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

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

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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, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (collectively "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

Net sales recognized by the Company amounted to NT$405,872 thousand for the year ended December 31, 2019. The Company provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. Considering that revenues from contracts with customers usually include more than one performance obligations, the Company recognizes revenues when the control of goods and services under each performance obligation has been transferred. However, contract terms may vary and there remains a risk of revenues being recorded in an inappropriate period because the control of the promised goods or services has not been transferred to the buyer. Therefore, we considered this a key audit matter.

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

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

An intangible asset arising from development costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Kuo, Shao-Pin

Tu, Jia-Ling

Ernst & Young, Taiwan
March 3, 2020

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	$ 413,898	30.48	$ 510,920	41.34
Financial assets measured at amortized cost, current	4, 6(2)	325,500	23.97	420,000	33.99
Contract assets, current	4, 6(10), 6(11), 7	73,352	5.40	55,443	4.49
Trade receivables, net	4, 6(3), 6(11)	74,297	5.47	33,391	2.70
Trade receivables-related parties, net	4, 6(3), 6(11), 7	50,919	3.75	18,929	1.53
Other receivables		187	0.02	495	0.04
Inventories	4, 6(4)	1,608	0.12	911	0.07
Prepayments		17,770	1.31	15,228	1.23
Total current assets		957,531	70.52	1,055,317	85.39
Non-current assets					
Investments accounted for using the equity method	4, 6(5)	49,673	3.66	27,898	2.26
Property, plant and equipment	4, 6(6)	23,423	1.73	21,693	1.76
Right-of-use assets	4, 6(12)	116,949	8.61	-	-
Intangible assets	4, 6(7)	205,043	15.10	125,283	10.14
Deferred tax assets	4, 6(16)	531	0.04	276	0.02
Refundable deposits		4,668	0.34	5,348	0.43
Total non-current assets		400,287	29.48	180,498	14.61
Total assets		$ 1,357,818	100.00	$ 1,235,815	100.00

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Contract liabilities, current	4, 6(10), 7	$ 22,814	1.68	$ 18,433	1.49
Trade payables		29	-	126	0.01
Other payables	7	39,825	2.93	26,865	2.17
Lease liabilities, current	4, 6(12)	13,084	0.97	-	-
Advance receipts		53	-	54	0.01
Other currents liabilities		2,245	0.17	1,335	0.11
Total current liabilities		78,050	5.75	46,813	3.79
Non-Current liabilities					
Lease liabilities, noncurrent	4, 6(12)	105,493	7.77	-	-
Total non-current liabilities		105,493	7.77	-	-
Total liabilities		183,543	13.52	46,813	3.79
Equity attributable to owners of the parent					
Capital					
Common stock	6(9)	426,509	31.41	426,509	34.51
Capital surplus	6(9)	728,972	53.69	728,972	58.99
Retained earnings	6(9)				
Legal reserve		3,790	0.28	388	0.03
Special reserve		1,105	0.08	217	0.02
Undistributed earnings		16,023	1.18	34,021	2.75
Total retained earnings		20,918	1.54	34,626	2.80
Other equity		(2,124)	(0.16)	(1,105)	(0.09)
Total equity		1,174,275	86.48	1,189,002	96.21
Total liabilities and equity		$ 1,357,818	100.00	$ 1,235,815	100.00

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

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

Description	Notes	2019	%	2018	%
Net sales	4, 6(10), 7	$ 405,872	100.00	$ 283,164	100.00
Operating costs	6(4)	(820)	(0.20)	(416)	(0.15)
Gross profit		405,052	99.80	282,748	99.85
Operating expenses	6(11), 6(12), 6(13), 7				
Selling expenses		(97,665)	(24.06)	(69,542)	(24.56)
Administrative expenses		(59,928)	(14.77)	(55,892)	(19.74)
Research and development expenses		(181,333)	(44.68)	(115,637)	(40.84)
Expected credit losses		(6,830)	(1.68)	(2,171)	(0.76)
Total operating expenses		(345,756)	(85.19)	(243,242)	(85.90)
Operating income		59,296	14.61	39,506	13.95
Non-operating income and expenses	6(14)				
Other income		6,879	1.69	6,028	2.13
Other gains and losses		(6,726)	(1.66)	2,869	1.01
Finance costs		(1,965)	(0.48)	-	-
Share of loss of subsidiaries, associates, and					
joint ventures accounted for using the equity method		(39,706)	(9.78)	(5,463)	(1.93)
Total non-operating income and expenses		(41,518)	(10.23)	3,434	1.21
Net income before income tax		17,778	4.38	42,940	15.16
Income tax expense	4, 6(16)	(1,755)	(0.43)	(1,373)	(0.48)
Net income		16,023	3.95	41,567	14.68
Other comprehensive income	6(15)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		(1,274)	(0.31)	730	0.26
Income tax relating to those items to be reclassified to profit or loss		255	0.06	(83)	(0.03)
Other comprehensive income (loss), net of tax		(1,019)	(0.25)	647	0.23
Total comprehensive income		$ 15,004	3.70	$ 42,214	14.91
Earnings per share (NTD)	6(17)				
Basic Earnings Per Share		$ 0.38		$ 0.97	
Diluted Earnings Per Share		$ 0.38		$ 0.97	

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

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ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

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

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

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ANDES TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018
Cash flows from operating activities :		
Net income before income tax	$ 17,778	$ 42,940
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	17,730	1,669
Amortization	45,927	15,726
Expected credit loss	6,830	2,171
Interest expense	1,965	-
Interest income	(4,832)	(5,069)
Share of loss of subsidiaries, associates, and joint ventures accounted for using the equity method	39,706	5,463
Losses on disposal of property, plant and equipment	240	-
Changes in operating assets and liabilities:		
Contract assets	(17,909)	(36,099)
Trade receivables	(47,736)	(23,644)
Trade receivables - related parties	(31,990)	(6,163)
Other receivables	212	(245)
Inventories	(697)	148
Prepayments	(2,542)	(5,976)
Contract liabilities	4,381	5,664
Trade payables	(97)	86
Other payables	12,960	5,228
Advance receipts	(1)	54
Other current liabilities	910	187
Cash generated from operating activities	42,835	2,140
Interest received	4,852	5,151
Income tax paid	(1,679)	(1,084)
Net cash provided by operating activities	46,008	6,207
Cash flows from investing activities :		
Acquisition of financial assets measured at amortized cost	(325,500)	(420,000)
Proceeds from disposal of financial assets measured at amortized cost	420,000	394,000
Acquisition of investments accounted for using the equity method	(62,755)	(21,926)
Acquisition of property, plant and equipment	(6,522)	(20,358)
Increase in refundable deposits	-	(4,449)
Decrease in refundable deposits	680	165
Acquisition of intangible assets	(125,687)	(100,380)
Net cash used in investing activities	(99,784)	(172,948)
Cash flows from financing activities :		
Cash payments for the principal portion of the lease liabilities	(13,515)	-
Cash dividends	(29,731)	-
Net cash used in financing activities	(43,246)	-
Net decrease in cash and cash equivalents	(97,022)	(166,741)
Cash and cash equivalents at the beginning of the year	510,920	677,661
Cash and cash equivalents at the end of the year	$ 413,898	$ 510,920

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

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

ANDES TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

1. History, Organization and Operation

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

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

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

The parent company only financial statements were authorized for issue in accordance with a resolution of the board meeting on March 3, 2020.

3. Newly Issued or Revised Standards and Interpretations

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

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

A. IFRS 16 "Leases"

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

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

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

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

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

I. Leases previously classified as operating leases

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

On January 1, 2019, the Company's right-of-use asset and lease liability both increased by NT$115,760 thousand.

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

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

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

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

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.70%.
ii. The explanation for the difference of NT$37,212 thousand between：
   (i) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and
   (ii) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	$78,548
Discounted using the incremental borrowing rate on January 1, 2019	$75,510
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(1,092)
Add: adjustments to the option to extend the lease that is reasonably certain to exercise	41,147
Add: adjustment to variable lease payments that depend on an index or a rate	195
The carrying value of lease liabilities recognized as of January 1, 2019	$115,760

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

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

A. Definition of a Business – Amendments to IFRS 3

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

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

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

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

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

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

The amendments include:
(a) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.
(b) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(c) IAS 39 retrospective assessment

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

(d) separately identifiable risk components

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

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 Insurance Contracts	1 January 2021
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

A. FRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

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

B. IFRS 17 Insurance Contracts

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

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

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1

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

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

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of Preparation

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

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

(3) Foreign currency transactions

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

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

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

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

B. foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

C. exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(4) Translation of financial statements in foreign currency

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

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

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

(5) Current and non-current distinction

An asset is classified as current when:

A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
B. the Company holds the asset primarily for the purpose of trading.
C. the Company expects to realize the asset within twelve months after the reporting period.

D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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

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

Financial asset measured at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

Raw materials – valued at purchase cost

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

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

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

(10) Investments accounted for using the equity method

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new shares, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investment in Connected Enterprises and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IFRS 36 *Impairment of financial assets*.

In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

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

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

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

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

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

(12) Leases

<u>The accounting policy from January 1, 2019 as follow:</u>

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

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

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

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

Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

The accounting policy before January 1, 2019 as follow:

Company as a lessee

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

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

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

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

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

Development costs – research and development costs

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

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

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

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

Computer software	3 years
Technologies	3 years

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

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

(14) Impairment of non-financial assets

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

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

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

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

(15) Revenue recognition

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

Licensing of CPU IP

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

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

Rendering of maintenance services

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

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

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

Rendering of Custom Computing Service

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

Royalty revenues

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

(16) Post-employment benefits

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

(17) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

A. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

B. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgement

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

An intangible asset arising from development costs

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

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash	$20	$20
Checking and savings accounts	30,463	54,333
Time deposits	237,100	278,600
Reverse repurchase agreements-corporate bonds	146,315	177,967
Total	$413,898	$510,920

(2) Financial assets measured at amortized cost, current

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

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

(3) Trade receivables and trade receivables – related parties

	December 31, 2019	December 31, 2018
Trade receivables	$79,699	$38,699
Less: allowance	(5,402)	(5,308)
Subtotal	74,297	33,391
Trade receivables – related parties	50,919	18,929
Total	$125,216	$52,320

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

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(11) for more details on impairment of trade receivables. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

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

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

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

Inventories were not pledged.

(5) Investments accounted for using the equity method

	December 31, 2019		December 31, 2018	
Investees:	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
Everest Peaks Technology Corporation	$49,673	100.00	$27,898	100.00

A. The Company invested in Andes Technology USA Corporation in the amount of US$750 thousand and US$1,750 thousand through Everest Peaks Technology Corporation in 2018 and 2019, respectively.

B. The Company invested in Andes Shanghai Technology Corporation in the amount of US$300 thousand through Everest Peaks Technology Corporation and Andes Technology (Samoa) Corporation in April 2019.

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

(6) Property, plant and equipment

	December 31, 2019 (Note)	December 31, 2018
Owner occupied property, plant and equipment	$23,423	

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

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

	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2019	$2,988	$-	$6,280	$14,990	$24,258
Additions	4,644	1,743	135	-	6,522
Disposals	(281)	-	(480)	-	(761)
As of December 31, 2019	$7,351	$1,743	$5,935	$14,990	$30,019
Depreciation and impairment:					
As of January 1, 2019	$979	$-	$1,170	$416	$2,565
Depreciation	1,526	195	1,498	1,333	4,552
Disposals	(281)	-	(240)	-	(521)
As of December 31, 2019	$2,224	$195	$2,428	$1,749	$6,596
Net carrying amount as of:					
December 31, 2019	$5,127	$1,548	$3,507	$13,241	$23,423

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

	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Construction in progress and equipment awaiting inspection	Total
Cost:					
As of January 1, 2018	$1,582	$2,318	$-	$-	$3,900
Additions	1,406	3,962	-	14,990	20,358
Transfers	-	-	14,990	(14,990)	-
As of December 31, 2018	$2,988	$6,280	$14,990	$-	$24,258

	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Construction in progress and equipment awaiting inspection	Total
Depreciation and impairment:					
As of January 1, 2018	$470	$426	$-	$-	$896
Depreciation	509	744	416	-	1,669
As of December 31, 2018	$979	$1,170	$416	$-	$2,565
Net carrying amount as of:					
December 31, 2018	$2,009	$5,110	$14,574	$-	$21,693

Property, plant and equipment were not pledged.

(7) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2019	$85,085	$56,907	$1,132	$143,124
Additions-internally generated	125,595	-	-	125,595
Additions-acquired separately	-	-	92	92
Transfers	(112,208)	112,208	-	-
As of December 31, 2019	$98,472	$169,115	$1,224	$268,811
As of January 1, 2018	$6,020	$35,700	$1,119	$42,839
Additions-internally generated	100,272	-	-	100,272
Additions-acquired separately	-	-	108	108
Disposals	-	-	(95)	(95)
Transfers	(21,207)	21,207	-	-
As of December 31, 2018	$85,085	$56,907	$1,132	$143,124

	Development costs	Technologies	Computer software	Total
Amortization and impairment:				
As of January 1, 2019	$-	$17,402	$439	$17,841
Amortization	-	45,519	408	45,927
As of December 31, 2019	$-	$62,921	$847	$63,768
As of January 1, 2018	$-	$2,058	$152	$2,210
Amortization	-	15,344	382	15,726
Disposals	-	-	(95)	(95)
As of December 31, 2018	$-	$17,402	$439	$17,841
Net carrying amount as of:				
December 31, 2019	$98,472	$106,194	$377	$205,043
December 31, 2018	$85,085	$39,505	$693	$125,283

The amortization amounts of intangible assets are as follows:

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

(8) Post-employment benefits

Defined contribution plan

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

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT$10,624 thousand and NT$8,568 thousand, respectively.

(9) Equity

A. Common stock

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

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

B. Capital surplus

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

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

C. Retained earnings and dividend policies

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

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

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

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

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

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

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

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

(10) Sales

	For the year ended December 31, 2019	Percent of total sales	For the year ended December 31, 2018	Percent of total sales
Revenues from contracts with customers				
Licensing of CPU IP	$239,909	59%	$191,467	68%
Royalty revenues	105,492	26%	74,629	26%
Custom Computing Service	33,466	8%	-	-
Maintenance services	24,709	6%	15,642	5%
Subtotal	403,576	99%	281,738	99%
Others	2,296	1%	1,426	1%
Total	$405,872	100%	$283,164	100%

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

A. Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Timing of revenue recognition:		
At a point in time (Note)	$365,222	$267,522
Over time	40,650	15,642
Total	$405,872	$283,164

Note: Includes royalty revenue of NT$105,492 thousand and NT$74,629 thousand for the years ended December 31, 2019 and 2018, respectively, and royalty revenue is calculated on sale basis and recognized when subsequent sale occurs.

B. Contract balance

(a) Contract assets, current

	December 31, 2019	December 31, 2018	January 1, 2018
Licensing of CPU IP	$73,352	$55,443	$19,344

Contract assets represent the amount that the Company has transferred CPU IPs to customers but not yet billed. Contract assets will be transferred to trade receivables as the Company obtains an unconditional right to receive the consideration. The Company transferred NT$49,600 thousand and NT$19,344 thousand of the beginning balance of contract assets to trade receivables during 2019 and 2018, respectively. Please refer to Note 6(11) for more details on the impairment impact.

(b) Contract liabilities

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities, current			
Licensing of CPU IP	$2,412	$3,912	$-
Maintenance services	18,498	11,247	9,495
Deductions	1,904	3,274	3,274
Total	$22,814	$18,433	$12,769

NT$9,808 thousand and NT$8,734 thousand of beginning balance of contract liabilities have been recognized as revenues during 2019 and 2018, respectively.

(11) Expected credit losses

	For the years ended December 31,	
	2019	2018
Operating expenses – expected credit losses		
Trade receivables	$(6,830)	$(2,171)

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

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

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

December 31, 2019

		Past due						
Group 1 (Note 1)：	Neither past due (Note 2)	<=30 days	31~90 days	91~120 days	121~180 days	181~360 days	>=361 days	Total
Gross carrying amount	$148,626	$-	$126	$-	$11	$-	$-	$148,763
Loss ratio	-%	-%	2%	10%	30%	50%	100%	
Lifetime expected credit losses	-	-	(3)	-	(3)	-	-	(6)
Subtotal	$148,626	$-	$123	$-	$8	$-	$-	$148,757

		Past due					
Group 2 (Note 1)：	Neither past due (Note 2)	<=30 days	31~90 days	91~120 days	121~180 days	>=181 days	Total
Gross carrying amount	$49,811	$-	$-	$-	$-	$5,396	$55,207
Loss ratio	-%	-%	3%	10%	40%	100%	
Lifetime expected credit losses	-	-	-	-	-	(5,396)	(5,396)
Subtotal	$49,811	$-	$-	$-	$-	$-	$49,811
Carrying amount of contract assets and receivables (including trade receivables-related parties)							$198,568

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

Note 2: The contract assets were not past due.

December 31, 2018

Group 1 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	31~90 days	91~120 days	121~180 days	181~360 days	>=361 days	Total
Gross carrying amount	$74,324	$-	$-	$921	$1	$-	$1,129	$76,375
Loss ratio	-%	-%	2%	10%	30%	50%	100%	
Lifetime expected credit losses	-	-	-	(92)	-	-	(1,129)	(1,221)
Subtotal	$74,324	$-	$-	$829	$1	$-	$-	$75,154

Group 2 (Note 1)：	Neither past due (Note 2)	Past due <=30 days	31~90 days	91~120 days	121~180 days	>=181 days	Total
Gross carrying amount	$32,226	$-	$-	$323	$154	$3,993	$36,696
Loss ratio	-%	-%	3%	10%	40%	100%	
Lifetime expected credit losses	-	-	-	(32)	(62)	(3,993)	(4,087)
Subtotal	$32,226	$-	$-	$291	$92	$-	$32,609
Carrying amount of contract assets and receivables (including trade receivables-related parties)							$107,763

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

Note 2: The contract assets and trade receivables-related parties were not past due.

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

	Contract assets	Trade receivables
As of January 1, 2019	$-	$5,308
Addition for the current period	-	6,830
Write off (Note)	-	(6,736)
As of December 31, 2019	$-	$5,402

	Contract assets	Trade receivables
As of January 1, 2018 (in accordance with IAS 39)	$-	$5,856
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	5,856
Addition for the current period	-	2,171
Write off	-	(2,719)
2018.12.31	$-	$5,308

Note: The Company wrote off NT6,736 thousand for contractual amount of financial assets outstanding during the year; for which the Company is still undertaking collection activities.

(12) Leases

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

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

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

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2019	2018 (Note)
Buildings	$116,949	

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

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

II. Lease liabilities

	As of December 31,	
	2019	2018 (Note)
Lease liabilities	$118,577	
Current	$13,084	
Non-current	$105,493	

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

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

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

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Buildings	$13,178	

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

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$1,106	
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	$250	

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

(d) Cash outflow relating to leasing activities

For the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT$13,515 thousand.

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

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

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

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		$16,770
Later than one year but not later than five years		61,778
Total		$78,548

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$8,504

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

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

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$-	$156,628	$156,628	$-	$113,720	$113,720
Labor and health insurance	-	16,913	16,913	-	13,626	13,626
Pension	-	10,624	10,624	-	8,568	8,568
Director's emoluments	-	660	660	-	559	559
Others	-	881	881	-	525	525
Depreciation	-	17,730	17,730	-	1,669	1,669
Amortization	-	45,927	45,927	-	15,726	15,726

Note: The average number of employees of the Company was 175 and 156 for the years ended December 31, 2019 and 2018, respectively, including 6 and 5 non-employee directors for the years ended December 31, 2019 and 2018, respectively.

The Company's average employee benefit expenses for the years ended December 31, 2019 and 2018 were NT$1,095 thousand and NT$904 thousand, respectively. The Company's average employee salaries for the years ended December 31, 2019 and 2018 were NT$927 thousand and NT$753 thousand, respectively. The Company's average employee salary increase rate was 23.11% for the year ended December 31, 2019.

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

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

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

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

(14) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$4,831	$5,069
Others	2,048	959
Total	$6,879	$6,028

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Foreign exchange gains (losses), net	$(4,771)	$3,621
Losses on disposal of property, plant and equipment	(240)	-
Others	(1,715)	(752)
Total	$(6,726)	$2,869

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest expenses on lease liabilities	$(1,965)	(Note)

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

(15) Components of other comprehensive income

For the year ended December 31, 2019:

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

For the year ended December 31, 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	$730	$-	$730	$(83)	$647

(16) Income tax

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

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expenses:		
Current income tax charge	$-	$-
Adjustments in respect of current income tax of prior periods	-	-
Deferred tax expense (income):		
Others	1,755	1,373
Income tax expense	$1,755	$1,373

Income tax related to components of other comprehensive income

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

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

	For the years ended December 31,	
	2019	2018
Accounting profit before tax from continuing operations	$17,778	$42,940
At the Company's statutory income tax rate	$3,556	$8,588
Tax effect of expenses not deductible for tax purposes	1,347	-
Adjustments in respect of current income tax of prior periods	-	-
Recognition of tax losses or temporary differences of prior periods not recognized	(4,903)	(8,588)
Others	1,755	1,373
Income tax expense recognized in profit or loss	$1,755	$1,373

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2019

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

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

		Unutilized accumulated loss		
Occurrence year	Accumulated loss	December 31, 2019	December 31, 2018	Expiration year
2008	$82,011	$-	$40,688	2018
2009	145,944	81,674	145,944	2019
2010	119,980	119,980	119,980	2020
2011	114,257	114,257	114,257	2021
2012	88,644	88,644	88,644	2022
2013	87,983	87,983	87,983	2023
2016	18,406	18,406	18,406	2026
Total		$510,944	$615,902	

Unrecognized deferred income tax assets

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

The assessment of income tax returns

As of December 31, 2019, the income tax returns of the Company through 2017 have been assessed by the tax authorities.

(17) Earnings per share

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

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

	For the years ended December 31,	
	2019	2018
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$16,023	$41,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Basic earnings per share (NT$)	$0.38	$0.97
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$16,023	$41,567
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	42,651
Effect of dilution:		
Employees' compensation-stock (share)	8	9
Weighted average number of ordinary shares outstanding after dilution (in thousands)	42,659	42,660
Diluted earnings per share (NT$)	$0.38	$0.97

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

7. Related Party Transactions

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Mediatek Inc.	Substantive related party
Andes Technology (Wuhan) Corporation	Subsidiary
Andes Shanghai Technology Corporation	Subsidiary
Andes Technology (Samoa) Corporation	Subsidiary
Andes Technology USA Corporation	Subsidiary
Everest Peaks Technology Corporation	Subsidiary

(1) Sales

	For the years ended December 31,	
	2019	2018
Mediatek Inc.	$9,336	$29,929
Subsidiaries	84,360	32,889
Total	$93,696	$62,818

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

(2) Contract assets

	December 31, 2019	December 31, 2018
Mediatek Inc.	$-	$1,536
Subsidiaries	5,692	5,842
Total	$5,692	$7,378

(3) Trade receivables – related parties

	December 31, 2019	December 31, 2018
Mediatek Inc.	$-	$2,580
Subsidiary	50,919	16,349
Total	$50,919	$18,929

(4) Contract liabilities, current

	December 31, 2019	December 31, 2018
Mediatek Inc.	$3,052	$2,200
Subsidiaries	5,848	2,085
Total	$8,900	$4,285

(5) Others

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

B. The Company paid NT$6,520 thousand as commission expenses to the subsidiaries for the year ended December 31, 2018.

C. The Company paid NT$7,409 thousand of R&D and design fees to the subsidiaries for the year ended December 31, 2018.

D. Other payables to related parties

	December 31, 2019	December 31, 2018
Subsidiaries	$-	$3,686

(6) Key management personnel compensation

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

8. Assets Pledged as Collateral

None

9. Commitments and Contingencies

None

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2019	December 31, 2018
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding petty cash)	$413,878	$510,900
Financial assets measured at amortized cost	325,500	420,000
Trade receivables, net (including related parties)	125,216	52,320
Other receivables	187	495
Refundable deposits	4,668	5,348
Total	$869,449	$989,063

Financial liabilities

Financial liabilities at amortized cost:		
Trade payables	$29	$126
Other payables	39,825	26,865
Lease liabilities, current	13,084	(Note)
Lease liabilities, noncurrent	105,493	(Note)
Total	$158,431	$26,991

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

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2019 and 2018 decreases/increases by NT$1,429 thousand and NT$1,013 thousand, respectively.

(4) Credit risk management

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

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

As of December 31, 2019 and 2018, receivables from top ten customers represented 82.19% and 54.40% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	more than 5 years	Total
December 31, 2019					
Trade payables	$29	$-	$-	$-	$29
Other payables	39,825	-	-	-	39,825
Lease liabilities	13,084	26,634	27,392	51,467	118,577
December 31, 2018					
Trade payables	$126	$-	$-	$-	$126
Other payables	26,865	-	-	-	26,865

(6) Fair value of financial instruments

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

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

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

(7) Significant assets and liabilities denominated in foreign currencies

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

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

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$3,514	30.715	$107,943
Financial liabilities			
Monetary item:			
USD	215	30.715	6,603

Foreign currencies of entities of the Company varied. Accordingly, the Company is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gains (losses) were NT$(4,771) thousand and NT$3,621 thousand for the years ended December 31, 2019 and 2018, respectively.

(8) Capital management

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