

# Andes Technology Corporation

## Annual Report 2021

Printed on April 30, 2022

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

**Notice to Readers:**

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

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**Independent Auditor:**

Company: Ernst & Young

Auditors: Yu-Ni Yang and Jia-Ling Tu

Accounting Firm: Ernst & Young

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

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

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

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## **I. Letter to Shareholders**

### **Andes Technology Corporation Business Report**

Dear Shareholders:

In 2021, the COVID-19 pneumonia epidemic was still severe worldwide, and business trips were often inconvenient. Taiwan has been seriously affected by the epidemic for more than half a year and economic activities were extremely difficult. Despite these unfavorable factors existed, Andes Technology has maintained uninterrupted operation and R&D work by corresponding methods such as online promotion, online meetings, staff divided into groups and taking turns to work in the office, working from home when necessary. At the same time, sales colleagues had business trips which were strictly reviewed and cooperated with epidemic prevention and isolation after the trips. With these solutions, Andes has achieved good operating results and won various successes in 2021.

#### **Business results in 2021**

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

In 2021, Andes Technology's consolidated revenue was NT\$819,778 thousands, showing an increase of 41.09% from last year, and made a record high again. The licensing of CPU IP accounted for 60% of the total revenue, royalty revenues accounted for 29%, maintenance service and other income accounted for 8%, and CPU IP technical service revenue (custom computing) accounted for 3%. Royalty revenues continued to grow at a high rate.

The consolidated operating income was NT\$158,644 thousands, and the net profit for the whole year was NT\$161,665 thousands, and this is the fifth consecutive year that Andes is profitable. Earnings per share was a record high, NT\$3.59. The net cash inflows of NT\$3,478,058 thousands for the whole year was mainly from the growth of operating revenue and the fundraising from the issuance of Andes Global Depository Receipts (GDRs) in Luxembourg in September. The fundraising was NT\$3,520,000 thousands in total, and the shares of Andes has increased 8 million shares with the issued capital was NT\$506,509 thousands and the end cash balance was NT\$4,004,740 thousands.

In terms of budget execution, Andes Technology only set its internal budget targets in 2021, and did not disclose financial forecasts. Earnings per share hit record highs because of high revenue growth and profits reached new highs.

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

In 2021, the annual amount of Andes customers' mass-production SoC shipments containing Andes CPU IPs was more than 3 billion, of which 1% was RISC-V ISA SoCs, and most of the rest was AndeStar V3 ISA SoCs. The total cumulative shipments of SoCs has exceeded 10 billion. In terms of royalty income, this represents the beginning of an era of twin-engine drive for Andes. In terms of product promotion, the new customers' licensed products are mainly RISC-V based. Of the annual turnover, 64% has come from the licensing and custom computing business of RISC-V.

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

In 2021, Andes Technology went to the next level in the RISC-V field, officially launched 32-bit and 64-bit multi-core RISC-V high-end microprocessors such as A45MP and AX45MP, and has made a number of improvements to the NX27V specifications, including the RVV instruction set has been upgraded to the latest version 1.0 to maintain the global leadership of this product. Andes Technology also produced more innovations in RISC-V's extended command tool ACE (Andes Custom Extension) COPILOT and artificial intelligence application neural network library (AI Neural Network Library), and integrated these products in Andes' RISC-V solutions, to improve the soundness of the product line.

## **Business plan summary in 2022**

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

Andes Technology continued its high growth development strategy. With the funds raised from the GDR issuance in 2021, Andes strengthened its design centers in Taiwan and North America, expanded the recruitment of talents, and invested in the research and development of several high-end CPU products and platforms. This year, in addition to the multi-core design plan to expand A45MP and AX45MP to eight cores, Andes plans to launch the first automotive RISC-V CPU IP which will be certified by ISO 26262 Functional Safety ASIL-B and officially enters the field of automotive electronics supply chain with qualification of the process certifications which has been certified of ISO 26262 standards for the automotive development in 2020 and nearly two years of research and development after the certifications.

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

Since Andes Technology went public in 2017, it has followed the relevant laws and regulations of listed companies, continued to promote corporate governance and improve information transparency. It also established an audit committee in 2019 to implement corporate governance. In the past two years, the Sino-US trade war has continued and expanded to the semiconductor field. Nvidia withdrew from the acquisition of SoftBank's Arm. Those showed that both international political and industry situations are under drastic changes. The Andes management team must be cautious, observe closely, pay attention to the development of the situation, and dynamically adjust the response strategies in order to reduce the negative impact and become a winner in the industry.

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

**Chairman: Jyh-Ming Lin**

**President: Hong-Men Su**

**CFO: Han-Chang Chou**

## II. Company Profile.

### 1. Date of Incorporation

Andes Technology Corporation was founded on March 14, 2005.

### 2. Milestones

Year	Milestones
Mar, 2017	Listed on the Taiwan Stock Exchange (TWSE)
Mar, 2017	Announced AndeStar™ 32-/64 bit V5 digital signal instructions
May, 2017	Announced D15F and N15F processors, supporting Superscalar V3 architecture, DSP extension instructions, and floating point unit (FPU)
Oct, 2017	Won “ASPA Excellence Prize” award
Nov, 2017	Announced the optimization for toolchains of BSP 4.2.0.
Nov, 2017	Announced AndeSight v3.1.0 STD/MCU/RDS
Dec, 2017	Announced platform IP AE300, supporting advanced AXI bus protocol
Dec, 2017	Announced 32-bit N25 Processors, with a 5-stage pipeline supporting V5 architecture
Dec, 2017	Announced 64-bit NX25 Processors, with a 5-stage pipeline supporting V5 architecture
Oct, 2018	Announced over 1.2 GHz RISC-V Cores Series at 28nm: A25/AX25 and N25F/NX25F
Mar, 2019	Announced N22, the smallest RISC-V core processor in its V5 Family.
Mar, 2019	Assisted to establish the RISC-V Alliance of Taiwan, and served as the vice chairman.
Apr, 2019	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	AndesCore™ 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.
Aug, 2021	Announced COPILOT v5.5, introducing intrinsic function to support LLVM 10 and 12
Sep, 2021	Won the "Potential Taiwan Mittelstand Award" held by Minister of Economic Affairs

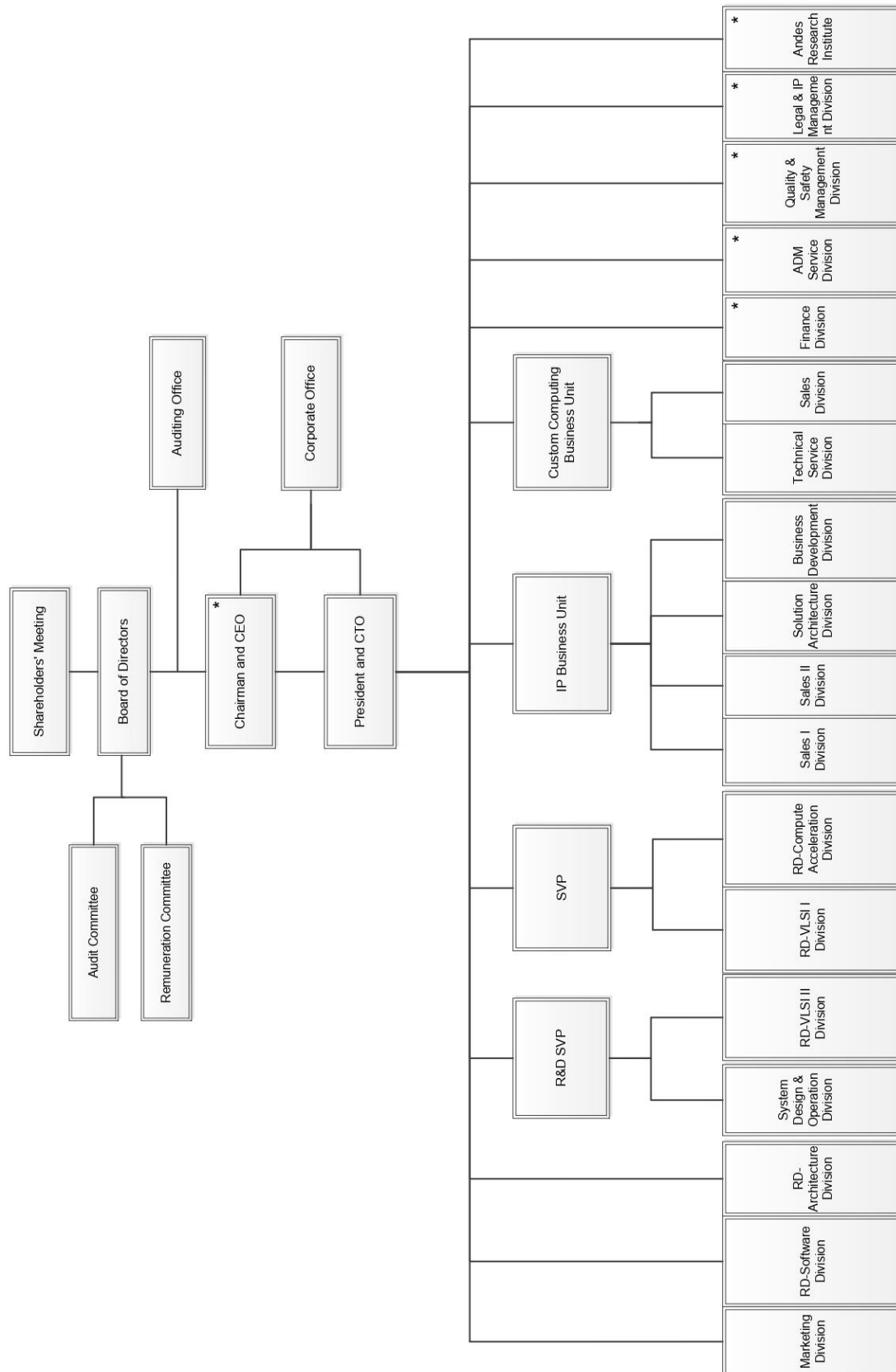
Year	Milestones
	with its unique and highly competitive technology
Nov, 2021	Won “Featured IoT Cybersecurity Chip Supplier” of 2021 EE Awards Asia hosted by EE Times and EDN. Its vector processor IP NX27V also won “Best EDA/IP of the Year” in the product category.
Dec, 2021	Frankwell Lin, Chairman and CEO, was awarded “Outstanding Manager Award” by Professional Management Association of Hsinchu, Taiwan.
Dec, 2021	Dr. Charlie Su, President and CTO, won RISC-V Technical Contributor Award in recognition of his contribution as Vice Chair of the RISC-V International Technical Steering Committee.
Dec, 2021	RISC-V Vector Processor NX27V adds configuration to fully support 128-bit to 512-bit VLEN/SIMD/MEM
Jan, 2022	Annual shipment of SoCs embedded with Andes CPU cores reached 3 billion in 2021 which represents over 50 percent year-over-year growth. The cumulative shipments surpassed a remarkable record of 10 billion.
Feb, 2022	Announced AndeSight V5.1.0 STD/MCU/RDS
Mar, 2022	Announced a new version of RISC-V superscalar multicore A(X)45MP with upgraded specifications and performance



### 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 to the technical questions, and developing the online service system.
	Sales Division	Sell Custom Computing Service, develop customers, maintain customer relationship and manage sales operation
IP Business Unit	Business Development Division	Plan and execute customers developing and product promotion strategies.
	Solution Architecture Division	Provide technical service, customers training course, reply to the technical questions etc.
	Sales I Division Sales II Division	Sell IP Business related product and service, develop customers, maintain customer relationship and manage sales operation.
RD-VLSI I & II Division		Develop CPU and other IP related design, maintenance and test.
RD-CA		Develop compute acceleration related software and hardware design, effectiveness analysis, performance verification, maintenance, and testing based on the CPU and other IP.
System Design & Operation Division		Hardware development platform, specification of related board products and system architecture, product testing plan and program development, product characterization, raw material procurement of board products, production test, production operation, and material management.
RD-Architecture Division		Product development effectiveness analysis, performance verification and revision and maintenance of architectural specifications.
RD-Software Division		Cooperate with the CPU and other IP developed for related software design, maintenance and testing.
Marketing Division		Manage corporate image and promote market position.
Auditing Office		Manage internal audit, operational procedure and provide improved suggestion.
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 28, 2022/ Unit: Shares; %

Title	Nationality or Registry	Name	Gender /Age	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected (Note2)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Jyh-Ming Lin	Male 61-70	July 7,2022	3	March 14, 2005	538,493	1.26	538,493	1.06	120,668	0.24	0	0	VP of Sales, Faraday Technology Corp. Business Manager, UMC MSEE, Portland State University, Oregon, USA.	The Company's President. Chairman, Everest Peaks Technology Corporation. Chairman, Andes Technology (Samoa) Corporation. Chairman, Andes Technology (Wuhan) Corporation. Chairman, Andes Technology USA Corporation. Chairman, Andes Technology Shanghai Corporation.	-	-	-	-
Director	R.O.C	Hong-Men Su	Male 61-70	July 7,2022	3	June 30, 2015	328,781	0.77	319,781	0.63	0	0	0	0	Chief Architect, Faraday Technology Corp. Sr. Staff, Sun Microsystems Sr. Staff, Afara Websystems C-Cube Micro Director, Silicon Graphics Sr. Engineer, Intergraph Corp Ph.D. in Computer Science, University of Illinois	Director, President & CTO, Andes Technology Corp. Director, Andes Technology (Wuhan) Corporation. Director, Andes Technology USA Corporation. Director & President, Andes Technology Shanghai Corporation.	-	-	-	-
Chairman	R.O.C	Andrew Chang	Male 51-60	July 7,2022	3	March 14, 2005	0	0	0	0	0	0	0	0	Vice Chairman, Richtek Technology SVP, Mediatek Inc. Master Of Electrical Engineering, New York Polytechnic University, USA	Independent Director, AOPEN Solutions Corp. Director, Mediatek Foundation Chairman, ChipAI Co., LTD	-	-	-	-
	R.O.C	Representative: Hsiang Fa Co.	-			February 22, 2006	5,657,324	13.26	5,657,324	11.17	0	0	0	0	-	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 51-60	July 7,2022	3	July 3,2020 (note3)	0	0	0	0	0	0	0	0	Assistant Professor, Department Of Electrical Engineering, National Yang Ming Chiao Tung University Assistant Professor, Department Of Communications Engineering,	Associate Professor, Department Of Electrical Engineering, National Yang Ming Chiao Tung University Asia Silicon Valley Development Agency (ASVDA) Chief Human	-	-	-	-

Title	National ity or Registry	Name	Gender /Age	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected (Note2)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														National Yang Ming Chiao Tung University Director, TWEMBA Member Of Digital Wireless Transmission Platform Supervision Group, Government Information Office, Executive Yuan Member Of Cable Broadcasting And Television Review Committee, NCC Member Of Cable Broadcasting And Television Review Committee, Government Information Office, Executive Yuan Member Of Digital Radio Review Committee, Government Information Office, Executive Yuan Member Of Radio Review Committee, Government Information Office, Executive Yuan Ph.D. In Electrical Engineering, University Of Southern California	Resources Officer					
	R.O.C	Representative: National Development Fund	-			February 22, 2006	2,979,237	6.99	2,979,237	5.88	0	0	0	0	-	-	-	-		
Independent Director	R.O.C	Chien-Kuo Yang	Male 61-70	July 7,2022	3	June 30, 2015	0	0	0	0	0	0	0	0	Partner, Ernst & Young Accounting firm. Bachelor's Degree, Tamkang University Department of International Trade.	Chairman/Partner, Diwan & Company Accounting Firm. Chairman, Diwan Management Advisory Services Co., Ltd. Independent Director, Leadtrend Technology Co., Ltd.	-	-	-	-
Independent Director	R.O.C	Tien-Fu Chen	Male 61-70	July 7,2022	3)	October 2, 2019	0	0	0	0	0	0	0	0	Deputy Director of National Center for High-performance Computing (NCHC) Professor, Department of Computer Science and Information Engineering, National Yang Ming Chiao Tung University PhD in Electrical and Computer Engineering, University of Washington	Professor, Department of Computer Science, National Yang Ming Chiao Tung University	-	-	-	-

Title	National ity or Registry	Name	Gender /Age	Date Elected	Term (Yrs)	Date First Elected	Shareholding when Elected (Note2)		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relative within two degrees of consanguinity serving as a manager or director			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Jiun-Hao Lai	Male 61-70	July 7,2022	3	July 7,2022	0	0	0	0	0	0	0	0	Master Of Science In Electrical And Computer Engineering, University Of California, Santa Barbara General Manager, Global Unichip Corp.	Independent Director, Silicon Optronics, Inc. Independent Director, Truelight Corporation Director, Giga Solution Corporation Director, Megachips Corp. Director, Wolley Inc. Member Of Remuneration Committee, Focaltech Systems Co., Ltd. Consultant, Global Unichip Corp.	-	-	-	-

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

Note 2: At the time of election, the total number of issued shares of the Company was 42,650,911 shares, and as of March 28, 2022, the number of issued shares was 50,650,911 shares.

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

Table 1: Major Shareholders of the Institutional Shareholders

As of April 30, 2022

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

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

As of April 30, 2022

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

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

Criteria Name/Title	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Chairman Jyh-Ming Lin	For Directors' professional qualification and experience, please refer to "2.4.1 Information Regarding Board Members" on page 20-25 of this Annual Report. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)	Not Applicable	0
Director Hong-Men Su			0
Director Andrew Chang Representative: Hsiang Fa Co.			1
Director Herming Chiuch Representative: National Development Fund			0
Independent Director Chien-Kuo Yang		All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	1
Independent Director Tien-Fu Chen			0
Independent Director Jiun-Hao Lai			2

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

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

more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon.

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

Note 2: 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Not serving concurrently as an independent director on more than three other public companies in total.

3. During the two years before being elected and during the term of office, meet any of the following situations:

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

(2) Not a director or supervisor of the company or any of its affiliates.

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

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3).

(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.

(6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.

(7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent).

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.

(9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

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

##### 2.1.3.1 Board Diversity

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

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

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

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

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

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

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

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

In terms of age distribution, the target for young and young adult directors is to have at least one or more seats, and currently the Company has three young adult directors, accounting for 43%, as summarized in the table below:



Title Name	Diversified Core Items	Composition						Professional Background				Industry Experience and Capabilities				
		Nationality	Gender	Employee	Age		Independent Directors Tenure		Technology	Management	Accounting/ Legal	Academics	Accounting/ Finance	Leadership/ Decision Making	IT/ Industry Knowledge	Operations/ Risk Management
					Below 50	51 and Above	2 Consecutive Terms	3 Consecutive Terms								
Chairman Jyh-Ming Lin		R.O.C	Male	V		V			V	V			V	V	V	V
Director Hong-Men Su		R.O.C	Male	V		V			V	V			V	V	V	V
Director Andrew Chang Representative: Hsiang Fa Co.		R.O.C	Male		V				V	V			V	V	V	V
Director Herming Chiueh Representative: National Development Fund		R.O.C	Male		V				V	V		V		V	V	V
Independent Director Chien-Kuo Yang		R.O.C	Male			V	V		V	V	V		V	V	V	V
Independent Director Tien-Fu Chen		R.O.C	Male		V		V		V			V		V	V	V
Independent Director Jiun-Hao Lai		R.O.C	Male			V			V	V			V	V	V	V

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

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

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

## 2.2. Profiles of Key Managers

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

Title	Nationality	Name	Gender	Date Effective (Note 1)	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience & Education	Current Positions at Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman & CEO	R.O.C	Jyh-Ming Lin	Male	March 2, 2021	538,493	1.06	120,668	0.24	0	0	The Company's President VP of Sales, Faraday Technology Corp. Business Manager, UMC MSEE, Portland State University, Oregon, USA	Chairman, Everest Peaks Technology Corporation Chairman, Andes Technology (Samoa) Corporation Chairman, Andes Technology (Wuhan) Corporation Chairman, Andes Technology USA Corporation Chairman, Andes Technology Shanghai Corporation	-	-	-	.
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	-	-	-	-	-
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 amount & % of Net Income		Remuneration from concurrent position as employee								(A+B+C+D+E +F+G) as amount & % of Net Income		Remuneration received from re- investment business other than subsidiaries
		Salary (A)		Pensio n (B)		Remuneratio ns (C)		Allowance s (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		Consolidate d Entities		The Company	Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman (Note 1)	Jyh-Ming Lin	340	340	0	0	1,165	1,165	44	44	1,549 1.0%	1,549 1.0%	11,553	11,553	0	0	1,026	0	1,026	0	14,128 8.7%	14,128 8.7%	0
Director (Note 1)	Hsiang Fa Co. (Representative: Ming-Kai Tsai/ Andrew Chang) (Note 1)																					
Director	National Development Fund (Representative: Herming Chiueh)																					
Director	Hotran Resource Development Ltd. (Representative: Chun- Huei Ho) (Note 2)																					
Director	Hong-Men Su																					
Director	Andrew Chang (Note 1)																					
Independent Director	Chien-Kuo Yang	282	282	0	0	671	671	25	25	978 0.6%	978 0.6%	0	0	0	0	0	0	0	0	978 0.6%	978 0.6%	0
Independent Director	Hsiao-Ping Lin (Note 3)																					
Independent Director	Tien-Fu Chen																					
Independent Director	Jun-Hao Lai (Note 3)																					

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: On July 7, 2011, the shareholders meeting of the company elected the members of the 7th board of directors. The corporate director, Hsiang Fa Co., reassigned Mr. Andrew Chang as the representative. After the original representative, Mr. Ming-Kai Tsai, resigned, he was still the founder of the company. The first meeting of the seventh session of the board of directors was

held on the same day, and Mr. Jyh-Ming Lin was elected as the new chairman.

Note 2: Director Hotran Resource Development Ltd. (Representative: Chun-Huei Ho) resigned on May 11, 110.

Note 3: Director Hsiao-Ping Lin was discharged on January 9, 2021 due to his death. Mr. Jiun-Hao Lai was elected as the new independent director by the shareholders meeting on July 7, 2011

Note 4: The 2021 director's remuneration has been distributed through the resolution of the remuneration committee and the board of directors in 2022.

Note 5: The 2011 manager's employee compensation has been approved by the remuneration meeting and the board of directors in 2022.

### Remuneration Range

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

Note 1: On July 7, 2011, the shareholders meeting of the company elected the members of the 7th board of directors. The corporate director, Hsiang Fa Co., reassigned Mr. Andrew Chang as the representative. After the original representative, Mr. Ming-Kai Tsai, resigned, he was still the founder of the company. The first meeting of the seventh session of the board of directors was held on the same day, and Mr. Jyh-Ming Lin was elected as the new chairman.

Note 2: Director Hotran Resource Development Ltd. (Representative: Chun-Huei Ho) resigned on May 11, 110.

Note 3: Director Hsiao-Ping Lin was discharged on January 9, 2021 due to his death. Mr. Jiun-Hao Lai was elected as the new independent director by the shareholders meeting on July 7, 2011

### 3.2. Remuneration of Supervisors: NA

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

Unit: NT\$ thousands

Unit: NT\$ thousands														
Title	Name	Salary (A)		Pension (B)		Bonuses and special expenses (C)		Employee Compensation (D)				(A+B+C+D) as amount & % of Net Income		Remuneration received from re-investment business other than subsidiaries
		Andes	Consolidated Entities	Andes	Consolidated Entities	Andes	Consolidated Entities	Andes		Consolidated Entities		Andes	Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Jyh-Ming Lin	15,812	15,812	0	0	9,873	9,873	2,143	0	2,143	0	27,828 17.2%	27,828 17.2%	0
President & CTO	Hong-Men Su													
Senior VP of Technical and New Business	Jen-Chih Tseng													
Senior VP of R&D	Yung-Ching Hsiao													
VP of IP Business Unit	Kuo-Chi Lin													

### 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	Kuo-Chi Lin	Kuo-Chi Lin
NT\$5,000,000 ~ NT\$9,999,999	Jyh-Ming Lin; Hong-Men Su; Jen-Chih Tseng; Yung-Ching Hsiao;	Jyh-Ming Lin; Hong-Men Su; Jen-Chih Tseng; Yung-Ching Hsiao;
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	2,597	0	2,597	1.6%
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 2021 employee compensation has been approved by the Board of Directors and Remuneration committee in 2022.

### 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 2020 and 2021.

Item \ Year	Percentage of total remuneration compared to company net income after tax			
	2020 (%)		2021 (%)	
	Andes	Consolidated Entities	The Company	Consolidated Entities
Director	2.72	2.72	9.3	9.3
Supervisor	NA	NA	NA	NA
President and Vice President	64.9	64.9	17.2	17.2

(1) The proportion of total remuneration paid to directors, supervisors, President and Vice President in net income after tax in year 2021 decreased from year 2020, mainly because the net income after tax in year 2021 was higher than that in year 2020, resulting in the total remuneration accounting for net income after tax Proportion decrease.

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

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

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

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



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

#### 3.5.2.2. Salary of CEO and President

The remuneration standard of the CEO and President shall be determined by the compensation and remuneration committee according to their participation in the operation of the company and the value of their contribution, and with reference to market peer group standards, between 0% and 15% of market peer funding, after review by the Remuneration Committee and approval by the Board of Directors.

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

#### 3.5.2.3. Salary of the key managers

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

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

#### 3.5.2.4. Business performance and future risks

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

#### 4. Implementation of Corporate Governance

##### 4.1. Board of Directors Governance

4.1.1. The 6<sup>th</sup> Board of Directors held meeting 4 times (A) in 2021. Attendance status of Directors is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B / A】	Remarks
Chairman	Hsiang Fa Co. (Representative: Ming-Kai Tsai)	4	0	100	None
Director	National Development Fund (Representative: Herming Chiueh)	4	0	100	None
Director	Hotran Resource Development Ltd. (Representative: Chun-Huei Ho)	3	0	100	(Note 1)
Director	Jyh-Ming Lin	4	0	100	None
Director	Hong-Men Su	4	0	100	None
Director	Andrew Chang	4	0	100	None
Independent Director	Chien-Kuo Yang	4	0	100	None
Independent Director	Tien-Fu Chen	4	0	100	None
Independent Director	Hsiao-Ping Lin	-	-	NA	(Note2 )

Note 1: director Hotran Resource Development Ltd. resigned on May 11, 110.

Note 2: Director Hsiao-Ping Lin was discharged on January 9, 2021 due to his death.

4.1.2. The 7<sup>th</sup> Board of Directors held meeting 4 times (A) in 2021. Attendance status of Directors is as follows:

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

Note 3: The term of the 7<sup>th</sup> board of directors is from 2021.7.7 to 2024.7.6.

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

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

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

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

(2) Recusals of Directors due to conflicts of interests in 2021 are as follows:

Meeting	Name	Agenda	Reason of recusals	Vote
The 13 <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.
The 2 <sup>nd</sup> meeting of the 7 <sup>th</sup> Board	Chien-Kuo Yang; Tien-Fu Chen; Jun-Hao Lai	Appointment of members of the company's third remuneration committee.	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.
The 3 <sup>rd</sup> meeting of the 7 <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.
The 4 <sup>th</sup> meeting of the 7 <sup>th</sup> Board	Jyh-Ming Lin; Hong-Men Su	The Company's 2022 managers compensation	Directors recused themselves from the discussion.	Directors recused themselves from voting of their compensation resolution.

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

- A. The Company has set "Rules Governing the Scope of Powers of Independent Directors", "Ethical Corporate Management Best Practice Principles", "Corporate Governance Best Practice Principles", "Self-Evaluation or Peer Evaluation of the Board of Directors", and "Rules of Procedure for Board of Directors Meetings". In accordance with the "Self-Evaluation or Peer Evaluation of the Board of Directors", the board of directors regularly completes the performance evaluation by self-evaluation.
- B. The company has three independent directors, and the independent directors serve as conveners and members of the Remuneration Committee and Audit Committee.
- C. The company has purchased liability insurance for board members.
- D. The convening of the board, the discussion of the motion, the issuance and preservation of the proceedings are handled in accordance with "Rules of Procedure for Board of Directors Meetings".
- E. The training hours of directors have been registered in MOPS.
- F. The board nomination system has implemented in the Company's articles of association.
- G. The company's corporate website has a corporate social responsibility (sustainable management) area, an investor area, a corporate governance area, and a stakeholder area to provide important information about the company's finances and business and contact channels for stakeholders.

#### 4.2. Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Overall average (Out of 5)
Once per year	2021/1/1~2021/12/31	(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.	4.91
		(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.	4.70
		(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.	4.73
		(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.	4.81

#### 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 2021 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, 2021, 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 1<sup>st</sup> Audit Committee held 2 (A) session in 2021. 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	2	0	100	
Independent Director	Tien-Fu Chen	2	0	100	
Independent Director	Hsiao-Ping Li		-	NA	(Note1)

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

The 2<sup>nd</sup> Audit Committee (Note2) held 3 (A) session in 2021. 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	3	0	100	
Independent Director	Tien-Fu Chen	3	0	100	
Independent Director	Jun-Hao Lai	3	0	100	Newly elected

Note 2: The term of the 2<sup>nd</sup> audit committee is from 2021.7.7 to 2022.7.6.

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
2021.3.2 The 6 <sup>th</sup> meeting of the 1 <sup>st</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. To Approve 2020 Business Report, Financial Statements and Consolidated Financial Statements.</li> <li>2. The Company's 2020 profit distribution.</li> <li>3. To approve to respectively or simultaneously pursue the newly issued common shares as result of cash capital increase for sponsoring issuance of GDR and/or local rights issues for common shares.</li> <li>4. To approved the issuance of Restricted Stock Awards (RSA) °</li> <li>5. The 2020 internal control statement.</li> <li>6. The results of the company's independent assessment of the CPA.</li> <li>7. The 2021 Change of CPA and CPA's related audit fee.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2021.7.20 The 1 <sup>st</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. to issue new common shares by cash capital increase for sponsoring GDR issuance.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2021.11.11 The 3 <sup>rd</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. The 2022 "Internal Audit plan.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.
2022.3.8 The 4 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee	<ol style="list-style-type: none"> <li>1. To Approve 2021 Business Report, Financial Statements and Consolidated Financial Statements</li> <li>2. The Company's 2021 profit distribution.</li> <li>3. Amendment to the Company's " Procedures for Acquisition or Disposal of Assets".</li> <li>4. The 2021 internal control statement.</li> <li>5. Amendment to the Company's "Internal Control Policy.</li> <li>6. The results of the company's independent assessment of the CPA.</li> <li>7. The 2022 CPA's audit fee.</li> </ol>	Unanimously approved by all members of the Audit Committee attending the meeting.	Unanimously adopted and approved by all attendant Directors.

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

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

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

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/ Listed Companies"?	V		The Company has formulated <b>【Corporate Governance Best Practice Principles】</b> with reference to "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". And after approval by the board of directors, it is publicly exposed on the corporate website and MOPS.	None
2. Equity structure and shareholders' equity				
(1). Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement them according to the procedure?	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).Has Board of Directors established a diversification policy and a specific management goal, and has it been implemented accordingly?</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> <p>8. The company currently has 7 directors, of which independent directors account for 3 directors accounting for 43%; directors with employee status account for 29%; directors under 60 account for 29%, and directors over 70 account for 0%.</p> <p>9. Independent director's term of office: since June 2015, not more than 9 years.</p> <p>10. 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 P7 2.Information of Directors and Officials)</p> <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 24 for assessment details. The outcome of 2021 assessment was graded as excellent (agree). Detailed information regarding the above evaluation were reported to 5<sup>th</sup> meeting of the 7<sup>th</sup> Board. It also is used as reference for the remuneration and re-election nomination of individual Director.</p>	None



Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(4). Does the Company regularly evaluate the independence of CPAs?	V		<p>The audit committee and the board of directors of the company have regularly assessed the independence of CPA annually in accordance with the items stipulated in the Bulletin on the No.10 Norm of Professional Ethics for Certified Public Accountant of the ROC, and obtained the independence statement issued.</p> <p>The results of the most recent evaluations in the last two years were reported to the 13<sup>th</sup> meeting of the 6<sup>th</sup> Board and the 5<sup>th</sup> meeting of the 7<sup>th</sup> Board.</p> <p>Please refer to Note 1 for the criteria for assessing the independence of accountants.</p>	None
4. Does the company established an exclusively (or concurrently) corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc..	V		<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
<p>7. Information Disclosure</p> <p>(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?</p>	V		<p>The Company has disclosed information of financial and corporate governance on the website.</p>	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		The Company has built 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.	None
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	The Company announced and declared the quarterly and annual financial reports and the monthly operating situation within the prescribed time limit.	As the Summary Description
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<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 be approved by the board, and the risk has been minimized or acceptable.</p> <p>(6) Implementation of customers policy: Customer can make a request through e-Service system, and the engineers will reply immediately.</p> <p>(7) The Company maintains D&amp;O insurance for its directors and key officers. The period is from January 19, 2022 to January 19, 2023 and the insurance has been renewed at expiration. And report to the 5<sup>th</sup> meeting of the 7<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	Jyh-Ming Lin	Jan 11, 2021	How do directors and supervisors supervise the company to enterprise risk management and crisis management	3
		Nov 11, 2021	AI and big data in enterprise fraud prevention and investigation	3
Director	Herming Chiueh	Nov 11, 2021	How do directors and supervisors supervise the company to enterprise risk management and crisis management	3
		Nov 11, 2021	AI and big data in enterprise fraud prevention and investigation	3
Director	Hong-Men Su	Nov 11, 2021	How do directors and supervisors supervise the company to enterprise risk management and crisis management	3
		Nov 11, 2021	AI and big data in enterprise fraud prevention and investigation	3
Director	Andrew Chang	Nov 11, 2021	How do directors and supervisors supervise the company to enterprise risk management and crisis management	3
		Nov 11, 2020	AI and big data in enterprise fraud prevention and investigation	3
Independent director	Chien-Kuo Yang	Nov 11, 2021	How do directors and supervisors supervise the company to enterprise risk management and crisis management	3
		Nov 11, 2021	AI and big data in enterprise fraud prevention and investigation	3
Independent director	Tien-Fu Chen	Nov 11, 2021	How do directors and supervisors supervise the company to enterprise risk management and crisis management	3
		Nov 11, 2021	AI and big data in enterprise fraud prevention and investigation	3
Independent director	Jun-Hao Lai	July 29, 2021	Information Security Governance Practices of the Board of Directors	3
		Sep 1, 2021	The 13 <sup>th</sup> Taipei Corporate Governance Forum	3
		Nov 11, 2021	How do directors and supervisors supervise the company to enterprise risk management and crisis management	3
		Nov 11, 2021	AI and big data in enterprise fraud prevention and investigation	3

9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange:  
The Company participated in the 8<sup>th</sup> corporate governance evaluation in 2019, Not received TWSE's confirmation for improvement.

Note 1: CPAs' independence evaluation criteria

Items for Evaluation	Evaluation Result	Compliance with Independence
1. Does/do not the CPA have direct or significantly indirect financial interest relationship with the Company?	Yes	Yes
2. Does/do not the CPA have business relationship and potential employment relationship that affects the CPA's independence with the Company's directors and managerial officers?	Yes	Yes
3. Does/do not the CPA have financing or assurances with the Company?	Yes	Yes
4. During audit periods or the last two years, does/do not the auditing CPA and audit team serve as the Company's directors/managerial officers, or hold positions with direct and significant influence on the auditing?	Yes	Yes
5. Does/do not the CPA provide non-audit service that may directly affect the audit service of the company?	Yes	Yes
6. Does/do not the CPA has acted as a defender in legal cases or other disputes between the company and a third party other than business?	Yes	Yes
7. Does/do not the auditing CPA and audit team have family relationship with any of the Company's directors/managerial officers?	Yes	Yes
8. Does/do not the auditing CPA and audit team have received precious gifts or special offers from the company, directors, supervisors, managers or major shareholders?	Yes	Yes

## 4.5 Operation of the Company's Remuneration Committee

### 4.5.1 Remuneration Committee's members

Title (Note1)	Criteria Name	Professional qualifications and experience	Independence situation	Number of other public companies concurrently serving as an independent director
Independent Director	Chien-Kuo Yang	Please refer to pages 10 to 12 of this annual report for index information.	Please refer to pages 10 to 12 of this annual report for index information.	1
Independent Director	Hsiao-Ping Lin	As above	As above	0
Independent Director	Tien-Fu Chen	As above	As above	3

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

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

### 4.5.3 Remuneration Committee Meeting Status

- (1) The total members of the Company's Remuneration Committee are 3.
- (2) The tenure of the Company's 2nd remuneration committee is from August 7, 2018 to June 26, 2021.

The Compensation Committee held meeting 1 times (A) for the preceding year (2021). 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	1	0	100	Renewal
Member	Tien-Fu Chen	1	0	100	Renewal
Member	Hsiao-Ping Lin	-	-	NA	(Note 1)

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

- (3) The tenure of the Company's 3rd remuneration committee is from July 7, 2021 to July 6, 2024.

The Compensation Committee held meeting 2 times (A) for the preceding year (2021). Attendance statuses of Independent Directors are as follows:

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

### 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 9 <sup>th</sup> meeting of the 2 <sup>nd</sup> Committee/March 3, 2021	1. management's change 2. The 2020 employees' compensation and remuneration to directors and supervisors. 3. The key managers' remuneration proposal for 2021.	Unanimously approved by all members of the Remuneration Committee attending the meeting	The 13 <sup>th</sup> meeting of the 6 <sup>th</sup> Board of Directors all present and approved by the directors
The 1 <sup>st</sup> meeting of the 3 <sup>rd</sup> Committee/August 11, 2021	1. Elect the convener of the 3 <sup>rd</sup> compensation and remuneration Committee. 2. Amendment Remuneration of directors and managements. 3. Discuss the remuneration of the 7 <sup>th</sup> board of directors 4. Amendment of the key managers' remuneration proposal for 2021.	Unanimously approved by all members of the Remuneration Committee attending the meeting	The 3 <sup>rd</sup> meeting of the 7 <sup>th</sup> Board of Directors all present and approved by the directors
The 2 <sup>nd</sup> meeting of the 3 <sup>rd</sup> Committee/November 11, 2021	1. The 2022 employees' compensation and remuneration to directors and supervisors, including annual total compensation, bonus and concurrent director's remuneration	Unanimously approved by all members of the Remuneration Committee attending the meeting	The 4 <sup>th</sup> meeting of the 7 <sup>th</sup> Board of Directors all present and approved by the directors
The 3 <sup>rd</sup> meeting of the 3 <sup>rd</sup> Committee/March 8, 2022	1. The key managers' remuneration proposal for 2022. 2. To approve the issuance of Restricted Stock Awards (RSA)	Unanimously approved by all members of the Remuneration Committee attending the meeting	The 5 <sup>th</sup> meeting of the 7 <sup>th</sup> Board of Directors all present and approved by the directors

#### 4.6 Information on Nomination Committee members and operations: Not applicable

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

Promote Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
1. Has the company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board's authorization and supervision?	V		The company has not yet set up a dedicated or part-time department to promote corporate social responsibility, but has formulated the "Corporate Social Responsibility Code of Practice". In the future, dedicated or part-time department will be set up depending on the size of the company.	None
2. Did the company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		V	Although the Company has not formulated relevant risk management policies, it has integrated the risk management of environmental, social and corporate governance issues related to operations into its operational strategies, including corporate policies, internal operational management and business execution.	As the Summary Description
3. Environment Topic				
(1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company is a professional CPU IP design company with no production process, so it has no significant impact on environmental impact. And also provides energy and resource saving technologies in product design to reduce the impact of global warming.	None
(2) Has the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?	V		The Company strives for perpetual operations and development. During the lunch break, turn off the lights for 1 hour to save energy and reduce carbon, and provide employees with environmentally-friendly tableware to reduce the use of disposable tableware.	None
(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 will regularly assess the potential risks and opportunities of climate change to the company, and take measures to respond to climate-related issues, which will be disclosed on the company's corporate website.	None
(4) Does the Company make statistics of total greenhouse gas emissions, water consumption and waste weight of the Company during past two years, and establish strategies for energy conservation, carbon and greenhouse gas reduction, water consumption saving or waste management, and has the Company formulated policies for greenhouse gas reduction, water use reduction, and other waste management??	V		The Company has calculated the greenhouse gas emissions, water consumption and total weight of waste in the past two years. And establish strategies for energy conservation, carbon and greenhouse gas reduction or water consumption saving. And disclosure on the company's website to implement corporate sustainable development responsibility.	None

Promote 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", and other internationally recognized human rights standards, and adopt a code of conduct with the "Responsible Business Alliance" Consistent Action. Treat with dignity and respect all employees, contract and temporary personnel, interns, etc. with dignity, and prevent any violation of human rights.	None
(2) Does the Company establish and implement rational employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the corporate business performance or achievements in the employee remuneration policy?	V		Article 23, of the Articles of Association states that if the Company makes a profit for the year, it shall allocate no less than 2 percent of such profits. In addition to the fixed monthly salary, the employee's Annual salary is guaranteed for 14 months. Annual bonuses are handled in accordance with the company's "Performance Appraisal Management Measures". The company emphasizes diversity and equality in the workplace. From 2021 to the closing date of the annual report, the proportion of women above the managerial level has increased from 13.8% to 14.1%.	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 the flu epidemic period advocated wearing masks and in the door-to-door entrance and exit with disinfection	None

Promote Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
(4) Does the Company provide its employees with career development and training sessions?	V		alcohol, for employees to enter and exit the use. There was no occupational accident in	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		The company arranges professional training, English learning courses and specific professional skills training courses to increase work quality and performance.	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		When the company provides services to customers, the transaction process is completed according to the contract contents signed by both parties and comply with relevant regulations and international standards. 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 sustainable development 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 Sustainability Report? 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 sustainable development responsibility	As the Summary Description
<p>6. Describe the difference, if any, between actual practice and the corporate sustainable development responsibility principles, if the Company has implemented such principles based on the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:</p> <p>The Company has established "Corporate Sustainable Development Responsibility Best Practice Principles" according to the "Corporate Sustainable Development Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". The Company has also established a stakeholder area on the website to respond issues of concern to stakeholders; The company follows labor laws to protect the basic rights and interests of employees, provide a good and safe working environment and prevent occupational injuries; The company fully discloses relevant and reliable information for relevant stakeholders to know, etc., in accordance with the "Corporate Social Responsibility Code of Practice" (Sustainable Development Code of Practice).</p> <p>Except for the current CSR report, there is no significant difference in implementation.</p>				
<p>7. Other important information to facilitate better understanding of the Company's corporate sustainable development responsibility practices :</p> <p>➤The Company holds the "Andes Certified Engineer Test (ACET™) Program" every year, which can screen out</p>				



Promote Item	Implementation			Reason for Non-implementation
	Yes	No	Summary Description	
<p>engineers who are skilled in using the Andes development system. In 2021, a total of 68 students participated in the ACET™ test. The Company's accreditation plans and donations in order to help students understand practical, applied and future employment opportunities. In addition, the company donated AndesCore™ CPU IP to the school for R&amp;D and project research.</p> <p>The verification program organized by our company and the donation of AndesCore™ CPU IP to schools cannot use the amount to show economic benefits. We only use our own efforts to help schools cultivate students who are interested in the industry, and help students understand practices, applications and future employment. Opportunity to give back to the community. For other information, please refer to the website: <a href="http://www.andestech.com">http://www.andestech.com</a></p> <p>➤ In order to cultivate the next generation, and enhance the competitiveness of science and technology, the company organized AIOT-Scratch training courses in cooperation with National Yang Ming Chiao Tung University. There are 15 groups of parents and children participated and received satisfactory feedback.</p>				

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

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		The Board of Directors passed the Company's Ethical Corporate Management Best-Practice Principles, implement of ethical corporate management policies and programs and disclose it on the corporate website and MOPS. Require the board of directors and senior management to actively implement.	None
(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	V		In the "Code of Integrity Management", the Company specifically regulates the preventive measures for business activities with higher risks of dishonesty. The Company has established a "Codes of Ethical Conduct" to encourage the reporting of any illegal or ethical code of conduct through the Company's report.	None
(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?	V		The Company has established regulations for the disposal of violations in the "Ethical Corporate Management Best Practice Principles", "Procedures for Handling Material Inside Information" and "Work Rules".	None
2. Fulfill operations integrity policy				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		The Company has established the "Ethical Corporate Management Best Practice Principles" and prior to the transaction, all of them will perform credit operations on the transaction	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		objects in accordance with the relevant internal control methods. And through different conduits to understand whether there have been immoral transactions.  For ethical corporate management, the Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" which designated Finance Department and Legal & IP Management Department to make policy and Audit Division to monitor execution results, which annually reports the implementation status to the Board.	None
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company has established the "Ethical Corporate Management Best Practice Principles " to develop a policy to prevent conflicts of interest, and has a president mailbox, and the Company's website also has an ethics reporting mailbox to serve as a pipeline for stakeholders.	None
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		In order to implement honest management, the Company has established effective systems for both accounting and internal control, which are regularly audited by internal auditors according to the assessment results of the risk of immoral behavior. In the audit project of 2021, there are no defects in the content and implementation of the " Ethical Corporate Management Best Practice Principles "	None
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		The "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 regulations of conduct for new employees. To enhance employees' awareness of joint management and prevention of immoral behavior. Implementation in 2021: Education and training for new employees: 42 times (total 29 hours, 74 colleagues). Promotion of corporate governance and prevention of insider trading: 1 time (total 0.5 hours, 28 colleagues).	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has a president mailbox, and the Company's website also has an ethics reporting mailbox to serve as a pipeline for stakeholders, and assign appropriate qualified personnel.	None
(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		Once the complaint is accepted, it must be immediately process; If the rights are damaged or there are other opinions, the appeal can be filed, and the result will be overwritten by the complainant and will be treated with the highest level of confidentiality.	None
(3) Does the Company provide proper whistleblower protection?	V		Handling the above matters will give priority to protecting whistleblower.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company has set up an "Ethical Corporate Management Policy" and disclosed on the MOPS and Company's website.	None
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has set up an "Ethical Corporate Management Policy" and the practices are in accordance with Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies): None.				

#### 4.9 Corporate Governance Guidelines and Regulations

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

#### 4.10 Other Important Corporate Governance Information:

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

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

##### 4.11.1 Declaration of Internal Control

###### Andes Technology Corporation

###### Statement of Declaration of Internal Control

Date: March 8, 2022

Andes Technology Corporation has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31, 2021, and hereby declares the following:

- i. The Company acknowledges and understands that the establishment, enforcement, and preservation of internal control systems are the responsibility of the Board and that the managers and the Company have already established such systems. The purpose is to reasonably ensure the effectiveness (including profitability, performance, and security of assets), the reliability, timeliness, transparency of financial reporting, and legal and regulation compliance.
- ii. Internal control systems have limitations, no matter how perfectly they are designed. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls systems. The internal control systems of the Company feature certain self-monitoring mechanisms. The Company will take immediate corrective actions once any shortcomings are identified.
- iii. The Company judges the effectiveness of the internal control systems in design and enforcement according to the “Criteria for the Establishment of Internal Control Systems of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control systems. There are five components for effective internal control as specified by the Criteria with which the procedures for effective internal controls are composed: (1) Control environment, (2) Risk evaluation, (3) Control operation, (4) Information and communication, and (5) Monitoring. Each of the elements in turn contains certain audit items, and the Criteria shall be referred to for details.
- iv. The Company has adopted the aforementioned internal control systems for an internal assessment of the effectiveness of internal control design and enforcement
- v. Based on the aforementioned audit findings, the Company holds that within the aforementioned period, its internal control procedures (including the procedures to monitor subsidiaries), effectiveness and efficiency of operations, reliability, timeliness, transparency of reporting, and compliance with relevant legal regulations, and design and enforcement of internal controls, are effective. The aforementioned goals can be achieved with reasonable assurance.
- vi. This statement of declaration shall form an integral part of the annual report and prospectus of the Company and shall be made public. If there is any fraud, concealment, or unlawful practices discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, 32, 171, and 174 of the Securities and Exchanges Act.
- vii. This statement of declaration has been approved by the Board on March 8, 2022 with all Directors in session under unanimous consent.

Andes Technology Corporation

Chairman: Jyh-Ming Lin

President: Hong-Men Su

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

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

4.13 Major Resolutions of Shareholders' Meeting and Board Meetings

4.13.1 Shareholders' Meeting

Meeting	Date	Major Resolutions	Implementation Status
2021 Annual General Meeting	July 7 <sup>th</sup> , 2021	Acknowledgement Items: (1) The 2020 business report and financial statements (2) Adoption of the Proposal for 2020 Deficit Compensation	Approved.  Approved.
		Elections: Election of seven additional Directors (Including three additional independent directors) of the 7 <sup>th</sup> Board of Directors.	Election result: The list of seven directors of the 7th board of directors of the company is as follows: Directors: Jyh-Ming Lin, Hong-Men Su, Hsiang Fa Co. Rep: Andrew Chang, National Development Fund. Rep: Herming Chiueh Independent Directors: Chien-Kuo Yang, Tien-Fu Chen, Jun-Hao Lai. Application for amendment of registration was approved by the Hsinchu Science Park Administration on July 13, 2021 with an approval letter.
		Discussion Items: (1) To suspend the Non-competition Restriction on the Company's Newly Elected Directors (2) To approve to pursue respectively or simultaneously the newly issued common shares as result of cash capital increase for sponsoring issuance of GDR and/or local rights issues for common shares. (3) To approve issuance of Restricted Stock Awards(RSA) of the Company	Approved.  Approved.  Approved.

#### 4.13.2 Board Meetings

Meeting	Date	Major Approvals
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> <li>6. Election of seven directors (including three independent directors) of the 7th session.</li> <li>7. Adoption of the director candidate nomination time and place for the 7th term.</li> <li>8. Releasing the non-compete restriction on the Company's 7th newly elected Directors.</li> <li>9. Proposal for the issuance of Restricted Stock Awards (RSA).</li> <li>10. Acceptance of the date, location, and agenda for 2021 shareholders' meeting.</li> <li>11. Assess whether accommodation of funds in disguised form must be classified as a Loaning Funds to Others.</li> <li>12. 2020 Internal Control statement.</li> <li>13. Assess CPA's independence.</li> <li>14. CPA's remuneration for 2021.</li> <li>15. Appointment of Mr. Jiun-Hao Lai as a member of the second Remuneration Committee Meetings of the Company.</li> <li>16. Change of the Company's Key managers.</li> <li>17. Amendments to the Company's "Administrative Measures for Duty Authorization and Agent System".</li> <li>18. Amendments to the Company's Key managers' remuneration proposal for 2021.</li> </ol>
The 14 <sup>th</sup> meeting of the 6 <sup>th</sup> board	April 9, 2021	<ol style="list-style-type: none"> <li>1. Review the candidate list for election of the directors (Including independent directors) for the 7th term.</li> <li>2. The general meeting of shareholders is requested to releasing the non-compete restriction on the Company's 7th newly elected Directors.</li> </ol>
The 15 <sup>th</sup> meeting of the 6 <sup>th</sup> board	May 10, 2021	<ol style="list-style-type: none"> <li>1. An assessment of whether disguised capital financing must be classified as capital loans and announced to others.</li> <li>2. Amendment to the Company's Management Measures.</li> <li>3. Dealing with Mega International Commercial Bank Co., Ltd. (hereinafter referred to as Mega Bank) to obtain financing.</li> <li>4. Dealing with Land Bank of Taiwan Co., Ltd. (hereinafter referred to as Land Bank) to obtain financing.</li> <li>5. The company's digital transformation plan for the next 3 to 4 years.</li> </ol>
The 16 <sup>th</sup> meeting of the 6 <sup>th</sup> board	June 17, 2021	<ol style="list-style-type: none"> <li>1. Proposal to change the date of the annual general meeting of shareholders for 2021.</li> </ol>
The 1 <sup>st</sup> meeting of the 7 <sup>th</sup> board	July 7, 2021	<ol style="list-style-type: none"> <li>1. Election of the Chairman of the Company.</li> </ol>
The 2 <sup>nd</sup> meeting of the 7 <sup>th</sup> board	July 20, 2021	<ol style="list-style-type: none"> <li>1. The company intends to capital increase in cash and the issuance of ordinary shares to participate in the issuance of overseas depositary receipts by way of public offering.</li> <li>2. Appointment of members of the 3rd compensation and Remuneration Committee of the Company.</li> </ol>
The 3 <sup>rd</sup> meeting of the 7 <sup>th</sup> board	August 11, 2021	<ol style="list-style-type: none"> <li>1. An assessment of whether disguised capital financing must be classified as capital loans and announced to others.</li> <li>2. Amendment to the Company's "Remuneration Management Measures for Directors and Managers"</li> <li>3. The Company's 7th Board of Directors Remuneration.</li> </ol>

Meeting	Date	Major Approvals
		4. The Company's Annual Estimated compensation and remuneration payment for Managers in 2021
The 4 <sup>th</sup> meeting of the 7 <sup>th</sup> board	November 11, 2021	1. An assessment of whether disguised capital financing must be classified as capital loans and announced to others. 2. The company's annual business plan in 2022. 3. The company's annual audit plan in 2022. 4. Dealing with Bank SinoPac Co., Ltd. to obtain financing. 5. The Company's Annual Estimated compensation and remuneration payment for Managers in 2022
The 5 <sup>th</sup> meeting of the 7 <sup>th</sup> board	March 8, 2022	1. The Company's Employee Remuneration and Director's Remuneration Distribution Plan in 2021. 2. The company's business report and financial statement in 2021. 3. The Company's Proposal for the Distribution of Earnings in 2021. 4. Amendment to the Company's "Acquisition or Disposal of Assets Handling Procedures". 5. Convening the company's annual general meeting of shareholders and accepting shareholders' proposals. 6. The assessment of whether disguised capital financing must be classified as capital loan and announced to others. 7. Issuing the company's internal control system statement for 2021. 8. Proposal to amend the Company's "Internal Control System". 9. The case of the independent assessment results of the company's CPA. 10. The company's remuneration for CPA in 2022. 11. Revision of the company's manager of the annual compensation and remuneration payment plan in 2022. 12. The company issued new shares to restrict the rights of employees.

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

4.15 Resignation of Personnel Related to Financial Statement Preparation in 2021 to the Printing Date of this Report:

Title	Name	The arrival date	The date of dismissal	The reason for the dismissal
Chairman	Ming-Kai Tsai	March 14, 2005	July 7, 2021	6 <sup>th</sup> BOD term expires
President	Jyh-Ming Lin	April 27, 2006	March 2, 2021	Position was promoted to "CEO"
R&D AVP	Chuan-Hua Chang	July 4, 2015	October 18, 2021	Resign

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

5.1. Non-audit fee paid to auditors, the audit firm and its affiliates accounted for more than one-fourth of total audit fee:

Unit: NT\$ Thousand

Accounting Firm	Name of CPA	Duration of Audit	Auditing fee	Non-Auditing fee (Note)	Total	Note
Ernst & Young	Yu-Ni Yang, Jia-Ling Tu	Jan. 1, 2021~ Dec. 31, 2021	2,320	7,076	9,396	-

Note: Non-audit services: including the issuance of GDR and related service fees.

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

5.3.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		CPA
	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 2021  
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	2021		As of March 28, 2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman & CEO	Jyh-Ming Lin	(4,000)	-	-	-
Director	Hsiang Fa Co.	-	-	-	-
	Rep: Andrew Chang (note 1)	-	-	-	-
	Rep: Ming-Kai Tsai (note 1)	-(note 1)	-	(note 1)	-
Director & President & CTO	Hong-Men Su	(8,000)	-	(6,000)	-
Director	National Development Fund	-	-	-	-
	Rep: Hahn-Ming Lee	-	-	-	-
Director	Hotran Resource Development Ltd. (note 2)	- (note 2)	-	(note 2)	-
	Rep: Chun-Huei Ho (note 2)	- (note 2)	-	(note 2)	-
Independent Director	Hsiao-Ping Lin (note 3)	- (note 3)	-	(note 3)	-
Independent Director	Chien-Kuo Yang	-	-	-	-
Independent Director	Tien-Fu Chen	-	-	-	-
Independent Director	Jun-Hao Lai (note 3)	- (note 3)	-	-	-
Proportion of more than 10% of shareholders	Hsiang Fa Co.	-	-	-	-
Vice President	Kuo-Chi Lin	(1,000)	-	36,000	-
Senior Vice President	Jen-Chih Tseng	(30,000)	-	10,000	-
Senior Vice President	Yung-Ching Hsiao	-	-	-	-
Assistant Vice President	Chuan-Hua Chang (note 4)	- (note 4)	-	(note 4)	-
Assistant Vice President	Kuen-Chern Lin	-	-	-	-
Assistant Vice President	Han-Chang Chou	(13,000)	-	-	-

Note 1: The Company had election of Independent Director Jun-Hao Lai of the 7th Board at July 7, 2011, and Hsiang Fa Co., change of its representative to Andrew Chang. The original Chairman, Ming-Kai Tsai, discharged and be the founder of the company. Jyh-Ming Lin was elected as the new Chairman on the same day.

Note 2: Director of Hotran Resource Development Ltd. was discharged on May 11, 2021. The calculation period for equity disclosure is as of May 11, 2021.

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: Chuan-Hua Chang was discharged on October 18, 2021. The calculation period for equity disclosure is as of October 18, 2021.

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 28, 2022

Top 10 Shareholders	Shareholding		Shareholding under Spouse and Minor		Shareholding under 3 <sup>rd</sup> Party		Top 10 Shareholders Who are Related Parties to Each Other		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hsiang Fa Co. Rep: Andrew Chang	5,657,324	11.17	-	-	-	-	-	-	-
Shui-Cheng, Tu	3,968,000	7.83	(Note 1)	-	(Note 1)	-	-	-	-
National Development Fund Rep: Herming Chiueh	2,979,237	5.88	-	-	-	-	-	-	-
HSBC custody of BlackRock Global Fund's next-generation technology fund	1,768,000	3.49	-	-	-	-	-	-	-
HSBC custody of Paula Capital Fund	1,404,000	2.77	-	-	-	-	-	-	-
Tsang-Hai Lin	1,031,000	2.04	(Note 1)	-	(Note 1)	-	-	-	-
Standard Chartered Bank custody of PineBridge Asia ex Japan Small Cap Equity Fund	827,000	1.63	-	-	-	-	-	-	-
Yu-Chan Wu	611,000	1.21	(Note 1)	-	(Note 1)	-	-	-	-
Jin-Pen Lin,	603,000	1.19	(Note 1)	-	(Note 1)	-	-	-	-
Bank Of Taiwan custody of Hackley International Investors Small Business Fund	598,000	1.18	-	-	-	-	-	-	-

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

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

As of December 31, 2021

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

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

## IV. Capital and Shares

### 1. Capital and Shares

#### 1.1. Source of Capital

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

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

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

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

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

As of April 30, 2022 Unit: Shares

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

Shelf Registration: Not Applicable

#### 1.2. Composition of Shareholders

As of March 28, 2022 Unit: Shares, %

Type of Share- Holders  Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Persons	Total
Number of Shareholders	1	16	142	14,909	120	15,188
Shareholding	2,979,237	257,513	6,107,473	28,484,161	12,822,527	50,650,911
Holding Percentage	5.88	0.51	12.06	56.24	25.31	100.00

### 1.3. Distribution of Shareholding

As of March 28, 2022

Common Share Shareholder Ownership	Number of Shareholders	Shareholding	Holding Percentage
1 ~ 999	9,357	548,162	1.08
1,000 ~ 5,000	5,128	8,486,829	16.76
5,001 ~ 10,000	350	2,628,653	5.19
10,001 ~ 15,000	112	1,406,802	2.78
15,001 ~ 20,000	51	911,265	1.80
20,001 ~ 30,000	58	1,472,673	2.91
30,001 ~ 40,000	18	682,467	1.35
40,001~50,000	22	953,412	1.88
50,001 ~ 100,000	35	2,568,150	5.07
100,001 ~ 200,000	27	3,912,363	7.72
200,001 ~ 400,000	11	3,360,531	6.63
400,001 ~ 600,000	10	4,871,043	9.62
600,001 ~ 800,000	2	1,214,000	2.4
800,001 ~ 1,000,000	1	827,000	1.63
Over 1,000,001	6	16,807,561	33.18
Total	15,188	50,650,911	100.00

Note: Andes has not issued preferred stocks.

### 1.4. Major Shareholders

As of March 28, 2022

Name	Shares	Total Shares Owned	Ownership (%)
Hsiang Fa Co.		5,657,324	11.17
Shui-Cheng Tu		3,968,000	7.83
National Development Fund		2,979,237	5.88
HSBC custody of BlackRock Global Fund's next-generation technology fund		1,768,000	3.49
HSBC custody of Paula Capital Fund		1,404,000	2.77
Tsang-Hai Lin		1,031,000	2.04
Standard Chartered Bank custody of PineBridge Asia ex Japan Small Cap Equity Fund		827,000	1.63
Yu-Chan Wu		611,000	1.21
Jin-Pen Lin		603,000	1.19
Taiwan Bank Custody of the Heckley International Investor Small Business Fund		598,000	1.18

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

Unit: NT\$

Year			2020	2021	April 30 2022
Item					
Market Price Per Share	Highest		343	644	545
	Lowest		66.1	328	282.5
	Average		148.6	483.76	409.66
Book Value Per Share	Before Distribution		28.03	105.88	(Note 6)
	After Distribution		27.29	102.68	(Note 6)
Earnings Per Share	Weighted Average Shares(K)		42,651	45,062	(Note 6)
	Earnings Per Share		0.82	3.59	(Note 6)
Dividends Per Share	Cash Dividends		0.741546	2.84887117	(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)		181.22	134.75	(Note 6)
	Price/Dividend Ratio(Note 3)		200.39	169.81	(Note 6)
	Cash Dividend Yield(Note 4)		0.0050	0.0059	(Note 6)

Note 1: The Company has passed a special resolution on the board of director of March 8, 2022 to approve the distribution of cash dividends.

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

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

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

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

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

## 1.6. Dividend Policy and Status

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

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

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

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

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

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

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

1.6.3. Proposal to Distribute Profits:

On March 8, 2022, Andes' board of directors passed a special resolution that the proposed Cash dividend to shareholders was NT\$ 144,297,920 (NT\$2.84887117 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 5<sup>th</sup> board of directors of the 7<sup>th</sup> session of the board of directors approved the distribution of total employee compensation of NT\$12,985 thousands and directors' compensation of NT\$1,836 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, 2020 amounted to NT\$2,439 thousands and NT\$ 406 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:

Item		Issuing date	2021/09/13
Listing venue			Luxembourg Stock Exchange
Total dollar amount			US\$ 127,120,000
Unit price of overseas depositary receipts			US\$ 31.78
Total number of units to be issued			4,000,000 units
Units of global depositary Receipts resources			issue new common shares by cash capital increase
Units of global depositary Receipts representing			Each unit of depositary receipts commends 2 shares of the Company's common stock
Rights and obligations			Same rights and obligations as the Company's existing issued and outstanding common shares
Trustee			None.
Depository institution			Citi Bank
Custodian institution			Citi (Taiwan) Bank
Outstanding balance			0
Apportionment method of related expenses during the issuance and existence period			by the issuing company
Important stipulations of depositary deed and custody deed			Detailed Depositary Deed and Custody Deed
Market price per unit (US\$)	Most recent year ended April 30, 2022	Highest	44.23
		Minimum	19.5
		Average	32.65

## 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
	President & CTO	Hong-Men Su									
	VP	Kuo-Chi Lin									
	Senior VP	Jen-Chih Tseng									
	Senior VP	Yung-Ching Hsiao			536,500	20	10,730,000	1.32	0	0	0
	AVP	Han-Chang Chou									
	VP (Note 1)	Lai,Chi-Chang									
	VP (Note 2)	Wang, Tung-Hua			21,500	19.4	417,100	0.05	0	0	0
	AVP (Note 3)	Yeh,I-Chung									
	AVP (Note 1)	Lai,Chun-Tse									
Employee	AVP (Note 1) (Note 4)	Chang,chuan-hua	876,000	2.16	593,500	10	5,935,000	1.46	0	0	0
	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
	Senior Director	Huang, Kuo-Cheng									
	AVP (Note 4)	Lin,Kun-Cheng									
	Deputy Director	Hu,Ta-Wei			6,000	23.2	139,200	0.01	0	0	0
	Senior Director	Hsieh,Yu-Ling									
	Senior Architect	Chen,I-Cheng			6,000	19.4	116,400	0.01	0	0	0
	Deputy Director (Note 1)	Wang, Ping-Hsing									

Note 1: the owner has resigned.

Note 2: the owner has retired.

Note 3: the owner has passed.

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

### 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	2020		2021	
	Amount	%	Amount	%
Licensing of CPU IP	311,148	54	490,340	60
Royalty revenues	158,792	27	233,676	29
Custom Computing Service	63,389	11	24,537	3
Maintenance services and others	47,683	8	71,225	8
Total	581,012	100	819,778	100

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

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

- (1) License of CPU IP revenues, including:
  - a. 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: Provides high-value CPU IP design and integration services according to customer needs.
- (2) Royalty revenues: customers use licensed CPU IPs to design SoC ICs. The Company collects royalties based on their sales volume after mass production.
- (3) Maintenance services and others: Maintenance fee is paid by customers every year to obtain CPU IP and development tool updates. “Others” refers to AndeShape™, an integrated hardware development environment including development platforms and Platform IPs which help customers quickly develop their SoC. It is mainly sold to customers and universities for research and development, chip debugging or teaching (hereinafter referred to as AndeShape™).

#### 1.1.4. New Products Planned for Development

The Company continues to develop RISC-V CPU IPs which meet the needs of customers and market. In addition to the existing entry-level 32-bit N22, mid-range 25/27-series, and superscalar single-core and multi-core 45-series processors. NX27V, the world's first commercially available RISC-V vector processor, won “Best EDA/IP of the Year” at 2021 EE Awards Asia hosted by EE Times and EDN. The products expected to be developed this year include processors featuring ISO-26262 for vehicle safety, an enhanced development environment for ACE customer-defined instructions (especially for AI support). Andes will as well enhance the security functions for CPU and build more complete hardware and software architecture. Meanwhile, we will cooperate with more partners to establish the Andes’ ecosystem that facilitates the development of SoC. In addition, we will continue to develop more advanced CPU IPs.

### 1.2. Industry Outlook

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

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

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

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

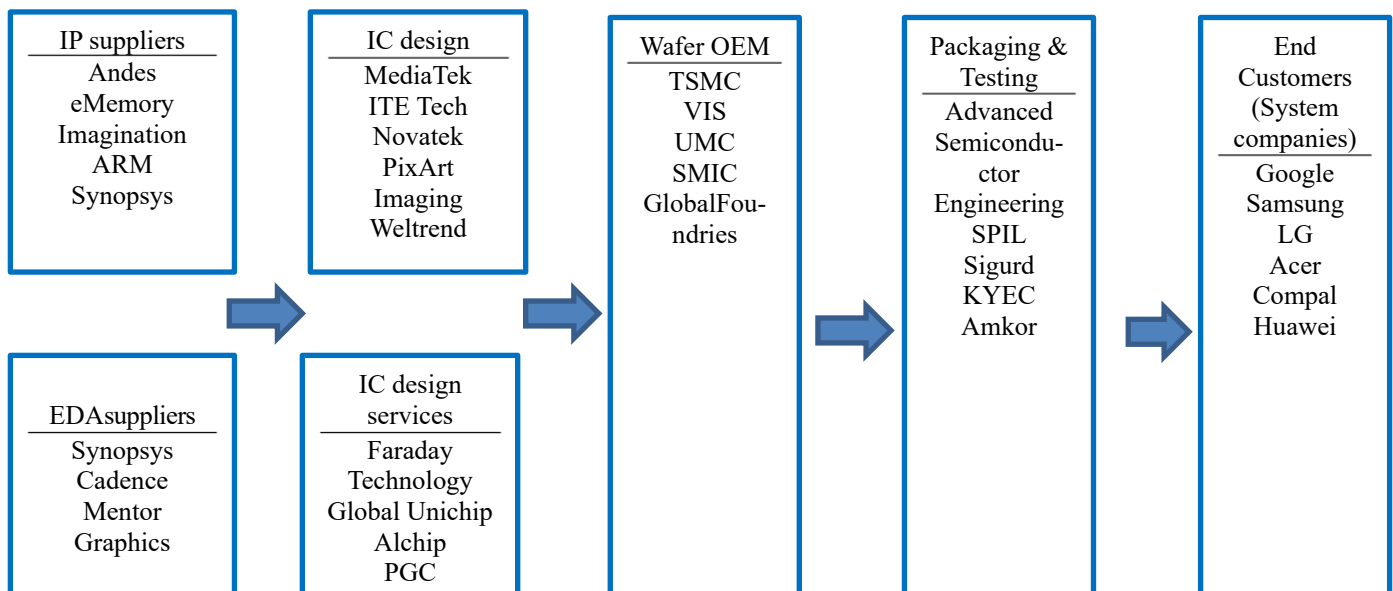
The Company’s business is mainly on the Soft Core License.

### 1.2.2. The Supply Chain of the Industry

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

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

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



### 1.2.3. Development Trends of Products

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

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

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

### 1.2.4. Product Competition

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

#### (1) ARM

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

#### (2) ARC

The ARC processor technology can be traced back to the early 1990s when the 3D accelerator chip was developed for the Super Famicom console. It became a new

company independently with the success of this chip product. In November 2009, ARC International was acquired by Virage Logic. Less than one year, in September 2010, Virage Logic was acquired by EDA Company Synopsys. ARC processors become part of various IP portfolios in the DesignWare IP of Synopsys SIP product line.

(3) MIPS

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

(4) SiFive

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

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

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

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

### 1.3. Technology and R&D

1.3.1. The R&D spending in 2021 are NT\$ 343,835 thousands.

1.3.2. Technology or products successfully developed in 2021 and up to the printing date of this annual report

Year	Specific R&D outcomes
2021	<p>A. Announced COPILOT v5.4, supporting Streaming Port</p> <p>B. Announced COPILOT v5.5, introducing intrinsic function to support LLVM 10 and 12</p> <p>C. RISC-V Vector Processor NX27V adds configuration to fully support 128-bit to 512-bit VLEN/SIMD/MEM</p>
2022	<p>A. Announced AndeSight v5.1.0 STD/MCU/RDS</p> <p>B. Expected to complete developing the first ISO-26262 RISC-V compliant processor</p> <p>C. Announced a new version of RISC-V superscalar multicore A(X)45MP with upgraded specifications and performance</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 corporate with agents at the lowest cost to achieve great outcomes from key customers with our competitive products.

#### 1.4.2. Long-term Plan:

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

- (3) To penetrate the market for the mainstream product applications with high-end RISC-V CPUs, and establish the impression that our products are of high quality and high efficiency in the minds of customers.
- (4) To continuously participate in RISC-V International's Workshop and actively engage in the specifications and development of related development tools and software.
- (5) To continue to promote RISC-V core processors based on Andes' V5 architecture with the Company's RISC-V CON.

## 2. Market and Sales Outlook

### 2.1. Market Analysis

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

Unit: NT\$ thousands

Year Regions	2020	2021
Taiwan	248,466	276,994
America	154,525	206,051
China	144,317	283,567
Others	33,704	53,166
Total	581,012	819,778

#### 2.1.2. Market Share

The key suppliers of the 32-/64-bit embedded processor SIP are ARM (SoftBank), ARC (Synopsys), MIPS (Wave Computing), SiFive and us. According to the statistics by Linley Group which specializes in the CPU technology analysis, the total global chips which use CPU IP reached 33.3 billion units in 2020, where our 2020 shipments was over 2 billion, accounting for 6.0% market share. The Company's shipments in 2021 were 3 billion units, a 50% increase from 2019. It is expected that the market share in 2022 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 have multi-functional and high integration requirements. Due to the application needs and advancement of the IC fabrication processes, SoCs have become the mainstream of the IC chips. SoCs are IC chips that combine system integration and provide specific uses. It must consist of the embedded CPU with computing capability, memory, digital logic circuit, analog circuit, and other necessary I/O interfaces. Currently, in the market, only ARM, ARC, MIPS, SiFive, Andes, and other small companies in Europe and USA have the ability to provide reusable embedded processor IPs. Andes is the first listed company in Asia to provide 32/64-bit RISC-V processors and their development platforms. With a favorable geographical location, we provide the most comprehensive solutions and services for the companies located in Asia Pacific (including China), Japan, and Korea. We continue to expand our business to Europe and the United States.

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



## (2) Future market growth

Due to the diversity of IC manufacturing processes and the increasing complexity of system chips, more and more IPs are used for a single chip to reduce the need for design manpower and shorten the time for chip development. According to the forecast of MARKETSAND MARKETS, global intellectual property revenue will reach 7.3 billion US dollars in 2025. Semico Reserach 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 integrates the RISC-V technology with the proven AndeStar™ V3 architecture. It also includes several convenient functions and application enhanced units innovated by Andes, and Andes Custom Extension (ACE), Digital Signal Processing (DSP), Vector instruction extension (RVV), Security Extension Instruction Set, etc.

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

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

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

(7) Self-developed and designed total solutions

Our total solutions include 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 than 160 partners, including famous hardware/software IP companies, foundries, design services, and software tool companies, for examples, TSMC, UMC, GlobalFoundries (foundry), Intel, Faraday Technology, Global Unichip, Alchip, Invecas, Silex Insight (design service), eMemory (memory SIP), Veridify Security, Secure-iC (security IP), Kneron (AIIP), Imagination (GPU, Bluetooth IP), Rafael (RF IP), Mentor Graphics (simulation platforms), Micrium, RT-Thread (RTOS), Acoinfo SylixOS (real-time OS RTOS), Lauterbach, and J&D (software tool companies). In addition, our products have passed TSMC's stringent quality review and become one of the recommended processor IPs in its Open Innovation Platform (OIP). This not only improves our brand awareness but also boost our sales. After becoming one of the founding members of RISC-V International, we make alliances with several companies, such as, UltraSoC (debugging and trace IP), Imperas (software simulation and virtual platform), Rambus, Tiempo, Dover Microsystems, Hex-Five, ZAYA, eShard, Thales (security IP and platform), SEGGER, IAR, Ashling (software tool companies), DeepLite, Skymizer (AI software), Expedera (AI IP), Multicoreware, PerfXLab (OpenCV), and Codeplay (Open CL). 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 2021, we have signed contracts with 76 universities where 36 universities in Taiwan, 32 universities in China, and 8 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 CPU and vector processors just meet the requirements of high performance, high bandwidth, and high addressing in these fields. Therefore, the thriving development of IoT devices, AI, edge computing, and SoC is expected to have a positive effect on our promotions and revenues.

c. The rapid development of IC industry in China

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

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

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

a. Insufficient talents

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

Our corresponding strategy:

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

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

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

- (d) Implement the employee stock purchase plan to make our employees become our shareholders for better engagement.
- (e) Issue employee stock option certificates to retain talents.
- b. Lack of custom standard cell libraries and memory SIPs
 

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

Our corresponding strategy:

  - (a) Enhance design architecture to reduce the difference between various standard cell libraries and memories.
  - (b) Forge an alliance with the professional standard cell libraries and memory SIP companies to be more competitive.
- c. Diverse application market goals
 

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

Our corresponding strategy:

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

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

### 2.2.1. Important applications of major products

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

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

### 2.2.2. Production process of major products

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



### 2.3. Supply of key materials

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

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

#### 2.4.1. Major suppliers

Unit: NT\$ thousands

Item	2020				2021			
	Supplier	Amount	% of Total Purchase	Relation	Supplier	Amount	% of Total Purchase	Relation
1	BESA	1,513	53	None	BESA	-	-	None
2	Answer	404	14	None	Answer	588	41	None
3	Gao-Fu	302	11	None	Gao-Fu	164	12	None
	Other	650	22		Other	669	47	
	Total	2,869	100		Total	1,421	100	

Reason for increase or decrease: Due to the shortage of original materials in 2021 and the substantial increase in price, BESA postponed the purchase of goods, resulting in a lower purchase amount in 2021. The amount of change in the remaining manufacturers is not significant.

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

Unit: NT\$ thousands

Item	2020				2021			
	Sales	Amount	% of Total Revenue	Relation	Sales	Amount	% of Total Revenue	Relation
1	Customer A	127,616	22	None	Customer A	130,277	16	None
2	Customer B	76,138	13	None	Customer B	81,600	10	None
3	Customer C	62,581	11	None	Customer C	54,977	7	None
	Others	314,677	54		Others	552,924	67	
	Total	581,012	100		Total	819,778	100	

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

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

Unit: PCS/ NT\$ thousands

Main products	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Others		Not applicable (Note)	4,037	5,701	Not applicable (Note)	4,789	2,438

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	2020				2021			
	Domestic sales		Export Sales		Domestic sales		Export Sales	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Licensing of CPU IP	Not applicable.	98,981	Not applicable.	212,167	Not applicable.	68,142	Not applicable.	422,198
Royalty revenues	Not applicable.	136,459	Not applicable.	22,333	Not applicable.	195,958	Not applicable.	37,718
Custom Computing Service	Not applicable.	444	Not applicable.	62,945	Not applicable.	-	Not applicable.	24,537
Maintenance services and others	1,814	12,582	969	35,101	2,019	12,894	2,376	58,331
Total		248,466		332,546		276,994		572,784

## 3. Employees

Year		2020	2021	2022 (As of March 31)
Number of Employees	R&D	145	172	203
	Management	69	82	82
	Total	214	254	285
Average Age		39	39	39
Average Years of Service		4.7	4.42	4.18
Education	Doctoral	7.01%	5.51%	5.61%
	Master	73.83%	74.80%	75.79%
	University & College	19.16%	19.69%	18.60%
	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 years and up to the annual report publication date: None.

## 5. Labor-Management Relations

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

#### (1) Labor Conditions:

- 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.
- The Company has provided high-quality health checks and post-check consultations to its employees every year. Employees are entitled to basic insurance for labor, health insurance, etc. In addition, the parents, spouses and children of the employees also enjoy the protection of group insurance.
- The Company's regular running office environmental testing and fire detection for providing a safe working environment.
- In accordance with the Labor Standards Law, the Company provides such as paternity leave, parental leave, and breastfeeding time of female.
- The Company held a painting competition, in order to promote parent-child interaction and the aesthetics of employees. And the 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 2021, 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 understanding between employees and the Company and thus to reach cohesiveness.

(5) Maintenance measures for various employee rights

- A. the Company and the employees set a labor contract to protect the rights and interests of employees.
- B. the Company has not hired underage child labor.
- C. the Company provides flexible working hours, allowing employees to take care of their work and family.
- D. the Company has a complaint channel for prohibiting workplace bullying and complaints of sexual harassment in the workplace to protect human rights.

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

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

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

6. Material Contracts

Agreement Type	Counterparty	Term	Summary	Restrictions
Credit Contract	Bank SinoPac Co., Ltd.	2021.8.31~2022.8.31	Short-term loan(Note 1), Banking transaction	None
Credit Contract	Land Bank of Taiwan Co., Ltd.	2021.6.7~2022.6.7	Short-term loan(Note 1), Banking transaction	None
Credit Contract	Mega International Commercial Bank Co., Ltd.	2022.2.7-2023.2.6	Short-term loan(Note 1), Banking transaction	None
Office Lease	Hsinchu Science Park Administration	2022.1.1~2022.12.31	Office Lease	None
Office Lease	Taiwan Fertilizer Co., Ltd.	2018.8.1~2023.7.31	Office Lease	None

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

## VI. Financial Information

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

#### 1.1. Condensed Balance Sheet

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

Unit: NT\$ thousands

Item \ Year		Consolidated financial data (Note 1)				
		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		1,139,150	1,082,279	1,028,005	977,101	4,495,000
Property, plant and equipment		3,209	23,154	25,583	22,793	24,531
Intangible assets		40,629	125,283	205,043	290,441	380,110
Other assets		1,455	6,391	131,281	112,568	129,558
Total assets		1,184,443	1,237,107	1,389,912	1,402,903	5,029,199
Current liabilities	Cum-dividend	30,109	48,105	105,938	115,183	175,135
	Ex-dividend	30,109	77,836	120,445	146,811	319,433 (Note2)
Non-current liabilities		0	0	109,699	92,331	82,755
Total liabilities	Cum-dividend	30,109	48,105	215,637	207,514	257,890
	Ex-dividend	30,109	77,836	230,144	239,142	402,188 (Note2)
Equity attributable to owners of the parent		1,154,334	1,189,002	1,174,275	1,195,389	4,771,309
Share capital		406,199	426,509	426,509	426,509	506,509
Capital surplus		756,338	728,972	728,972	728,972	4,096,056
Retained earnings	Cum-dividend	(6,451)	34,626	20,918	41,553	171,590
	Ex-dividend	(6,451)	4,895	6,411	9,925	27,292 (Note2)
Other equity		(1,752)	(1,105)	(2,124)	(1,645)	(2,846)
Treasury shares		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Cum-dividend	1,154,334	1,189,002	1,174,275	1,195,389	4,771,309
	Ex-dividend	1,154,334	1,159,271	1,159,768	1,163,761	4,627,011 (Note2)

Note 1: Parent company only financial data of 2016~ 2021 are audited.

Note 2: The cash dividend distribution of NT\$144,298 thousands for the year 2021 has been passed by a special resolution of the board of directors on March 8, 2022.



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

Unit: NT\$ thousands

<div> <div>Year</div> <div>Item</div> </div>		Parent company only financial data (Note 1)				
		2017	2018	2019	2020	2021
Current assets		1,126,621	1,055,317	957,531	924,452	4,332,223
Investments accounted for using the equity method		10,705	27,898	49,673	34,317	128,302
Property, plant and equipment		3,004	21,693	23,423	21,233	22,932
Intangible assets		40,629	125,283	205,043	290,441	380,110
Other assets		1,423	5,624	122,148	107,943	123,787
Total assets		1,182,382	1,235,815	1,357,818	1,378,386	4,987,354
Current liabilities	Before distribution	28,048	46,813	78,050	90,787	136,172
	After distribution	28,048	76,544	92,557	122,415	280,470 (Note 2)
Non-current liabilities		0	0	105,493	92,210	79,873
Total liabilities	Before distribution	28,048	46,813	183,543	182,997	216,045
	After distribution	28,048	76,544	198,050	214,625	360,343 (Note 2)
Share capital		406,199	426,509	426,509	426,509	506,509
Capital surplus		756,338	728,972	728,972	728,972	4,096,056
Retained earnings	Before distribution	(6,451)	34,626	20,918	41,553	171,590
	After distribution	(6,451)	4,895	6,411	9,925	27,292 (Note 2)
Other equity		(1,752)	(1,105)	(2,124)	(1,645)	(2,846)
Total equity	Before distribution	1,154,334	1,189,002	1,174,275	1,195,389	4,771,309
	After distribution	1,154,334	1,159,271	1,159,768	1,163,761	4,627,011 (Note 2)

Note 1: Parent company only financial data of 2016~ 2021 are audited.

Note 2: The cash dividend distribution of NT\$144,298 thousands for the year 2021 has been passed by a special resolution of the board of directors on March 8, 2022.

## 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)				
	2017	2018	2019	2020	2021
Operating revenue	289,377	304,756	494,851	581,012	819,778
Gross profit	288,437	304,340	494,031	579,829	818,307
Operating income	26,892	35,311	18,579	37,622	158,664
Non-operating income and expenses	(3,170)	7,653	(734)	1,068	18,471
Net income before income tax	23,722	42,964	17,845	38,690	177,135
Net income from operations of continued segments	21,533	41,567	16,023	35,142	161,665
Net income from discontinued operations	0	0	0	0	0
Net income (loss)	21,533	41,567	16,023	35,142	161,665
Other comprehensive Income, net of tax	(1,024)	647	(1,019)	479	(1,201)
Total comprehensive income	20,509	42,214	15,004	35,621	160,464
Net income (loss) for the periods attributable to Owners of the parent	21,533	41,567	16,023	35,142	161,665
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	20,509	42,214	15,004	35,621	160,464
Total comprehensive income for the periods attributable to Non-controlling interests	0	0	0	0	0
Earnings per share (NT\$)	0.51	0.97	0.38	0.82	3.59

Note 1: Consolidated financial data of 2017~ 2021 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)				
	2017	2018	2019	2020	2021
Operating revenue	270,437	283,164	405,872	456,724	661,738
Gross profit	269,497	282,748	405,052	455,541	660,267
Operating income	37,327	39,506	59,296	82,028	121,924
Non-operating income and expenses	(13,629)	3,434	(41,518)	(44,223)	48,755
Net income before income tax	23,698	42,940	17,778	37,805	170,679
Net income from operations of continued segments	21,533	41,567	16,023	35,142	161,665
Net income from discontinued operations	0	0	0	0	0
Net income (loss)	21,533	41,567	16,023	35,142	161,665
Other comprehensive Income, net of tax	(1,024)	647	(1,019)	479	(1,201)
Total comprehensive income	20,509	42,214	15,004	35,621	160,464
Earnings per share (NT\$)	0.51	0.97	0.38	0.82	3.59

Note 1: Parent company only financial data of 2017~ 2021 are audited.

1.3. Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	Name of Auditors (CPA)	Audit Opinion
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
2021	Ernst & Young	Yu-Ni Yang, 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)				
			2017	2018	2019	2020	2021
Capital structure analysis (%)	Debt ratio		2.54	3.89	15.51	14.79	5.13
	Long-term fund to property, plant and equipment ratio		35,971.77	5,135.19	4,590.06	5,244.54	19,787.47
Liquidity Analysis (%)	Current ratio		3,783.42	2,249.83	970.38	848.30	2,566.59
	Quick ratio		3,748.99	2,215.18	944.01	827.04	2,539.78
	Times interest earned		(Note 2)	(Note 2)	9.00	19.95	100.35
Operating performance analysis	Average collection turnover (Times)		4.88	5.2	5.20	4.13	5.19
	Days sales outstanding		74	70	70.19	88.37	70.32
	Average inventory turnover (Times)		0.53	0.27	0.47	0.53	0.75
	Average payment turnover (Times)		21.86	0.72	1.44	8.30	0.92
	Average inventory turnover days		688	1,351	776.59	688.67	486.66
	Property, plant and equipment turnover (Times)		127.56	23.12	20.31	24.02	34.65
	Total assets turnover (Times)		0.29	0.25	0.38	0.42	0.25
Profitability analysis	Return on assets (%)		2.13	3.43	1.36	2.64	5.07
	Return on equity attributable to owners of the parent (%) (Note 7)		2.2	3.55	1.36	2.97	5.42
	Pre-tax income to paid-in capital (%)		5.84	10.07	4.18	9.07	34.97
	Net margin (%)		7.44	13.64	3.24	6.05	19.72
	Earnings per share (NT\$)		0.51	0.97	0.38	0.82	3.59
Cash flow	Cash flow ratio (%)		139.72	(Note 3)	29.16	95.66	177.75
	Cash flow adequacy ratio (%)		(Note 3)	(Note 3)	6.37	25.39	63.57
	Cash flow reinvestment ratio (%)		3.77	(0.74)	0.12	10.59	6.36
Leverage	Operating leverage		1.25	1.77	4.75	4.17	2.05
	Financial leverage		1.00	1.00	1.14	1.06	1.01

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

- The debt ratio decreased and the ratio of long-term funds to real estate, plant and equipment increased: mainly due to the increase in total assets and shareholders' equity due to issue new common shares by cash capital increase, resulting in a change in the ratio.
- Increase in current ratio and quick ratio interest coverage ratio: mainly due to the increase in total assets due to issue new common shares by cash capital increase, resulting in a change in ratio.
- Increase in interest coverage ratio: Mainly due to the increase in net profit before income tax and interest expense in 2021.
- Increase in turnover rate of accounts receivable and decrease in collection days: due to the increase in sales revenue at the end of the period and the increase in accounts receivable, so the turnover rate decreased, and the number of collection days increased.
- Decrease in turnover rate of payables: due to the increase in accounts payable at the end of the period, the turnover rate has increased.
- Increased Average inventory turnover and decrease in average sales days: due to the decrease in inventory at the end of the period, so the average sales days decreased.
- Increase in turnover rate of real estate, plant and equipment: The increase in turnover rate was mainly due to the increase in total sales revenue.
- Decrease in total asset turnover rate: Mainly due to issue new common shares by cash capital increase so increase in total asset, the decrease in total asset turnover rate.
- 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 2021.
- Increase in cash flow ratio and cash flow fair ratio, cash reinvestment ratio: due to continuous profitability and operating cash inflows in recent years, the related cash flow ratio has increased.
- Increase in cash reinvestment ratio: due to issue new common shares by cash capital increase.
- Decrease in operating leverage: mainly due to the small increase in operating profit, the operating leverage decreased.

Note 1: The financial data of 2016~2021 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)				
			2017	2018	2019	2020	2021
Capital structure analysis (%)	Debt ratio		2.37	3.79	13.52	13.28	4.33
	Long-term fund to property, plant and equipment ratio		38,426.56	5,481.04	5,796.94	6,491.72	21,154.64
Liquidity Analysis (%)	Current ratio		4,016.76	2,254.32	1,226.82	1,018.26	3,181.43
	Quick ratio		3,980.00	2,219.85	1,202.62	992.66	3,150.20
	Times interest earned		(Note 2)	(Note 2)	10.05	20.98	102.53
Operating performance analysis	Average collection turnover (Times)		5.00	5.88	4.31	3.4	3.05
	Days sales outstanding		72	62	82.26	107.5	119.74
	Average inventory turnover (Times)		0.53	0.27	0.55	0.7	0.94
	Average payment turnover (Times)		21.86	5.01	10.58	6.19	7.99
	Average inventory turnover days		685	1,364	668	523	388
	Property, plant, and equipment turnover (Times)		132.08	22.93	17.99	21.28	29.97
	Total assets turnover (Times)		0.27	0.23	0.31	0.35	0.21
Profitability analysis	Return on total assets (%)		2.14	3.44	1.36	2.81	5.12
	Return on equity attributable to shareholders of the parent (%)		2.20	3.55	1.36	2.95	5.42
	Pre-tax income to paid-in capital (%)		5.83	10.07	4.17	8.86	33.70
	Net margin (%)		7.96	14.68	3.95	7.69	24.43
	Earnings per share (NT\$)		0.51	0.97	0.38	0.82	3.59
Cash flow	Cash flow ratio (%)		188.24	13.26	58.95	120.32	196.61
	Cash flow adequacy ratio (%)		(Note 3)	(Note 3)	22.31	34.42	64.39
	Cash flow reinvestment ratio (%)		4.74	0.58	7.20	14.08	6.87
Leverage	Operating leverage		1.17	1.66	2.10	2.2	2.19
	Financial leverage		1.00	1.00	1.03	1.02	1.01

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

1. The debt ratio decreased and the ratio of long-term funds to real estate, plant and equipment increased: mainly due to the increase in total assets and shareholders' equity due to issue new common shares by cash capital increase, resulting in a change in the ratio.
2. Increase in current ratio and quick ratio interest coverage ratio: mainly due to the increase in total assets due to issue new common shares by cash capital increase, resulting in a change in ratio.
3. Increase in interest coverage ratio: Mainly due to the increase in net profit before income tax and interest expense in 2021.
4. Decrease in turnover rate of payables: due to the increase in accounts payable at the end of the period, the turnover rate has increased.
5. Increased Average inventory turnover and decrease in average sales days: due to the decrease in inventory at the end of the period, so the average sales days decreased.
6. Increase in turnover rate of real estate, plant and equipment: The increase in turnover rate was mainly due to the increase in total sales revenue.
7. Decrease in total asset turnover rate: Mainly due to issue new common shares by cash capital increase so increase in total asset, the decrease in total asset turnover rate.
8. The return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share increase: due to the increase in net profit before tax in 2021.
9. Increase in cash flow ratio and cash flow fair ratio, cash reinvestment ratio: due to continuous profitability and operating cash inflows in recent years, the related cash flow ratio has increased.  
Increase in cash reinvestment ratio: due to issue new common shares by cash capital increase.

Note 1: The financial data of 2017~2021 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 2021 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 2022 Annual General Shareholders' Meeting

Andes Technology Corporation

Convenor of the Audit Committee: Chen-Kuo Yang

March 8<sup>th</sup>, 2022

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	2020	2021	Difference	
			Amount	%
Current Assets	977,101	4,495,000	3,517,899	360.03
Property, Plant and Equipment	22,793	24,531	1,738	7.63
Intangible Assets	290,441	380,110	89,669	30.87
Other Assets	112,568	129,558	16,990	15.09
Total Assets	1,402,903	5,029,199	3,626,296	258.49
Current Liabilities	115,183	175,135	59,952	52.05
Long-term Liabilities	0	0	0	0
Other Liabilities	92,331	82,755	(9,576)	(10.37)
Total Liabilities	207,514	257,890	50,376	24.28
Share Capital	426,509	506,509	80,000	18.76
Capital Surplus	728,972	4,096,056	3,367,084	461.89
Retained Earnings	41,553	171,590	130,037	312.94
Other Equity	(1,645)	(2,846)	(1,201)	(73.01)
Total Equity	1,195,389	4,771,309	3,575,920	299.14
1. Explanation for changes that exceed 20% and reached NT\$10 million in the past two years: <ol style="list-style-type: none"> <li>(1) Increase in current assets: mainly due to issue new common shares by cash capital increase in 2021.</li> <li>(2) Increase in intangible assets: due to continuous investment in Development costs.</li> <li>(3) Increase in current liabilities: Mainly due to the increase in the number of sales customers and contracts, the related maintenance amortization contract liabilities increased.</li> <li>(4) Increase in capital reserve: mainly due to issue new common shares by cash capital increase in 2021.</li> <li>(5) Increase in retained earnings: due to the profit growth in 2021.</li> </ol>				
2. If the impact is significant, the future response plan should be stated: Not applicable.				

## 2. Operating Results

Unit: NT\$ thousands

Item	Year	2020	2021	Difference	
				Amount	%
Net Sales		581,012	819,778	238,766	41.09
Operating Costs		1,183	1,471	288	24.34
Gross Profit		579,829	818,307	238,478	41.13
Operating Expenses		542,207	659,643	117,436	21.66
Operating Income		37,622	158,664	121,042	321.73
Non-Operating Income and Expenses		1,068	18,471	17,403	1629.49
Net Income before Income Tax		38,690	177,135	138,445	357.83
Income Tax Expense		3,548	15,470	11,922	336.02
Net Income		35,142	161,665	126,523	360.03
Other Comprehensive Income, net of tax		479	(1,201)	(1,680)	(350.73)
Total Comprehensive Income		35,621	160,464	124,843	350.48
1. Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:					
(1) Increase in operating income and operating gross profit: mainly due to the increase in sales in 2021, the operating income and gross profit increased.					
(2) Increase in operating expenses, operating benefits and pre-tax benefits: The increase in the number of employees has led to an increase in operating expenses. However, due to proper expense management and increased operating income, both operating benefits and pre-tax benefits have increased.					
(3) Increase in non-operating income and expenses: mainly due to the recovery of the re-sale of creditor's rights and the increase in foreign currency exchange benefits due to exchange rate changes.					
(4) Increase in income tax expense: mainly due to the increase in foreign withholding tax arising from the increase in income.					
2. Possible impact on the Company's future financial business and corresponding plan: Not applicable.					

## 3. Cash Flow Analysis

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

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Provided by operating Activities in 2021	Net Cash Outflows from Investing and Financing Activities in 2021	Impact of Foreign Exchange Ratio	Cash Balance Dec. 31, 2021	Leverage of Cash Deficit	
					Investment plan	Financing plan
526,682	311,303	3,168,754	(1,999)	4,004,740	-	-
Analysis of change in cash flow in the current year:						
(1) Operating activities: Net cash inflow of NT\$311,303 thousands, mainly from operating profits.						
(2) Investing activities: Net cash outflow of NT\$225,294 thousands, mainly due to acquisition of the intangible assets.						
(3) Financing activities: Net cash inflow of NT\$3,394,048 thousands, mainly due to cash capital increase.						
Remedial measures and liquidity analysis for insufficient cash: Not applicable.						

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, 2022 the Cash and cash equivalents still have net NT\$4,171,997 thousands. The Company has ample cash on-hand.

4. Major Capital Expenditure

None.

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

The Company's investments are long-term strategic investments. Investment gain from equity method investment in 2021 was NT\$38,926 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	2020	2021
Net Sales		581,012	819,778
Foreign Exchange Gains or Losses		(12,020)	640
Foreign Exchange Gains or Losses to Net Sales (%)		(2.07)	0.08

(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, 2021 and 2020 decreases/increases by NT\$32,567 thousands and NT\$2,095thousands. 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 (2.07%), and 0.08% 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 2021 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 2021 and up to date of this report.

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

The company's future research and development will continue to add new architecture definitions to AndeStar™ V5 in accordance with the extension instructions formulated by the RISC-V International. These include bit manipulation, security function architecture, code size reduction, encrypted instructions, new-generation instruction set, etc. The near-term plan of the 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 a series of 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. AndeSentry™ is a newly established architecture for security that includes Andes' own technology and the IPs of partners to meet the needs of different customers. In addition to enhancing the ACE (Andes Custom Extension) customer-defined acceleration instruction architecture and its development software COPILOT (Custom-Optimized Instruction development Tools), we will also start researching AI deep learning and acceleration-related applications in order to offer more help to our customers.

Most of our R&D expenditures belong to the salaries of the R&D personnel. We invested NT\$ 343,835 thousands and NT\$ 237,084 thousands in 2021 and 2020 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 in half year reports on information security and information security improvement measures on a quarterly basis, and regularly explains information security cases such as information security issues and phishing letters to all employees, and sends email notifications from time to time. All employees are notified about the prevention of malicious emails.

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

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

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

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

There are no changes in corporate image and impact on company's Crisis during 2021 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 2021 and up to date of this report.

6.8. Risks Associated with Facility Expansion

There is no any plan with Facility Expansion during 2021 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 (2021), 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.

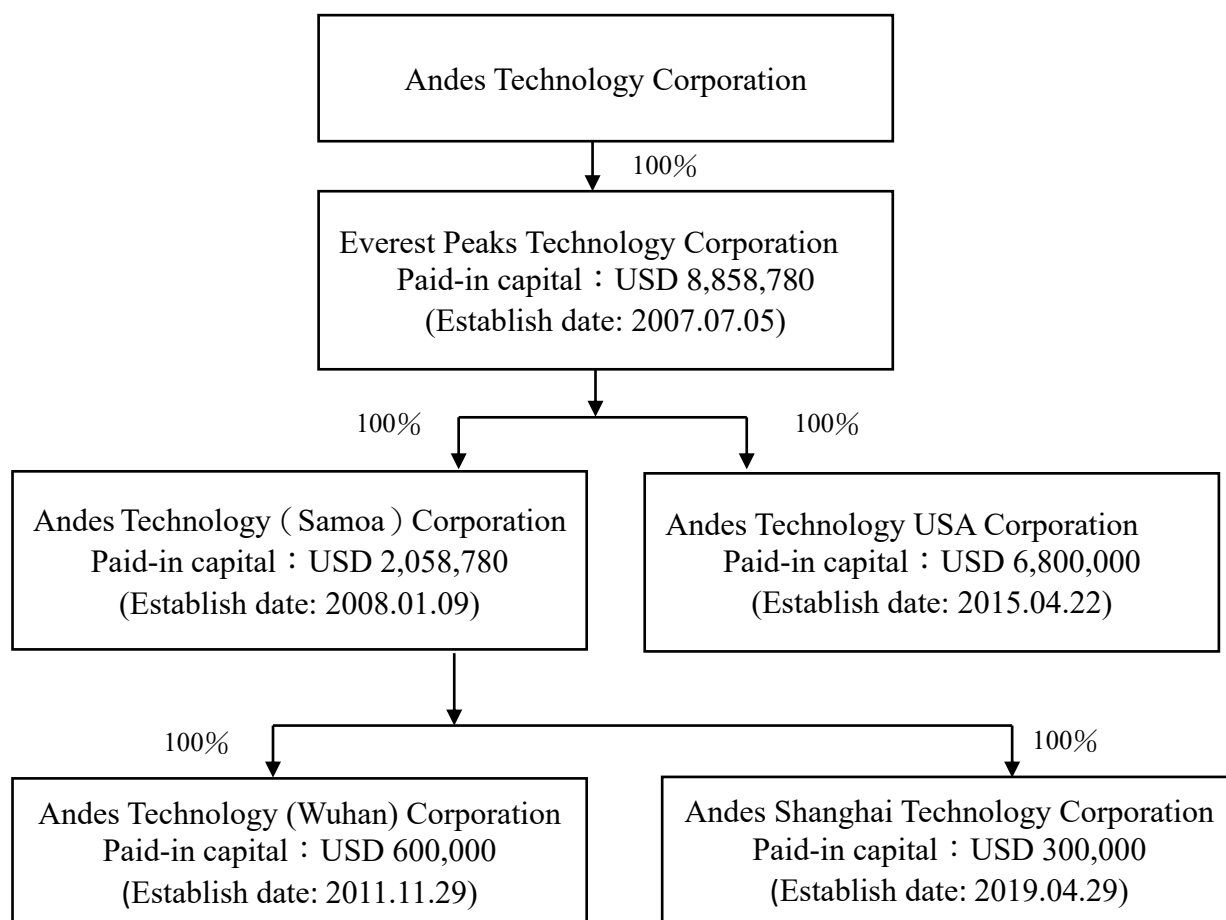
7. Other Material Events

None.

## VIII. Special Disclosure

### 1. Summary of Affiliated Companies

#### 1.1. The Company's Affiliated Companies Chart (December 31, 2021)



#### 1.2. The Company Affiliated Companies

December 31, 2021

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

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

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

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

December 31, 2021

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

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

### 1.6. Operation Highlights of the Company's Affiliated Companies

December 31, 2021 / Unit: NT\$ thousands

Company Name	Capital	Assets	Liabilities	Net Worth	Net Sales	Operating income (loss)	Income	EPS (NT\$)
Everest Peaks Technology Corporation	267,423	128,302	0	128,302	0	0	38,926	4.39
Andes Technology (Samoa) Corporation	64,450	63,797	0	63,797	0	0	23,557	11.44
Andes Technology USA Corporation	202,973	215,126	150,621	64,505	277,672	(1,870)	15,369	2.26
Andes Technology (Wuhan) Corporation	18,117	58,348	22,740	35,608	56,940	12,976	12,709	(Note)
Andes Shanghai Technology Corporation	9,258	59,535	31,530	28,185	75,718	15,747	10,848	(Note)

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

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



# Appendix

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

**ANDES TECHNOLOGY CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

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, 2021 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the Combined Financial Statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the consolidated financial statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the consolidated financial statements.

Very truly yours,

Andes Technology Corporation

Chairman: Jyh-Ming Lin

March 8, 2022

## **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, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Operating revenues recognized by the Group amounted to NT\$819,778 thousand for the year ended December 31, 2021. The Group provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Group recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

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

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

### An intangible asset arising from development costs

The Group devotes itself to developing and constructing a unique system architecture and contributes significant R&D efforts in development of embedded processor IPs and hardware/software developing platforms. Therefore, the Group determined to capitalize the expenditures during development phases of certain R&D projects. Net carrying value of intangible assets arising from development recognized by the Group was NT\$379,631 thousand as of December 31, 2021, NT\$211,956 thousand of which was recognized during the year. Both amounts are significant to the Group. In order to meet all of the capitalization criteria, the Group's management performed assessments on each individual project based on the internal and external information available, which involved management judgement and assumptions. Therefore, we considered this a key audit matter.

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

We also assessed the adequacy of disclosures of intangible assets. Please refer to Notes 4, 5 and 6 to the Group's consolidated financial statements.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 2021 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, 2021 and 2020.

Yang, Yu-Ni

Tu, Jia-Ling

Ernst & Young, Taiwan  
March 8, 2022

### Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or 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, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 4,004,740	79.63	\$ 526,682	37.54
Financial assets measured at amortized cost, current	4, 6(2)	180,000	3.58	180,000	12.83
Contract assets, current	4, 6(9), 6(10)	107,989	2.15	133,004	9.48
Trade receivables, net	4, 6(3), 6(10)	154,521	3.07	88,823	6.33
Trade receivables-related parties, net	4, 6(3), 6(10), 7	-	-	23,962	1.71
Other receivables		801	0.02	140	0.01
Inventories	4, 6(4)	1,135	0.02	1,999	0.14
Prepayments		45,814	0.91	22,491	1.60
Total current assets		<u>4,495,000</u>	<u>89.38</u>	<u>977,101</u>	<u>69.64</u>
<b>Non-current assets</b>					
Property, plant and equipment	4, 6(5)	24,531	0.49	22,793	1.62
Right-of-use assets	4, 6(11)	95,284	1.89	106,569	7.61
Intangible assets	4, 6(6)	380,110	7.56	290,441	20.70
Deferred tax assets	4, 6(15)	711	0.02	411	0.03
Refundable deposits		5,708	0.11	5,588	0.40
Other noncurrent assets - others		27,855	0.55	-	-
Total non-current assets		<u>534,199</u>	<u>10.62</u>	<u>425,802</u>	<u>30.36</u>
<b>Total assets</b>		<u><u>\$ 5,029,199</u></u>	<u><u>100.00</u></u>	<u><u>\$ 1,402,903</u></u>	<u><u>100.00</u></u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**As of December 31, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>December 31, 2021</b>	<b>%</b>	<b>December 31, 2020</b>	<b>%</b>
<b>Current liabilities</b>					
Contract liabilities, current	4, 6(9), 7	\$ 72,021	1.43	\$ 28,843	2.06
Trade payables		2,930	0.06	256	0.02
Other payables		80,142	1.59	63,469	4.52
Lease liabilities, current	4, 6(11)	13,961	0.28	17,083	1.22
Other current liabilities		6,081	0.12	5,532	0.39
Total current liabilities		175,135	3.48	115,183	8.21
<b>Non-current liabilities</b>					
Lease liabilities, noncurrent	4, 6(11)	82,755	1.65	92,331	6.58
Total non-current liabilities		82,755	1.65	92,331	6.58
Total liabilities		257,890	5.13	207,514	14.79
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(8)	506,509	10.07	426,509	30.40
Capital surplus	6(8)	4,096,056	81.45	728,972	51.96
Retained earnings	6(8)				
Legal reserve		8,906	0.18	5,392	0.39
Special reserve		1,019	0.02	1,019	0.07
Undistributed earnings		161,665	3.21	35,142	2.51
Total retained earnings		171,590	3.41	41,553	2.97
Other equity		(2,846)	(0.06)	(1,645)	(0.12)
Total equity		4,771,309	94.87	1,195,389	85.21
<b>Total liabilities and equity</b>		<b>\$ 5,029,199</b>	<b>100.00</b>	<b>\$ 1,402,903</b>	<b>100.00</b>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

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

**For the years ended December 31, 2021 and 2020**

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

Description	Notes	2021	%	2020	%
<b>Operating revenues</b>	4, 6(9), 7	\$ 819,778	100.00	\$ 581,012	100.00
<b>Operating costs</b>	6(4)	(1,471)	(0.18)	(1,183)	(0.20)
<b>Gross profit</b>		818,307	99.82	579,829	99.80
<b>Operating expenses</b>	6(10), 6(11), 6(12), 7				
Selling expenses		(230,775)	(28.15)	(194,810)	(33.53)
Administrative expenses		(85,034)	(10.37)	(73,345)	(12.62)
Research and development expenses		(343,835)	(41.94)	(237,084)	(40.81)
Expected credit gains (losses)		1	-	(36,968)	(6.36)
Total operating expenses		(659,643)	(80.46)	(542,207)	(93.32)
<b>Operating income</b>		158,664	19.36	37,622	6.48
<b>Non-operating income and expenses</b>	6(13)				
Interest income		4,233	0.52	3,269	0.56
Other income		19,516	2.38	13,886	2.39
Other gains and losses		(3,495)	(0.43)	(14,045)	(2.42)
Finance costs		(1,783)	(0.22)	(2,042)	(0.35)
Total non-operating income and expenses		18,471	2.25	1,068	0.18
<b>Net income before income tax</b>		177,135	21.61	38,690	6.66
<b>Income tax expense</b>	4, 6(15)	(15,470)	(1.89)	(3,548)	(0.61)
<b>Net income</b>		161,665	19.72	35,142	6.05
<b>Other comprehensive income (loss)</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		(1,501)	(0.18)	599	0.10
Income tax relating to those items to be reclassified to profit or loss		300	0.04	(120)	(0.02)
<b>Other comprehensive (loss) income, net of tax</b>		(1,201)	(0.14)	479	0.08
<b>Total comprehensive income</b>		\$ 160,464	19.58	\$ 35,621	6.13
<b>Net income attributable to :</b>					
Owners of the parent		\$ 161,665		\$ 35,142	
<b>Total comprehensive income attributable to :</b>					
Owners of the parent		\$ 160,464		\$ 35,621	
<b>Earnings per share (NTD)</b>	6(16)				
Basic Earnings Per Share		\$ 3.59		\$ 0.82	
Diluted Earnings Per Share		\$ 3.59		\$ 0.82	

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

## ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent						
	Capital	Capital surplus	Retained earnings			Other equity	Total equity
	Common stock		Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2020	\$ 426,509	\$ 728,972	\$ 3,790	\$ 1,105	\$ 16,023	\$ (2,124)	\$ 1,174,275
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	426,509	728,972	5,392	1,019	35,142	(1,645)	1,195,389
Balance as of January 1, 2021	\$ 426,509	\$ 728,972	\$ 5,392	\$ 1,019	\$ 35,142	\$ (1,645)	\$ 1,195,389
Appropriation and distribution of 2020 retained earnings							
Legal reserve	-	-	3,514	-	(3,514)	-	-
Cash dividends	-	-	-	-	(31,628)	-	(31,628)
Net income for the year ended December 31, 2021	-	-	-	-	161,665	-	161,665
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(1,201)	(1,201)
Total comprehensive income (loss)	-	-	-	-	161,665	(1,201)	160,464
Issuance of common stock for cash	80,000	3,367,084	-	-	-	-	3,447,084
Balance as of December 31, 2021	\$ 506,509	\$ 4,096,056	\$ 8,906	\$ 1,019	\$ 161,665	\$ (2,846)	\$ 4,771,309

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

## ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020
<b>Cash flows from operating activities :</b>		
Net income before income tax	\$ 177,135	\$ 38,690
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	25,056	24,398
Amortization	122,607	77,464
Expected credit (gains) losses	(1)	36,968
Interest expense	1,783	2,042
Interest income	(4,233)	(3,269)
Changes in operating assets and liabilities:		
Contract assets	25,015	(45,893)
Trade receivables	(65,146)	(9,139)
Trade receivables - related parties	23,962	(23,962)
Other receivables	(77)	43
Inventories	864	(391)
Prepayments	(23,323)	3,840
Other noncurrent assets	(24,066)	-
Contract liabilities	43,178	(8,880)
Trade payables	2,674	227
Other payables	17,147	15,046
Other current liabilities	549	3,234
Cash generated from operating activities	323,124	110,418
Interest received	3,852	3,327
Income tax paid	(15,673)	(3,559)
Net cash provided by operating activities	311,303	110,186
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets measured at amortized cost	(180,000)	(180,000)
Proceeds from disposal of financial assets measured at amortized cost	180,000	325,500
Acquisition of property, plant and equipment	(9,088)	(3,301)
Increase in refundable deposits	(260)	(79)
Decrease in refundable deposits	119	55
Acquisition of intangible assets	(212,276)	(162,862)
Increase in other noncurrent assets	(3,789)	-
Net cash used in investing activities	(225,294)	(20,687)
<b>Cash flows from financing activities :</b>		
Issuance of common stock for cash	3,447,084	-
Cash payments for the principal portion of the lease liabilities	(19,625)	(17,520)
Cash dividends	(31,628)	(14,507)
Interest paid	(1,783)	(2,042)
Net cash provided by (used in) financing activities	3,394,048	(34,069)
Effect of changes in exchange rate on cash and cash equivalents	(1,999)	(622)
Net increase in cash and cash equivalents	3,478,058	54,808
Cash and cash equivalents at the beginning of the year	526,682	471,874
Cash and cash equivalents at the end of the year	\$ 4,004,740	\$ 526,682

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

1. History, Organization and Operation

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

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

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

The consolidated financial statements of Andes Technology Corporation and its Subsidiaries (“the Group”) were authorized for issue in accordance with a resolution of the board meeting on March 8, 2022.

3. Newly Issued or Revised Standards and Interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2021. The adoption of the new standards and amendments had no material impact on the Group.

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	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

- (a) 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.



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

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

**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.

*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.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2022 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
b	IFRS 17 "Insurance Contracts"	January 1, 2023

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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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	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.

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(b) IFRS 17 “Insurance Contracts”

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

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

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

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

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

(d) 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.

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(e) 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.

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

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

The abovementioned 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, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission.

(2) Basis of preparation

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

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(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.

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.

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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, 2021	December 31, 2020
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 Techn4ology USA Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	100%	100%

(4) Foreign currency transactions

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

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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.

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.

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(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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



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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.

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:

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

*Financial assets measured at amortized cost*

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

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

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

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

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

**B. Impairment of financial assets**

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

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

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

The loss allowance is measured as follows:

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

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

**C. Derecognition of financial assets**

A financial asset is derecognized when:

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

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(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.

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

(10) Inventories

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

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

Raw materials – valued at purchase cost

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

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

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

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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 Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, Plant and Equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

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

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

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

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(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.

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:



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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 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.

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.

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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.

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 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 follows:

Computer software	3 years
Technologies	3 years

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

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

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(14) Impairment of non-financial assets

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

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

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

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

(15) Revenue recognition

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

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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.

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.

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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, 2021	December 31, 2020
Petty cash	\$20	\$20
Checking and savings accounts	247,212	135,891
Time deposits	3,151,180	217,100
Reverse repurchase agreements-corporate bonds	606,328	173,671
Total	<u>\$4,004,740</u>	<u>\$526,682</u>

(2) Financial assets measured at amortized cost, current

	December 31, 2021	December 31, 2020
Time deposits	<u>\$180,000</u>	<u>\$180,000</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, 2021	December 31, 2020
Trade receivables	\$161,077	\$130,866
Less: allowance	(6,556)	(42,043)
Subtotal	154,521	88,823
Trade receivables-related parties	-	23,962
Less: allowance	-	-
Subtotal	-	23,962
Total	<u>\$154,521</u>	<u>\$112,785</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, 2021 and 2020. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2021	December 31, 2020
Finished goods	\$718	\$1,327
Raw materials	417	672
Total	<u>\$1,135</u>	<u>\$1,999</u>

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

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. The reversal of inventory write-downs was resulting from the sales of excess and obsolete inventories.

Inventories were not pledged.

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(5) Property, plant and equipment

			December 31, 2021	December 31, 2020	
Owner occupied property, plant and equipment			\$24,531	\$22,793	
	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2021	\$8,074	\$3,754	\$8,060	\$15,382	\$35,270
Additions	1,849	4,647	599	1,519	8,614
Disposals	(873)	-	(1,275)	-	(2,148)
Exchange differences	-	-	(69)	(3)	(72)
As of December 31, 2021	\$9,050	\$8,401	\$7,315	\$16,898	\$41,664
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	\$8,074	\$3,754	\$8,060	\$15,382	\$35,270
Depreciation and impairment:					
As of January 1, 2021	\$3,706	\$711	\$4,538	\$3,522	\$12,477
Depreciation	2,162	1,461	1,609	1,605	6,837
Disposals	(873)	-	(1,275)	-	(2,148)
Exchange differences	-	-	(31)	(2)	(33)
As of December 31, 2021	\$4,995	\$2,172	\$4,841	\$5,125	\$17,133
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	\$3,706	\$711	\$4,538	\$3,522	\$12,477

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	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Net carrying amount as of:					
December 31, 2021	\$4,055	\$6,229	\$2,474	\$11,773	\$24,531
December 31, 2020	\$4,368	\$3,043	\$3,522	\$11,860	\$22,793

Property, plant and equipment were not pledged.

(6) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2021	\$151,923	\$278,043	\$1,572	\$431,538
Additions-internally generated	211,956	-	-	211,956
Additions-acquired separately	-	-	320	320
Disposals	-	-	(997)	(997)
Transfers	(253,745)	253,745	-	-
As of December 31, 2021	\$110,134	\$531,788	\$895	\$642,817
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	\$151,923	\$278,043	\$1,572	\$431,538

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	Development costs	Technologies	Computer software	Total
Amortization and impairment:				
As of January 1, 2021	\$-	\$139,983	\$1,114	\$141,097
Amortization	-	122,308	299	122,607
Disposals	-	-	(997)	(997)
As of December 31, 2021	\$-	\$262,291	\$416	\$262,707
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
Net carrying amount as of:				
December 31, 2021	\$110,134	\$269,497	\$479	\$380,110
December 31, 2020	\$151,923	\$138,060	\$458	\$290,441

The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2021	2020
Selling expenses	\$-	\$36
Administrative expenses	\$268	\$335
Research and development expenses	\$122,339	\$77,093

(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, 2021 and 2020 were NT\$17,561 thousand and NT\$13,951 thousand, respectively.

(8) Equity

A. Common stock

ANDES' authorized capital as of December 31, 2021 and 2020 was NT\$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT\$10. ANDES' issued capital was NT\$506,509 thousand and NT\$426,509 thousand divided into 50,651 thousand shares and 42,651 thousand shares as of December 31, 2021 and 2020, respectively. Each share has one voting right and a right to receive dividends.

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

B. Capital surplus

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$4,094,282	\$727,198
Employee stock options	1,774	1,774
Total	<u>\$4,096,056</u>	<u>\$728,972</u>

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

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

**C. Retained earnings and dividend policies**

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

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

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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 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 8, 2022 and the shareholders' meeting on July 7, 2021, respectively, are as follows:

	Appropriation of earnings (in thousand NT dollars)		Dividends per share (NT dollars)	
	2021	2020	2021	2020
Legal reserve	\$16,166	\$3,514	-	-
Special reserve	1,201	-	-	-
Cash dividends (Note)	144,298	31,628	\$2.84887117	\$0.741546

Note: According to the authorization by Andes' Articles of Incorporation, the board of directors passed a special resolution to distribute cash dividends on March 8, 2022 and March 3, 2021 for the 2021 and 2020 earnings distribution, respectively.

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



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(9) Operating revenues

	For the year ended December 31, 2021	Percent of total revenues (%)	For the year ended December 31, 2020	Percent of total revenues (%)
Revenue from contracts with customers				
Licensing of CPU IP	\$490,340	60	\$311,148	54
Royalty revenues	233,676	29	158,792	27
Maintenance services	67,568	8	44,753	8
Custom computing service	24,537	3	63,389	11
Others	3,657	-	2,930	-
Total	<u>\$819,778</u>	<u>100</u>	<u>\$581,012</u>	<u>100</u>

Analysis of revenues from contracts with customers for the years ended December 31, 2021 and 2020 is as follows:

A. Disaggregation of revenues

	For the years ended December 31,	
	2021	2020
Timing of revenue recognition:		
At a point in time	\$752,210	\$536,259
Over time	67,568	44,753
Total	<u>\$819,778</u>	<u>\$581,012</u>

B. Contract balances

(a) Contract assets, current

	December 31, 2021	December 31, 2020	January 1, 2020
Licensing of CPU IP	<u>\$107,989</u>	<u>\$133,004</u>	<u>\$87,111</u>

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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\$133,004 thousand and NT\$73,845 thousand of the beginning balance of contract assets to trade receivables during 2021 and 2020, respectively. Please refer to Note 6(10) for related impairment.

(b) Contract liabilities, current

	December 31, 2021	December 31, 2020	January 1, 2020
Maintenance services	\$58,627	\$26,611	\$33,407
Licensing of CPU IP	11,683	-	2,412
Deductions	1,711	2,232	1,904
Total	<u>\$72,021</u>	<u>\$28,843</u>	<u>\$37,723</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
Revenue recognized during the period that was included in the beginning balance	<u>\$(24,024)</u>	<u>\$(34,175)</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$67,072</u>	<u>\$25,167</u>

(10) Expected credit losses (gains)

	For the years ended December 31,	
	2021	2020
Operating expenses – expected credit (gains) losses		
Trade receivables	<u>\$(1)</u>	<u>\$36,968</u>

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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 of December 31, 2021 and 2020 is as follows:

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

December 31, 2021

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$111,346	\$-	\$-	\$-	\$-	\$-	\$111,346
Loss ratio	-%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	\$111,346	\$-	\$-	\$-	\$-	\$-	\$111,346
	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
Gross carrying amount	\$138,231	\$3,292	\$2,318	\$8,360	\$3,858	\$1,661	\$157,720
Loss ratio	-%	3%	13%	33%	45%	100%	
Lifetime expected credit losses	-	(99)	(301)	(2,759)	(1,736)	(1,661)	(6,556)
Subtotal	\$138,231	\$3,193	\$2,017	\$5,601	\$2,122	\$-	\$151,164
Carrying amount of contract assets and receivables							<u>\$262,510</u>

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December 31, 2020

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
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

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
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)							<u>\$245,789</u>

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

	Contract assets	Trade receivables
As of January 1, 2021	\$-	\$42,043
Reversal for the current period	-	(1)
Write off (Note)	-	(34,935)
Effect of changes in exchange rate	-	(551)
As of December 31, 2021	<u>\$-</u>	<u>\$6,556</u>
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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Note: For the year ended December 31, 2021, the amount written off by the Group includes the unpaid amount due to bankruptcy of customers. Subsequently, the Group sold the creditor's claim and collected NT\$16,095 thousand, which was accounted as non-operating income and expenses - other income.

(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

	December 31, 2021	December 31, 2020
Buildings	\$95,284	\$106,569

For the years ended December 31, 2021 and 2020, the Group's addition to right-of-use assets amounted to NT\$6,987 and nil, respectively.

II. Lease liabilities

	December 31, 2021	December 31, 2020
Lease liabilities	\$96,716	\$109,414
Current	\$13,961	\$17,083
Non-current	\$82,755	\$92,331

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Please refer to Note 6(13)D for the interest on lease liabilities recognized for the years ended December 31, 2021 and 2020, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended	
	December 31,	
	2021	2020
Buildings	\$18,219	\$18,368

(c) Income and costs relating to leasing activities

	For the years ended	
	December 31,	
	2021	2020
The expenses relating to short-term leases	\$1,107	\$1,029
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	\$379	\$278

(d) Cash outflows relating to leasing activities

For the years ended December 31, 2021 and 2020, the Group's total cash outflows for leases amounted to NT\$22,894 thousand and NT\$20,869 thousand, respectively.

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

	For the years ended December 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$308,597	\$308,597	\$-	\$231,723	\$231,723
Labor and health insurance	-	30,417	30,417	-	24,407	24,407
Pension	-	17,561	17,561	-	13,951	13,951
Others	-	2,938	2,938	-	1,280	1,280
Depreciation	-	25,056	25,056	-	24,398	24,398
Amortization	-	122,607	122,607	-	77,464	77,464

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

ANDES based on the profit to accrue the employees' compensation and remuneration to directors. Differences between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors are recognized in profit or loss of the subsequent year. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. Based on the profit for the year ended December 31, 2021, ANDES estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2021 to be 7% and 0.99% of profit for the year ended December 31, 2021. As such, employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$12,985 thousand and NT\$1,836 thousand, respectively, recognized as salary expenses.

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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 0.99% 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, recognized as salary expenses.

The estimated amounts NT\$12,985 thousand and NT\$1,836 thousand of the employee compensation and remuneration to directors for the year ended December 31, 2021 were no material differences with the resolutions of the Board of Directors meeting held on March 8, 2022.

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 no material differences 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, 2020.

(13) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$4,233	\$3,269

B. Other income

	For the years ended December 31,	
	2021	2020
Government grants	\$138	\$12,345
Others	19,378	1,541
	(Note)	
Total	\$19,516	\$13,886

Note: Mainly from the sale of creditor's claim, please refer to Note 6(10).



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C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Foreign exchange gains (losses), net	\$640	\$(12,020)
Others	(4,135)	(2,025)
Total	<u>\$(3,495)</u>	<u>\$(14,045)</u>

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expenses on lease liabilities	<u>\$(1,783)</u>	<u>\$(2,042)</u>

(14) Components of other comprehensive income

For the year ended December 31, 2021:

	Reclassification	Other	Other
	Arising	adjustments	comprehensive
	during	during the	income,
	the period	period	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	<u>\$(1,501)</u>	<u>\$-</u>	<u>\$(1,501)</u>
			<u>\$300</u>
			<u>\$(1,201)</u>

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For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	\$599	\$-	\$599	\$(120)	\$479

(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,	
	2021	2020
Current income tax expenses:		
Current income tax charge	\$15,470	\$3,548

Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax income (expense):		
Exchange differences resulting from translating the financial statements of foreign operations	\$300	\$(120)

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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,	
	2021	2020
Accounting profit before tax from continuing operations	\$177,135	\$38,690
At ANDES's statutory income tax rate	\$35,427	\$7,738
Tax effect of expenses not deductible for tax purpose	1,541	862
Recognition of tax losses or temporary differences of prior periods not recognized	(35,677)	(8,423)
Recognition of different tax rates applicable to entities operating in other taxation region	5,165	740
Foreign taxes have been paid in the source country	9,014	2,631
Income tax expense recognized in profit or loss	\$15,470	\$3,548

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2021

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

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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)/income		\$-	\$(120)	
Net deferred tax assets (liabilities)	\$531			\$411
Reflected in balance sheet as follows:				
Deferred tax assets	\$531			\$411
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	Unutilized accumulated losses		Expiration year
			December 31, 2021	December 31, 2020	
ANDES	2010	\$119,980	\$-	\$26,637	2020
	2011	114,257	-	114,257	2021
	2012	88,644	86,490	88,644	2022
	2013	87,983	87,983	87,983	2023
	2016	18,406	18,406	18,406	2026
	Total		\$192,879	\$335,927	

As of December 31, 2021 and 2020, the subsidiaries' unused tax losses at their respective jurisdictions were NT\$122,891 thousand and NT\$111,328 thousand, respectively.

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, the Group's unrecognized deferred tax assets were NT\$66,389 thousand and NT\$107,393 thousand, respectively.

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The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of ANDES and its subsidiaries are as follows:

	<u>The assessment of income tax returns</u>
ANDES	Assessed and approved up to 2019
Subsidiary - Andes Technology (Wuhan) Corporation	Filed up to 2020
Subsidiary - Andes Shanghai Technology Corporation	Filed up to 2020
Subsidiary - Andes Technology USA Corporation	Filed up to 2020

(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,	
	2021	2020
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$161,665	\$35,142
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	45,062	42,651
Basic earnings per share (NT\$)	\$3.59	\$0.82

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	For the years ended December 31,	
	2021	2020
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$161,665	\$35,142
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	45,062	42,651
Effect of dilution:		
Employees' compensation-stock (in thousands)	25	9
Weighted average number of ordinary shares outstanding after dilution (in thousands)	45,087	42,660
Diluted earnings per share (NT\$)	\$3.59	\$0.82

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

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

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

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(1) Operating revenues

	For the years ended December 31,	
	2021	2020
MediaTek Inc.	\$33,634	\$33,577
MediaTek Singapore Pte. Ltd.	503	508
Total	<u>\$34,137</u>	<u>\$34,085</u>

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

(2) Trade receivables - related parties

	December 31, 2021	December 31, 2020
MediaTek Inc.	<u>\$-</u>	<u>\$23,962</u>

(3) Contract liabilities, current

	December 31, 2021	December 31, 2020
MediaTek Inc.	<u>\$-</u>	<u>\$3,593</u>

(4) Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$26,256	\$22,253
Post-employment benefits	495	540
Total	<u>\$26,751</u>	<u>\$22,793</u>

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8. Assets Pledged as Collateral

None

9. Significant Contingencies and Unrecognized Contractual Commitments

None

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2021	December 31, 2020
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	\$ 4,004,720	\$526,662
Financial assets measured at amortized cost	180,000	180,000
Trade receivables(including related parties)	154,521	112,785
Other receivables	801	140
Refundable deposits	5,708	5,588
Total	<u>\$ 4,345,750</u>	<u>\$825,175</u>



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Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities at amortized cost:		
Trade payables	\$2,930	\$256
Other payables	80,142	63,649
Lease liabilities	96,716	109,414
Total	<u>\$179,788</u>	<u>\$173,139</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.

(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.

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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, 2021 and 2020 decreases/increases by NT\$32,567 thousand and NT\$2,095 thousand, respectively.

Interest rate risk

The carrying amounts of the Group's financial assets with exposure to interest rates at the end of the year were as follows:

	December 31, 2021	December 31, 2020
Financial assets with fair value interest rate risk	\$3,331,180	\$397,100

Sensitivity analysis

The Group's financial assets with fair value interest rate risk is time deposits, and time deposits at fixed interest rate, no sensitivity analysis due to the changes in interest rate of this financial instruments do not result in fluctuations in future cash flow.

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(4) Credit risk management

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

Credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to credit risk management. Credit limits are 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, 2021 and 2020, receivables from top ten customers represented 41.16% and 57.98% 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.

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

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Level of credit risk	Indicator	Measurement method for expected credit losses	Total carrying amount as at	
			December 31, 2021	December 31, 2020
Low credit risk	Financial institutions with good credit rating	12-month expected credit losses	\$180,000	\$180,000
Simplified approach (Note)		Lifetime expected credit losses	\$262,510	\$245,789

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	more than 5 years	Total
December 31, 2021					
Trade payables	\$2,930	\$-	\$-	\$-	\$2,930
Other payables	80,142	-	-	-	80,142
Lease liabilities	15,534	33,683	29,588	22,863	101,668
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

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(6) Reconciliation of liabilities from financing activities

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

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

Reconciliation of liabilities for the year ended 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>

(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.

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(8) Significant assets and liabilities denominated in foreign currencies

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

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

Foreign currencies of entities of the Group varied. Accordingly, the Group is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains (losses) were NT\$640 thousand and NT\$(12,020) thousand for the years ended December 31, 2021 and 2020, respectively.

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(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, 2021: None.
- (b) Endorsement/guarantee provided to others for the year ended December 31, 2021: None.
- (c) Securities held as of December 31, 2021 (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, 2021: 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, 2021: 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, 2021: 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, 2021: Please refer to Attachment 1.

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- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2021: None.
- (i) Trading in derivative instruments: None.
- (j) Others: The business relationship between the parent and the subsidiaries and between each subsidiaries, and the circumstances and amounts of any significant transactions between them: Please refer to Attachment 4.

(2) Information on investees

Information of investees over which the Company has direct or indirect significant influence or control: Please refer to Attachment 2.

(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 3.
- (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 4.

(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 5.



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

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

14. Segment Information

(1) General information

The major operating revenues of the Group come from designing and selling CPU IP. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated and evaluates the overall performance. Therefore, the Group is aggregated into a single segment.

(2) Geographical information

A. Revenue from external customers

	For the years ended December 31,	
	2021	2020
Taiwan	\$276,994	\$248,466
Mainland China	283,567	144,317
United States	206,051	154,525
Others	53,166	33,704
Total	<u>\$819,778</u>	<u>\$581,012</u>

Revenues are presented by customers' country.

B. Non-current assets

	December 31, 2021	December 31, 2020
Taiwan	\$521,411	\$414,514
Mainland China	2,337	906
United States	4,032	4,383
Total	<u>\$527,780</u>	<u>\$419,803</u>

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

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

C. The major customer

The information for individual customer accounting for more than 10% of net sales for the years ended December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
Customer A	\$130,277	\$127,616
Customer B	Note	76,138
Customer C	Note	62,581
Total	<u>\$130,277</u>	<u>\$266,335</u>

Note: Revenue from individual customer was less than 10% of consolidated revenues.

ATTACHMENT 1 :Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2021  
(Amounts in Thousands of New Taiwan Dollars)

Company name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and Trade receivables (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
ANDES	Andes Technology USA Corporation	Subsidiary	Sales	\$ 116,926	17.67%	Net 60 days	-	-	\$ 89,255	40.06%	-

ATTACHMENT 2 : 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, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
ANDES	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	\$267,423	\$210,863	8,858,780	100%	\$128,302	\$38,926	\$38,926	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	\$64,450	\$64,450	2,058,780	100%	\$63,797	\$23,557	\$23,557	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	\$202,973	\$146,413	6,800,000	100%	\$64,505	\$15,369	\$15,369	(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 3 : 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	\$18,117	(ii)Andes Technology (Samoa) Corporation	\$18,117	\$-	\$-	\$18,117	\$12,709	100%	\$12,709 (ii)	\$35,608	\$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	\$9,258	(ii)Andes Technology (Samoa) Corporation	\$9,258	\$-	\$-	\$9,258	\$10,848	100%	\$10,848 (ii)	\$28,185	\$-

Accumulated investment in Mainland China as of December 31, 2021 (Note 3)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment
\$27,375 (USD900,000)	\$24,912 (USD900,000)	\$2,862,785

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, 2021.

ATTACHMENT 4 : 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	\$10,181	Net 60 days	0.20%
				Contract assets	\$8,436	According to the contract terms	0.17%
				Sales	\$34,876	Net 60 days	4.25%
				Contract liabilities, current	\$2,889	According to the contract terms	0.06%
		Andes Technology USA Corporation	1	Trade receivables-related parties	\$89,255	Net 60 days	1.77%
				Sales	\$116,926	Net 60 days	14.26%
				Contract liabilities, current	\$16,819	According to the contract terms	0.33%
				R&D design fees	\$54,631	According to the contract terms	6.66%
				Other payables	\$9,294	According to the contract terms	0.18%
		Andes Shanghai Technology Corporation	1	Trade receivables-related parties	\$6,564	Net 60 days	0.13%
				Contract assets	\$18,542	According to the contract terms	0.37%
				Sales	\$45,975	Net 60 days	5.61%
				Contract liabilities, current	\$2,250	According to the contract terms	0.04%

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 5 : THE INFORMATION OF MAJOR SHAREHOLDERS

Name of major shareholders	Number of shares held (shares)	Percentage of ownership
MediaTek Capital Co.	5,657,324	11.16%
Shui-Cheng, Tu	3,962,000	7.82%
National Development Fund, Executive Yuan	2,979,237	5.88%

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

**ANDES TECHNOLOGY CORPORATION  
PARENT COMPANY ONLY  
FINANCIAL STATEMENTS  
WITH  
REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Operation revenues recognized by the Company amounted to NT\$611,738 thousand for the year ended December 31, 2021. The Company provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Company recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

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

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

### An intangible asset arising from development costs

The Company devotes itself to developing and constructing a unique system architecture and contributes significant R&D efforts in development of embedded processor IPs and hardware/software developing platforms. Therefore, the Company determined to capitalize the expenditures during development phases of certain R&D projects. Net carrying value of intangible assets arising from development recognized by the Company was NT\$379,631 thousand as of December 31, 2021, NT\$211,956 thousand of which was recognized during the year. Both amounts are significant to the Company. In order to meet all of the capitalization criteria, the Company's management performed assessments on each individual project based on the internal and external information available, which involved management judgement and assumptions. Therefore, we considered this a key audit matter.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yang, Yu-Ni

Tu, Jia-Ling

Ernst & Young, Taiwan  
March 8, 2022

#### Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or 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, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

<b>ASSETS</b>	Notes	December 31, 2021	%	December 31, 2020	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 3,828,580	76.77	\$ 443,555	32.18
Financial assets measured at amortized cost, current	4, 6(2)	180,000	3.61	180,000	13.06
Contract assets, current	4, 6(10), 6(11), 7	59,584	1.19	75,100	5.45
Trade receivables, net	4, 6(3), 6(11)	114,831	2.30	83,647	6.07
Trade receivables-related parties, net	4, 6(3), 6(11), 7	106,000	2.13	118,472	8.59
Other receivables		693	0.01	109	0.01
Inventories	4, 6(4)	1,135	0.02	1,999	0.15
Prepayments		41,400	0.83	21,570	1.56
Total current assets		<u>4,332,223</u>	<u>86.86</u>	<u>924,452</u>	<u>67.07</u>
<b>Non-current assets</b>					
Investments accounted for using the equity method	4, 6(5)	128,302	2.57	34,317	2.49
Property, plant and equipment	4, 6(6)	22,932	0.46	21,233	1.54
Right-of-use assets	4, 6(12)	90,515	1.81	102,840	7.46
Intangible assets	4, 6(7)	380,110	7.62	290,441	21.07
Deferred tax assets	4, 6(16)	711	0.02	411	0.03
Refundable deposits		4,700	0.10	4,692	0.34
Other noncurrent assets - others		27,861	0.56	-	-
Total non-current assets		<u>655,131</u>	<u>13.14</u>	<u>453,934</u>	<u>32.93</u>
<b>Total assets</b>		<u>\$ 4,987,354</u>	<u>100.00</u>	<u>\$ 1,378,386</u>	<u>100.00</u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

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

**As of December 31, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2021	%	December 31, 2020	%
<b>Current liabilities</b>					
Contract liabilities, current	4, 6(10), 7	\$ 54,224	1.09	\$ 22,822	1.66
Trade payables		112	-	256	0.02
Other payables	7	63,713	1.28	48,894	3.55
Lease liabilities, current	4, 6(12)	12,042	0.24	13,283	0.96
Other current liabilities		6,081	0.12	5,532	0.40
Total current liabilities		136,172	2.73	90,787	6.59
<b>Non-current liabilities</b>					
Lease liabilities, noncurrent	4, 6(12)	79,873	1.60	92,210	6.69
Total non-current liabilities		79,873	1.60	92,210	6.69
Total liabilities		216,045	4.33	182,997	13.28
<b>Equity attributable to owners of the parent</b>					
Capital					
Common stock	6(9)	506,509	10.16	426,509	30.94
Capital surplus	6(9)	4,096,056	82.13	728,972	52.89
Retained earnings	6(9)				
Legal reserve		8,906	0.18	5,392	0.39
Special reserve		1,019	0.02	1,019	0.07
Undistributed earnings		161,665	3.24	35,142	2.55
Total retained earnings		171,590	3.44	41,553	3.01
Other equity		(2,846)	(0.06)	(1,645)	(0.12)
Total equity		4,771,309	95.67	1,195,389	86.72
<b>Total liabilities and equity</b>		<u>\$ 4,987,354</u>	<u>100.00</u>	<u>\$ 1,378,386</u>	<u>100.00</u>

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou



## ANDES TECHNOLOGY CORPORATION

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

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

Description	Notes	2021	%	2020	%
<b>Operating revenues</b>	4, 6(10), 7	\$ 661,738	100.00	\$ 456,724	100.00
<b>Operating costs</b>	6(4)	(1,471)	(0.22)	(1,183)	(0.26)
<b>Gross profit</b>		660,267	99.78	455,541	99.74
<b>Operating expenses</b>	6(11), 6(12), 6(13), 7				
Selling expenses		(109,942)	(16.62)	(96,721)	(21.18)
Administrative expenses		(80,660)	(12.19)	(66,367)	(14.53)
Research and development expenses		(347,339)	(52.49)	(202,248)	(44.28)
Expected credit losses		(402)	(0.06)	(8,177)	(1.79)
Total operating expenses		(538,343)	(81.36)	(373,513)	(81.78)
<b>Operating income</b>		121,924	18.42	82,028	17.96
<b>Non-operating income and expenses</b>	6(14)				
Interest income		4,025	0.61	3,148	0.69
Other income		9,185	1.39	13,771	3.01
Other gains and losses		(1,700)	(0.26)	(13,750)	(3.01)
Finance costs		(1,681)	(0.25)	(1,892)	(0.41)
Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method		38,926	5.88	(45,500)	(9.96)
Total non-operating income and expenses		48,755	7.37	(44,223)	(9.68)
<b>Net income before income tax</b>		170,679	25.79	37,805	8.28
<b>Income tax expense</b>	4, 6(16)	(9,014)	(1.36)	(2,663)	(0.58)
<b>Net income</b>		161,665	24.43	35,142	7.70
<b>Other comprehensive income (loss)</b>	6(15), 6(16)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		(1,501)	(0.23)	599	0.13
Income tax relating to those items to be reclassified to profit or loss		300	0.05	(120)	(0.03)
<b>Other comprehensive (loss) income, net of tax</b>		(1,201)	(0.18)	479	0.10
<b>Total comprehensive income</b>		\$ 160,464	24.25	\$ 35,621	7.80
<b>Earnings per share (NTD)</b>	6(17)				
Basic Earnings Per Share		\$ 3.59		\$ 0.82	
Diluted Earnings Per Share		\$ 3.59		\$ 0.82	

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

	Capital	Capital surplus	Retained earnings			Other equity	Total equity
	Common stock		Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2020	\$ 426,509	\$ 728,972	\$ 3,790	\$ 1,105	\$ 16,023	\$ (2,124)	\$ 1,174,275
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	426,509	728,972	5,392	1,019	35,142	(1,645)	1,195,389
Balance as of January 1, 2021	\$ 426,509	\$ 728,972	\$ 5,392	\$ 1,019	\$ 35,142	\$ (1,645)	\$ 1,195,389
Appropriation and distribution of 2020 retained earnings							
Legal reserve	-	-	3,514	-	(3,514)	-	-
Cash dividends	-	-	-	-	(31,628)	-	(31,628)
Net income for the year ended December 31, 2021	-	-	-	-	161,665	-	161,665
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(1,201)	(1,201)
Total comprehensive income (loss)	-	-	-	-	161,665	(1,201)	160,464
Issuance of common stock for cash	80,000	3,367,084	-	-	-	-	3,447,084
Balance as of December 31, 2021	\$ 506,509	\$ 4,096,056	\$ 8,906	\$ 1,019	\$ 161,665	\$ (2,846)	\$ 4,771,309

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

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

**For the years ended December 31, 2021 and 2020**

(Amounts in thousands of New Taiwan Dollars)

Description	2021	2020
<b>Cash flows from operating activities :</b>		
Net income before income tax	\$ 170,679	\$ 37,805
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	20,422	19,461
Amortization	122,607	77,464
Expected credit losses	402	8,177
Interest expense	1,681	1,892
Interest income	(4,025)	(3,148)
Share of loss of subsidiaries, associates, and joint ventures accounted for using the equity method	(38,926)	45,500
Changes in operating assets and liabilities:		
Contract assets	15,516	(1,748)
Trade receivables	(31,586)	(17,527)
Trade receivables - related parties	12,472	(67,553)
Other receivables	-	31
Inventories	864	(391)
Prepayments	(19,830)	(3,800)
Other noncurrent assets - others	(24,072)	-
Contract liabilities	31,402	8
Trade payables	(144)	227
Other payables	15,293	9,069
Other current liabilities	549	3,234
Cash generated from operating activities	273,304	108,701
Interest received	3,644	3,206
Income tax paid	(9,217)	(2,674)
Net cash provided by operating activities	267,731	109,233
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets measured at amortized cost	180,000	(180,000)
Proceeds from disposal of financial assets measured at amortized cost	(180,000)	325,500
Acquisition of investments accounted for using the equity method	(56,560)	(29,545)
Acquisition of property, plant and equipment	(8,489)	(3,162)
Increase in refundable deposits	(13)	(79)
Decrease in refundable deposits	5	55
Acquisition of intangible assets	(212,276)	(162,862)
Increase in other noncurrent assets	(3,789)	-
Net cash used in investing activities	(281,122)	(50,093)
<b>Cash flows from financing activities :</b>		
Issuance of common stock for cash	3,447,084	-
Cash payments for the principal portion of the lease liabilities	(15,359)	(13,084)
Cash dividends	(31,628)	(14,507)
Interest paid	(1,681)	(1,892)
Net cash provided by (used in) financing activities	3,398,416	(29,483)
Net increase in cash and cash equivalents	3,385,025	29,657
Cash and cash equivalents at the beginning of the year	443,555	413,898
Cash and cash equivalents at the end of the year	\$ 3,828,580	\$ 443,555

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

**ANDES TECHNOLOGY CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

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

1. History, Organization and Operation

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

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

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

The parent company only financial statements were authorized for issue in accordance with a resolution of the board meeting on March 8, 2022.

3. Newly issued or revised standards and interpretations

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2021. The adoption of the new standards and amendments had no material impact on the Company.

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	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

- (a) 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.

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

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

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.

*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.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2022 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	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 carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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



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

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

(d) 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.

(e) 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.

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

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

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

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

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

(2) Basis of preparation

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

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

(3) Foreign currency transactions

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

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

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

- A. exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

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

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

- B. foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- C. exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(4) Translation of financial statements in foreign currency

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

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

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

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

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

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

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

(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
- (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.

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

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

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

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

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

**B. Impairment of financial assets**

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

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

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

**ANDES TECHNOLOGY CORPORATION**  
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The loss allowance is measured as follows:

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

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

**C. Derecognition of financial assets**

A financial asset is derecognized when:

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

**ANDES TECHNOLOGY CORPORATION**  
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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 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.



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

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.

**ANDES TECHNOLOGY CORPORATION**  
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The principal or the most advantageous market must be accessible to by the Company.

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

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

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

(9) Inventories

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

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

Raw materials – valued at purchase cost

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

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

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

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

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

(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.

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

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

(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.

**ANDES TECHNOLOGY CORPORATION**  
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(12) Leases

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

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

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

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 follows:

Computer software	3 years
Technologies	3 years

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

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



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(14) Impairment of non-financial assets

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

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

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

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

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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 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.

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

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

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

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

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5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgement

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

An intangible asset arising from development costs

The Company assessed that certain internally generated intangible assets have attained technical feasibility, and will be available for use or sale. The assessment was mainly based on the fact that the Company 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, 2021	December 31, 2020
Petty cash	\$20	\$20
Checking and savings accounts	71,052	52,764
Time deposits	3,151,180	217,100
Reverse repurchase agreements-corporate bonds	606,328	173,671
Total	<u>\$3,828,580</u>	<u>\$443,555</u>

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(2) Financial assets measured at amortized cost, current

	December 31, 2021	December 31, 2020
Time deposits	\$180,000	\$180,000

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

(3) Trade receivables and trade receivables – related parties

	December 31, 2021	December 31, 2020
Trade receivables	\$116,797	\$92,917
Less: allowance	(1,966)	(9,270)
Subtotal	114,831	83,647
Trade receivables – related parties	106,000	118,472
Total	\$220,831	\$202,119

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, 2021 and 2020. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

	December 31, 2021	December 31, 2020
Finished goods	\$718	\$1,327
Raw materials	417	672
Total	\$1,135	\$1,999

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

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. The reversal of inventory write-downs was resulting from the sales of excess and obsolete inventories.

Inventories were not pledged.

(5) Investments accounted for using the equity method

	December 31, 2021		December 31, 2020	
	Carrying	Percentage of	Carrying	Percentage of
Investees	amount	ownership	amount	ownership
		(%)		(%)
Subsidiaries:				
Everest Peaks Technology Corporation	<u>\$128,302</u>	100.00	<u>\$34,317</u>	100.00

A. The Company invested in Everest Peaks Technology Corporation in the amount of US\$2,000 thousand and US\$1,000 thousand in 2021 and 2020, 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, 2021	December 31, 2020
Owner occupied property, plant and equipment	<u>\$22,932</u>	<u>\$21,233</u>



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	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2021	\$8,074	\$3,754	\$5,373	\$14,990	\$32,191
Additions	1,849	4,647	-	1,519	8,015
Disposals	(873)	-	(1,275)	-	(2,148)
As of December 31, 2021	<u>\$9,050</u>	<u>\$8,401</u>	<u>\$4,098</u>	<u>\$16,509</u>	<u>\$38,058</u>
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>
Depreciation and impairment:					
As of January 1, 2021	\$3,706	\$711	\$3,293	\$3,248	\$10,958
Depreciation	2,162	1,461	1,140	1,553	6,316
Disposals	(873)	-	(1,275)	-	(2,148)
As of December 31, 2021	<u>\$4,995</u>	<u>\$2,172</u>	<u>\$3,158</u>	<u>\$4,801</u>	<u>\$15,126</u>
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>
Net carrying amount as of:					
December 31, 2021	<u>\$4,055</u>	<u>\$6,229</u>	<u>\$940</u>	<u>\$11,708</u>	<u>\$22,932</u>
December 31, 2020	<u>\$4,368</u>	<u>\$3,043</u>	<u>\$2,080</u>	<u>\$11,742</u>	<u>\$21,233</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, 2021	\$151,923	\$278,043	\$1,572	\$431,538
Additions-internally generated	211,956	-	-	211,956
Additions-acquired separately	-	-	320	320
Disposals	-	-	(997)	(997)
Transfers	(253,745)	253,745	-	-
As of December 31, 2021	<u>\$110,134</u>	<u>\$531,788</u>	<u>\$895</u>	<u>\$642,817</u>
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>
Amortization and impairment:				
As of January 1, 2021	\$-	\$139,983	\$1,114	\$141,097
Amortization	-	122,308	299	122,607
Disposals	-	-	(997)	(997)
As of December 31, 2021	<u>\$-</u>	<u>\$262,291</u>	<u>\$416</u>	<u>\$262,707</u>
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>
Net carrying amount as of:				
December 31, 2021	<u>\$110,134</u>	<u>\$269,497</u>	<u>\$479</u>	<u>\$380,110</u>
December 31, 2020	<u>\$151,923</u>	<u>\$138,060</u>	<u>\$458</u>	<u>\$290,441</u>

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The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2021	2020
Selling expenses	\$-	\$36
Administrative expenses	\$268	\$335
Research and development expenses	\$122,339	\$77,093

(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, 2021 and 2020 were NT\$13,992 thousand and NT\$12,136 thousand, respectively.

(9) Equity

A. Common stock

The Company's authorized capital as of December 31, 2021 and 2020 was NT\$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT\$10. The Company's issued capital was NT\$506,509 thousand and NT\$426,509 thousand divided into 50,651 thousand shares and 42,651 thousand shares as of December 31, 2021 and 2020, respectively. Each share has one voting right and a right to receive dividends.

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

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B. Capital surplus

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$4,094,282	\$727,198
Employee stock options	1,774	1,774
Total	<u>\$4,096,056</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.

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

C. Retained earnings and dividend policies

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

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

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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.

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 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board meeting held on March 8, 2022 and the shareholders' meeting on July 7, 2021, respectively, are as follows:

	Appropriation of earnings (in thousand NT dollars)		Dividends per share (NT dollars)	
	2021	2020	2021	2020
Legal reserve	\$16,166	\$3,514	-	-
Special reserve	1,201	-	-	-
Cash dividends				
(Note)	144,298	31,628	\$2.84887117	\$0.741546

Note: According to the authorization by the Company's Articles of Incorporation, the board of directors passed a special resolution to distribute cash dividends on March 8, 2022 and March 3, 2021 for the 2021 and 2020 earnings distribution, respectively.

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

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(10) Operation revenues

	For the year ended December 31, 2021	Percent of total revenues (%)	For the year ended December 31, 2020	Percent of total revenues (%)
Revenues from contracts with customers				
Licensing of CPU IP	\$368,692	56	\$244,435	53
Royalty revenues	225,980	34	155,115	34
Maintenance services	44,429	7	33,178	7
Custom computing service	19,440	3	21,363	5
Others	3,197	-	2,633	1
Total	<u>\$661,738</u>	<u>100</u>	<u>\$456,724</u>	<u>100</u>

Analysis of revenues from contracts with customers for the years ended December 31, 2021 and 2020 is as follows:

A. Disaggregation of revenues

	For the years ended December 31,	
	2021	2020
Timing of revenue recognition:		
At a point in time	\$617,309	\$423,546
Over time	44,429	33,178
Total	<u>\$661,738</u>	<u>\$456,724</u>

B. Contract balances

(a) Contract assets, current

	December 31, 2021	December 31, 2020	January 1, 2020
Licensing of CPU IP	<u>\$59,584</u>	<u>\$75,100</u>	<u>\$73,352</u>

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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\$73,396 thousand and NT\$63,808 thousand of the beginning balance of contract assets to trade receivables during 2021 and 2020, respectively. Please refer to Note 6(11) for related impairment.

(b) Contract liabilities, current

	December 31, 2021	December 31, 2020	January 1, 2020
Maintenance services	\$40,830	\$20,590	\$18,498
Deductions	1,711	2,232	1,904
Licensing of CPU IP	11,683	-	2,412
Total	<u>\$54,224</u>	<u>\$22,822</u>	<u>\$22,814</u>

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31, 2021	2020
Revenue recognized during the period that was included in the beginning balance	<u>\$(18,306)</u>	<u>\$(19,736)</u>
Increase in receipt in advance during the period (deducting the amount incurred and transferred to revenue during the period)	<u>\$49,708</u>	<u>\$19,744</u>

(11) Expected credit losses

	For the years ended December 31, 2021	2020
Operating expenses – expected credit losses		
Trade receivables	<u>\$402</u>	<u>\$8,177</u>

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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 of December 31, 2021 and 2020 are as follows:

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

December 31, 2021

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$167,988	\$-	\$10,551	\$4,501	\$-	\$-	\$183,040
Loss ratio	-%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	\$167,988	\$-	\$10,551	\$4,501	\$-	\$-	\$183,040
	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
Gross carrying amount	\$95,224	\$138	\$2,318	\$-	\$-	\$1,661	\$99,341
Loss ratio	-%	3%	13%	-%	-%	100%	
Lifetime expected credit losses	-	(4)	(301)	-	-	(1,661)	(1,966)
Subtotal	\$95,224	\$134	\$2,017	\$-	\$-	\$-	\$97,375
Carrying amount of contract assets and receivables (including trade receivables-related parties)							<u>\$280,415</u>



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December 31, 2010

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
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
	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
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>

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, 2021	\$-	\$9,270
Addition for the current period	-	402
Write off	-	(7,706)
As of December 31, 2021	<u>\$-</u>	<u>\$1,966</u>
As of January 1, 2020	\$-	\$5,402
Addition for the current period	-	8,177
Write off	-	(4,309)
As of December 31, 2020	<u>\$-</u>	<u>\$9,270</u>

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(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

	December 31, 2021	December 31, 2020
Buildings	\$90,515	\$102,840

For the years ended December 31, 2021 and 2020, the Company's addition to right-of-use assets amounted to NT\$1,781 and nil, respectively.

II. Lease liabilities

	December 31, 2021	December 31, 2020
Lease liabilities	\$90,515	\$105,493
Current	\$12,042	\$13,283
Non-current	\$79,873	\$92,910

Please refer to Note 6(14)D for the interest on lease liabilities recognized for the years ended December 31, 2021 and 2020, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

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- (b) Amounts recognized in the statement of comprehensive income  
 Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2021	2020
Buildings	\$14,106	\$14,109

- (c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2021	2020
The expenses relating to short-term leases	\$1,107	\$1,029
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	\$379	\$278

- (d) Cash outflows relating to leasing activities

For the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounted to NT\$18,526 thousand and NT\$16,283 thousand, respectively.

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

	For the years ended December 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$-	\$196,574	\$196,574	\$-	\$146,020	\$146,020
Labor and health insurance	-	24,139	24,139	-	18,994	18,994
Pension	-	13,992	13,992	-	12,136	12,136
Directors' remuneration	-	2,552	2,552	-	894	894
Others	-	2,938	2,938	-	1,280	1,280
Depreciation	-	20,422	20,422	-	19,461	19,461
Amortization	-	122,607	122,607	-	77,464	77,464

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Note: The average number of employees of the Company was 217 and 196 for the years ended December 31, 2021 and 2020, respectively, including 5 and 7 non-employee directors for the years ended December 31, 2021 and 2020, respectively.

The Company's average employee benefit expenses for the years ended December 31, 2021 and 2020 were NT\$1,121 thousand and NT\$944 thousand, respectively. The Company's average employee salaries for the years ended December 31, 2021 and 2020 were NT\$927 thousand and NT\$773 thousand, respectively. The Company's average employee salary increase rate was 20% for the year ended December 31, 2021.

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

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

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

The Company based on the profit to accrue the employees' compensation and remuneration to directors. Differences between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors are recognized in profit or loss of the subsequent year. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. Based on the profit for the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2021 to be 7% and 0.99% of profit for the year ended December 31, 2021. As such, employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$12,985 thousand and NT\$1,836 thousand, respectively, recognized as salary expenses.

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 0.99% 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, recognized as salary expenses.

The estimated amounts NT\$12,985 thousand and NT\$1,836 thousand of the employee compensation and remuneration to directors for the year ended December 31, 2021 were no material differences with the resolutions of the Board of Directors meeting held on March 8, 2022.

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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 no material differences 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, 2020.

(14) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$4,025	\$3,148

B. Other income

	For the years ended December 31,	
	2021	2020
Government grants	\$138	\$12,345
Others	9,047	1,426
Total	\$9,185	\$13,771

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Foreign exchange gains (losses), net	\$153	\$(12,062)
Others	(1,853)	(1,688)
Total	\$(1,700)	\$(13,750)

D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expenses on lease liabilities	\$(1,681)	\$(1,892)

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(15) Components of other comprehensive income

For the year ended December 31, 2021:

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

For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax expense	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	<u>\$599</u>	<u>\$-</u>	<u>\$599</u>	<u>\$(120)</u>	<u>\$479</u>

(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,	
	2021	2020
Current income tax expenses:		
Current income tax charge	<u>\$9,014</u>	<u>\$2,663</u>

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Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax income (expense):		
Exchange differences resulting from translating the financial statements of foreign operations	\$300	\$(120)

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,	
	2021	2020
Accounting profit before tax from continuing operations	\$170,679	\$37,805
At the Company's statutory income tax rate	\$34,136	\$7,561
Tax effect of expenses not deductible for tax purposes	1,541	862
Recognition of tax losses or temporary differences of prior periods not recognized	(35,677)	(8,423)
Foreign taxes have been paid in the source country	9,014	2,663
Income tax expense recognized in profit or loss	\$9,014	\$2,663

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2021

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



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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)/income		\$-	\$(120)	
Net deferred tax assets (liabilities)	\$531			\$411
Reflected in balance sheet as follows:				
Deferred tax assets	\$531			\$411
Deferred tax liabilities	\$-			\$-

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, 2021	December 31, 2020	
2010	\$119,980	\$-	\$26,637	2020
2011	114,257	-	114,257	2021
2012	88,644	86,490	88,644	2022
2013	87,983	87,983	87,983	2023
2016	18,406	18,406	18,406	2026
		\$192,879	\$335,927	

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, the Company's unrecognized deferred tax assets were NT\$66,389 thousand and NT\$107,393 thousand, respectively.

The assessment of income tax returns

As of December 31, 2021, the income tax returns of the Company through 2019 have been assessed by the tax authorities.

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(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.

	For the years ended December 31,	
	2021	2020
(a) Basic earnings per share		
Net income (in thousand NT\$)	\$161,665	\$35,142
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	45,062	42,651
Basic earnings per share (NT\$)	\$3.59	\$0.82
(b) Diluted earnings per share		
Current Net income (in thousand NT\$)	\$161,665	\$35,142
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	45,062	42,651
Effect of dilution:		
Employees' compensation-stock (in thousands)	25	9
Weighted average number of ordinary shares outstanding after dilution (in thousands)	45,087	42,660
Diluted earnings per share (NT\$)	\$3.59	\$0.82

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

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**7. Related Party Transactions**

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

**Name and nature of relationship of the related parties**

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

Note: The Board members of the Company was reelected on July 7, 2021, and the chairman of ANDES was no longer the same as the chairman of MediaTek Inc. Thereafter, MediaTek Inc. and its subsidiaries were not related parties of the Company.

**(1) Operating revenues**

	For the years ended December 31,	
	2021	2020
Andes Technology USA Corporation	\$116,926	\$60,144
MediaTek Inc.	33,634	33,577
Andes Shanghai Technology Corporation	45,975	21,333
Andes Technology (Wuhan) Corporation	34,876	7,923
MediaTek Singapore Pte. Ltd.	503	508
Total	<u>\$231,914</u>	<u>\$123,485</u>

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

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(2) Contract assets

	December 31, 2021	December 31, 2020
Andes Shanghai Technology Corporation	\$18,542	\$13,393
Andes Technology (Wuhan) Corporation	8,436	-
Total	<u>\$26,978</u>	<u>\$13,393</u>

(3) Trade receivables – related parties

	December 31, 2021	December 31, 2020
Andes Technology USA Corporation	\$89,255	\$84,224
MediaTek Inc.	-	23,962
Subsidiaries	16,745	10,286
Total	<u>\$106,000</u>	<u>\$118,472</u>

(4) Contract liabilities, current

	December 31, 2021	December 31, 2020
Andes Technology USA Corporation	\$16,819	\$4,244
MediaTek Inc.	-	3,593
Subsidiaries	5,139	1,995
Total	<u>\$21,958</u>	<u>\$9,832</u>

(5) Others

The Company recognized operating expenses in the amount of NT\$54,631 thousand and NT\$9,493 for the years ended December 31, 2021 and 2020, respectively, for the R&D design service provided by Andes Technology USA Corporation. NT\$ 9,294 thousand and NT\$2,993 thousand were not paid to Andes Technology USA Corporation and were recorded as other payables as of December 31, 2021 and 2020.

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(6) Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$26,256	\$22,253
Post-employment benefits	495	540
Total	<u>\$26,751</u>	<u>\$22,793</u>

8. Assets Pledged as Collateral

None

9. Significant Contingencies and Unrecognized Contractual Commitments

None

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

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12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2021	December 31, 2020
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	\$3,828,560	\$443,535
Financial assets measured at amortized cost	180,000	180,000
Trade receivables(including related parties)	220,831	202,119
Other receivables	693	109
Refundable deposits	4,700	4,692
Total	<u>\$4,234,784</u>	<u>\$830,455</u>

Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities at amortized cost:		
Trade payables	\$112	\$256
Other payables	63,713	48,894
Lease liabilities	91,915	105,493
Total	<u>\$155,740</u>	<u>\$154,643</u>

(2) Financial risk management objectives and policies

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

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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.

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:

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When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2021 and 2020 decreases/increases by NT\$31,973 thousand and NT\$2,137 thousand, respectively.

Interest rate risk

The carrying amounts of the Company's financial assets with exposure to interest rates at the end of the year were as follows:

	December 31, 2021	December 31, 2020
Financial assets with fair value interest rate risk	\$3,331,180	\$397,100

Sensitivity analysis

The Company's financial assets with fair value interest rate risk is time deposits, and time deposits at fixed interest rate, no sensitivity analysis due to the changes in interest rate of this financial instruments do not result in fluctuations in future cash flow.

(4) Credit risk management

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

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

As of December 31, 2021 and 2020, receivables from top ten customers represented 74.2% and 68.38% 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.



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

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

Level of credit risk	Indicator	Measurement method for expected credit losses	Total carrying amount as at	
			December 31, 2021	December 31, 2020
Low credit risk	Financial institutions with good credit rating	12-month expected credit losses	\$180,000	\$180,000
Simplified approach (Note)		Lifetime expected credit losses	\$280,415	\$277,219

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

(5) Liquidity risk management

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

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Non-derivative financial liabilities

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

(6) Reconciliation of liabilities from financing activities

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

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

Reconciliation of liabilities for the year ended December 31, 2020.

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

**ANDES TECHNOLOGY CORPORATION**  
**NOTES TO 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 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:

December 31, 2021			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$115,940	27.68	\$3,209,207
<u>Financial liabilities</u>			
Monetary item:			
USD	430	27.68	11,899
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

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

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

Foreign currencies of entities of the Company varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains (losses) were NT\$153 thousand and NT\$(12,062) thousand for the years ended December 31, 2021 and 2020, respectively.

(9) Capital management

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

13. Additional Disclosures

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

- (a) Financing provided to others for the year ended December 31, 2021: None.
- (b) Endorsement/guarantee provided to others for the year ended December 31, 2021: None.
- (c) Securities held as of December 31, 2021 (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, 2021: 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, 2021: None.

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

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

- (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, 2021: 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, 2021: Please refer to Attachment 1.
  - (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2021: None.
  - (i) Trading in derivative instruments: None.
  - (j) Others: The business relationship between the parent and the subsidiaries and between each subsidiaries, and the circumstances and amounts of any significant transactions between them: Please refer to Attachment 4.
- (2) Information on investees
- Information of investees over which the Company has direct or indirect significant influence or control: Please refer to Attachment 2.
- (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 3.
  - (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 4.

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

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

(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 5.

ATTACHMENT 1 :Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2021  
(Amounts in Thousands of New Taiwan Dollars)

Company name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and Trade receivables (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
The Company	Andes Technology USA Corporation	Subsidiary	Sales	\$ 116,926	17.67%	Net 60 days	-	-	\$ 89,255	40.06%	-

ATTACHMENT 2 : 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, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
The Company	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	\$267,423	\$210,863	8,858,780	100%	\$128,302	\$38,926	\$38,926	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	\$64,450	\$64,450	2,058,780	100%	\$63,797	\$23,557	\$23,557	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	\$202,973	\$146,413	6,800,000	100%	\$64,505	\$15,369	\$15,369	(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 3 : 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	\$18,117	(ii)Andes Technology (Samoa) Corporation	\$18,117	\$-	\$-	\$18,117	\$12,709	100%	\$12,709 (ii)	\$35,608	\$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	\$9,258	(ii)Andes Technology (Samoa) Corporation	\$9,258	\$-	\$-	\$9,258	\$10,848	100%	\$10,848 (ii)	\$28,185	\$-

Accumulated investment in Mainland China as of December 31, 2021 (Note 3)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment
\$27,375 (USD900,000)	\$24,912 (USD900,000)	\$2,862,785

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, 2021.

ATTACHMENT 4 : 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	\$10,181	Net 60 days	0.20%
				Contract assets	\$8,436	According to the contract terms	0.17%
				Sales	\$34,876	Net 60 days	4.25%
				Contract liabilities, current	\$2,889	According to the contract terms	0.06%
		Andes Technology USA Corporation	1	Trade receivables-related parties	\$89,255	Net 60 days	1.77%
				Sales	\$116,926	Net 60 days	14.26%
				Contract liabilities, current	\$16,819	According to the contract terms	0.33%
				R&D design fees	\$54,631	According to the contract terms	6.66%
				Other payables	\$9,294	According to the contract terms	0.18%
		Andes Shanghai Technology Corporation	1	Trade receivables-related parties	\$6,564	Net 60 days	0.13%
				Contract assets	\$18,542	According to the contract terms	0.37%
				Sales	\$45,975	Net 60 days	5.61%
				Contract liabilities, current	\$2,250	According to the contract terms	0.04%

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 5 : 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	11.16%
Shui-Cheng, Tu		3,962,000	7.82%
National Development Fund, Executive Yuan		2,979,237	5.88%

ANDES TECHNOLOGY CORPORATION  
1. STATEMENT OF CASH AND CASH EQUIVALENTS  
As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Patty cash		\$ 20	Foreign exchange rate as of December 31, 2021 USD1=NTD27.68
Checking and savings accounts	Including USD1,890,510	71,052	
Time deposits	Including USD106,000,000	3,151,180	
Cash equivalents	Corporate bonds	606,328	Expiration date 2022/1/5~2022/1/26; Interest rate at 0.26%~0.31%
Total		<u>\$ 3,828,580</u>	

ANDES TECHNOLOGY CORPORATION  
2. STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST, CURRENT  
As of December 31, 2021

(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%~0.7650%	<u>\$ 180,000</u>	<u>\$ -</u>	

ANDES TECHNOLOGY CORPORATION  
3. STATEMENT OF TRADE RECEIVABLES  
As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
<u>Trade receivables</u>			
Client A		\$ 37,589	Trade receivables were all derived from operations.
Client B		13,840	
Client C		12,080	
Client D		8,304	
Client E		8,304	
Client F		7,266	
Client G		6,920	
Others	The amount of individual client in others does not exceed 5% of the account balance.	22,494	
Subtotal		116,797	
Less: allowance for doubtful accounts		(1,966)	
Net amount		<u>\$ 114,831</u>	
<u>Trade receivables - related parties</u>			
Andes Technology USA Corporation		\$ 89,255	
Andes Shanghai Technology Corporation		6,564	
Andes Technology (Wuhan) Corporation		10,181	
		<u>\$ 106,000</u>	

ANDES TECHNOLOGY CORPORATION  
4. STATEMENT OF INVENTORIES  
As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 769	\$ 820	1. Inventories were not pledged.
Work in process		-	-	
Finished goods		815	2,905	2. Inventories are valued at lower of cost and net realized value item by item.
Subtotal		1,584	\$ 3,725	
Less: Allowance for inventory valuation losses		(449)		
Net amount		<u>\$ 1,135</u>		

ANDES TECHNOLOGY CORPORATION  
5. STATEMENT OF PREPAYMENTS  
As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepaid expenses- maintenance and usage fees of software		\$ 40,117	
Others	The amount of individual item in others does not exceed 5% of the account balance.	1,283	
Total		<u>\$ 41,400</u>	



ANDES TECHNOLOGY CORPORATION  
6. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Acquisition		Disposal		Investment Income (Loss)	Exchange Differences on Translation of Foreign Operations	Ending Balance			Net Assets Value/ Fair Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	Unit Price (NTD)	Total Amount		
Everest Peaks Technology Corporation	6,858,780	<u>\$ 34,317</u>	2,000,000	<u>\$ 56,560</u>	-	<u>\$ -</u>	<u>\$ 38,926</u>	<u>\$ (1,501)</u>	8,858,780	100.00%	<u>\$ 128,302</u>	\$ 14.48	<u>\$ 128,302</u>	None	

7. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 6(6)

ANDES TECHNOLOGY CORPORATION  
8. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Cost					
Buildings	\$ 130,127	\$ 1,781	\$ (1,602)	\$ 130,306	
Accumulated depreciation					
Buildings	\$ 27,287	\$ 14,106	\$ (1,602)	\$ 39,791	
Carrying amounts	\$ 102,840			\$ 90,515	

9. STATEMENT OF CHANGES IN INTANGIBLE ASSETS

Please refer to Note 6(7)

ANDES TECHNOLOGY CORPORATION  
10. STATEMENT OF NON-CURRENT ASSETS  
As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non-current assets			
Long-term maintenance and usage fees of software		\$ 24,072	
Prepayments for equipments		3,564	
Others	The amount of individual item in others does not exceed 5% of the account balance.	225	
Total		<u>\$ 27,861</u>	

ANDES TECHNOLOGY CORPORATION  
11. STATEMENT OF OTHER PAYABLES  
As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued expenses			
Accrued bonuses		\$ 21,122	
Payment of employees' compensation		12,985	
Payment of insurance premiums		4,296	
Payment of pension		3,987	
Others	The amount of individual item in others does not exceed 5% of the account balance.	21,323	
Total		<u>\$ 63,713</u>	

ANDES TECHNOLOGY CORPORATION  
12. STATEMENT OF LEASE LIABILITIES  
As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Lease Terms	Discount Rate	Ending Balance	Note
Buildings	2016/9/1~2023/7/31	1.7%	\$ 91,915	
Less: current portion			(12,042)	
Noncurrent portion			<u>\$ 79,873</u>	

ANDES TECHNOLOGY CORPORATION  
13. STATEMENT OF NET REVENUES  
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Revenues from contracts with customers			
Licensing of CPU IP		\$ 368,692	
Royalty revenues		225,980	
Maintenance services		44,429	
Custom computing service		19,440	
Others		3,197	
Net revenues		<u>\$ 661,738</u>	

ANDES TECHNOLOGY CORPORATION  
14. STATEMENT OF OPERATING COSTS  
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Subtotal	Total	
Cost of goods sold of self-made product			
Direct material			
Beginning of year	\$ 873		
Add: Raw material purchased	833		
Less: Raw material, end of year	(769)		
Transferred to operating expenses	(29)		
Direct material used		\$ 908	
Manufacturing costs		908	
Add: Work in process, beginning of year	-		
Outsourcing costs	709		
Less: Work in process, end of year	-	709	
Cost of finished goods		1,617	
Add: Finished goods, beginning of year	1,452		
Finished goods purchased	588		
Less: Finished goods, end of year	(815)		
Transferred to operating expenses	(981)		
Scrap	(39)		
Others	(513)		
Subtotal		(308)	
Costs of goods sold		1,309	
Write-down inventory valuation		123	
Loss on scrap of inventories		39	
Total		\$ 1,471	

ANDES TECHNOLOGY CORPORATION  
15. STATEMENT OF SELLING EXPENSES  
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 70,327	
Commission expense		12,774	
Others	The amount of individual item in others does not exceed 5% of the account balance.	26,841	
Total		<u>\$ 109,942</u>	



ANDES TECHNOLOGY CORPORATION  
16. STATEMENT OF ADMINISTRATIVE EXPENSES  
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		\$ 49,501	
Depreciation		6,485	
Professional and consulting fees		4,564	
Computer usage fees		4,517	
Others	The amount of individual item in others does not exceed 5% of the account balance.	15,593	
Total		<u>\$ 80,660</u>	

ANDES TECHNOLOGY CORPORATION  
17. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Amortization		\$ 122,339	
Payroll expense		79,298	
R&D commissioned to other companies		60,156	
Computer usage fees		40,026	
Insurance expense		18,367	
Others	The amount of individual item in others does not exceed 5% of the account balance.	27,153	
Total		<u>\$ 347,339</u>	

ANDES TECHNOLOGY CORPORATION

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

For the years ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	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						