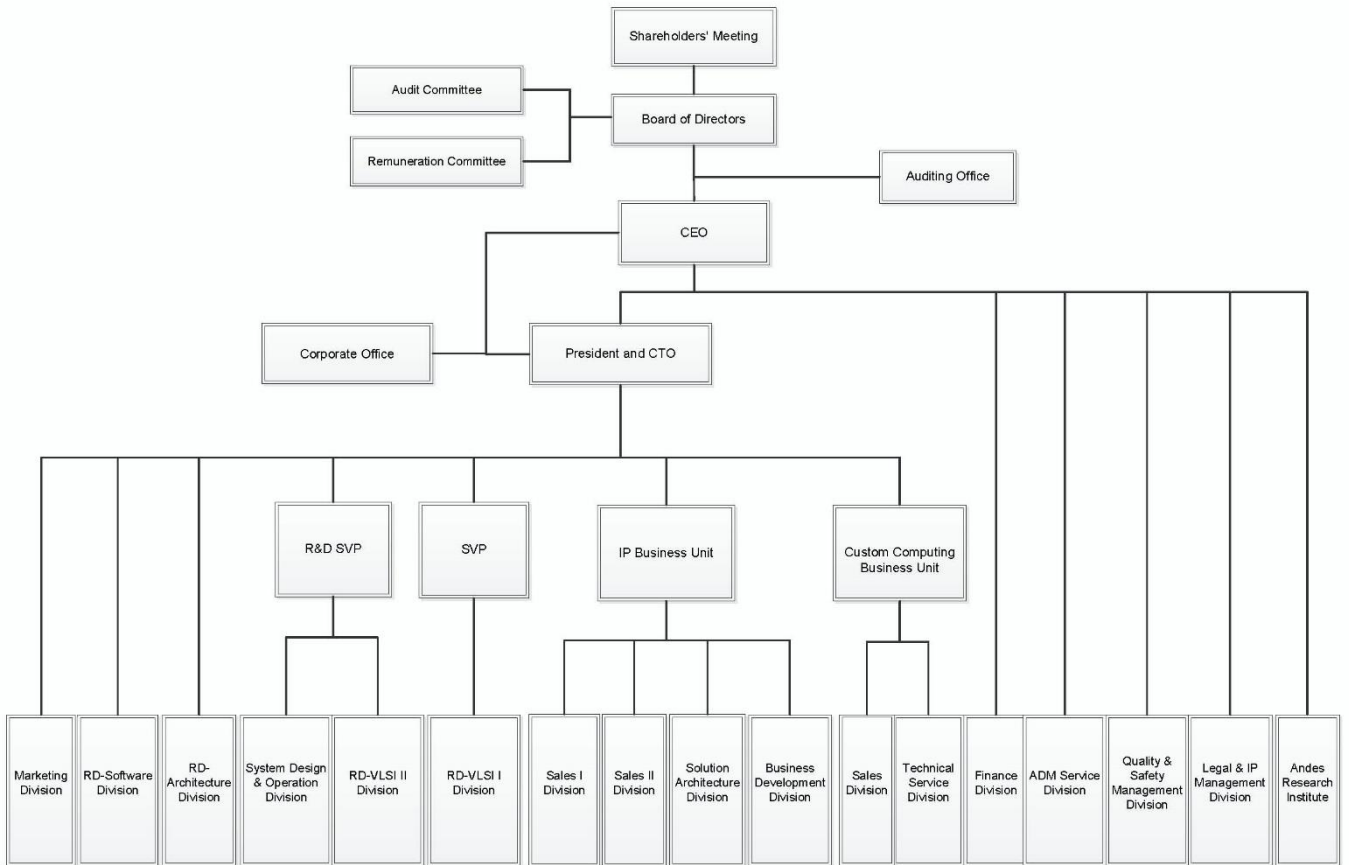
### 2. Milestones

Year	Milestones
Mar, 2017	Listed on the Taiwan Stock Exchange (TWSE)
Mar, 2017	Announced AndeStar™ 32-/64 bit V5 digital signal instructions
May, 2017	Announced D15F and N15F processors, supporting Superscalar V3 architecture, DSP extension instructions, and floating point unit (FPU)
Oct, 2017	Won “ASPA Excellence Prize” award
Nov, 2017	Announced the optimization for toolchains of BSP 4.2.0.
Nov, 2017	Announced AndeSight v3.1.0 STD/MCU/RDS
Dec, 2017	Announced platform IP AE300, supporting advanced AXI bus protocol
Dec, 2017	Announced 32-bit N25 Processors, with a 5-stage pipeline supporting V5 architecture
Dec, 2017	Announced 64-bit NX25 Processors, with a 5-stage pipeline supporting V5 architecture
Oct, 2018	Announced over 1.2 GHz RISC-V Cores Series at 28nm: A25/AX25 and N25F/NX25F
Mar, 2019	Announced N22, the smallest RISC-V core processor in its V5 Family.
Mar, 2019	Assisted to establish the RISC-V Alliance of Taiwan, and served as the vice chairman.
Apr, 2019	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
Dec, 2019	Announced COPILOT v5.2, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
Dec, 2019	Upgraded its membership in the RISC-V Foundation to Platinum
Jan, 2020	Announced ground-breaking 27-series processors, which contain high-performance memory subsystems
Jan, 2020	Announced the NX27V processor, supporting RISC-V Vector instruction extension (RVV)
Jan, 2020	Announced 45-series RISC-V core processors, equipped with high-end 8-stage superscalar pipeline
May, 2020	Became the Founding Premier membership, BOD and Vice Chairman of the technical instructor committee in the RISC-V International Association (RISC-V Foundation).
May, 2020	AI Global Media Award “Most Outstanding Embedded Processor IP Supplier– 2020”
Aug, 2020	Announced COPILOT v5.3, a powerful but easy-to-use Andes Custom Extension (ACE) design tool
Nov, 2020	Announced new RISC-V processors: Superscalar 45-series with multi-core support and 27-series with Level-2 cache controller
Nov, 2020	Won 2020 ASPENCORE World Electronics Achievement Awards (WEAA) in the Outstanding Product Performance of the Year
Dec, 2020	AndeCore™ NX27V won the Hsinchu Science Park “Innovation Award”
Dec, 2020	RISC-V Vector Processor NX27V is upgraded to RVV 1.0
Dec, 2020	Announced AndeSentry™ architecture, which is provided with the Security function
Feb, 2021	Announced COPILOT v5.4, supporting Streaming Port
Apr, 2021	Accumulative SoC Shipped over 7 billion.

### 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.
Andes Research Institute		Research future technologies that may affect the development of the company's computing technology industry and evaluate possible business plans and operational strategy.

2. Information of Directors and Officials

2.1. Information Regarding Board Members

As of March 27, 2021/ 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	
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	Herming Chiueh	Male	June 21, 2018	3	July 3, 2020 (note3)	0	0	0	0	0	0	0	0	Assistant Professor, Department Of Electrical Engineering, National Chiao Tung University Assistant Professor, Department Of Communications Engineering, National Chiao Tung University Director, TWEMBA Member Of Digital Wireless Transmission Platform Supervision Group, Government Information Office, Executive Yuan Member Of Cable Broadcasting And Television Review Committee, NCC Member Of Cable Broadcasting And Television Review Committee, Government Information Office, Executive Yuan Member Of Digital Radio Review Committee, Government Information Office, Executive Yuan Member Of Radio Review Committee, Government Information Office, Executive Yuan	Associate Professor, Department Of Electrical Engineering, National Chiao Tung University Asia Silicon Valley Development Agency (ASVDA) Chief Human Resources Officer	-	-	-	-

															Ph.D. In Electrical Engineering, University Of Southern California						
	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 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	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 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	538,493	1.26	120,668	0.28	0	0	VP of Sales, Faraday Technology Corp. Business Manager, UMC MSEE, Portland State University, Oregon, USA.	The Company's President. Chairman, Everest Peaks Technology Corporation. Chairman, Andes Technology (Samoa) Corporation. Chairman, Andes Technology (Wuhan) Corporation. Chairman, Andes Technology USA Corporation. Chairman, Andes Technology Shanghai Corporation.	-	-	-	-	

Director	R.O.C	Hong-Men Su	Male	June 18, 2020 (note3)	3	June 30, 2015	333,781	0.78	328,781	0.77	4,341	0.01	0	0	Chief Architect, Faraday Technology Corp. Sr. Staff, Sun Microsystems Sr. Staff, Afara Websystems C-Cube Micro Director, Silicon Graphics Sr. Engineer, Intergraph Corp Ph.D. in Computer Science, University of Illinois	Director, President & CTO, Andes Technology Corp. Director, Andes Technology (Wuhan) Corporation. Director, Andes Technology USA Corporation. Director & President, Andes Technology Shanghai Corporation.	-	-	-	-
Director	R.O.C	Andrew Chang	Male	June 18, 2020 (note3)	3	June 18, 2020	0	0	0	0	0	0	0	0	Vice Chairman, Richtek Technology SVP, Mediatek Inc. Master Of Electrical Engineering, New York Polytechnic University, USA	Director, Andes Technology Corp. Independent Director, AOPEN Solutions Corp. Director, Mediatek Foundation Chairman, Maisense Inc.	-	-	-	-
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.	-	-	-	-
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: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all

Note 2: The institutional director, National Development Fund, Executive Yuan, change of its representative to Herming Chiueh on July 3, 2020.

Note 3: The Company had election of two additional Directors of the 6th Board at June 18, 2020 shareholders' meeting. The term of the new director is the same as the term of the sixth board of directors.

Note 4: 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.

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

Table 1: Major Shareholders of the Institutional Shareholders

As of April 30, 2021

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, 2021

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, 2021

Criteria	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		
Name (Note2)																	
MediaTek Capital Corp .(Representative: Ming-Kai Tsai)		✓				✓	✓			✓		✓	✓	✓			0
National Development Fund (Representative: Herming Chiueh)	✓				✓	✓	✓	✓		✓	✓		✓	✓	✓		0
Hotran Resource Development Ltd. (Representative: Chun-Huei Ho)			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			0
Jyh-Ming Lin			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Hong-Men Su			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Andrew Chang			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Chien-Kuo Yang		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
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 institutional director, National Development Fund, Executive Yuan, change of its representative to Herming Chiueh on July 3, 2020. And the Company had election of two additional Directors Hong-Men Su and Andrew Chang of the 6th Board at June 18, 2020 shareholders' meeting. 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 March 27, 2021/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	
CEO	R.O.C	Jyh-Ming Lin	Male	March 2, 2021	538,493	1.27	120,668	0.28	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	-	-	-	-
President & CTO	R.O.C	Hong-Men Su	Male	March 2, 2021	328,781	0.77	4,341	0.01	0	0	The Company's VP & senior VP Chief Architect, Faraday Technology Corp. Sr. Staff, Sun Microsystems Sr. Staff, Afara Websystems C-Cube Micro Director, Silicon Graphics Sr. Engineer, Intergraph Corp. Ph.D. in Computer Science, University of Illinois.	Director, Andes Technology (Wuhan) Corporation Director, Andes Technology USA Corporation Director & President, Andes Technology Shanghai Corporation	-	-	-	-
Senior VP of Technical and New Business	R.O.C	Jen-Chih Tseng	Male	March 2, 2021	80,500	0.19	0	0	0	0	The Company's VP of Technology The Company's AVP of R&D Division The Company's Senior Manager of RD-VLSI Division, Manager of RD-VLSI Division, Deputy Manager of RD-VLSI Division. MTS, Sun Microsystems, Inc. MSEE, University of Wisconsin-Madison	-	-	-	-	
Senior VP of R&D	R.O.C	Yung-Ching Hsiao	Male	March 2, 2021	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	-	-	-	-	

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 IP Business Unit	ROC	Kuo-Chi Lin	Male	January 25, 2019	2,811	0.01	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	-	-	-	-
AVP of RD-Software Division	R.O.C	Kuen-Chern Lin	Male	April 1, 2020	100,291	0.24	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	138,685	0.33	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, President and Vice Presidents  
3.1. Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Director's remuneration								(A+B+C+D) as % of Net Income		Remuneration from concurrent position as employee						(A+B+C+D+E+F+G) as % of Net Income		Remuneration			
		Salary (A)		Pension (B)		Remunerations (C)		Allowances (D)				Salary, Bonus, etc. (E)		Pension (F)		Employee Compensation (G)							
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities				
														Cash	Stock	Cash	Stock						
Chairman	MediaTek Capital Corp. (Representative: Ming-Kai Tsai)	250	250	-	-	271	271	36	36	1.58	1.58	10,034	10,034	-	-	189	-	189	-	30.68	30.68	-	
Director	National Development Fund (Representative: Herming Chiueh) (Note 1)																						
Director	Hotran Resource Development Ltd. (Representative: Chun-Huei Ho)																						
Director	Jyh-Ming Lin																						
Director	Hong-Men Su (Note 2)																						
Director	Andrew Chang (Note 2)	240	240	-	-	135	135	24	24	1.14	1.14	-	-	-	-	-	-	-	-	1.14	1.14	-	
Independent Director	Chien-Kuo Yang																						
Independent Director	Hsiao-Ping Lin (Note 3)																						
Independent Director	Tien-Fu Chen																						

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: The institutional director, National Development Fund, Executive Yuan, change of its representative to Herming Chiueh on July 3, 2020.

Note 2: The Company had election of two additional Directors Hong-Men Su and Andrew Chang of the 6th Board at June 18, 2020 shareholders' meeting, and the remuneration disclosure period was from June 18, 2020 to Dec. 31, 2020. Hong-Men Su's remuneration from concurrent position as employee disclosure period was full year.

Note 3: Director Hsiao-Ping Lin was discharged on January 9, 2021 due to his death.

### 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: Herming Chiueh); Hotran Resource Development Ltd. (Representative: Chun-Huei Ho); Jyh- Ming Lin; Hong-Men Su; Andrew Chang; Chien-Kuo Yang; Hsiao-Ping Lin; Tien-Fu Chen	Mediatek Capital Corp. (Representative: Ming-Kai Tsai); National Development Fund (Representative: Herming Chiueh); Hotran Resource Development Ltd. (Representative: Chun-Huei Ho); Jyh- Ming Lin; Hong-Men Su; Andrew Chang; Chien-Kuo Yang; Hsiao-Ping Lin; Tien-Fu Chen	Mediatek Capital Corp. (Representative: Ming-Kai Tsai); National Development Fund (Representative: Herming Chiueh); Hotran Resource Development Ltd. (Representative: Chun-Huei Ho); Andrew Chang; Chien-Kuo Yang; Hsiao-Ping Lin; Tien-Fu Chen	Mediatek Capital Corp. (Representative: Ming-Kai Tsai); National Development Fund (Representative: Herming Chiueh); Hotran Resource Development Ltd. (Representative: Chun-Huei Ho); Andrew Chang; 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				
NT\$5,000,000 ~ NT\$9,999,999			Jyh-Ming Lin; Hong-Men Su	Jyh-Ming Lin; Hong-Men Su
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999				
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
Greater than or equal to NT\$100,000,000				
Total	9	9	9	9

3.2. Remuneration of Supervisors : NA

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

Unit: NT\$ thousands

Title	Name	Salary (A)		Pension (B)		Bonuses and special expenses (C)		Employee Compensation (D)				(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			
CEO	Jyh-Ming Lin	15,174	15,174	0	0	7,478	7,478	395	0	395	0	65.58%	65.58%	0
President & CTO	Hong-Men Su													
Senior VP of Technical and New Business	Jen-Chih Tseng													
Senior VP of R&D	Yung-Ching Hsiao													
VP of IP Business Unit	Kuo-Chi Lin													

### 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	Jen-Chih Tseng; Yung-Ching Hsiao; Kuo-Chi Lin	Jen-Chih Tseng; Yung-Ching Hsiao; Kuo-Chi Lin
NT\$5,000,000 ~ NT\$9,999,999	Jyh-Ming Lin; Hong-Men Su	Jyh-Ming Lin; Hong-Men Su
NT\$10,000,000 ~ NT\$14,999,999		
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
Greater than or equal to NT\$100,000,000		
Total	5	5

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

Unit: NT\$ thousands

Title	Name	Cash (Note 1)	stock	Total	Percentage of net income after tax
CEO	Jyh-Ming Lin	488	0	488	1.39%
President & CTO	Hong-Men Su				
Senior VP of Technical and New Business	Jen-Chih Tseng				
Senior VP of R&D	Yung-Ching Hsiao				
VP of IP Business Unit	Kuo-Chi Lin				
AVP of RD- Architecture Division	Chuan-Hua Chang				
AVP of RD-Software Division	Kuen-Chern Lin				
AVP of Finance Division & ADM Service Division Director	Han-Chang Chou				

Note 1: The 2020 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 2019 and 2020.

Item \ Year	Percentage of total remuneration compared to company net income after tax			
	2019 (%)		2020 (%)	
	Andes	Consolidated Entities	The Company	Consolidated Entities
Director	3.88	3.88	2.72	2.72
Supervisor	0.97	0.97	NA	NA
President and Vice President	138.06	138.06	65.58	65.58

(1) The proportion of total remuneration paid to directors, supervisors, President and Vice President in net income after tax in year 2020 decreased from year 2019, mainly because the net income after tax in year 2020 was higher than that in year 2019, resulting in the total remuneration accounting for net income after tax Proportion decrease.

#### 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 directors and Key Managers' remuneration is based on the company's "Directors and Managers' Compensation Management Measures" and is submitted to the company's remuneration committee to assess the value of individual's ability to participate in and contribute to the company's operations according to the method, such as operating Comprehensive considerations such as income and profit, budget target achievement rate and other management performance that are positively related to operating performance,

and refer to the salary level of the industry, based on the salary level of the industry 0% to 150%, and then submit it to the board of directors for approval After that. Therefore, the correlation with operating performance and future risks is still reasonable.

#### 4. Implementation of Corporate Governance

##### 4.1. Board of Directors Governance

4.1.1. The 6<sup>th</sup> Board of Directors held meeting 4 times (A) in 2020. 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	0	100	None
Director	National Development Fund (Representative: Hahn-Ming Lee)	2	0	100	None (Note 1)
Director	National Development Fund (Representative: Herming Chiueh )	2	0	100	Newly-elected (Note 1)
Director	Hotran Resource Development Ltd. (Representative: Chun-Huei Ho)	4	0	100	None
Director	Jyh-Ming Lin	4	0	100	None
Director	Hong-Men Su	2	0	100	Newly-elected (Note 2)
Director	Andrew Chang	2	0	100	Newly-elected (Note 2)
Independent Director	Chien-Kuo Yang	4	0	100	( Note3 )
Independent Director	Hsiao-Ping Lin	2	2	50	( Note3,4 )
Independent Director	Tien-Fu Chen	4	0	100	( Note3 )

Note 1 : The institutional director, National Development Fund, Executive Yuan, change of its representative from Hahn-Ming Lee to Herming Chiueh on July 3, 2020.

Note 2 : The Company had election of two additional Directors Hong-Men Su and Andrew Chang of the 6th Board at June 18, 2020 shareholders' meeting.

Note 3 : The attendance status of Independent Directors is as follows:

Meeting Name	6 <sup>th</sup> board			
	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>
Chien-Kuo Yang	Attend in Person	Attend in Person	Attend in Person	Attend in Person
Hsiao-Ping Lin	By Proxy	Attend in Person	Attend in Person	By Proxy
Tien-Fu Chen	Attend in Person	Attend in Person	Attend in Person	Attend in Person

Note 4: Director Hsiao-Ping Lin was discharged on January 9, 2021 due to his death.

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 3, 2020	The 9 <sup>th</sup> meeting of the 6 <sup>th</sup> Board	1. Amendment to the Company's "Internal Control Policy." 2. Matter of the Company's 2020 CPA compensation	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 2020 are as follows:

Meeting	Name	Agenda	Reason of recusals	Vote
The 9 <sup>th</sup> meeting of the 6 <sup>th</sup> Board	Jyh-Ming Lin	Amendment of the Company's 2020 managers compensation	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.
The 11 <sup>th</sup> meeting of the 6 <sup>th</sup> Board	Jyh-Ming Lin	Amendment of the Company's 2020 managers compensation	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.
The 12 <sup>th</sup> meeting of the 6 <sup>th</sup> Board	Jyh-Ming Lin Hong-Men Su	Amendment of the Company's 2021 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	Overall average (Out of 5)
Once per year	2020/1/1~2020/12/31	(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.	4.78
		(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.	4.89
		(3) Audit 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.	4.5
		(4) Remuneration 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.	4.37

## 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 2020 annual business report, financial statements and proposal for profit distribution. The financial statements have been audited and certified by Ernst & Young Taiwan. The aforementioned business report, financial statements and proposal for profit distribution have been audited by the Audit Committee and no disagreement has been found.

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

The Audit Committee evaluated the company’s internal control system (including the supervision and management of subsidiaries) as of December 31, 2020, including understanding the effectiveness of operations and the extent to which the efficiency targets were achieved, and the reporting system was reliable, Timeliness, transparency and compliance with relevant regulations and relevant laws and regulations, and the design and implementation of relevant internal control systems are effective.

- (4) Audit Committee Meeting :

A. The Audit Committee held 4 (A) session in 2020. 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	4	0	100	
Independent Director	Hsiao-Ping Li	2	2	50	(Note1)
Independent Director	Tien-Fu Chen	4	0	100	

Note 1 : Independent Director Hsiao-Ping Lin was discharged on January 9, 2021 due to his death.

B. Other mentionable items:

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

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

Date	Resolution	Resolution results of the Audit Committee	The Company's response to the comments of the Audit Committee
March 3, 2020 The 9 <sup>th</sup> meeting of the 6 <sup>th</sup> Board	1. To Approve 2019 Business Report, Financial Statements and Consolidated Financial Statements. 2. Amendment to the Company’s “Internal Control Policy.” 3. The 2019 internal control statement. 4. The results of the company's independent assessment of the CPA. 5. The 2020 CPA’s audit fee.	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
November 3, 2020 The 12 <sup>th</sup> meeting of the 6 <sup>th</sup> Board	1. The 2021 “Internal Audit plan.		

- 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.

(5) Attendance of Supervisors at Board Meetings: NA.

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

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/ Listed Companies"?	V		The Company has formulated <b>【Corporate Governance Best Practice Principles】</b> with reference to "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". And after approval by the board of directors, it is publicly exposed on the corporate website and MOPS.	None
2. Equity structure and shareholders' equity				
(1). Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement them according to the procedure?	V		The Company established <b>【Procedures for Handling Material Inside Information】</b> 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 <b>【Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises】</b> and <b>【Procedures Governing the Monitoring of Subsidiaries】</b> to establish a risk management mechanism at its subsidiaries.	None
(4). Does the Company establish internal rules against insiders trading with undisclosed information?	V		Besides established <b>【Procedures for Handling Material Inside Information】</b> , the Company require insiders shall declare the holding of shares.	None

Assessment Item	Implementation Status		Reason for Non-implementation	
	Yes	No		Summary Description
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1). Does the Board develop and implement a diversified policy for the composition of its members?</p>	V		<p>Article 20 of the "Code of Practice on Corporate Governance" of the company has stipulated that the composition of the board of directors is diversified. And formulate an appropriate diversification policy based on its own operation, operation type and development needs, Including but not limited to basic conditions and values (gender, age, nationality and culture, etc.) and professional knowledge and skills (such as accounting, industry, finance, marketing research and development, technology, business management, professional skills and industrial experience, etc.) two aspects, And generally possess the knowledge, skills and literacy necessary to perform duties. Report for the implementation of the Board diversity policy:</p> <ol style="list-style-type: none"> <li>1. The company currently has eight directors, of which independent directors account for two directors accounting for 25%; directors with employee status account for 25%; directors under 60 account for 38%, and directors over 70 account for 13%.</li> <li>2. Independent director's term of office: since June 2015, not more than 9 years.</li> <li>3. Each director has his own professional background including accounting, industry, finance, marketing research and development, technology, operation management, professional skills and industry experience, etc.( Please refer to P6 2.Information of Directors and Officials)</li> </ol> <p>Please refer to the company's corporate website for the company's corporate governance code of practice.</p>	None
<p>(2). Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>	V		<p>Besides Remuneration Committee and the Audit Committee, the Company will establish other committee under the necessity.</p>	As the Summary Description
<p>(3). Does the Company establish a standard to measure the performance of the Board, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?</p>	V		<p>The Board has approved "Rule of Board Performance Evaluation" and Perform internal board performance evaluation annually from 2019. Please refer to page 20 for assessment details. The outcome of 2020 assessment was graded as excellent (agree). Detailed information regarding the above evaluation were reported to 13<sup>th</sup> meeting of the 6<sup>th</sup> Board. It also is used as reference for the remuneration and re-election nomination of individual Director.</p>	None
<p>(4). Does the Company regularly evaluate the</p>	V		<p>The Company evaluates the independence and</p>	None

Assessment Item	Implementation Status		Reason for Non-implementation	
	Yes	No		Summary Description
independence of CPAs?			<p>suitability of its CPA annually.</p> <p>The Company also evaluates the statement of independence issued by the accounting firm, audit and non-audit quality, communication and rotation of CPA.</p> <p>The results of the most recent evaluations in the last two years were reported to the 9<sup>th</sup> meeting of the 6<sup>th</sup> Board and the 13<sup>th</sup> meeting of the 6<sup>th</sup> Board.</p>	
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		<p>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: 1. Conducted matters relating to board meetings and shareholder meetings. 2. Assisted in the matters of director appointment and professional enhancement. 3. Maintains D&amp;O insurance for its Directors and key officers. 4. Election of the general meeting of shareholders, announcements and other related matters 5. Handle matters relating to company registration and change of company registration. 6. Arrange separate meetings between independent directors and CPA.</p>	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		<p>The Company established a communication channel on the company website. Including customers, suppliers, investors and employees, providing e-mail and specific contact windows for all kinds of stakeholders to ask questions, and the main business leaders will reply to maintain a good communication channel.</p>	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		<p>The Company entrusted the stock agency of Horizon Securities Co., Ltd. to handle the affairs of the shareholders' meeting.</p>	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		<p>The Company has disclosed information of financial and corporate governance on the website.</p>	None
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		<p>The Company has building an English website and appointing department of Finance to handle information collection and disclosure. 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.</p>	None

Assessment Item	Implementation Status		Reason for Non-implementation	
	Yes	No		Summary Description
(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	<p>(1) Employee rights and employee caring: The Company has established the Welfare Committee.</p> <p>(2) Investor relations: The Company established the spokesperson system to handle shareholders' suggestions or disputes.</p> <p>(3) The right of stakeholders: The Company's website has information for contact.</p> <p>(4) Status of continuing education for directors and supervisors: The directors of the company actively participate in various professional knowledge training courses, and the directors' training status has been disclosed in the MOPS and supervisors training records are listed below.</p> <p>(5) Implementation of risk management policies and risk measurement: In addition to the internal control and related regulations and standardized operating procedures, the major business, finance or investment shall approved by the board, and the risk has been minimized or acceptable.</p> <p>(6) Implementation of customers policy: Customer can make a request through e-Service system, and the engineers will reply immediately.</p> <p>(7) The Company maintains D&amp;O insurance for its Directors and key officers. The period is from January 19, 2020 to January 19, 2021 and the insurance has been renewed at expiration. The insurance period is from January 19, 2021 to January 19, 2022. And report to the 13<sup>th</sup> meeting of the 6<sup>th</sup> Board of directors on important items such as insurance coverage, amount, and period.</p>	None

## (8) Status of training for directors and supervisors.

Title	Name	Date	Course Title	Training hours
Chairman	Ming-Kai Tsai	Jun 11, 2020	Trends and Challenges of Information Security Governance (Part 1)	3
		Jun 11, 2020	Trends and Challenges of Information Security Governance (Part2)	3
		Aug 11, 2020	Trends and Challenges of Information Security Governance	3
Director	Herming Chiueh	Aug 11, 2020	Trends and Challenges of Information Security Governance	3
		Oct 14, 2020	Responsibilities of Directors and Supervisors from Illegal Cases in the Securities Market	3
		Oct 27, 2020	ESG development trend and socially responsible investment(SRI)	3
		Nov 3, 2020	Summary of the update of domestic and international tax laws	3
Director	Chun-Huei Ho	Aug 11, 2020	Trends and Challenges of Information Security Governance	3
		Nov 3, 2020	Summary of the update of domestic and international tax laws	3
Director	Jyh-Ming Lin	Aug 11, 2020	Trends and Challenges of Information Security Governance	3
		Nov 3, 2020	Summary of the update of domestic and international tax laws	3
Director	Hong-Men Su	Aug 11, 2020	Trends and Challenges of Information Security Governance	3
		Nov 3, 2020	Summary of the update of domestic and international tax laws	3
Director	Andrew Chang	Jul 2, 2020	Application and Explanation of International Accounting Standards	3
		Jul 3, 2020	Securities Regulations and Corporate Governance	3
		Aug 11, 2020	Trends and Challenges of Information Security Governance	3
		Nov 3, 2020	Summary of the update of domestic and international tax laws	3
Independent director	Chien-Kuo Yang	Aug 11, 2020	Trends and Challenges of Information Security Governance	3
		Nov 3, 2020	Summary of the update of domestic and international tax laws	3
Independent director	Hsiao-Ping Lin	Aug 11, 2020	Trends and Challenges of Information Security Governance	3
Independent director	Tien-Fu Chen	Feb 21, 2020	Trends and risk management of digital technology and artificial intelligence	3
		Aug 11, 2020	Trends and Challenges of Information Security Governance	3
		Nov 3, 2020	Summary of the update of domestic and international tax laws	3

9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange: The Company participated in the 6<sup>th</sup> 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 2<sup>st</sup> 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	( Note3)
Independent Director	Tien-Fu Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 thousands 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 Hsiao-Ping Lin was discharged on January 9, 2021 due to his death.

### 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 (2020). 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	1	2	33.33	(Note 1)
Member	Tien-Fu Chen	3	0	100	Renewal

Note 1: Committee Hsiao-Ping Lin was discharged on January 9, 2021 due to his death.

#### 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	Resolution results	The Company's response to the comments of the Remuneration Committee
The 6 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee/March 3, 2020	1. The 2019 employees' compensation and remuneration to directors and supervisors. 2. Amendment of the key management's remuneration proposal for 2020.	Unanimously approved by all members of the Remuneration Committee attending the meeting	The 9 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors all present and approved by the directors
The 7 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee/August 11, 2020	1. Amendment" Board of Directors Performance Evaluation Method". 2. Amendment Remuneration of directors and independent directors. 3. Amendment of the key management's remuneration proposal for 2020.	Unanimously approved by all members of the Remuneration Committee attending the meeting	The 11 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors all present and approved by the directors
The 8 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee/ November 3, 2020	1. The 2021 employees' compensation and remuneration to directors and supervisors.	Unanimously approved by all members of the Remuneration Committee attending the meeting	The 12 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors all present and approved by the directors



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 calculate the greenhouse gas emissions, water consumption and total weight of waste in the past two years. And establish strategies for energy conservation, carbon and greenhouse gas reduction or water consumption saving. And disclosure on the company's website to implement corporate social responsibility.	None

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 has formulated a human rights protection policy and publicly disclosed it on the company website. The company respects the laws and regulations of the company's location, Support and follow internationally recognized human rights standards such as the "United Nations Guiding Principles on Business and Human Rights", "International Labor Organization-Declaration of Fundamental Principles and Rights at Work", "Ten Principles of the United Nations Global Covenant" and other internationally recognized human rights standards, and adopt a code of conduct with the "Responsible Business Alliance" Consistent Action. Treat with dignity and respect all employees, contract and temporary personnel, interns, etc. with dignity, and prevent any violation of human rights.	None
(2) Does the Company establish and implement rational employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration policy?	V		Article 23, of the Articles of Association states that if the Company makes a profit for the year, it shall allocate no less than 2 percent of such profits. In addition to the fixed monthly salary, the employee's Annual salary is guaranteed for 14 months. Annual bonuses are handled in accordance with the company's "Performance Appraisal Management Measures". 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. Provide medical staff on-site service every year, and hold health seminars from time to time. The Company regularly implements labor safety awareness to employees, in case of	None

Assessment Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
(4) Does the Company provide its employees with career development and training sessions?	V		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.  The company arranges professional training, English learning courses and specific professional skills training courses to increase work quality and performance.	None
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		When the company provides services to customers, the transaction process is completed according to the contract contents signed by both parties.	None
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		The company 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.	None
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?		V	The Company has not prepared the CSR report. In the future, it will be reorganized depending on the operating status and scale, and will continue to work on the promotion of corporate social responsibility	As the Summary Description
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.				
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 2020, a total of 185 students participated in the ACET™ test. The Company's accreditation plans and donations in order to help students understand practical, applied and future employment opportunities. For other information, please refer to the website: <a href="http://www.andestech.com">http://www.andestech.com</a>				

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	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	V		<p>The Board of Directors passed the Company's Ethical Corporate Management Best-Practice Principles, Implement of ethical corporate management policies and programs and disclose it on the corporate website and MOPS.</p> <p>Require the board of directors and senior management to actively implement.</p>	None
	V		<p>In the "Code of Integrity Management", the Company specifically regulates the preventive measures for business activities with higher risks of dishonesty.</p> <p>The Company has established a "Codes of Ethical Conduct" to encourage the reporting of any illegal or ethical code of conduct through the Company's report mailbox: <a href="mailto:er@andestech.com">er@andestech.com</a></p>	None
	V		<p>The Company has established regulations for the disposal of violations in the "Ethical Corporate Management Best Practice Principles", "Procedures for Handling Material Inside Information" and "Work Rules".</p>	None
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	V		<p>The Company has established the "Ethical Corporate Management Best Practice Principles" and prior to the transaction, all of them will perform credit operations on the transaction objects in accordance with the relevant internal control methods.</p>	None
	V		<p>For ethical corporate management, the Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" which designated Finance Department and Legal &amp; IP Management Department to make policy and Audit Division to monitor execution results, which annually reports the implementation status to the Board.</p>	None
	V		<p>The Company has a president mailbox, and the Company's website also has an ethics reporting mailbox to serve as a</p>	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(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		pipeline for stakeholders. 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. Implementation in 2020: Education and training for new employees: 29 times (total 29 hours). Promotion of corporate governance and prevention of insider trading: 1 time (total 0.5 hours).	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: <a href="mailto:er@andestech.com">er@andestech.com</a>	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 <a href="http://www.andestech.com">http://www.andestech.com</a> .	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 2, 2021

Andes Technology Corporation has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31, 2020, 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 2, 2021 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
2020 Annual General Meeting	June 18 <sup>th</sup> , 2020	Acknowledgement Items: (1) The 2019 business report and financial statements (2) Adoption of the Proposal for 2019 Deficit Compensation	Approved.  Approved.
		Elections: Election of two additional Directors of the 6th Board of Directors.	Election result: The list of Co-opted two directors of the 6th board of directors of the company is as follows: (1) Hong-Men Su (2) Andrew Chang Application for amendment of registration was approved by the Hsinchu Science Park Administration on July 2, 2020 with an approval letter.
		Discussion Items: (1) To suspend the Non-competition Restriction on the Company's Newly Elected Directors. (2) Amendment to the Rules of Procedure for Shareholders Meetings.	Approved.  Approved.

#### 4.12.2. Board Meetings

Meeting	Date	Major Approvals
The 9 <sup>th</sup> meeting of the 6 <sup>th</sup> board	March 3, 2020	<ol style="list-style-type: none"> <li>1. Matter of the distribution of 2019 employee compensation and remuneration of directors and supervisors</li> <li>2. Approving 2019 business report and financial statements.</li> <li>3. Approving the distribution of 2019 profits.</li> <li>4. Election of two additional Directors of the 6th Board of Directors.</li> <li>5. Adoption of the director candidate nomination time and place for the 6<sup>th</sup> term.</li> <li>6. Adoption of the director candidate nomination list for the 6<sup>th</sup> term.</li> <li>7. Adoption of the removal of business strife limitation on the Company's 6<sup>th</sup> term newly elected directors.</li> <li>8. Amendments to the Company's "Ethical Corporate Management Best Practice Principles"</li> <li>9. Amendments to the Company's "Rules and Procedures of Shareholders' Meeting"</li> <li>10. Acceptance of the date, location and agenda for 2020 shareholders' meeting</li> <li>11. Amendments to the Company's "Management of Operation of Board Meeting"</li> <li>12. Amendments to the Company's "Remuneration Committee Charter"</li> <li>13. Amendments to the Company's "Audit Committee Charter"</li> <li>14. Amendment to the Company's "Internal control policy"</li> <li>15. 2019 Internal Control statement.</li> <li>16. Approving Loan Commitments with Mega International Commercial Bank Co., Ltd.</li> <li>17. Assess CPA's independence.</li> <li>18. CPA's remuneration for 2020.</li> <li>19. Amendments to the Company's Key management's remuneration proposal for 2020.</li> </ol>
The 10 <sup>th</sup> meeting of the 6 <sup>th</sup> board	May 5, 2020	<ol style="list-style-type: none"> <li>1. Amendment to the Company's the reason for 2020 shareholders' meeting.</li> <li>2. Approving Loan Commitments with Land Bank of Taiwan</li> </ol>
The 11 <sup>th</sup> meeting of the 6 <sup>th</sup> board	August 11, 2020	<ol style="list-style-type: none"> <li>1. Assess whether accommodation of funds in disguised form must be classified as a Loaning Funds to Others.</li> <li>2. Approving Loan Commitments with BANK SINOPAC CO.LTD.</li> <li>3. Amendments to the Company's "Rules for the scope of duties of independent directors".</li> <li>4. Amendments to the Company's "regulations governing the board performance evaluation with reference".</li> <li>5. Amendment Remuneration of directors and independent directors.</li> <li>6. Amendments to the Company's Key management's remuneration proposal for 2020.</li> </ol>
The 12 <sup>th</sup> meeting of the 6 <sup>th</sup> board	November 3, 2020	<ol style="list-style-type: none"> <li>1. Assess whether accommodation of funds in disguised form must be classified as a Loaning Funds to Others.</li> <li>2. Approving 2021 business plan.</li> <li>3. Approving 2021 "Internal Audit Plan"</li> <li>4. Amendments to the Company's "Regulations related to financial operations between related companies".</li> <li>5. Amendments to the Company's "Remuneration Committee Charter".</li> <li>6. Amendments to the Company's "Code of Practice for Corporate Governance".</li> <li>7. The Company's Key management's remuneration proposal for 2021.</li> </ol>
The 13 <sup>th</sup> meeting of the 6 <sup>th</sup> board	March 2, 2021	<ol style="list-style-type: none"> <li>1. Matter of the distribution of 2020 employee compensation and remuneration of directors and supervisors</li> <li>2. Approving 2020 business report and financial statements.</li> <li>3. Approving the distribution of 2020 profits</li> <li>4. Approving of foreign subsidiary Everest Peaks Technology Corporation (BVI) to reinvest in US subsidiary Andes Technology USA Corporation.</li> <li>5. Proposal for issuing common shares or/and issuing common shares for sponsor of the issuance of Global Depositary Receipts (GDR).</li> </ol>



Meeting	Date	Major Approvals
		6. Election of seven directors (including three independent directors) of the 7th session. 7. Adoption of the director candidate nomination time and place for the 7th term. 8. Releasing the non-compete restriction on the Company's 7th newly elected Directors. 9. Proposal for the issuance of Restricted Stock Awards (RSA). 10. Acceptance of the date, location and agenda for 2021 shareholders' meeting. 11. Assess whether accommodation of funds in disguised form must be classified as a Loaning Funds to Others. 12. 2020 Internal Control statement. 13. Assess CPA's independence. 14. CPA's remuneration for 2021. 15. Appointment of Mr. Jiun-Hao Lai as a member of the second Remuneration Committee Meetings of the Company. 16. The Company's Key management changes. 17. Amendments to the Company's "Administrative Measures for Duty Authorization and Agent System". 18. Amendments to the Company's Key management's remuneration proposal for 2021.
The 14 <sup>th</sup> meeting of the 6 <sup>th</sup> board	April 9, 2021	1. Review the candidate list for election of the directors (Including independent directors) for the 7th term. 2. The general meeting of shareholders is requested to releasing the non-compete restriction on the Company's 7th newly elected Directors.

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 2020 to the Printing Date of this Report:

Title	Name	The arrival date	The date of dismissal	The reason for the dismissal
President	Jyh-Ming Lin	April 9, 2006	March 2, 2021	Position was promoted to "CEO"

## 5. Information Regarding the Company's Independent Auditors

### 1.1. Auditor Information

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	2020	-

### 1.2. Audit Fees

#### 1.2.1. Information on Audit Fees

Unit: NT\$ thousands

Fee Range	Fee Items	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	2020	-

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

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

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

## 6. Changes in Independent Auditors

Replacement Date	March 2, 2021		
Replacement reasons and explanations	The original CPAs of the Company were Shou-Pin Kuo and Jia-Ling Tu from Ernst & Young, Due to internal adjustment of the visa accounting firm , the CPAs of the Company were changed to Yu-Ni Yang and Jia-Ling Tu, beginning January 1, 2021 .		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	Status	The Company
		Termination of appointment	NA
		No longer accepted (continued) appointment	NA
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
Remarks/specify details: None			
Other Revealed Matters	None		

### 6.1 Regarding the successor CPA

Name of accounting firm	Ernst & Young
Name of CPA	Yu-Ni Yang and Jia-Ling Tu
Date of appointment	March 2, 2021
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

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

7. The Company's Chairman, President or managers in charge of finance or accounting has been under current audit firm or its affiliates' employment in 2020  
None.

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

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

Unit: Shares

Title	Name	2020		As of March 27, 2021	
		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	0	0	0	0
	Rep: Hahn-Ming Lee	0	0	0	0
Director	Hotran Resource Development Ltd.	0	0	0	0
	Rep: Chun-Huei Ho	0	0	0	0
Director & CEO	Jyh-Ming Lin	3,000	0	(4,000)	0
Director & President & CTO	Hong-Men Su (note 2)	0	0	(6,000)	0
Director	Andrew Chang (note 2)	0	0	0	0
Independent Director	Hsiao-Ping Lin (note 3)	0	0	0	0
Independent Director	Chien-Kuo Yang	0	0	0	0
Independent Director	Tien-Fu Chen	0	0	0	0
Proportion of more than 10% of shareholders	MediaTek Capital Corp.	0	0	0	0
Vice President	Kuo-Chi Lin	(124,000)	0	(19,000)	0
Senior Vice President	Jen-Chih Tseng	(39,000)	0	(27,000)	0
Senior Vice President	Yung-Ching Hsiao	0	0	0	0
Assistant Vice President	Chuan-Hua Chang (note 4)	0	0	0	0
Assistant Vice President	Kuen-Chern Lin (note 4)	(10,000)	0	0	0
Assistant Vice President	Han-Chang Chou	0	0	(13,000)	0

Note 1: The institutional director, National Development Fund, Executive Yuan, change of its representative to Herming Chiueh on July 3, 2020.

Note 2: The Company had election of two additional Directors Hong-Men Su and Andrew Chang of the 6th Board at June 18, 2020 shareholders' meeting, the term of the new director is the same as the term of the 6<sup>th</sup> board of directors, the calculation period of equity disclosure is from June 18, 2020.

Note 3: Director Hsiao-Ping Lin was discharged on January 9, 2021 due to his death. The calculation period for equity disclosure is as of January 9, 2021.

Note 4: 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.

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 March 27, 2021

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3 <sup>rd</sup> Party		Top 10 Shareholders Who are Related Parties to Each Other	
	Shares	%	Shares	%	Shares	%	Name	Relationship
MediaTek Capital Corp. Rep: Ming-Kai Tsai	5,657,324 0	13.26 0	0 0	0 0	0 0	0 0	- -	- -
National Development Fund Rep: Harming Chiueh	2,979,237 0	6.98 0	0 0	0 0	0 0	0 0	- -	- -
Shui-Cheng Tu	2,914,000	6.83	(Note 2)	0	(Note 2)	0	-	-
HSBC custody of BlackRock Global Fund's next-generation technology fund	2,142,000	5.02	0	0	0	0	-	-
Tsang-Hai Lin	1,757,000	4.12	(Note 2)	0	(Note 2)	0	-	-
Yu-Chan Wu	805,000	1.89	(Note 2)	0	(Note 2)	0	-	-
Taiwan Bank Safeguards the Investment of the Heckley International Investor Small Business Fund	653,000	1.53	0	0	0	0	-	-
Jyh-Ming Lin	538,493	1.26	120,668	0.28	0	0	-	-
Standard Chartered Trust Swad Bank Robb Technology	500,000	1.17	0	0	0	0	-	-
Hotran Resource Development Ltd. managed by Mega International Commercial Bank (Note1) Rep: Chun-Huei Ho	455,000 0	1.07 0	0 0	0 0	0 0	0 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 an internal of the Company, could not get the information of shareholding under spouse and minor and shareholding under 3<sup>rd</sup> party.

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

As of December 31, 2020

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	6,858,780	100	0	0	6,858,780	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	4,800,000	100	0	0	4,800,000	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 30, 2021 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 March 27, 2021 Unit: Shares, %

Type of Share- Holders	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Persons	Total
Number						
Number of Shareholders	1	7	109	12,603	49	12,769
Shareholding	2,979,237	328,050	6,039,925	25,962,582	7,341,117	42,650,911
Holding Percentage	6.99	0.77	14.16	60.87	17.21	100.00

### 1.3. Distribution of Shareholding

As of March 27, 2021

Common Share Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	8,067	281,886	0.66
1,000 ~ 5,000	4,135	6,464,769	15.16
5,001 ~ 10,000	256	1,937,451	4.54
10,001 ~ 15,000	90	1,122,678	2.63
15,001 ~ 20,000	50	933,554	2.19
20,001 ~ 30,000	50	1,267,940	2.97
30,001 ~ 50,000	39	1,559,361	3.66
50,001 ~ 100,000	35	2,383,126	5.59
100,001 ~ 200,000	20	2,538,691	5.95
200,001 ~ 400,000	15	4,925,401	11.55
400,001 ~ 600,000	5	2,328,493	5.46
600,001 ~ 800,000	1	653,000	1.53
800,001 ~ 1,000,000	1	805,000	1.89
Over 1,000,001	5	15,449,561	36.22
Total	12,769	42,650,911	100.00

Note: Andes has not issued preferred stocks.

### 1.4. Major Shareholders

As of March 27, 2021

Name	Shares	Total Shares Owned	Ownership (%)
MediaTek Capital Corp.		5,657,324	13.26
National Development Fund		2,979,237	6.99
Shui-Cheng Tu		2,914,000	6.83
HSBC custody of BlackRock Global Fund's next-generation technology fund		2,142,000	5.02
Tsang-Hai Lin		1,757,000	4.12
Yu-Chan Wu		805,000	1.89
Taiwan Bank Custody of the Heckley International Investor Small Business Fund		653,000	1.53
Jyh-Ming Lin		538,493	1.26
Standard Chartered Trust Swad Bank Robb Technology		500,000	1.17
Hotran Resource Development Ltd. managed by Mega International Commercial Bank(Note 1)		455,000	1.07

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		2019	2020	March 31 2021
	Market Price Per Share	Highest		151.5	343
Lowest		75.2	66.1	340	
Average		116.1	148.6	438.64	
Book Value Per Share	Before Distribution		27.53	28.03	(Note 6)
	After Distribution		27.19	27.29	(Note 6)
Earnings Per Share	Weighted Average Shares(K)		42,651	42,651	(Note 6)
	Earnings Per Share		0.38	0.82	(Note 6)
Dividends Per Share	Cash Dividends		0.340122	0.741546	(Note 6)
	Stock Dividend	From retained earnings	0	0	(Note 6)
		From capital reserve	0	0	(Note 6)
	Accumulated Undistributed Dividend		0	0	(Note 6)
Return on Investment	Price/Earnings Ratio(Note 2)		305.53	181.22	(Note 6)
	Price/Dividend Ratio(Note 3)		341.35	200.39	(Note 6)
	Cash Dividend Yield(Note 4)		0.0029	0.0050	(Note 6)

Note 1: The Company has passed a special resolution on the board of director of March 2, 2021 to approve the distribution of cash dividends.

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

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

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

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

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

## 1.6. Dividend Policy and Status

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

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

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

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

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

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

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

1.6.3. Proposal to Distribute Profits:

On March 2, 2021, Andes' board of directors passed a special resolution that the proposed Cash dividend to shareholders was NT\$ 31,627,627 (NT\$0.741546 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 2020 Share Dividends to Operating Performance and EPS: Not applicable.

1.8. Employees' Compensation and Remuneration to Directors

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

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

1.8.2. Accounting for Employees' Compensation and Remuneration to Directors

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

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

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

The company's 13<sup>th</sup> board of directors of the 6<sup>th</sup> session of the board of directors approved the distribution of total employee compensation of NT\$2,439 thousands and directors' compensation of NT\$406 thousands in cash. There is no difference between the estimated annual amounts of recognized expenses.

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

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

Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 amounted to NT\$945 thousands and NT\$ 189 thousands, respectively. The actual distribution number was no difference with the board of directors adopted proposal.

1.9. Repurchase of Company Shares: None.

2. Status of Corporate Bonds

None.

3. Status of Preferred Stocks

None.

4. Status of GDR/ADR:

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:

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

Note 1: the owner has resigned.

Note 2: the owner has retired.

Note 3: the owner has passed.

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

### 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	2019		2020	
	Amount	%	Amount	%
Licensing of CPU IP	276,064	56	311,148	54
Royalty revenues	106,716	22	158,792	27
Custom Computing Service	79,939	16	63,389	11
Maintenance services and others	32,132	6	47,683	8
Total	494,851	100	581,012	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) License of CPU IP revenues, including:
  - a. AndesCore™: a series of configurable CPU core families 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. AndeStar™, an instruction set includes 16-bit and 32-bit mixed-length instructions (hereinafter referred to as AndeStar™).
  - d. AndeSoft™, the optimized targets running on AndesCore™ processors, including system software, driver, and middleware (hereinafter referred to as AndeSoft™).
  - e. AndeSentry™, safety protection architecture, including software and hardware solutions.
  - f. License fee: The Company has granted the licenses of our CPU IPs and Platform IPs to SoC design companies, and charges the license fee based on the quantity used.
  - g. Custom Computing, Provide high-value CPU IP design and integration services according to customer needs.
- (2) Royalty revenues: customers use licensed CPU IPs to design SoC ICs. The Company collects royalties based on their sales volume after mass production.
- (3) Maintenance services and others: Maintenance fee is paid by customers every year to obtain CPU IP and development tool updates. Other refers to AndeShape™, an integrated hardware development environment including development platforms and Platform IPs which help customers quickly develop their SoC. It is mainly sold to customers and universities for research and development, chip debugging or teaching (hereinafter referred to as AndeShape™).

#### 1.1.4. New Products Planned for Development

The Company continues to develop RISC-V CPU IPs which meet the needs of customers and market. In addition to the existing entry-level 32-bit N22, mid-range N(X)25F, D25F, A(X)25, and multi-core A(X)25MP, Andes last year has announced single-core 27-series processors with high-performance memory subsystems and superscalar 45-series processors. 27 series includes 32/64-bit A(X)27 as well as A(X)27L2 processors with Level-2 cache controller. Not only that, NX27V is the first commercial RISC-V vector processor and has achieved the Hsinchu Science Park “Innovation Award” in 2020. 45 series includes 32/64-bit N(X)45, D45, A(X)45, and multi-core A(X)45MP. The company is going to develop 25-series processors certified for ISO26262, AI machine with machine learning feature, and out-of-order execution processors. Andes will as well enhance the security functions for CPU and build more complete hardware and software architecture. Meanwhile, we will cooperate with more partners to establish the Andes’ ecosystem that facilitates the development of SoC.

### 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 expansion of functions for applications, and provide network connectivity. The core processors of the products in this market segment have been gradually replaced by 32-/64-bit microcontroller. At present, in addition to processors developed by ARM, MIPS, and ARC, the mainstream processors are designed with the open RISC-V ISA promoted by RISC-V International. This is also the fifth generation architecture products currently pushed by the company. The commonly seen processor chips in the market are often used in the PC 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.

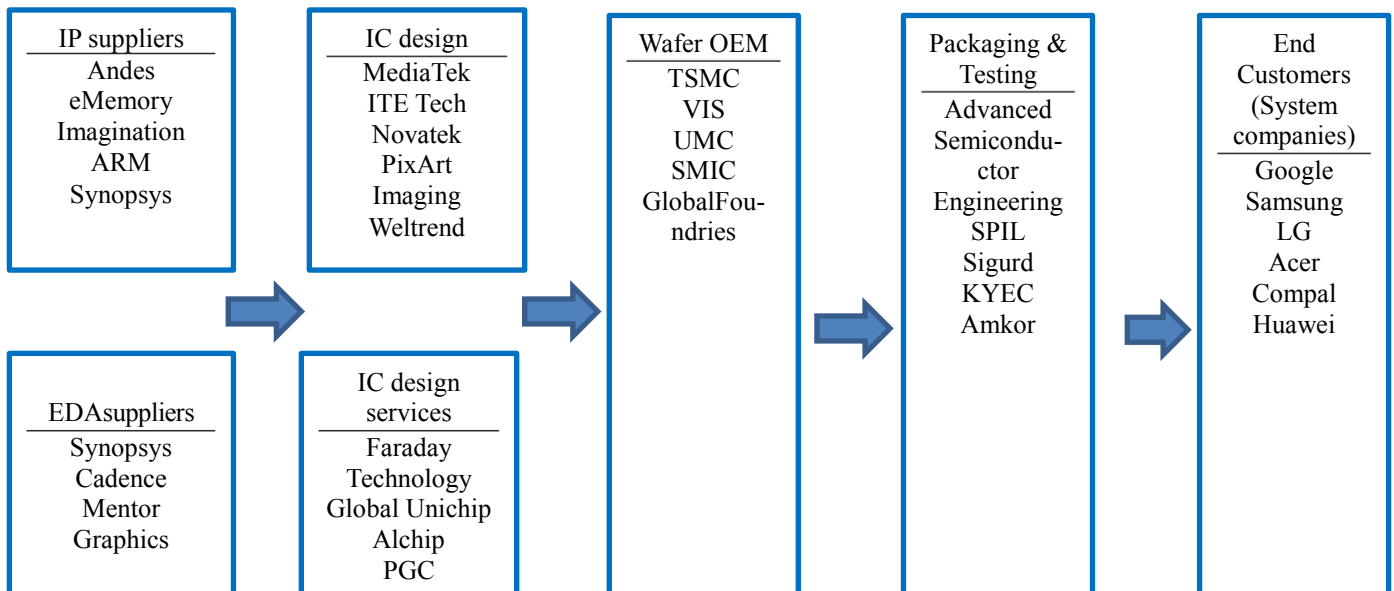
The Company’s business is mainly on the Soft Core License.

### 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, 5G, and even machine learning, embedded processor products will face more challenges and competitions in the following areas:

- (1) Architecture: To meet the needs of various applications, the processor architecture should be flexible in design, and can add function units, such as instruction set expansion, floating point unit, digital signal processing (DSP), single instruction multiple data (SIMD), vector processor, multi-core processor, and custom instruction set, etc.
- (2) Trade-off between energy-saving and performance: For the technical aspect, there are often trade-offs between energy-saving and performance, and it is not easy to have advantages of both. In recent years, the design tools and methodologies have been improved and the practical concepts have been introduced to the industry. In addition to the pursuit of low power consumption, how to obtain the optimal performance and power consumption per unit area of a chip on the Performance-Power-Area (PPA) indicator is the goal that the IC design industry strives to achieve.
- (3) Industry standards and ecosystem: 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, SiFive, 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. ARM was acquired by NVIDIA in September 2020.

#### (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.

(4) SiFive

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

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

RISC-V core processors. We are fully confident to provide a complete RISC-V SIP product line to the industry.

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

### 1.3. Technology and R&D

1.3.1. The R&D spending in 2020 are NT\$ 237,084 thousands.

1.3.2. Technology or products successfully developed in 2020 and up to the printing date of this annual report

Year	Specific R&D outcomes
2020	<p>A. Announced ground-breaking 27-series processors, which contain high-performance memory subsystems</p> <p>B. Announced the NX27V processor, which supports RISC-V Vector instruction extension (RVV)</p> <p>C. Announced 45-series RISC-V core processors, which are equipped with high-end 8-stage superscalar pipeline</p> <p>D. Announced the 27-series processors with L2 cache controller</p>
2021	<p>A. Announced COPILOT v5.4, supporting Streaming Port</p> <p>B. Announced AndeSight v5.0 STD/MCU/RDS.</p>

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

1.4.1. Short-term Plan:

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

1.4.2. Long-term Plan:

- (1) Work with third party development partners to build our superior ecosystem, establish an irreplaceable product advantage, and expand the Company's influence in the industry.
- (2) To win customers from major IC design companies, system factories, or IDMs in Europe and the US, provide differentiated design service, and increase our visibility and brand recognition in Europe and the US.
- (3) To penetrate the market for the mainstream product applications with high-end



RISC-V CPUs, and establish the impression that our products are of high quality and high efficiency in the minds of customers.

- (4) To continuously participate in RISC-V International’s Workshop and actively engage in the specifications and development of related development tools and software.
- (5) To continue to promote RISC-V core processors based on Andes’ V5 architecture with the Company's RISC-V CON.

## 2. Market and Sales Outlook

### 2.1. Market Analysis

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

Unit: NT\$ thousands

Regions \ Year	2019	2020
Taiwan	192,522	248,466
America	150,364	154,525
China	103,683	144,317
Europe	27,415	4,940
Others	20,867	28,764
Total	494,851	581,012

#### 2.1.2. Market Share

The key suppliers of the 32-/64-bit embedded processor SIP are ARM (SoftBank), ARC (Synopsys), MIPS (Wave Computing), SiFive and us. According to the statistics by Linley Group which specializes in the CPU technology analysis, the total global chips which use CPU IP reached 30.3 billion where our 2019 shipments reached 1.5 billion, accounting for 4.95% market share. The Company's shipments in 2020 were 2 billion units, a 33% increase from 2019. It is expected that the market share in 2021 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, SiFive, Andes, and other small companies in Europe and USA have the ability to provide reusable embedded processor IPs. Andes is the first listed company in Asia to provide 32/64-bit RISC-V processors and their development platforms. With a favorable geographical location, we provide the most comprehensive solutions and services for the companies located in Asia Pacific (including China), Japan, and Korea. We continue to expand our business to Europe and the United States.

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

## (2) Future market growth

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

### 2.1.4. Competitive niche

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

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

#### (2) International fame

We became the founding member of RISC-V International in 2016 and has upgraded to Premier in 2020. We are also the first commercial mainstream processor IP Company to include the RISC-V instruction set architecture developed by University of California, Berkeley, California, USA, to make the open, simplified, modular, and scalable RISC-V architecture make its way into the mainstream SoC applications. The new-generation AndeStar™ V5 architecture provides a complete solution for the embedded 32-/64-bit SoC design, and 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), Vector instruction extension (RVV), Security Extension Instruction Set, etc.

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

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

#### (4) 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 compiler which can be used to generate simplified codes, a pure C embedded programming environment, and a C library optimized for microcontroller applications. These tools significantly reduce customers' software development schedule, and improves its quality.

- (5) Extensive AndeSoft™ Software Stack  
 For different applications, the complete architecture of the SoC includes the underlying hardware architecture platform and a software stack consisting of multiple layers of software on it. We provide extensive AndeSoft™ Software Stack for different applications, including the Linux OS, real time operating system (RTOS) of the paid and open source codes, device drivers, middleware, and others.
- (6) Flexible and configurable AndeShape™ platform IPs  
 We 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 AndeCore™ 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 160 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), Veridify Security, Secure-iC (security IP), Kneron (AIIP), Imagination (GPU, Bluetooth IP), Rafael (RF IP), Mentor Graphics (simulation platforms), Micrium, RT-Thread (RTOS), Acoinfo SylixOS (real-time OS RTOS), Lauterbach, and J&D (software tool companies). In addition, our products have passed TSMC's stringent quality review and become one of the recommended processor IPs in its Open Innovation Platform (OIP). This not only improves our brand awareness but also boost our sales. After becoming one of the founding members of RISC-V International, we make alliances with several companies, such as, UltraSoC (debugging and trace IP), Imperas (software simulation and virtual platform), Rambus, Tiempo, Dover Microsystems, Hex-Five (security IP and platform), SEGGER, IAR (software tool companies), DeepLite, Skymizer (AI software), Multicoreware, and PerfXLab (OpenCV). 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 2020, we have signed contracts with 74 universities where 35 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 the forecast of Marketwatch, the market size of system chips will reach US\$25.3 billion by 2024. DBS Asian Insights predicts that worldwide IoT devices will reach 125 billion by 2030. Our products emphasize high power-saving efficiency and are in line with the essential requirements for low power consumption of IoT terminal devices. In addition, the big data collected by IoT applications have driven the upgrading demands for the infrastructure, such as the storage and network equipment, and emerging technologies such as AI/machine learning form the so-called edge computing. Our latest 64-bit 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 11% from 2019 to 2024. With a favorable geographic location and language, it is expected that our customers and revenues in China will increase significantly.

### (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, and embedded systems.

Our corresponding strategy:

(a) We cultivate R&D talents through internal and external education and training, and work with top-notch universities (NTU, NTHU, NCTU, NCKU, 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:

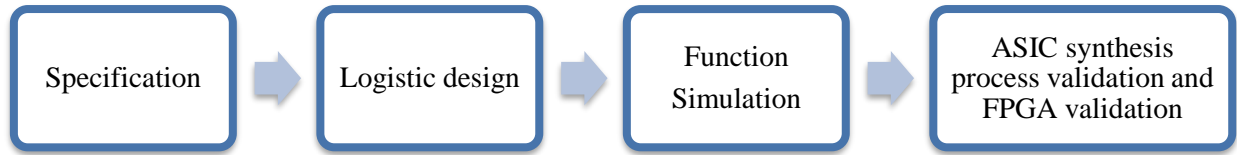
### 2.2.1. Important applications of major products

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	2019				2020			
	Supplier	Amount	% of Total Purchase	Relation	Supplier	Amount	% of Total Purchase	Relation
1	BESA	1,488	50	None	BESA	1,513	53	None
2	Answer	863	29	None	Answer	404	14	None
3					Gao-Fu	302	11	None
	Other	620	21		Other	650	22	
	Total	2,971	100		Total	2,869	100	

Note: The Company's major suppliers don't have big difference. Due to differences in the raw materials produced in batches.

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

Unit: NT\$ thousands

Item	2019				2020			
	Sales	Amount	% of Total Revenue	Relation	Sales	Amount	% of Total Revenue	Relation
1	Customer A	77,324	16	None	Customer A	127,616	22	None
2	Customer B	61,183	12	None	Customer B	76,138	13	None
3	Customer C	27,747	6	None	Customer C	62,581	11	None
	Others	328,597	66		Others	314,677	54	
	Total	494,851	100		Total	581,012	100	

Note: The major customers' changes primarily due to changes in annual licensing contracts and royalty income.

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

Unit: PCS/ NT\$ thousands

Main products	Year	2019			2020		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Others		Not applicable (Note)	3,071	2,432	Not applicable (Note)	4,037	5,701

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

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

Unit: SET/ NT\$ thousands

Sales volume and value \ Year	2019				2020			
	Domestic sales		Export Sales		Domestic sales		Export Sales	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Licensing of CPU IP	Not applicable.	97,051	Not applicable.	179,013	Not applicable.	98,981	Not applicable.	212,167
Royalty revenues	Not applicable.	84,893	Not applicable.	21,823	Not applicable.	136,459	Not applicable.	22,333
Custom Computing Service	Not applicable.	0	Not applicable.	79,939	Not applicable.	444	Not applicable.	62,945
Maintenance services and others	1,318	10,578	980	21,554	1,814	12,582	969	35,101
Total		192,522		302,329		248,466		332,546

## 3. Employees

Year		2019	2020	2021 (As of March 31)
Number of Employees	R&D	131	145	154
	Management	65	69	73
	Total	196	214	227
Average Age		38	39	39
Average Years of Service		3.34	4.7	4.35
Education	Doctoral	9.18%	7.01%	7.05%
	Master	72.45%	73.83%	73.57%
	University & College	18.37%	19.16%	19.38%
	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 2020, 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.	2021.7.31 ~2022.7.31	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	2021.1.1 ~2021.12.31	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		Consolidated financial data (Note 1)				
		Financial Summary for The Last Five Years				
		2016	2017	2018	2019	2020
Current assets		832,634	1,139,150	1,082,279	1,028,005	977,101
Property, plant and equipment		1,328	3,209	23,154	25,583	22,793
Intangible assets		73	40,629	125,283	205,043	290,441
Other assets		1,185	1,455	6,391	131,281	112,568
Total assets		835,220	1,184,443	1,237,107	1,389,912	1,402,903
Current liabilities	Cum-dividend	32,772	30,109	48,105	105,938	115,183
	Ex-dividend	32,772	30,109	77,836	120,445	146,811 (Note2)
Non-current liabilities		0	0	0	109,699	92,331
Total liabilities	Cum-dividend	32,772	30,109	48,105	215,637	207,514
	Ex-dividend	32,772	30,109	77,836	230,144	239,142 (Note2)
Equity attributable to owners of the parent		802,448	1,154,334	1,189,002	1,174,275	1,195,389
Share capital		371,399	406,199	426,509	426,509	426,509
Capital surplus		459,761	756,338	728,972	728,972	728,972
Retained earnings	Cum-dividend	(27,984)	(6,451)	34,626	20,918	41,553
	Ex-dividend	(27,984)	(6,451)	4,895	6,411	9,925 (Note2)
Other equity		(728)	(1,752)	(1,105)	(2,124)	(1,645)
Treasury shares		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Cum-dividend	802,448	1,154,334	1,189,002	1,174,275	1,195,389
	Ex-dividend	802,448	1,154,334	1,159,271	1,159,768	1,163,761 (Note2)

Note 1: Consolidated financial data of 2016~ 2020 are audited.

Note 2: The cash dividend distribution of NT\$31,628 thousands for the year 2020 has been passed by a special resolution of the board of directors on March 2, 2021.

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

Unit: NT\$ thousands

Item \ Year		Parent company only financial data (Note 1)				
		2016	2017	2018	2019	2020
Current assets		808,503	1,126,621	1,055,317	957,531	924,452
Investments accounted for using the equity method		22,161	10,705	27,898	49,673	34,317
Property, plant and equipment		1,091	3,004	21,693	23,423	21,233
Intangible assets		73	40,629	125,283	205,043	290,441
Other assets		1,149	1,423	5,624	122,148	107,943
Total assets		832,977	1,182,382	1,235,815	1,357,818	1,378,386
Current liabilities	Before distribution	30,529	28,048	46,813	78,050	90,787
	After distribution	30,529	28,048	76,544	92,557	122,415 (Note 2)
Non-current liabilities		0	0	0	105,493	92,210
Total liabilities	Before distribution	30,529	28,048	46,813	183,543	182,997
	After distribution	30,529	28,048	76,544	198,050	214,625 (Note 2)
Share capital		371,399	406,199	426,509	426,509	426,509
Capital surplus		459,761	756,338	728,972	728,972	728,972
Retained earnings	Before distribution	(27,984)	(6,451)	34,626	20,918	41,553
	After distribution	(27,984)	(6,451)	4,895	6,411	9,925 (Note 2)
Other equity		(728)	(1,752)	(1,105)	(2,124)	(1,645)
Total equity	Before distribution	802,448	1,154,334	1,189,002	1,174,275	1,195,389
	After distribution	802,448	1,154,334	1,159,271	1,159,768	1,163,761 (Note 2)

Note 1: Parent company only financial data of 2016~ 2020 are audited.

Note 2: The cash dividend distribution of NT\$31,628 thousands for the year 2020 has been passed by a special resolution of the board of directors on March 2, 2021.

## 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)				
		2016	2017	2018	2019	2020
Operating revenue		208,635	289,377	304,756	494,851	581,012
Gross profit		207,599	288,437	304,340	494,031	579,829
Operating income		(37,508)	26,892	35,311	18,579	37,622
Non-operating income and expenses		8,840	(3,170)	7,653	(734)	1,068
Net income before income tax		(28,668)	23,722	42,964	17,845	38,690
Net income from operations of continued segments		(31,861)	21,533	41,567	16,023	35,142
Net income from discontinued operations		0	0	0	0	0
Net income (loss)		(31,861)	21,533	41,567	16,023	35,142
Other comprehensive Income, net of tax		(511)	(1,024)	647	(1,019)	479
Total comprehensive income		(32,372)	20,509	42,214	15,004	35,621
Net income (loss) for the periods attributable to Owners of the parent		(31,861)	21,533	41,567	16,023	35,142
Net income (loss) for the periods attributable to Non-controlling interests		0	0	0	0	0
Total comprehensive income for the periods attributable to Owners of the parent		(32,372)	20,509	42,214	15,004	35,621
Total comprehensive income for the periods attributable to Non-controlling interests		0	0	0	0	0
Earnings per share (NT\$)		(0.86)	0.51	0.97	0.38	0.82

Note 1: Consolidated financial data of 2016~ 2020 are audited.

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

Unit: NT\$ thousands

Item	Year	Parent company only financial data (Note 1)				
		2016	2017	2018	2019	2020
Operating revenue		200,834	270,437	283,164	405,872	456,724
Gross profit		199,798	269,497	282,748	405,052	455,541
Operating income		(25,116)	37,327	39,506	59,296	82,028
Non-operating income and expenses		(3,578)	(13,629)	3,434	(41,518)	(44,223)
Net income before income tax		(28,694)	23,698	42,940	17,778	37,805
Net income from operations of continued segments		(31,861)	21,533	41,567	16,023	35,142
Net income from discontinued operations		0	0	0	0	0
Net income (loss)		(31,861)	21,533	41,567	16,023	35,142
Other comprehensive Income, net of tax		(511)	(1,024)	647	(1,019)	479
Total comprehensive income		(32,372)	20,509	42,214	15,004	35,621
Earnings per share (NT\$)		(0.86)	0.51	0.97	0.38	0.82

Note 1: Parent company only financial data of 2016~ 2020 are audited.

1.3. Auditors' Opinions from 2016 to 2020

Year	Accounting Firm	Name of Auditors(CPA)	Audit Opinion
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
2020	Ernst & Young	Shou-Pin Kuo, Jia-Ling Tu	Unqualified Opinions

## 2. Five-Year Financial Analysis

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

Item		Year	Last Five-Year Financial Analysis (Note 1)				
		2016	2017	2018	2019	2020	
Capital structure analysis (%)	Debt ratio	3.92	2.54	3.89	15.51	14.79	
	Long-term fund to property, plant and equipment ratio	60,425.30	35,971.77	5,135.19	4,590.06	5,244.54	
Liquidity Analysis (%)	Current ratio	2,540.69	3,783.42	2,249.83	970.38	848.30	
	Quick ratio	2,507.52	3,748.99	2,215.18	944.01	827.04	
	Times interest earned	(Note 2)	(Note 2)	(Note 2)	9.00	19.95	
Operating performance analysis	Average collection turnover (Times)	3.73	4.88	5.2	5.20	4.13	
	Days sales outstanding	97	74	70	70.19	88.37	
	Average inventory turnover (Times)	0.64	0.53	0.27	0.47	0.53	
	Average payment turnover (Times)	42.29	21.86	0.72	1.44	8.30	
	Average inventory turnover days	570	688	1,351	776.59	688.67	
	Property, plant and equipment turnover (Times)	220.08	127.56	23.12	20.31	24.02	
	Total assets turnover (Times)	0.25	0.29	0.25	0.38	0.42	
Profitability analysis	Return on assets (%)	(3.76)	2.13	3.43	1.36	2.64	
	Return on equity attributable to owners of the parent (%) (Note 7)	(3.90)	2.2	3.55	1.36	2.97	
	Pre-tax income to paid-in capital (%)	(7.72)	5.84	10.07	4.18	9.07	
	Net margin (%)	(15.27)	7.44	13.64	3.24	6.05	
	Earnings per share (NT\$)	(0.86)	0.51	0.97	0.38	0.82	
Cash flow	Cash flow ratio (%)	(Note 3)	139.72	(Note 3)	29.16	95.66	
	Cash flow adequacy ratio (%)	(Note 3)	(Note 3)	(Note 3)	6.37	25.39	
	Cash flow reinvestment ratio (%)	(Note 3)	3.77	(0.74)	0.12	10.59	
Leverage	Operating leverage	0.87	1.25	1.77	4.75	4.17	
	Financial leverage	1.00	1.00	1.00	1.14	1.06	

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

1. Decrease in turnover rate of accounts receivable and increase in collection days: due to the increase in sales revenue at the end of the period and the increase in accounts receivable, so the turnover rate decreased and the number of collection days increased.
2. Increase in turnover rate of payables: due to the decrease in accounts payable at the end of the period, the turnover rate has increased.
3. Decrease in average sales days: because the demand for sales increased, so the average sales days decreased.
4. Increase in total asset turnover rate: Mainly due to the increase in total sales revenue, the increase in total asset turnover rate.
5. The return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share increase: due to the increase in net profit before tax in 2020.
6. Increase in cash flow ratio, cash flow fair ratio, and cash reinvestment ratio: due to continuous profitability and operating cash inflows in recent years, the related cash flow ratio has increased.

Note 1: The financial data of 2016~2020 are audited.

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

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

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

Item		Year	Five-Year Financial Analysis (Note1)				
		2016	2017	2018	2019	2020	
Capital structure analysis (%)	Debt ratio	3.67	2.37	3.79	13.52	13.28	
	Long-term fund to property, plant and equipment ratio	73,551.60	38,426.56	5,481.04	5,796.94	6,491.72	
Liquidity Analysis (%)	Current ratio	2,648.31	4,016.76	2,254.32	1,226.82	1,018.26	
	Quick ratio	2,613.26	3,980.00	2,219.85	1,202.62	992.66	
	Times interest earned	(Note 2)	(Note 2)	(Note 2)	10.05	20.98	
Operating performance analysis	Average collection turnover (Times)	3.64	5.00	5.88	4.31	3.4	
	Days sales outstanding	100	72	62	82.26	107.5	
	Average inventory turnover (Times)	0.64	0.53	0.27	0.55	0.7	
	Average payment turnover (Times)	42.29	21.86	5.01	10.58	6.19	
	Average inventory turnover days	569	685	1,364	668	523	
	Property, plant, and equipment turnover (Times)	274.93	132.08	22.93	17.99	21.28	
	Total assets turnover (Times)	0.24	0.27	0.23	0.31	0.35	
Profitability analysis	Return on total assets (%)	(3.76)	2.14	3.44	1.36	2.81	
	Return on equity attributable to shareholders of the parent (%)	(3.90)	2.20	3.55	1.36	2.95	
	Pre-tax income to paid-in capital (%)	(7.73)	5.83	10.07	4.17	8.86	
	Net margin (%)	(15.86)	7.96	14.68	3.95	7.69	
	Earnings per share (NT\$)	(0.86)	0.51	0.97	0.38	0.82	
Cash flow	Cash flow ratio (%)	(Note 3)	188.24	13.26	58.95	120.32	
	Cash flow adequacy ratio (%)	(Note 3)	(Note 3)	(Note 3)	22.31	34.42	
	Cash flow reinvestment ratio (%)	(Note 3)	4.74	0.58	7.20	14.08	
Leverage	Operating leverage	0.83	1.17	1.66	2.10	2.2	
	Financial leverage	1.00	1.00	1.00	1.03	1.02	
Changes that exceed 20% in the past two years and explanation for those changes:							
<ol style="list-style-type: none"> <li>1. Decrease in turnover rate of accounts receivable and increase in collection days: due to the increase in sales revenue at the end of the period and the increase in accounts receivable, so the turnover rate decreased and the number of collection days increased.</li> <li>2. Increase in turnover rate of payables: due to the decrease in accounts payable at the end of the period, the turnover rate has increased.</li> <li>3. Decrease in average sales days: because the sales increased, so the average sales days decreased.</li> <li>4. Increase in total asset turnover rate: Mainly due to the increase in total sales revenue, the increase in total asset turnover rate.</li> <li>5. The return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share increase: due to the increase in net profit before tax in 2020.</li> <li>6. Increase in cash flow ratio, cash flow fair ratio, and cash reinvestment ratio: due to continuous profitability and operating cash inflows in recent years, the related cash flow ratio has increased.</li> </ol>							

Note 1: The financial data of 2016~2020 are audited.

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

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

Note 4: Financial analysis equations

1. Capital Structure Analysis:

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

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

2. Liquidity Analysis:

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

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

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

3. Operating Performance Analysis:

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

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

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

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

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

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

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

4. Profitability Analysis:

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

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

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

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

5. Cash Flow:

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

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

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

6. Leverage:

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

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

### 3. Audit Committee's Review Report

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

The Board of Directors has prepared the Company's 2020 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 2021 Annual General Shareholders' Meeting

Andes Technology Corporation

Chairman of the Audit Committee: Chen-Kuo Yang

March 2<sup>nd</sup>, 2021



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

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

### 1. Financial Status

Unit: NT\$ thousands

Item	Year	2019	2020	Difference	
				Amount	%
Current Assets		1,028,005	977,101	(50,904)	(5)
Property, Plant and Equipment		25,583	22,793	(2,790)	(11)
Intangible Assets		205,043	290,441	85,398	42
Other Assets		131,281	112,568	(18,713)	(14)
Total Assets		1,389,912	1,402,903	12,991	1
Current Liabilities		105,938	115,183	9,245	9
Long-term Liabilities		0	0	0	0
Other Liabilities		109,699	92,331	(17,368)	(16)
Total Liabilities		215,637	207,514	(8,123)	(4)
Share Capital		426,509	426,509	0	0
Capital Surplus		728,972	728,972	0	0
Retained Earnings		20,918	41,553	20,635	99
Other Equity		(2,124)	(1,645)	479	(23)
Total Equity		1,174,275	1,195,389	21,114	2
1. Explanation for changes that exceed 20% and reached NT\$10 million in the past two years: <ul style="list-style-type: none"> <li>(1) Increase in intangible assets: due to continuous investment in Development costs.</li> <li>(2) Increase in retained earnings: due to the profit growth in 2020.</li> </ul> 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		494,851	581,012	86,161	17
Operating Costs		820	1,183	363	44
Gross Profit		494,031	579,829	85,798	17
Operating Expenses		475,452	542,207	66,755	14
Operating Income		18,579	37,622	19,043	102
Non-Operating Income and Expenses		(734)	1,068	1,802	(246)
Net Income before Income Tax		17,845	38,690	20,845	117
Income Tax Expense		1,822	3,548	1,726	95
Net Income		16,023	35,142	19,119	119
Other Comprehensive Income, net of tax		(1,019)	479	1,498	(147)
Total Comprehensive Income		15,004	35,621	20,617	137
<p>1. Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:</p> <p>(1) Increase in net sales and operating profit: due to sales growth in the year of 2020, the net sales and gross profit increased.</p> <p>(2) Increase in operating expenses, decrease in operating profits and pre-tax benefits: the employees' increase of companies has led to an increase in operating expenses, but due to proper expense control and increased operating income, operating profit and pre-tax profit have both increased.</p> <p>2. Possible impact on the Company's future financial business and corresponding plan: Not applicable.</p>					

## 3. Cash Flow Analysis

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

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Provided by operating Activities in 2020	Net Cash Outflows from Investing and Financing Activities in 2020	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2020	Leverage of Cash Deficit	
					Investment plan	Financing plan
471,874	110,186	(54,756)	(622)	526,682	-	-

Analysis of change in cash flow in the current year:

- (1) Operating activities: Net cash inflow of NT\$110,186 thousands, mainly from operating profits.
- (2) Investing activities: Net cash outflow of NT\$20,687 thousands, mainly due to acquisition of the intangible assets.
- (3) Financing activities: Net cash outflow of NT\$34,069 thousands, 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, 2021 the Cash and cash equivalents still have net NT\$526,682 thousands. The Company has ample cash on-hand.

## 4. Major Capital Expenditure

None.

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

The Company's investments are long-term strategic investments. Investment loss from equity method investment in 2020 was NT\$45,500 thousands. The Company will keep its long-term strategic investment policy and evaluate investment plans prudently.

## 6. Risk Management

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

Unit: NT\$ thousands

Item	Year	2019	2020
Net Sales		494,851	581,012
Foreign Exchange Gains Or Losses		(4,835)	(12,020)
Foreign Exchange Gains Or Losses to Net Sales (%)		(0.98)	(2.07)

- (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, 2020 and 2019 decreases/increases by NT\$2,095 thousands and NT\$1,525 thousands. The impact of exchange rate fluctuations of the NTD against the USD on the Company is not significant.  
The main income currency of the Company is US dollars and New Taiwan dollars. Over the last two years, the exchange gain (loss) in net revenue accounted for (0.98%), and (2.07 %) of net operating income, respectively. The proportion was minor. The following measures were taken to deal with exchange rate changes:
  - A. Observe the impact of the economic situation on the exchange rate at any time, and fully grasp the exchange rate trend, take necessary risk avoidance measures.
- (3) Risks associated with inflation: There was no major impact from inflation on the Company's operations. The Company has not been profitable due to inflation. The past profit and loss has not been significantly affected by inflation. If the cost or expense is increased due to inflation, the Company will also adjust the sales price appropriately.

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

- (1) The Company has not engaged in high-risk or high-leveraged financial investments during 2020 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 2020 and up to date of this report.

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

The company's future research and development will continue to add new architecture definitions to AndeStar™ V5 in accordance with the extension instructions formulated by the RISC-V International. These include bit manipulation, security function architecture, new-generation instruction set, etc. The near-term plan of the AndeCore™ processors consists of development the extension instruction set of the V5 architecture, and will focus on higher performance and lower power consumption based on the application trends as well as develop products that comply with ISO-26262. The development of the AndeSight™ Integration and Development Environment includes toolchains. In addition to the development of new LLVM compilers, it continues to optimize and support the new processor instruction set and core pipeline architecture. For the development of the AndeSoft™ Software Stack, we add the support for 64-bit operating systems and enhance IoT stack. We also continue to port and optimize the latest version for the

existing OS and application functions. The parallel programming that supports OpenCL™ (Open Computing Language) heterogeneous systems helps the application of large systems, especially vector processors, in cloud servers. AndeShape™ platform IPs aim to develop higher-capacity FPGA development boards to support high-end and multi-core processors. AndeSentry™ is a newly established architecture for security that includes Andes' own technology and the IPs of partners to meet the needs of different customers.

Most of our R&D expenditures belong to the salaries of the R&D personnel. We invested NT\$ 237,084 thousands and 227,734 thousands in 2020 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 company has established an e-operation committee, which regularly reports on information security and information security improvement measures on a quarterly basis, and regularly explains information security cases such as information security issues and phishing letters to all employees, and sends email notifications from time to time. All employees are notified about the prevention of malicious emails.

The information security policy has stipulated information security regulations in the information system management process, specifying the necessary implementation principles and measures for various information security of employees, such as the division of internal and external networks of the company's information resources, remote access certificates, and prohibition of installation and use by colleagues or sharing unauthorized software and other information security protection restrictions, the employees need to follow the method to strengthen the awareness of information security.

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

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

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

There are no changes in corporate image and impact on company's Crisis during 2020 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 2020 and up to date of this report.

#### 6.8. Risks Associated with Facility Expansion

There is no any plan with Facility Expansion during 2020 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 did not have a single customer sales ratio of 40% in the last two years. The sales concentration does not pose any risks and customers with more than 10% sales are all reputable listed companies or well-known international companies, and the relationship between the two parties is good, the collection situation is normal.

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

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

In the most recent year (2020), there has been no substantial transfer of shares of directors or major shareholders

## 6.11. Risks Associated with Change in Management

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

## 6.12. Risks Associated with Litigations

(1) Major ongoing lawsuits, non-lawsuits or administrative 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.

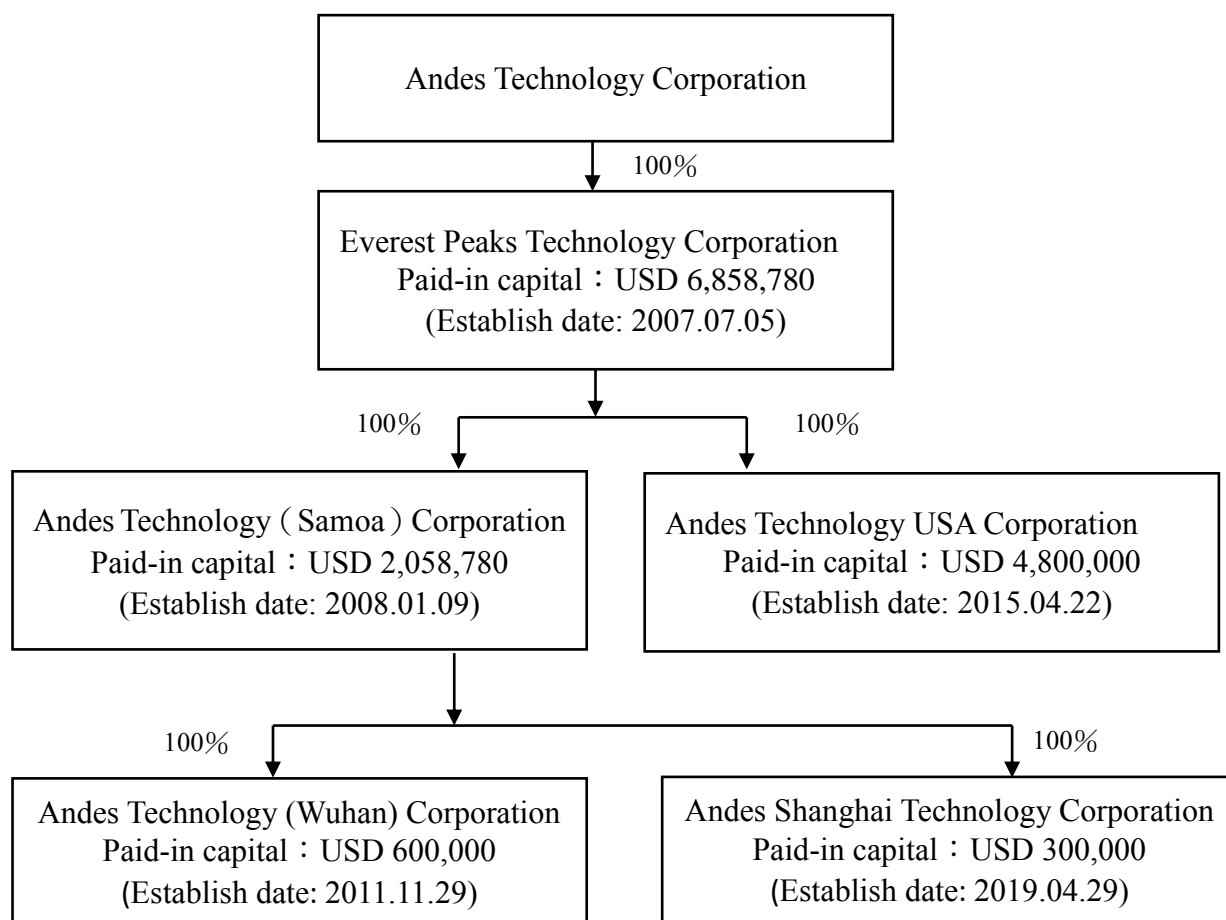
## 7. Other Material Events

None.

## VIII. Special Disclosure

### 1. Summary of Affiliated Companies

#### 1.1. The Company's Affiliated Companies Chart (December 31, 2020)



#### 1.2. The Company Affiliated Companies

December 31, 2020

Company Name	Date of Incorporation	Place of Registration	Capital Stock	Major Business
Everest Peaks Technology Corporation	2007.7	B.V.I.	USD 6,858,780	General investing
Andes Technology ( Samoa ) Corporation	2008.1	Samoa	USD 2,058,780	General investing
Andes Technology USA Corporation	2015.4	USA	USD 4,800,000	Licensing CPU IP and providing related services
Andes Technology (Wuhan) Corporation	2011.11	China	USD 600,000	Licensing CPU IP and providing related services
Andes Shanghai Technology Corporation	2019.4	China	USD 300,000	Licensing CPU IP and providing related services

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

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

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

December 31, 2020

Company Name	Title	Name or Representative	Shareholding	
			Shares	% of Holding
Everest Peaks Technology Corporation	Chairman	Andes Technology Corporation Rep: Jyh-Ming Lin	6,858,780	100%
Andes Technology (Samoa) Corporation	Chairman	Everest Peaks Technology Corporation Rep: Jyh-Ming Lin	2,058,780	100%
Andes Technology USA Corporation	Chairman	Everest Peaks Technology Corporation Rep: Jyh-Ming Lin	4,800,000	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, 2020 / Unit: NT\$ thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Income	EPS (NT\$)
Everest Peaks Technology Corporation	210,863	34,317	0	34,317	0	0	(45,500)	(6.63)
Andes Technology (Samoa) Corporation	64,450	40,541	0	40,541	0	0	14,783	7.18
Andes Technology USA Corporation	146,413	104,629	110,853	(6,224)	167,887	(59,868)	(60,283)	(12.56)
Andes Technology (Wuhan) Corporation	18,117	28,427	5,355	23,071	17,926	4,826	4,292	- (Note)
Andes Shanghai Technology Corporation	9,258	43,426	25,960	17,466	37,614	10,328	10,491	- (Note)

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



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

# Appendix

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

**ANDES TECHNOLOGY CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

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

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

## REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2020 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 2, 2021

## **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, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 2020 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\$581,012 thousand for the year ended December 31, 2020. The Group provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Group recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

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

We also assessed the adequacy of disclosures of operating revenues. Please refer to 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\$289,983 thousand as of December 31, 2020, NT\$162,379 thousand of which was recognized during the year. Both amounts are significant to the Group. In order to meet all of the capitalization criteria, the Group's management performed assessments on each individual project based on the internal and external information available, which involved management judgement and assumptions. Therefore, we considered this a key audit matter.

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

We also assessed the adequacy of disclosures of intangible assets. Please refer to Notes 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 2020 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, 2020 and 2019.

Kuo, Shao-Pin

Tu, Jia-Ling

Ernst & Young, Taiwan

March 2, 2021

### Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2020 and 2019**

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2020	%	December 31, 2019	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 526,682	37.54	\$ 471,874	33.95
Financial assets measured at amortized cost, current	4, 6(2)	180,000	12.83	325,500	23.42
Contract assets, current	4, 6(9), 6(10)	133,004	9.48	87,111	6.27
Trade receivables, net	4, 6(3), 6(10)	88,823	6.33	115,351	8.30
Trade receivables-related parties, net	4, 6(3), 6(10), 7	23,962	1.71	-	-
Other receivables		140	0.01	230	0.02
Inventories	4, 6(4)	1,999	0.14	1,608	0.11
Prepayments		22,491	1.60	26,331	1.89
Total current assets		<u>977,101</u>	<u>69.64</u>	<u>1,028,005</u>	<u>73.96</u>
<b>Non-current assets</b>					
Property, plant and equipment	4, 6(5)	22,793	1.62	25,583	1.84
Right-of-use assets	4, 6(11)	106,569	7.61	125,152	9.01
Intangible assets	4, 6(6)	290,441	20.70	205,043	14.75
Deferred tax assets	4, 6(15)	411	0.03	531	0.04
Refundable deposits		5,588	0.40	5,598	0.40
Total non-current assets		<u>425,802</u>	<u>30.36</u>	<u>361,907</u>	<u>26.04</u>
<b>Total assets</b>		<u>\$ 1,402,903</u>	<u>100.00</u>	<u>\$ 1,389,912</u>	<u>100.00</u>

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

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

English Translation of Consolidated Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2020 and 2019**

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2020	%	December 31, 2019	%
<b>Current liabilities</b>					
Contract liabilities, current	4, 6(9), 7	\$ 28,843	2.06	\$ 37,723	2.72
Trade payables		256	0.02	29	-
Other payables		63,469	4.52	48,423	3.48
Lease liabilities, current	4, 6(11)	17,083	1.22	17,465	1.26
Advance receipts		40	-	53	-
Other currents liabilities		5,492	0.39	2,245	0.16
Total current liabilities		<u>115,183</u>	<u>8.21</u>	<u>105,938</u>	<u>7.62</u>
<b>Non-current liabilities</b>					
Lease liabilities, noncurrent	4, 6(11)	92,331	6.58	109,699	7.89
Total non-current liabilities		<u>92,331</u>	<u>6.58</u>	<u>109,699</u>	<u>7.89</u>
Total liabilities		<u>207,514</u>	<u>14.79</u>	<u>215,637</u>	<u>15.51</u>
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(8)	426,509	30.40	426,509	30.69
Capital surplus	6(8)	728,972	51.96	728,972	52.45
Retained earnings	6(8)				
Legal reserve		5,392	0.39	3,790	0.27
Special reserve		1,019	0.07	1,105	0.08
Undistributed earnings		35,142	2.51	16,023	1.15
Total retained earnings		<u>41,553</u>	<u>2.97</u>	<u>20,918</u>	<u>1.50</u>
Other equity		<u>(1,645)</u>	<u>(0.12)</u>	<u>(2,124)</u>	<u>(0.15)</u>
Total equity		<u>1,195,389</u>	<u>85.21</u>	<u>1,174,275</u>	<u>84.49</u>
<b>Total liabilities and equity</b>		<u>\$ 1,402,903</u>	<u>100.00</u>	<u>\$ 1,389,912</u>	<u>100.00</u>

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

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

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

For the years ended December 31, 2020 and 2019

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

Description	Notes	2020	%	2019	%
<b>Net sales</b>	4, 6(9), 7	\$ 581,012	100.00	\$ 494,851	100.00
<b>Operating costs</b>	6(4)	(1,183)	(0.20)	(820)	(0.17)
<b>Gross profit</b>		579,829	99.80	494,031	99.83
<b>Operating expenses</b>	6(10), 6(11), 6(12), 7				
Selling expenses		(194,810)	(33.53)	(174,686)	(35.30)
Administrative expenses		(73,345)	(12.62)	(61,750)	(12.48)
Research and development expenses		(237,084)	(40.81)	(227,734)	(46.02)
Expected credit losses		(36,968)	(6.36)	(11,282)	(2.28)
Total operating expenses		(542,207)	(93.32)	(475,452)	(96.08)
<b>Operating income</b>		37,622	6.48	18,579	3.75
<b>Non-operating income and expenses</b>	6(13)				
Interest income		3,269	0.56	4,972	1.00
Other income		13,886	2.39	3,347	0.68
Other gains and losses		(14,045)	(2.42)	(6,821)	(1.37)
Finance costs		(2,042)	(0.35)	(2,232)	(0.45)
Total non-operating income and expenses		1,068	0.18	(734)	(0.14)
<b>Net income before income tax</b>		38,690	6.66	17,845	3.61
<b>Income tax expense</b>	4, 6(15)	(3,548)	(0.61)	(1,822)	(0.37)
<b>Net income</b>		35,142	6.05	16,023	3.24
<b>Other comprehensive income</b>	6(14),6(15)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		599	0.10	(1,274)	(0.26)
Income tax relating to those items to be reclassified to profit or loss		(120)	(0.02)	255	0.05
<b>Other comprehensive income (loss), net of tax</b>		479	0.08	(1,019)	(0.21)
<b>Total comprehensive income</b>		\$ 35,621	6.13	\$ 15,004	3.03
<b>Net income attributable to :</b>					
Owners of the parent		\$ 35,142		\$ 16,023	
<b>Total comprehensive income attributable to :</b>					
Owners of the parent		\$ 35,621		\$ 15,004	
<b>Earnings per share (NTD)</b>	6(16)				
Basic Earnings Per Share		\$ 0.82		\$ 0.38	
Diluted Earnings Per Share		\$ 0.82		\$ 0.38	

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 CHANGES IN EQUITY**

**For the years ended December 31, 2020 and 2019**

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent						Total equity
	Capital		Retained earnings			Other equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2019	\$ 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	<u>426,509</u>	<u>728,972</u>	<u>3,790</u>	<u>1,105</u>	<u>16,023</u>	<u>(2,124)</u>	<u>1,174,275</u>
Appropriation and distribution of 2019 retained earnings							
Legal reserve	-	-	1,602	-	(1,602)	-	-
Cash dividends	-	-	-	-	(14,507)	-	(14,507)
Reversal of special reserve	-	-	-	(86)	86	-	-
Net income for the year ended December 31, 2020	-	-	-	-	35,142	-	35,142
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	479	479
Total comprehensive income	-	-	-	-	35,142	479	35,621
Balance as of December 31, 2020	<u>\$ 426,509</u>	<u>\$ 728,972</u>	<u>\$ 5,392</u>	<u>\$ 1,019</u>	<u>\$ 35,142</u>	<u>\$ (1,645)</u>	<u>\$ 1,195,389</u>

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 AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	2020	2019
<b>Cash flows from operating activities :</b>		
Net income before income tax	\$ 38,690	\$ 17,845
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	24,398	22,639
Amortization	77,464	45,927
Expected credit losses	36,968	11,282
Interest expense	2,042	2,232
Interest income	(3,269)	(4,972)
Losses on disposal of property, plant and equipment	-	240
Changes in operating assets and liabilities:		
Contract assets	(45,893)	(27,050)
Trade receivables	(9,139)	(72,888)
Trade receivables - related parties	(23,962)	2,580
Other receivables	43	721
Inventories	(391)	(697)
Prepayments	3,840	(10,577)
Contract liabilities	(8,880)	18,136
Trade payables	227	(1,079)
Other payables	15,046	22,402
Advance receipts	(13)	(1)
Other current liabilities	3,247	910
Cash generated from operating activities	110,418	27,650
Interest received	3,327	4,992
Income tax paid	(3,559)	(1,746)
Net cash provided by operating activities	110,186	30,896
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets measured at amortized cost	(180,000)	(325,500)
Proceeds from disposal of financial assets measured at amortized cost	325,500	420,000
Acquisition of property, plant and equipment	(3,301)	(7,696)
Increase in refundable deposits	(79)	(181)
Decrease in refundable deposits	55	680
Acquisition of intangible assets	(162,862)	(125,687)
Net cash used in investing activities	(20,687)	(38,384)
<b>Cash flows from financing activities :</b>		
Cash payments for the principal portion of the lease liabilities	(17,520)	(17,842)
Cash dividends	(14,507)	(29,731)
Interest paid	(2,042)	-
Net cash used in financing activities	(34,069)	(47,573)
Effect of changes in exchange rate on cash and cash equivalents	(622)	(1,433)
Net increase (decrease) in cash and cash equivalents	54,808	(56,494)
Cash and cash equivalents at the beginning of the year	471,874	528,368
Cash and cash equivalents at the end of the year	\$ 526,682	\$ 471,874

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

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**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 2, 2021.

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, 2020. The nature and impact of the new standards and amendments had no material impact on the Group.

(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:



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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

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

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

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

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

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

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The 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.

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

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

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

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

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

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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

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

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

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

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2020 and 2019 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).

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

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

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership	
			December 31, 2020	December 31, 2019
ANDES	Everest Peaks Technology Corporation	Investment holding	100%	100%
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Investment holding	100%	100%
Everest Peaks Technology Corporation	Andes Technology USA Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Shanghai Technology Corporation (Note)	Licensing CPU IP and providing related services	100%	100%

Note: On April, 2019, Andes established Andes Shanghai Technology Corporation via Everest Peaks Technology Corporation and Andes Technology (Samoa) Corporation.

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

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

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



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

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

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.

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as 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:

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

**B. Impairment of financial assets**

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

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- (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.

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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 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.

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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.

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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



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

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

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

**Group as a lessee**

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

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

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

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

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

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

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

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

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

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

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

(13) Intangible assets

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

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

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

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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 estimated useful life.

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:

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

(14) Impairment of non-financial assets

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

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

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

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

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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 and dedicated design services. The revenue recognition policy of licensing of CPU IPs is discussed previously. For dedicated design services, the Group is providing CPU IPs' integration and dedicated design services to customers. As the Group has an enforceable right to payment for performance completed, the Group adopts the completion ratio method to recognize revenues for dedicated design services.

Royalty revenues

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

(16) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(17) 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.

(18) 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.

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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.



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- 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:

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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, 2020	December 31, 2019
Petty cash	\$20	\$20
Checking and savings accounts	135,891	88,439
Time deposits	217,100	237,100
Reverse repurchase agreements-corporate bonds	173,671	146,315
Total	<u>\$526,682</u>	<u>\$471,874</u>

(2) Financial assets measured at amortized cost, current

	December 31, 2020	December 31, 2019
Time deposits	<u>\$180,000</u>	<u>\$325,500</u>

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.

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(3) Trade receivables and trade receivables-related parties

	December 31, 2020	December 31, 2019
Trade receivables	\$130,866	\$126,760
Less: allowance	(42,043)	(11,409)
Subtotal	88,823	115,351
Trade receivables-related parties	23,962	-
Less: allowance	-	-
Subtotal	23,962	-
Total	<u>\$112,785</u>	<u>\$115,351</u>

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

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(10) for more details on impairment of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$1,327	\$1,373
Raw materials	672	235
Net amount	<u>\$1,999</u>	<u>\$1,608</u>

For the year ended December 31, 2020, the cost of inventories recognized in expenses amounted to NT\$1,183 thousand, including the reversal of write-down of inventories of NT\$159 thousand.

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.

Inventories were not pledged.

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(5) Property, plant and equipment

	December 31, 2020		December 31, 2019		
Owner occupied property, plant and equipment	<u>\$22,793</u>		<u>\$25,583</u>		
	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2020	\$7,351	\$1,743	\$8,576	\$15,376	\$33,046
Additions	1,151	2,011	139	-	3,301
Disposals	(428)	-	(562)	-	(990)
Exchange differences	-	-	(93)	6	(87)
As of December 31, 2020	<u>\$8,074</u>	<u>\$3,754</u>	<u>\$8,060</u>	<u>\$15,382</u>	<u>\$35,270</u>
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	<u>\$7,351</u>	<u>\$1,743</u>	<u>\$8,576</u>	<u>\$15,376</u>	<u>\$33,046</u>
Depreciation and impairment:					
As of January 1, 2020	\$2,224	\$195	\$3,250	\$1,794	\$7,463
Depreciation	1,910	516	1,881	1,723	6,030
Disposals	(428)	-	(562)	-	(990)
Exchange differences	-	-	(31)	5	(26)
As of December 31, 2020	<u>\$3,706</u>	<u>\$711</u>	<u>\$4,538</u>	<u>\$3,522</u>	<u>\$12,477</u>

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	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
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	<u>\$2,224</u>	<u>\$195</u>	<u>\$3,250</u>	<u>\$1,794</u>	<u>\$7,463</u>
Net carrying amount as of:					
December 31, 2020	<u>\$4,368</u>	<u>\$3,043</u>	<u>\$3,522</u>	<u>\$11,860</u>	<u>\$22,793</u>
December 31, 2019	<u>\$5,127</u>	<u>\$1,548</u>	<u>\$5,326</u>	<u>\$13,582</u>	<u>\$25,583</u>

Property, plant and equipment were not pledged.

(6) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2020	\$98,472	\$169,115	\$1,224	\$268,811
Additions-internally generated	162,379	-	-	162,379
Additions-acquired separately	-	-	483	483
Disposals	-	-	(135)	(135)
Transfers	(108,928)	108,928	-	-
As of December 31, 2020	<u>\$151,923</u>	<u>\$278,043</u>	<u>\$1,572</u>	<u>\$431,538</u>
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	<u>\$98,472</u>	<u>\$169,115</u>	<u>\$1,224</u>	<u>\$268,811</u>

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	Development costs	Technologies	Computer software	Total
Amortization and impairment:				
As of January 1, 2020	\$-	\$62,921	\$847	\$63,768
Amortization	-	77,062	402	77,464
Disposals	-	-	(135)	(135)
As of December 31, 2020	\$-	\$139,983	\$1,114	\$141,097
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
Net carrying amount as of:				
December 31, 2020	\$151,923	\$138,060	\$458	\$290,441
December 31, 2019	\$98,472	\$106,194	\$377	\$205,043

The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2020	2019
Selling expenses	\$36	\$36
Administrative expenses	\$335	\$341
Research and development expenses	\$77,093	\$45,550

(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.

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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, 2020 and 2019 were NT\$13,951 thousand and NT\$11,864 thousand, respectively.

(8) Equity

A. Common stock

ANDES' authorized capital as of December 31, 2020 and 2019 was NT\$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT\$10. ANDES' issued capital was both NT\$426,509 thousand divided into 42,651 thousand shares as of December 31, 2020 and 2019. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$727,198	\$727,198
Employee stock options	1,774	1,774
Total	<u>\$728,972</u>	<u>\$728,972</u>

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

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

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- (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. When the distribution proposal is in the form of new shares to be issued by ANDES, it shall be submitted to the shareholders' meeting for review and approval by a resolution. When the distribution proposal be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, such distribution shall be reported to the shareholders' meeting.

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

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

- D. Details of the 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 2, 2021 and the shareholders' meeting on June 18, 2020, respectively, are as follows:



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	Appropriation of earnings (in thousand NT dollars)		Dividends per share (NT dollars)	
	2020	2019	2020	2019
Legal reserve	\$3,514	\$1,602	-	-
Reversal of special reserve	-	(86)	-	-
Cash dividends (Note)	31,628	14,507	\$0.741546	\$0.340122

According to the authorization by Andes' Articles of Incorporation, the board of directors passed a special resolution to distribute cash dividends on March 2, 2021 and March 3, 2020, respectively.

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

(9) Sales

	For the year ended		For the year ended	
	December 31, 2020	Percent of total sales	December 31, 2019	Percent of total sales
Revenue from contracts with customers				
Licensing of CPU IP	\$311,148	54%	\$276,064	56%
Royalty revenues	158,792	27%	106,716	22%
Custom Computing Service	63,389	11%	79,939	16%
Maintenance services	44,753	8%	29,718	6%
Others	2,930	-	2,414	-
Total	<u>\$581,012</u>	<u>100%</u>	<u>\$494,851</u>	<u>100%</u>

Analysis of revenues from contracts with customers for the years ended December 31, 2020 and 2019 is as follows:

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A. Disaggregation of revenues

	For the years ended December 31,	
	2020	2019
Timing of revenue recognition:		
At a point in time	\$536,259	\$419,350
Over time	44,753	75,501
Total	\$581,012	\$494,851

B. Contract balances

(a) Contract assets, current

	December 31, 2020	December 31, 2019	January 1, 2019
Licensing of CPU IP	\$133,004	\$87,111	\$60,061

Contract assets represent the amount that the Group has transferred CPU IPs to customers but not yet billed. Contract assets will be reclassified to trade receivables as the Group obtains an unconditional right to receive the consideration. The Group reclassified NT\$73,845 thousand and NT\$58,976 thousand of the beginning balance of contract assets to trade receivables during 2020 and 2019, respectively. Please refer to Note 6(10) for related impairment.

(b) Contract liabilities

	December 31, 2020	December 31, 2019	January 1, 2019
Maintenance services	\$26,611	\$33,407	\$12,401
Deductions	2,232	1,904	3,274
Licensing of CPU IP	-	2,412	3,912
Total	\$28,843	\$37,723	\$19,587

NT\$34,175 thousand and NT\$12,753 thousand of beginning balance of contract liabilities have been recognized as revenues during 2020 and 2019, respectively.

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(10) Expected credit losses

	For the years ended December 31,	
	2020	2019
Operating expenses – expected credit losses		
Trade receivables	\$(36,968)	\$(11,282)

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

The Group measures the loss allowance of 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, 2020 and 2019 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, 2020

		Past due					
		Neither past due	<=60 days	61~120 days	121~180 days	181~360 days	
Group 1							
(Note) :							
Gross carrying amount	\$176,828	\$-	\$-	\$-	\$7,370	\$28,166	\$212,364
Loss ratio	-%	-%	-%	-%	55%-70%	100%	
Lifetime expected credit losses	-	-	-	-	(4,606)	(28,166)	(32,772)
Subtotal	\$176,828	\$-	\$-	\$-	\$2,764	\$-	\$179,592
		Past due					
		Neither past due	<=60 days	61~120 days	121~180 days	181~360 days	
Group 2							
(Note) :							
Gross carrying amount	\$61,335	\$-	\$5,589	\$-	\$-	\$8,544	\$75,468
Loss ratio	-%	-%	13%	-%	-%	100%	
Lifetime expected credit losses	-	-	(727)	-	-	(8,544)	(9,271)
Subtotal	\$61,335	\$-	\$4,862	\$-	\$-	\$-	\$66,197
Carrying amount of contract assets and receivables (including trade receivables-related parties)							\$245,789

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December 31, 2019

Group 1	Neither past due	Past due						Total
		<=30 days	31~90 days	91~120 days	121~180 days	181~360 days	>=361 days	
(Note) :								
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	Neither past due	Past due					Total
		<=30 days	31~90 days	91~120 days	121~180 days	>=181 days	
(Note) :							
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)							<u>\$202,462</u>

Note : The group 1 and group 2 are classified based on where the counterparties are located.

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, 2020	\$-	\$11,409
Addition for the current period	-	36,968
Write off	-	(5,033)
Effect of changes in exchange rate	-	(1,301)
As of December 31, 2020	<u>\$-</u>	<u>\$42,043</u>

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	<u>Contract assets</u>	<u>Trade receivables</u>
As of January 1, 2019	-	\$7,389
Addition for the current period	-	11,282
Write off	-	(7,075)
Effect of changes in exchange rate	-	(187)
As of December 31, 2019	<u>\$-</u>	<u>\$11,409</u>

(11) Leases

A. The Group as a lessee

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

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

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2019</u>
Buildings	<u>\$106,569</u>	<u>\$125,152</u>

For the years ended December 31, 2020 and 2019, the Group's addition to right-of-use assets amounted to nil and NT\$14,367 thousand, respectively.

II. Lease liabilities

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2019</u>
Lease liabilities	<u>\$109,414</u>	<u>\$127,164</u>
Current	<u>\$17,083</u>	<u>\$17,465</u>
Non-current	<u>\$92,331</u>	<u>\$109,699</u>

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Please refer to Note 6(13)D for the interest on lease liabilities recognized for the years ended December 31, 2020 and 2019, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

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

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Buildings	\$18,368	\$17,634

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2020	2019
The expenses relating to short-term leases	\$1,029	\$857
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	\$278	\$250

(d) Cash outflows relating to leasing activities

For the years ended December 31, 2020 and 2019, the Group's total cash outflows for leases amounted to NT\$20,869 thousand and NT\$18,949 thousand, respectively.

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

	For the years ended December 31					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$231,723	\$231,723	\$-	\$228,896	\$228,896
Labor and health insurance	-	24,407	24,407	-	21,923	21,923
Pension	-	13,951	13,951	-	11,864	11,864
Others	-	1,280	1,280	-	882	882
Depreciation	-	24,398	24,398	-	22,639	22,639
Amortization	-	77,464	77,464	-	45,927	45,927

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

Based on the profit for the year ended December 31, 2020, ANDES estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be 6% and 0.999% of profit for the year ended December 31, 2020. As such, employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to NT\$2,439 thousand and NT\$406 thousand, respectively.

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Based on the profit for the year ended December 31, 2019, ANDES estimated the amounts of the employees' compensation and remuneration to directors 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 for the year ended December 31, 2019 amounted to NT\$945 thousand and NT\$189 thousand, respectively.

The estimated amounts NT\$2,439 thousand and NT\$406 thousand of the employee compensation and remuneration to directors for the year ended December 31, 2020 were consistent with the resolutions of the Board of Directors meeting held on March 2, 2021.

No material differences between the estimated amounts and the actual distribution of the employee compensation and remuneration of directors for the year ended December 31, 2019.

(13) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2020	2019
Interest income		
Financial assets measured at amortized cost	\$3,269	\$4,972

B. Other income

	For the years ended December 31,	
	2020	2019
Government grants	\$12,345	\$-
Others	1,541	3,347
Total	\$13,886	\$3,347



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C. Other gains and losses

	For the years ended	
	December 31,	
	2020	2019
Foreign exchange losses, net	\$(12,020)	\$(4,835)
Losses on disposal of property, plant and equipment	-	(240)
Others	(2,025)	(1,746)
Total	\$(14,045)	\$(6,821)

D. Finance costs

	For the years ended	
	December 31,	
	2020	2019
Interest expenses on lease liabilities	\$(2,042)	\$(2,232)

(14) Components of other comprehensive income

For the year ended December 31, 2020:

	Reclassification Arising during the period	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	\$599	\$-	\$599	\$(120)	\$479

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For the year ended December 31, 2019:

	Reclassification Arising during the period	adjustments during the period	Other comprehensive income, before tax	Income tax benefit	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	\$(1,274)	\$-	\$(1,274)	\$255	\$(1,019)

(15) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2020	2019
Current income tax expenses:		
Current income tax charge	\$3,548	\$1,822

Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2020	2019
Deferred tax (expense) income:		
Exchange differences resulting from translating the financial statements of foreign operations	\$(120)	\$255

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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,	
	2020	2019
Accounting profit before tax from continuing operations	\$38,690	\$17,845
At ANDES's statutory income tax rate	\$7,738	\$3,569
Tax effect of expenses not deductible for tax purpose	862	1,347
Recognition of tax losses or temporary differences of prior periods not recognized	(8,423)	(4,903)
Recognition of different tax rates applicable to entities operating in other taxation region	740	54
Foreign taxes have been paid in the source country	2,631	1,711
Others	-	44
Income tax expense recognized in profit or loss	<u>\$3,548</u>	<u>\$1,822</u>

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Investments accounted for using the equity method	\$531	\$-	\$(120)	\$411
Deferred tax expense		<u>\$-</u>	<u>\$(120)</u>	
Net deferred tax assets (liabilities)	<u>\$531</u>			<u>\$411</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$531</u>			<u>\$411</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

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For the year ended December 31, 2019

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

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

Company name	Occurrence year	Accumulated losses	<u>Unutilized accumulated losses</u>		Expiration year
			December 31, 2020	December 31, 2019	
ANDES	2009	\$145,944	\$-	\$81,704	2019
	2010	119,980	26,637	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		\$335,927	\$510,974	

As of December 31, 2020 and 2019, the subsidiaries' unused tax losses at their respective jurisdictions were NT\$111,328 thousand and NT\$82,668 thousand, respectively.

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, the Group's unrecognized deferred income tax assets were NT\$107,393 thousand and NT\$132,157 thousand, respectively.

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The assessment of income tax returns

As of December 31, 2020, 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 2018
Subsidiary - Andes Technology (Wuhan) Corporation	Filed up to 2019
Subsidiary - Andes Shanghai Technology Corporation	Filed up to 2019
Subsidiary - Andes Technology USA Corporation	Filed up to 2019

(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 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,	
	2020	2019
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$35,142	\$16,023
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Basic earnings per share (NT\$)	\$0.82	\$0.38

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

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

	For the years ended December 31,	
	2020	2019
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$35,142	\$16,023
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Effect of dilution:		
Employees' compensation-stock (in thousands)	9	8
Weighted average number of ordinary shares outstanding after dilution (in thousands)	42,660	42,659
Diluted earnings per share (NT\$)	\$0.82	\$0.38

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.	The chairman of ANDES and the chairman of MediaTek Inc. is the same person
MediaTek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.

**(1) Sales**

	For the years ended December 31,	
	2020	2019
MediaTek Inc.	\$33,577	\$9,336
MediaTek Singapore Pte. Ltd.	508	-
Total	\$34,085	\$9,336

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

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

(2) Trade receivables - related parties

	December 31, 2020	December 31, 2019
MediaTek Inc.	\$23,962	\$-

(3) Contract liabilities, current

	December 31, 2020	December 31, 2019
MediaTek Inc.	\$3,593	\$3,052

(4) Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$22,253	\$22,188
Post-employment benefits	540	540
Total	\$22,793	\$22,728

8. Assets Pledged as Collateral

None

9. Commitments and Contingencies

None

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

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

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

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2020	December 31, 2019
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	\$526,662	\$471,854
Financial assets measured at amortized cost	180,000	325,500
Trade receivables, net (including related parties)	112,785	115,351
Other receivables	140	230
Refundable deposits	5,588	5,598
Total	<u>\$825,175</u>	<u>\$918,533</u>

Financial liabilities

	December 31, 2020	December 31, 2019
Financial liabilities at amortized cost:		
Trade payables	\$256	\$29
Other payables	63,649	48,423
Lease liabilities	109,414	127,164
Total	<u>\$173,139</u>	<u>\$175,616</u>

(2) Financial risk management objectives and policies

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

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



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

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

(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.

Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2020 and 2019 decreases/increases by NT\$2,095 thousand and NT\$1,525 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 contract assets and trade receivables) and from its financing activities, including bank deposits and other financial instruments.

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

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

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, 2020 and 2019, receivables from top ten customers represented 57.98% and 65.05% of the total contract assets and trade receivables of the Group, respectively. The credit concentration risk of other contract assets and 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.

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

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

Non-derivative financial liabilities

	Less than 1		more than 5		Total
	year	1 to 3 years	4 to 5 years	years	
December 31, 2020					
Trade payables	\$256	\$-	\$-	\$-	\$256
Other payables	63,469	-	-	-	63,469
Lease liabilities	18,812	29,825	29,588	37,657	115,882
December 31, 2019					
Trade payables	\$29	\$-	\$-	\$-	\$29
Other payables	48,423	-	-	-	48,423
Lease liabilities	19,510	34,013	29,588	52,451	135,562

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities from January 1 to December 31, 2020.

	<u>Lease liabilities</u>
As of January 1, 2020	\$127,164
Cash flows	(17,520)
Effect of changes in exchange rate	(230)
As of December 31, 2020	<u>\$109,414</u>

Reconciliation of liabilities from January 1 to December 31, 2019.

	<u>Lease liabilities</u>
As of January 1, 2019	\$128,614
Cash flows	(17,842)
Non-cash changes	16,599
Effect of changes in exchange rate	(207)
As of December 31, 2019	<u>\$127,164</u>

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

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

(7) Fair value of financial instruments

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

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

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

(8) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2020		
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$8,242	28.48	\$234,719
CNY	15,652	4.377	68,509
<u>Financial liabilities</u>			
Monetary item:			
USD	\$887	28.48	\$25,260
CNY	824	4.377	3,609

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

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

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

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 losses were NT\$12,020 thousand and NT\$4,835 thousand for the years ended December 31, 2020 and 2019, respectively.

(9) Capital management

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

13. Additional Disclosures

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

- (a) Financing provided to others for the year ended December 31, 2020: None.
- (b) Endorsement/guarantee provided to others for the year ended December 31, 2020: None.

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

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

- (c) Securities held as of December 31, 2020 (excluding subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2020: None.
- (i) Financial instruments and derivative transactions: None.
- (j) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 3.

(2) Information on investees

Information of investees over which the Company has direct or indirect significant influence or control: Please refer to Attachment 1.

(3) Information on investments in Mainland China

- (a) The name of the investee company in Mainland China, main businesses and products, its issued capital, method of investment, accumulated inflows and outflows of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 2.

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

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

(b) Significant direct or indirect transactions with the investees, its prices, payment terms, unrealized gain or loss and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 3.

(4) Information on major shareholders:

List of shareholders with ownership of 5 percent or greater showing the names, number of shares and the percentage of ownership held by each shareholder: Please refer to Attachment 4.

14. 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

A. Net sales from external customers

	For the years ended	
	December 31,	
	2020	2019
Taiwan	\$248,466	\$192,522
United States	154,525	150,364
Mainland China	144,317	103,683
Europe	4,940	27,415
Others	28,764	20,867
<b>Total</b>	<b>\$581,012</b>	<b>\$494,851</b>

Sales are presented by customers' country.

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

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

B. Non-current assets

	December 31, 2020	December 31, 2019
Taiwan	\$414,514	\$345,415
Mainland China	906	1,781
United States	4,383	8,582
Total	<u>\$419,803</u>	<u>\$355,778</u>

C. The major customer

The information for individual customer accounting for more than 10% of net sales for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Customer A	\$127,616	\$77,324
Customer B	76,138	61,183
Customer C	62,581	27,747
Total	<u>\$266,335</u>	<u>\$166,254</u>



ATTACHMENT 1 : NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
The Company	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	\$210,863	\$181,318	6,858,780	100%	\$34,317	\$(45,500)	\$(45,500)	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	\$64,450	\$64,450	2,058,780	100%	\$40,541	\$14,783	\$14,783	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	\$146,413	\$116,868	4,800,000	100%	\$(6,224)	\$(60,283)	\$(60,283)	(Note)

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

ATTACHMENT 2 : INFORMATION ON INVESTMENT IN MAINLAND CHINA

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

Investee Company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	\$18,117	(ii) Andes Technology (Samoa) Corporation	\$18,117	\$-	\$-	\$18,117	\$4,292	100%	\$4,292 (ii)	\$23,071	\$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	\$9,258	(ii) Andes Technology (Samoa) Corporation	\$9,258	\$-	\$-	\$9,258	\$10,491	100%	\$10,491 (ii)	\$17,466	\$-

Accumulated investment in Mainland China as of December 31, 2020 (Note 3)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment
\$27,375 (USD900,000)	\$25,632 (USD900,000)	\$717,233

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (i) Direct investment in Mainland China.
- (ii) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- (iii) Other methods.

Note 2 : The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis:

- (i) The financial report was audited by an international certified public accounting firm having a business cooperation relationship with an R.O.C. accounting firm.
- (ii) The financial statements were audited by the auditors of the parent company.
- (iii) Others.

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

Note 4 : Amounts denominated in foreign currency is converted into New Taiwan Dollars by the exchange rate at December 31, 2020.

ATTACHMENT 3 : INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			
				Financial Statement Account	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
0	ANDES TECHNOLOGY CORPORATION	Andes Technology (Wuhan) Corporation	1	Trade receivables-related parties	\$3,670	Net 60 days	0.26%
				Sales	\$7,923	Net 60 days	1.36%
				Contract liabilities, current	\$588	According to the contract terms	0.04%
		Andes Technology USA Corporation	1	Trade receivables-related parties	\$84,224	Net 60 days	6.00%
				Sales	\$60,144	Net 60 days	10.35%
				Contract liabilities, current	\$4,244	According to the contract terms	0.30%
				R&D and design fees	\$9,493	According to the contract terms	1.63%
				Other payables	\$2,993	According to the contract terms	0.21%
		Andes Shanghai Technology Corporation	1	Trade receivables-related parties	\$6,616	Net 60 days	0.47%
				Contract assets	\$13,393	Net 60 days	0.95%
				Sales	\$21,333	Net 60 days	3.67%
				Contract liabilities, current	\$1,407	According to the contract terms	0.10%

Note 1 : ANDES and its subsidiaries are coded as follows:

- (1) ANDES is coded 0.
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above

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

- (1) The holding companies to subsidiaries.
- (2) Subsidiaries to the holding companies.
- (3) Subsidiaries to subsidiaries.

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

ATTACHMENT 4 : THE INFORMATION OF MAJOR SHAREHOLDERS

Name of major shareholders	Number of shares held (shares)	Percentage of ownership
MediaTek Capital Co.	5,657,324	13.26%
Shui-Cheng, Tu	3,401,000	7.97%
National Development Fund, Executive Yuan	2,979,237	6.98%

**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, 2020 AND 2019**

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

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

## **Independent Auditors' Report Translated from Chinese**

### **Independent Auditors' Report**

To: Andes Technology Corporation

#### **Opinion**

We have audited the accompanying parent company only balance sheets of Andes Technology Corporation (the "Company") as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 2020 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\$456,724 thousand for the year ended December 31, 2020. The Company provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Company recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

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

We also assessed the adequacy of disclosures of operating revenues. Please refer to 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\$289,983 thousand as of December 31, 2020, NT\$162,379 thousand of which was recognized during the year. Both amounts are significant to the Company. In order to meet all of the capitalization criteria, the Company's management performed assessments on each individual project based on the internal and external information available, which involved management judgement and assumptions. Therefore, we considered this a key audit matter.

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

We also assessed the adequacy of disclosures of intangible assets. Please refer to Notes 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 2020 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 2, 2021

Notice to Readers

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

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

English Translation of Financial Statements Originally Issued in Chinese

**ANDES TECHNOLOGY CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**

**As of December 31, 2020 and 2019**

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2020	%	December 31, 2019	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 443,555	32.18	\$ 413,898	30.48
Financial assets measured at amortized cost, current	4, 6(2)	180,000	13.06	325,500	23.97
Contract assets, current	4, 6(10), 6(11), 7	75,100	5.45	73,352	5.40
Trade receivables, net	4, 6(3), 6(11)	83,647	6.07	74,297	5.47
Trade receivables-related parties, net	4, 6(3), 6(11), 7	118,472	8.59	50,919	3.75
Other receivables		109	0.01	187	0.02
Inventories	4, 6(4)	1,999	0.15	1,608	0.12
Prepayments		21,570	1.56	17,770	1.31
Total current assets		<u>924,452</u>	<u>67.07</u>	<u>957,531</u>	<u>70.52</u>
<b>Non-current assets</b>					
Investments accounted for using the equity method	4, 6(5)	34,317	2.49	49,673	3.66
Property, plant and equipment	4, 6(6)	21,233	1.54	23,423	1.73
Right-of-use assets	4, 6(12)	102,840	7.46	116,949	8.61
Intangible assets	4, 6(7)	290,441	21.07	205,043	15.10
Deferred tax assets	4, 6(16)	411	0.03	531	0.04
Refundable deposits		4,692	0.34	4,668	0.34
Total non-current assets		<u>453,934</u>	<u>32.93</u>	<u>400,287</u>	<u>29.48</u>
<b>Total assets</b>		<u>\$ 1,378,386</u>	<u>100.00</u>	<u>\$ 1,357,818</u>	<u>100.00</u>

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, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2020	%	December 31, 2019	%
<b>Current liabilities</b>					
Contract liabilities, current	4, 6(10), 7	\$ 22,822	1.66	\$ 22,814	1.68
Trade payables		256	0.02	29	-
Other payables	7	48,894	3.55	39,825	2.93
Lease liabilities, current	4, 6(12)	13,283	0.96	13,084	0.97
Advance receipts		40	-	53	-
Other currents liabilities		5,492	0.40	2,245	0.17
Total current liabilities		<u>90,787</u>	<u>6.59</u>	<u>78,050</u>	<u>5.75</u>
<b>Non-current liabilities</b>					
Lease liabilities, noncurrent	4, 6(12)	92,210	6.69	105,493	7.77
Total non-current liabilities		<u>92,210</u>	<u>6.69</u>	<u>105,493</u>	<u>7.77</u>
Total liabilities		<u>182,997</u>	<u>13.28</u>	<u>183,543</u>	<u>13.52</u>
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(9)	426,509	30.94	426,509	31.41
Capital surplus	6(9)	728,972	52.89	728,972	53.69
Retained earnings	6(9)				
Legal reserve		5,392	0.39	3,790	0.28
Special reserve		1,019	0.07	1,105	0.08
Undistributed earnings		35,142	2.55	16,023	1.18
Total retained earnings		<u>41,553</u>	<u>3.01</u>	<u>20,918</u>	<u>1.54</u>
Other equity		<u>(1,645)</u>	<u>(0.12)</u>	<u>(2,124)</u>	<u>(0.16)</u>
Total equity		<u>1,195,389</u>	<u>86.72</u>	<u>1,174,275</u>	<u>86.48</u>
<b>Total liabilities and equity</b>		<u>\$ 1,378,386</u>	<u>100.00</u>	<u>\$ 1,357,818</u>	<u>100.00</u>

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 COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

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

Description	Notes	2020	%	2019	%
<b>Net sales</b>	4, 6(10), 7	\$ 456,724	100.00	\$ 405,872	100.00
<b>Operating costs</b>	6(4)	(1,183)	(0.26)	(820)	(0.20)
<b>Gross profit</b>		455,541	99.74	405,052	99.80
<b>Operating expenses</b>	6(11), 6(12), 6(13), 7				
Selling expenses		(96,721)	(21.18)	(97,665)	(24.06)
Administrative expenses		(66,367)	(14.53)	(59,928)	(14.77)
Research and development expenses		(202,248)	(44.28)	(181,333)	(44.68)
Expected credit losses		(8,177)	(1.79)	(6,830)	(1.68)
Total operating expenses		(373,513)	(81.78)	(345,756)	(85.19)
<b>Operating income</b>		82,028	17.96	59,296	14.61
<b>Non-operating income and expenses</b>	6(14)				
Interest income		3,148	0.69	4,831	1.19
Other income		13,771	3.01	2,048	0.50
Other gains and losses		(13,750)	(3.01)	(6,726)	(1.66)
Finance costs		(1,892)	(0.41)	(1,965)	(0.48)
Share of loss of subsidiaries, associates, and joint ventures accounted for using the equity method		(45,500)	(9.96)	(39,706)	(9.78)
Total non-operating income and expenses		(44,223)	(9.68)	(41,518)	(10.23)
<b>Net income before income tax</b>		37,805	8.28	17,778	4.38
<b>Income tax expense</b>	4, 6(16)	(2,663)	(0.58)	(1,755)	(0.43)
<b>Net income</b>		35,142	7.70	16,023	3.95
<b>Other comprehensive income</b>	6(15), 6(16)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		599	0.13	(1,274)	(0.31)
Income tax relating to those items to be reclassified to profit or loss		(120)	(0.03)	255	0.06
<b>Other comprehensive income (loss), net of tax</b>		479	0.10	(1,019)	(0.25)
<b>Total comprehensive income</b>		\$ 35,621	7.80	\$ 15,004	3.70
<b>Earnings per share (NTD)</b>	6(17)				
Basic Earnings Per Share		\$ 0.82		\$ 0.38	
Diluted Earnings Per Share		\$ 0.82		\$ 0.38	

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

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese  
**ANDES TECHNOLOGY CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2020 and 2019  
(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent						Total equity
	Capital		Retained earnings			Other equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2019	\$ 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	<u>426,509</u>	<u>728,972</u>	<u>3,790</u>	<u>1,105</u>	<u>16,023</u>	<u>(2,124)</u>	<u>1,174,275</u>
Appropriation and distribution of 2019 retained earnings							
Legal reserve	-	-	1,602	-	(1,602)	-	-
Cash dividends	-	-	-	-	(14,507)	-	(14,507)
Reversal of special reserve	-	-	-	(86)	86	-	-
Net income for the year ended December 31, 2020	-	-	-	-	35,142	-	35,142
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	479	479
Total comprehensive income	-	-	-	-	35,142	479	35,621
Balance as of December 31, 2020	<u>\$ 426,509</u>	<u>\$ 728,972</u>	<u>\$ 5,392</u>	<u>\$ 1,019</u>	<u>\$ 35,142</u>	<u>\$ (1,645)</u>	<u>\$ 1,195,389</u>

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

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	2020	2019
<b>Cash flows from operating activities :</b>		
Net income before income tax	\$ 37,805	\$ 17,778
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	19,461	17,730
Amortization	77,464	45,927
Expected credit losses	8,177	6,830
Interest expense	1,892	1,965
Interest income	(3,148)	(4,832)
Share of loss of subsidiaries, associates, and joint ventures accounted for using the equity method	45,500	39,706
Losses on disposal of property, plant and equipment	-	240
Changes in operating assets and liabilities:		
Contract assets	(1,748)	(17,909)
Trade receivables	(17,527)	(47,736)
Trade receivables - related parties	(67,553)	(31,990)
Other receivables	31	212
Inventories	(391)	(697)
Prepayments	(3,800)	(2,542)
Contract liabilities	8	4,381
Trade payables	227	(97)
Other payables	9,069	12,960
Advance receipts	(13)	(1)
Other current liabilities	3,247	910
Cash generated from operating activities	<u>108,701</u>	<u>42,835</u>
Interest received	3,206	4,852
Income tax paid	<u>(2,674)</u>	<u>(1,679)</u>
Net cash provided by operating activities	<u>109,233</u>	<u>46,008</u>
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets measured at amortized cost	(180,000)	(325,500)
Proceeds from disposal of financial assets measured at amortized cost	325,500	420,000
Acquisition of investments accounted for using the equity method	(29,545)	(62,755)
Acquisition of property, plant and equipment	(3,162)	(6,522)
Increase in refundable deposits	(79)	-
Decrease in refundable deposits	55	680
Acquisition of intangible assets	<u>(162,862)</u>	<u>(125,687)</u>
Net cash used in investing activities	<u>(50,093)</u>	<u>(99,784)</u>
<b>Cash flows from financing activities :</b>		
Cash payments for the principal portion of the lease liabilities	(13,084)	(13,515)
Cash dividends	(14,507)	(29,731)
Interest paid	<u>(1,892)</u>	<u>-</u>
Net cash used in financing activities	<u>(29,483)</u>	<u>(43,246)</u>
Net increase (decrease) in cash and cash equivalents	29,657	(97,022)
Cash and cash equivalents at the beginning of the year	<u>413,898</u>	<u>510,920</u>
Cash and cash equivalents at the end of the year	<u>\$ 443,555</u>	<u>\$ 413,898</u>

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 2, 2021.

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, 2020. The nature and impact of the new standards and amendments had no material impact on the Company.

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2023

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023

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

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

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The 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.

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

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

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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

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

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

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

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.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

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.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

(4) Translation of financial statements in foreign currency

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



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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.

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(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as 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

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- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

**B. Impairment of financial assets**

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

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- (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.

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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.

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.

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

Raw materials – valued at purchase cost

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.

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(10) Investments accounted for using the equity method

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

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

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

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

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

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



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(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.

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(12) Leases

For contracts entered on or after January 1, 2020, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

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

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

Company as a lessee

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

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

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

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

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

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

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

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

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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.

(13) Intangible assets

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

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

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

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

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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 estimated useful life.

The Company'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 Company's intangible assets is as follows:

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

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(14) Impairment of non-financial assets

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

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

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

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

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(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 contracts should be presented as contract assets. In addition, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of maintenance services

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

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

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

Rendering of custom computing service

The Custom Computing Service combines licensing of CPU IPs and dedicated design services. The revenue recognition policy of licensing of CPU IPs is discussed previously. For dedicated design services, the Company is providing CPU IPs' integration and dedicated design services to customers. As the Company has an enforceable right to payment for performance completed, the Company adopts the completion ratio method to recognize revenues for dedicated design services.

Royalty revenues

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

(16) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(17) 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.



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(18) 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:

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- 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.

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Judgement

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

An intangible asset arising from development costs

The Company assessed that certain internally generated intangible assets have attained technical feasibility, and will be available for use or sale. The assessment was mainly based on the fact that the Company 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, 2020	December 31, 2019
Petty cash	\$20	\$20
Checking and savings accounts	52,764	30,463
Time deposits	217,100	237,100
Reverse repurchase agreements-corporate bonds	173,671	146,315
Total	<u>\$443,555</u>	<u>\$413,898</u>

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(2) Financial assets measured at amortized cost, current

	December 31, 2020	December 31, 2019
Time deposits	<u>\$180,000</u>	<u>\$325,500</u>

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

(3) Trade receivables and trade receivables – related parties

	December 31, 2020	December 31, 2019
Trade receivables	<u>\$92,917</u>	<u>\$79,699</u>
Less: allowance	<u>(9,270)</u>	<u>(5,402)</u>
Subtotal	<u>83,647</u>	<u>74,297</u>
Trade receivables – related parties	<u>118,472</u>	<u>50,919</u>
Total	<u>\$202,119</u>	<u>\$125,216</u>

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

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(11) for more details on impairment of trade receivables for the years ended December 31, 2020 and 2019. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2020	December 31, 2019
Finished goods	<u>\$1,327</u>	<u>\$1,373</u>
Raw materials	<u>672</u>	<u>235</u>
Net amount	<u>\$1,999</u>	<u>\$1,608</u>

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For the year ended December 31, 2020, the cost of inventories recognized in expenses amounted to NT\$1,183 thousand, including the reversal of write-down of inventories of NT\$159 thousand.

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.

Inventories were not pledged.

(5) Investments accounted for using the equity method

	December 31, 2020		December 31, 2019	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investees:				
Subsidiaries:				
Everest Peaks Technology Corporation	<u>\$34,317</u>	100.00	<u>\$49,673</u>	100.00

A. The Company invested in Everest Peaks Technology Corporation in the amount of US\$1,000 thousand and US\$2,050 thousand in 2020 and 2019, respectively.

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

(6) Property, plant and equipment

	December 31, 2020	December 31, 2019
Owner occupied property, plant and equipment	<u>\$21,333</u>	<u>\$23,423</u>

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	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2020	\$7,351	\$1,743	\$5,935	\$14,990	\$30,019
Additions	1,151	2,011	-	-	3,162
Disposals	(428)	-	(562)	-	(990)
As of December 31, 2020	<u>\$8,074</u>	<u>\$3,754</u>	<u>\$5,373</u>	<u>\$14,990</u>	<u>\$32,191</u>
As of January 1, 2019	\$2,988	\$-	\$6,280	\$14,990	\$24,258
Additions	4,644	1,743	135	-	6,522
Transfers	(281)	-	(480)	-	(761)
As of December 31, 2019	<u>\$7,351</u>	<u>\$1,743</u>	<u>\$5,935</u>	<u>\$14,990</u>	<u>\$30,019</u>
Depreciation and impairment:					
As of January 1, 2020	\$2,224	\$195	\$2,428	\$1,749	\$6,596
Depreciation	1,910	516	1,427	1,499	5,352
Disposals	(428)	-	(562)	-	(990)
As of December 31, 2020	<u>\$3,706</u>	<u>\$711</u>	<u>\$3,293</u>	<u>\$3,248</u>	<u>\$10,958</u>
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	<u>\$2,224</u>	<u>\$195</u>	<u>\$2,428</u>	<u>\$1,749</u>	<u>\$6,596</u>
Net carrying amount as of:					
December 31, 2020	<u>\$4,368</u>	<u>\$3,043</u>	<u>\$2,080</u>	<u>\$11,742</u>	<u>\$21,233</u>
December 31, 2019	<u>\$5,127</u>	<u>\$1,548</u>	<u>\$3,507</u>	<u>\$13,241</u>	<u>\$23,423</u>

Property, plant and equipment were not pledged.

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(7) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2020	\$98,472	\$169,115	\$1,224	\$268,811
Additions-internally generated	162,379	-	-	162,379
Additions-acquired separately	-	-	483	483
Disposals	-	-	(135)	(135)
Transfers	(108,928)	108,928	-	-
As of December 31, 2020	<u>\$151,923</u>	<u>\$278,043</u>	<u>\$1,572</u>	<u>\$431,538</u>
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	<u>\$98,472</u>	<u>\$169,115</u>	<u>\$1,224</u>	<u>\$268,811</u>
Amortization and impairment:				
As of January 1, 2020	\$-	\$62,921	\$847	\$63,768
Amortization	-	77,062	402	77,464
Disposals	-	-	(135)	(135)
As of December 31, 2020	<u>\$-</u>	<u>\$139,983</u>	<u>\$1,114</u>	<u>\$141,097</u>
As of January 1, 2019	\$-	\$17,402	\$439	\$17,841
Amortization	-	45,519	408	45,927
As of December 31, 2019	<u>\$-</u>	<u>\$62,921</u>	<u>\$847</u>	<u>\$63,768</u>
Net carrying amount as of:				
December 31, 2020	<u>\$151,923</u>	<u>\$138,060</u>	<u>\$458</u>	<u>\$290,441</u>
December 31, 2019	<u>\$98,472</u>	<u>\$106,194</u>	<u>\$377</u>	<u>\$205,043</u>

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The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2020	2019
Selling expenses	\$36	\$36
Administrative expenses	\$335	\$341
Research and development expenses	\$77,093	\$45,550

(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, 2020 and 2019 were NT\$12,136 thousand and NT\$10,624 thousand, respectively.

(9) Equity

A. Common stock

The Company's authorized capital as of December 31, 2020 and 2019 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 both NT\$426,509 thousand divided into 42,651 thousand shares as of December 31, 2020 and 2019. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$727,198	\$727,198
Employee stock options	1,774	1,774
Total	\$728,972	\$728,972



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

C. Retained earnings and dividend policies

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

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

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

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

- D. Details of the 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 2, 2021 and the shareholders' meeting on June 18, 2020, respectively, are as follows:

	Appropriation of earnings (in thousand NT dollars)		Dividends per share (NT dollars)	
	2020	2019	2020	2019
Legal reserve	\$3,514	\$1,602	-	-
Reversal of special reserve	-	(86)	-	-
Cash dividends (Note)	31,628	14,507	\$0.741546	\$0.340122

According to the authorization by the Company's Articles of Incorporation, the board of directors passed a special resolution to distribute cash dividends on March 2, 2021 and March 3, 2020, respectively.

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

(10) Sales

	For the year ended		For the year ended	
	December 31, 2020	Percent of total sales	December 31, 2019	Percent of total sales
Revenues from contracts with customers				
Licensing of CPU IP	\$244,435	53%	\$239,909	59%
Royalty revenues	155,115	34%	105,492	26%
Custom Computing Service	21,363	7%	33,466	8%
Maintenance services	33,178	5%	24,709	6%
Others	2,633	1%	2,296	1%
Total	\$456,724	100%	\$405,872	100%

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Analysis of revenues from contracts with customers for the years ended December 31, 2020 and 2019 is as follows:

A. Disaggregation of revenues

	For the years ended December 31,	
	2020	2019
Timing of revenue recognition:		
At a point in time	\$423,546	\$365,222
Over time	33,178	40,650
Total	<u>\$456,724</u>	<u>\$405,872</u>

B. Contract balances

(a) Contract assets, current

	December 31, 2020	December 31, 2019	January 1, 2019
Licensing of CPU IP	<u>\$75,100</u>	<u>\$73,352</u>	<u>\$55,443</u>

Contract assets represent the amount that the Company has transferred CPU IPs to customers but not yet billed. Contract assets will be reclassified to trade receivables as the Company obtains an unconditional right to receive the consideration. The Company reclassified NT\$63,808 thousand and NT\$49,600 thousand of the beginning balance of contract assets to trade receivables during 2020 and 2019, respectively. Please refer to Note 6(11) for related impairment.

(b) Contract liabilities

	December 31, 2020	December 31, 2019	January 1, 2019
Maintenance services	\$20,590	\$18,498	\$11,247
Deductions	2,232	1,904	3,274
Licensing of CPU IP	-	2,412	3,912
Total	<u>\$22,822</u>	<u>\$22,814</u>	<u>\$18,433</u>

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NT\$19,736 thousand and NT\$9,808 thousand of beginning balance of contract liabilities have been recognized as revenues during 2020 and 2019, respectively.

(11) Expected credit losses

	For the years ended December 31,	
	2020	2019
Operating expenses – expected credit losses		
Trade receivables	\$(8,177)	\$(6,830)

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

The Company measures the loss allowance of 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, 2020 and 2019 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, 2020

Group 1 (Note) :	Neither past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Gross carrying amount	\$174,410	\$1,317	\$6,947	\$5,439	\$26,603	\$17,976	\$232,692
Loss ratio	-%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	\$174,410	\$1,317	\$6,947	\$5,439	\$26,603	\$17,976	\$232,692

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Group 2	Neither	Past due					Total
		<=60	61~120	121~180	181~360	>=361	
(Note) :	past due	days	days	days	days	days	
Gross carrying amount	\$39,664	\$-	\$5,589	\$-	\$-	\$8,544	\$53,797
Loss ratio	-%	-%	13%	-%	-%	100%	
Lifetime expected credit losses							
	-	-	(726)	-	-	(8,544)	(9,270)
Subtotal	\$39,664	\$-	\$4,863	\$-	\$-	\$-	\$44,527
Carrying amount of contract assets and receivables (including trade receivables-related parties)							<u>\$277,219</u>

December 31, 2019

Group 1	Neither	Past due					Total
		<=30	31~90	91~120	121~180	181~360	
(Note) :	past due	days	days	days	days	days	
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	Neither	Past due					Total
		<=30	31~90	91~120	121~180	>=181	
(Note) :	past due	days	days	days	days	days	
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)							<u>\$198,568</u>

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Note: The group 1 and group 2 are classified based on where the counterparties are located.

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, 2020	\$-	\$5,402
Addition for the current period	-	8,177
Write off	-	(4,309)
As of December 31, 2020	\$-	\$9,270
	Contract assets	Trade receivables
As of January 1, 2019	\$-	\$5,308
Addition for the current period	-	6,830
Write off	-	(6,736)
As of December 31, 2019	\$-	\$5,402

(12) Leases

A. The Company as a lessee

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

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

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

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	As of December 31,	
	2020	2019
Buildings	\$102,840	\$116,949

For the years ended December 31, 2020 and 2019, the Company's addition to right-of-use assets amounted to nil and NT\$14,367 thousand, respectively.

II. Lease liabilities

	As of December 31,	
	2020	2019
Lease liabilities	\$105,493	\$118,577
Current	\$13,283	\$13,084
Non-current	\$92,210	\$105,493

Please refer to Note 6(14)D for the interest on lease liabilities recognized for the years ended December 31, 2020 and 2019, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

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

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2020	2019
Buildings	\$14,109	\$13,178

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2020	2019
The expenses relating to short-term leases	\$1,029	\$1,106
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	\$278	\$250

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(d) Cash outflows relating to leasing activities

For the years ended December 31, 2020 and 2019, the Company's total cash outflows for leases amounted to NT\$16,283 thousand and NT\$14,871 thousand, respectively.

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

	For the years ended December 31					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$146,020	\$146,020	\$-	\$156,628	\$156,628
Labor and health insurance	-	18,994	18,994	-	16,913	16,913
Pension	-	12,136	12,136	-	10,624	10,624
Directors' remuneration	-	894	894	-	660	660
Others	-	1,280	1,280	-	881	881
Depreciation	-	19,461	19,461	-	17,730	17,730
Amortization	-	77,464	77,464	-	45,927	45,927

Note: The average number of employees of the Company was 196 and 175 for the years ended December 31, 2020 and 2019, respectively, including 7 and 6 non-employee directors for the years ended December 31, 2020 and 2019, respectively.

The Company's average employee benefit expenses for the years ended December 31, 2020 and 2019 were NT\$944 thousand and NT\$1,095 thousand, respectively. The Company's average employee salaries for the years ended December 31, 2020 and 2019 were NT\$773 thousand and NT\$927 thousand, respectively. The Company's average employee salary decrease rate was 17% for the year ended December 31, 2020.

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



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- A. The Company set the policy for directors and employees' compensation in its Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the remuneration policy for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the Company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company's operation results, corporate strategies, industry trends and also individual contribution.
- B. The Company developed a comprehensive employee welfare policy in accordance with laws, government regulations and regional needs to provide employees with competitive salary and welfare conditions. Employees' compensation includes monthly salary, bonus based on personal performance, and the compensation based on the Company's earnings performance and regulated by the Articles of Incorporation. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and distributing compensation.

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

Based on the profit for the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be 6% and 0.999% of profit for the year ended December 31, 2020. As such, employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to NT\$2,349 thousand and NT\$406 thousand, respectively.

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Based on the profit for the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors 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 for the year ended December 31, 2019 amounted to NT\$945 thousand and NT\$189 thousand, respectively.

The estimated amounts NT\$2,439 thousand and NT\$406 thousand of the employee compensation and remuneration to directors for the year ended December 31, 2020 were consistent with the resolutions of the Board of Directors meeting held on March 2, 2021.

No material differences between the estimated amounts and the actual distribution of the employees' compensation and remuneration of directors for the year ended December 31, 2019.

(14) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2020	2019
Interest income		
Financial assets measured at amortized cost	\$3,148	\$4,831

B. Other income

	For the years ended December 31,	
	2020	2019
Government grants	\$12,345	\$-
Others	1,426	2,048
Total	\$13,771	\$2,048

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C. Other gains and losses

	For the years ended	
	December 31,	
	2020	2019
Foreign exchange losses, net	\$(12,062)	\$(4,771)
Losses on disposal of property, plant and equipment	-	(240)
Others	(1,688)	(1,715)
<b>Total</b>	<b>\$(13,750)</b>	<b>\$(6,726)</b>

D. Finance costs

	For the years ended	
	December 31,	
	2020	2019
Interest expenses on lease liabilities	\$(1,892)	\$(1,965)

(15) Components of other comprehensive income

For the year ended December 31, 2020:

	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	\$599	\$-	\$599	\$(120)	\$479

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)

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(16) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2020	2019
Current income tax expenses:		
Current income tax charge	\$2,663	\$1,755

Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2020	2019
Deferred tax (expense) income:		
Exchange differences resulting from translating the financial statements of foreign operations	\$(120)	\$255

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,	
	2020	2019
Accounting profit before tax from continuing operations	\$37,805	\$17,778
At the Company's statutory income tax rate	\$7,561	\$3,556
Tax effect of expenses not deductible for tax purposes	862	1,347
Recognition of tax losses or temporary differences of prior periods not recognized	(8,423)	(4,903)
Foreign taxes have been paid in the source country	2,663	1,711
Others	-	44
Income tax expense recognized in profit or loss	\$2,663	\$1,755

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Investments accounted for using the equity method	\$531	\$-	\$(120)	\$411
Deferred tax expense		\$-	\$(120)	
Net deferred tax assets (liabilities)	<u>\$531</u>			<u>\$411</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$531</u>			<u>\$411</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Investments accounted for using the equity method	\$276	\$-	\$255	\$531
Deferred tax income		\$-	\$255	
Net deferred tax assets (liabilities)	<u>\$276</u>			<u>\$531</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$276</u>			<u>\$531</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

(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:

Occurrence year	Accumulated losses	Unutilized accumulated losses		Expiration year
		December 31, 2020	December 31, 2019	
2009	\$145,944	\$-	81,674	2019
2010	119,980	26,637	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
		<u>\$335,927</u>	<u>\$510,944</u>	

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, the Company's unrecognized deferred tax assets were NT\$107,393 thousand and NT\$132,157 thousand, respectively.

The assessment of income tax returns

As of December 31, 2020, the income tax returns of the Company through 2018 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 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.

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

	For the years ended	
	December 31,	
	2020	2019
(a) Basic earnings per share		
Net income (in thousand NT\$)	\$35,142	\$16,023
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Basic earnings per share (NT\$)	\$0.82	\$0.38
 (b) Diluted earnings per share		
Current Net income (in thousand NT\$)	\$35,142	\$16,023
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Effect of dilution:		
Employees' compensation-stock (in thousands)	9	8
Weighted average number of ordinary shares outstanding after dilution (in thousands)	42,660	42,659
Diluted earnings per share (NT\$)	\$0.82	\$0.38

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

## 7. Related Party Transactions

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

Name and nature of relationship of the related parties

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

(1) Sales

	For the years ended December 31,	
	2020	2019
Andes Technology USA Corporation	\$60,144	\$73,835
MediaTek Inc.	33,577	9,336
Andes Shanghai Technology Corporation	21,333	2,396
Subsidiaries	7,923	8,129
MediaTek Singapore Pte. Ltd.	508	-
Total	<u>\$123,485</u>	<u>\$93,696</u>

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

(2) Contract assets

	December 31, 2020	December 31, 2019
Andes Shanghai Technology Corporation	\$13,393	\$-
Andes Technology (Wuhan) Corporation	-	5,692
Total	<u>\$13,393</u>	<u>\$5,692</u>



**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

(3) Trade receivables – related parties

	December 31, 2020	December 31, 2019
Andes Technology USA Corporation	\$82,224	\$50,359
MediaTek Inc.	23,962	-
Subsidiaries	10,286	560
Total	<u>\$118,472</u>	<u>\$50,919</u>

(4) Contract liabilities, current

	December 31, 2020	December 31, 2019
Andes Technology USA Corporation	\$4,244	\$4,900
MediaTek Inc.	3,593	3,052
Subsidiaries	1,995	948
Total	<u>\$9,832</u>	<u>\$8,900</u>

(5) Others

A. The Company paid NT\$9,493 thousand of R&D and design fees to the subsidiaries for the year ended December 31, 2020.

B. Other payables to related parties

	December 31, 2020	December 31, 2019
Subsidiaries	<u>\$2,993</u>	<u>\$-</u>

(6) Key management personnel compensation

	For the years ended December 31,	
	2020	2019
Short-term employee benefits	\$22,253	\$22,188
Post-employment benefits	540	540
Total	<u>\$22,793</u>	<u>\$22,728</u>

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

8. Assets Pledged as Collateral

None

9. Commitments and Contingencies

None

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2020	December 31, 2019
	<hr/>	<hr/>
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	\$443,535	\$413,878
Financial assets measured at amortized cost	180,000	325,500
Trade receivables, net (including related parties)	202,119	125,216
Other receivables	109	187
Refundable deposits	4,692	4,668
Total	<hr/> <hr/> \$830,455	<hr/> <hr/> \$869,449

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

Financial liabilities

	December 31, 2020	December 31, 2019
Financial liabilities at amortized cost:		
Trade payables	\$256	\$29
Other payables	48,894	39,825
Lease liabilities	105,493	118,577
Total	\$154,643	\$158,431

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2020 and 2019 decreases/increases by NT\$2,137 thousand and NT\$1,429 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 contract assets and trade receivables) and from its financing activities, including bank deposits and other financial instruments.

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

As of December 31, 2020 and 2019, receivables from top ten customers represented 68.38% and 76.19% of the total contract assets and trade receivables of the Company, respectively. The credit concentration risk of other contract assets and 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.

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	more than 5 years	Total
December 31, 2020					
Trade payables	\$256	\$-	\$-	\$-	\$256
Other payables	48,894	-	-	-	48,894
Lease liabilities	14,968	29,588	29,588	37,657	111,801
December 31, 2019					
Trade payables	\$29	\$-	\$-	\$-	\$29
Other payables	39,825	-	-	-	39,825
Lease liabilities	14,976	29,762	29,588	52,451	126,777

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities from January 1 to December 31, 2020.

	Lease liabilities
As of January 1, 2020	\$118,577
Cash flows	(13,084)
As of December 31, 2020	\$105,493

Reconciliation of liabilities from January 1 to December 31, 2019.

	Lease liabilities
As of January 1, 2019	\$115,760
Cash flows	(13,515)
Non-cash changes	16,332
As of December 31, 2019	\$118,577

(7) Fair value of financial instruments

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

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

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

(8) Significant assets and liabilities denominated in foreign currencies

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

December 31, 2020			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$7,860	28.48	\$223,858
<u>Financial liabilities</u>			
Monetary item:			
USD	355	28.48	10,113

December 31, 2019			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$4,976	29.98	\$149,178
<u>Financial liabilities</u>			
Monetary item:			
USD	209	29.98	6,270

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 losses were NT\$12,062 thousand and NT\$4,771 thousand for the years ended December 31, 2020 and 2019, respectively.

(9) Capital management

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

13. Additional Disclosures

- (1) The following are additional disclosures for the Company and its affiliates
- (a) Financing provided to others for the year ended December 31, 2020: None.
  - (b) Providing endorsements or guarantees for others: None.
  - (c) Securities held as of December 31, 2020 (excluding subsidiaries, associates and joint ventures): None.
  - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
  - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
  - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
  - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2020: None.
  - (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2020: None.
  - (i) Financial instruments and derivative transactions: None.
  - (j) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 3.
- (2) Information on investees

Information of investees over which the Company has direct or indirect significant influence or control: Please refer to Attachment 1.



**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

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

- (3) Information on investments in Mainland China
- (a) The name of the investee company in Mainland China, main businesses and products, its issued capital, method of investment, accumulated inflows and outflows of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, accumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 2.
  - (b) Significant direct or indirect transactions with the investees, its prices, payment terms, unrealized gain or loss and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to Attachment 3.
- (4) Information on major shareholders:  
List of shareholders with ownership of 5 percent or greater showing the names, number of shares and the percentage of ownership held by each shareholder: Please refer to Attachment 4.

ATTACHMENT 1 : NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value			
The Company	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	\$210,863	\$181,318	6,858,780	100%	\$34,317	\$(45,500)	\$(45,500)	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	\$64,450	\$64,450	2,058,780	100%	\$40,541	\$14,783	\$14,783	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	\$146,413	\$116,868	4,800,000	100%	\$(6,224)	\$(60,283)	\$(60,283)	(Note)

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

ATTACHMENT 2 : INFORMATION ON INVESTMENT IN MAINLAND CHINA

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

Investee Company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2020	Accumulated inward remittance of earnings as of December 31, 2020
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	\$18,117	(ii)Andes Technology (Samoa) Corporation	\$18,117	\$-	\$-	\$18,117	\$4,292	100%	\$4,292 (ii)	\$23,071	\$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	\$9,258	(ii)Andes Technology (Samoa) Corporation	\$9,258	\$-	\$-	\$9,258	\$10,491	100%	\$10,491 (ii)	\$17,466	\$-

Accumulated investment in Mainland China as of December 31, 2020 (Note 3)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment
\$27,375 (USD900,000)	\$25,632 (USD900,000)	\$717,233

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (i) Direct investment in Mainland China.
- (ii) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- (iii) Other methods.

Note 2 : The investment income (loss) recognized in current period, the investment income (loss) were determined based on the following basis:

- (i) The financial report was audited by an international certified public accounting firm having a business cooperation relationship with an R.O.C. accounting firm.
- (ii) The financial statements were audited by the auditors of the parent company.
- (iii) Others.

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

Note 4 : Amounts denominated in foreign currency is converted into New Taiwan Dollars by the exchange rate at December 31, 2020.

ATTACHMENT 3 : INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			
				Financial Statement Account	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
0	ANDES TECHNOLOGY CORPORATION	Andes Technology (Wuhan) Corporation	1	Trade receivables-related parties	\$3,670	Net 60 days	0.26%
				Sales	\$7,923	Net 60 days	1.36%
				Contract liabilities, current	\$588	According to the contract terms	0.04%
		Andes Technology USA Corporation	1	Trade receivables-related parties	\$84,224	Net 60 days	6.00%
				Sales	\$60,144	Net 60 days	10.35%
				Contract liabilities, current	\$4,244	According to the contract terms	0.30%
				R&D and design fees	\$9,493	According to the contract terms	1.63%
				Other payables	\$2,993	According to the contract terms	0.21%
		Andes Shanghai Technology Corporation	1	Trade receivables-related parties	\$6,616	Net 60 days	0.47%
				Contract assets	\$13,393	Net 60 days	0.95%
				Sales	\$21,333	Net 60 days	3.67%
				Contract liabilities, current	\$1,407	According to the contract terms	0.10%

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

- (1) The Company is coded 0.
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above

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

- (1) The holding companies to subsidiaries.
- (2) Subsidiaries to the holding companies.
- (3) Subsidiaries to subsidiaries.

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

ATTACHMENT 4 : THE INFORMATION OF MAJOR SHAREHOLDERS

Name of major shareholders	Number of ordinary shares	Number of shares held (shares)	Percentage of ownership
MediaTek Capital Co.		5,657,324	13.26%
Shui-Cheng, Tu		3,401,000	7.97%
National Development Fund, Executive Yuan		2,979,237	6.98%

ANDES TECHNOLOGY CORPORATION  
1. STATEMENT OF CASH AND CASH EQUIVALENTS  
As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Patty cash		\$ 20	Foreign exchange rate as of December 31, 2020 USD1=NTD28.48
Checking and savings accounts	Including USD772,273	52,764	
Time deposits		217,100	Expiration date 2021/1/6~2021/1/27; Interest rate at 0.28%
Cash equivalents	Corporate bonds	173,671	
Total		<u>\$ 443,555</u>	

ANDES TECHNOLOGY CORPORATION  
 2. STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST, CURRENT  
 As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Interest Rate	Carrying Amount	Accumulated Impairment	Note
Financial assets measured at amortized cost, current	Time deposits for 6 months or longer	0.1000%~1.0350%	\$ 180,000	\$ -	

ANDES TECHNOLOGY CORPORATION  
3. STATEMENT OF TRADE RECEIVABLES  
As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
<u>Trade receivables</u>			
Client A		\$ 23,981	Trade receivables were all derived from operations.
Client B		15,949	
Client C		7,177	
Client D		7,120	
Client E		5,696	
Client F		5,126	
Others	The amount of individual client in others does not exceed 5% of the account balance.	27,868	
Subtotal		92,917	
Less: allowance for doubtful accounts		(9,270)	
Net amount		\$ 83,647	
<u>Trade receivables - Related parties</u>			
Andes Technology USA Corporation		\$ 84,224	
MediaTek Inc.		23,962	
Andes Shanghai Technology Corporation		6,616	
Andes Technology (Wuhan) Corporation		3,670	
		\$ 118,472	



ANDES TECHNOLOGY CORPORATION  
4. STATEMENT OF INVENTORIES  
As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 873	\$ 903	1. Inventories were not pledged.
Work in process		-	-	
Finished goods		1,452	4,875	2. Inventories are valued at lower of cost and net realized value item by item.
Subtotal		2,325	\$ 5,778	
Less: Allowance for inventory valuation losses		(326)		
Net amount		<u>\$ 1,999</u>		

ANDES TECHNOLOGY CORPORATION  
5. STATEMENT OF PREPAYMENTS  
As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid expenses- maintenance and usage fees of software		\$ 19,342	
Prepaid rents		2,019	
Others	The amount of individual item in others does not exceed 5% of the account balance.	209	
Total		<u>\$ 21,570</u>	

ANDES TECHNOLOGY CORPORATION  
6. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Acquisition		Disposal		Investment Income (Loss)	Exchange Differences on Translation of Foreign Operations	Ending Balance			Net Assets Value/ Fair Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	Unit Price	Total Amount		
Everest Peaks Technology Corporation	5,858,780	<u>\$ 49,673</u>	1,000,000	<u>\$ 29,545</u>	-	<u>\$ -</u>	<u>\$ (45,500)</u>	<u>\$ 599</u>	6,858,780	100.00%	<u>\$ 34,317</u>	\$ 5.00	<u>\$ 34,317</u>	None	

ANDES TECHNOLOGY CORPORATION  
7. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Cost					
Buildings	\$ 130,127	\$ -	\$ -	\$ 130,127	
Accumulated depreciation					
Buildings	\$ 13,178	\$ 14,109	\$ -	\$ 27,287	
Carrying amounts	\$ 116,949			\$ 102,840	

ANDES TECHNOLOGY CORPORATION  
8. STATEMENT OF OTHER PAYABLES  
As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other Payables			
Accrued bonuses		\$ 17,867	
Accrued commission expense		3,725	
VAT payable		3,506	
Payment of pension		3,095	
Payment of insurance premiums		3,025	
Others	The amount of individual item in others does not exceed 5% of the account balance.	17,676	
Total		<u>\$ 48,894</u>	

ANDES TECHNOLOGY CORPORATION  
9. STATEMENT OF LEASE LIABILITIES  
As of December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Lease Terms	Discount Rate	Ending Balance	Note
Buildings	2016/9/1~2023/7/31	1.7%	\$ 105,493	
Less: current portion			(13,283)	
Noncurrent portion			<u>\$ 92,210</u>	

ANDES TECHNOLOGY CORPORATION  
10. STATEMENT OF NET SALES  
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Revenues from contracts with customers			
Licensing of CPU IP		\$ 244,435	
Royalty revenues		155,115	
Custom Computing Service		21,363	
Maintenance services		33,178	
Others		2,633	
Subtotal		456,724	
Less: sales discounts and allowances		-	
Net sales		\$ 456,724	

ANDES TECHNOLOGY CORPORATION  
11. STATEMENT OF OPERATING COSTS  
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Subtotal	Total	
Cost of goods sold of self-made product			
Direct material			
Beginning of year	\$ 463		
Add: Raw material purchased	2,869		
Less: Raw material, end of year	(873)		
Transferred to operating expenses	(17)		
Scrap	(9)		
Direct material used		2,433	
Manufacturing costs		2,433	
Add: Work in process, beginning of year	-		
Outsourcing costs	698		
Less: Work in process, end of year	-		
Cost of finished goods		3,131	
Add: Finished goods, beginning of year	1,639		
Outsourcing costs	-		
Less: Finished goods, end of year	(1,452)		
Transferred to operating expenses	(1,621)		
Rework on finished goods	(355)		
Subtotal		(1,789)	
Costs of goods sold		1,342	
Reversal of inventory valuation		(168)	
Loss on scrap of inventories		9	
Total		<u>\$ 1,183</u>	



ANDES TECHNOLOGY CORPORATION  
12. STATEMENT OF SALES EXPENSES  
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 58,537	
Commission expense		9,456	
Advertisement expense		5,222	
Others	The amount of individual item in others does not exceed 5% of the account balance.	23,506	
Total		<u>\$ 96,721</u>	

ANDES TECHNOLOGY CORPORATION  
13. STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 37,979	
Depreciation		6,286	
Professional & consulting fees		4,072	
Others	The amount of individual item in others does not exceed 5% of the account balance.	18,030	
Total		<u>\$ 66,367</u>	

ANDES TECHNOLOGY CORPORATION  
14. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Amortization		\$ 77,093	
Payroll expense		50,398	
Computer usage fees		21,880	
R&D commissioned to other companies		15,739	
Insurance expense		13,605	
Depreciation		10,664	
Others	The amount of individual item in others does not exceed 5% of the account balance.	12,869	
Total		<u>\$ 202,248</u>	

ANDES TECHNOLOGY CORPORATION  
15. STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES  
For the years ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense	Please refer to Note 6(13)					
Salaries						
Labor and health insurance						
Pension						
Directors' remuneration						
Others						
Depreciation						
Amortization						