

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

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

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

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2021 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the Combined Financial Statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the consolidated financial statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the consolidated financial statements.

Very truly yours,

Andes Technology Corporation

Chairman: Jyh-Ming Lin

March 8, 2022

Independent Auditors' Report Translated from Chinese

Independent Auditors' Report

To: Andes Technology Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Andes Technology Corporation and its subsidiaries (the "Group") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

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

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

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

An intangible asset arising from development costs

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of Andes Technology Corporation as of and for the years ended December 31, 2021 and 2020.

Yang, Yu-Ni

Tu, Jia-Ling

Ernst & Young, Taiwan

March 8, 2022

Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

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

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

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

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

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent						Total equity
	Capital		Retained earnings			Other equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	
Balance as of January 1, 2020	\$ 426,509	\$ 728,972	\$ 3,790	\$ 1,105	\$ 16,023	\$ (2,124)	\$ 1,174,275
Appropriation and distribution of 2019 retained earnings							
Legal reserve	-	-	1,602	-	(1,602)	-	-
Cash dividends	-	-	-	-	(14,507)	-	(14,507)
Reversal of special reserve	-	-	-	(86)	86	-	-
Net income for the year ended December 31, 2020	-	-	-	-	35,142	-	35,142
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	479	479
Total comprehensive income	-	-	-	-	35,142	479	35,621
Balance as of December 31, 2020	426,509	728,972	5,392	1,019	35,142	(1,645)	1,195,389
Balance as of January 1, 2021	\$ 426,509	\$ 728,972	\$ 5,392	\$ 1,019	\$ 35,142	\$ (1,645)	\$ 1,195,389
Appropriation and distribution of 2020 retained earnings							
Legal reserve	-	-	3,514	-	(3,514)	-	-
Cash dividends	-	-	-	-	(31,628)	-	(31,628)
Net income for the year ended December 31, 2021	-	-	-	-	161,665	-	161,665
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(1,201)	(1,201)
Total comprehensive income (loss)	-	-	-	-	161,665	(1,201)	160,464
Issuance of common stock for cash	80,000	3,367,084	-	-	-	-	3,447,084
Balance as of December 31, 2021	\$ 506,509	\$ 4,096,056	\$ 8,906	\$ 1,019	\$ 161,665	\$ (2,846)	\$ 4,771,309

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

Chairman : Jyh-Ming Lin

President : Hong-Meng Su

Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Amounts in thousands of New Taiwan Dollars)

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

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

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. History, Organization and Operation

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

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

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

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

3. Newly Issued or Revised Standards and Interpretations

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

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

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

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

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

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

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

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

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

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

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 Financial Instruments

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2022 have no material impact on the Group.

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

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

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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(b) IFRS 17 “Insurance Contracts”

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission.

(2) Basis of preparation

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

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(3) Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

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If loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership	
			December 31, 2021	December 31, 2020
ANDES	Everest Peaks Technology Corporation	Investment holding	100%	100%
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Investment holding	100%	100%
Everest Peaks Technology Corporation	Andes Techn4ology USA Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	100%	100%

(4) Foreign currency transactions

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

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

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

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

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

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(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

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All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

Raw materials – valued at purchase cost

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

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

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

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(11) Property, plant and equipment

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

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

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

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

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

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(12) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

(13) Intangible assets

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

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

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

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

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

Development costs - research and development costs

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

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

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

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

Computer software	3 years
Technologies	3 years

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

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

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(14) Impairment of non-financial assets

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

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

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

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

(15) Revenue recognition

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

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Licensing of CPU IP

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

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

Rendering of maintenance services

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

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

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

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Rendering of custom computing service

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

Royalty revenues

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

(16) Government grants

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

(17) Post-employment benefits

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

(18) Income taxes

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

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Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgement

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

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An intangible asset arising from development costs

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

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

6. Contents of Significant Accounts

(1) Cash and cash equivalents

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

(2) Financial assets measured at amortized cost, current

	December 31, 2021	December 31, 2020
Time deposits	<u>\$180,000</u>	<u>\$180,000</u>

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

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(3) Trade receivables and trade receivables-related parties

	December 31, 2021	December 31, 2020
Trade receivables	\$161,077	\$130,866
Less: allowance	(6,556)	(42,043)
Subtotal	154,521	88,823
Trade receivables-related parties	-	23,962
Less: allowance	-	-
Subtotal	-	23,962
Total	<u>\$154,521</u>	<u>\$112,785</u>

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

Trade receivables are generally on 30-75 day terms. Please refer to Note 6(10) for more details on impairment of trade receivables for the years ended December 31, 2021 and 2020. Please refer to Note 12 for credit risk disclosure.

(4) Inventories

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

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

For the year ended December 31, 2020, the cost of inventories recognized in expenses amounted to NT\$1,183 thousand, including the reversal of write-down of inventories of NT\$159 thousand. The reversal of inventory write-downs was resulting from the sales of excess and obsolete inventories.

Inventories were not pledged.

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(5) Property, plant and equipment

	December 31, 2021		December 31, 2020		
Owner occupied property, plant and equipment	<u>\$24,531</u>		<u>\$22,793</u>		
	Computer and telecommunication equipment	Test equipment	Office equipment	Leasehold improvements	Total
Cost:					
As of January 1, 2021	\$8,074	\$3,754	\$8,060	\$15,382	\$35,270
Additions	1,849	4,647	599	1,519	8,614
Disposals	(873)	-	(1,275)	-	(2,148)
Exchange differences	-	-	(69)	(3)	(72)
As of December 31, 2021	<u>\$9,050</u>	<u>\$8,401</u>	<u>\$7,315</u>	<u>\$16,898</u>	<u>\$41,664</u>
As of January 1, 2020	\$7,351	\$1,743	\$8,576	\$15,376	\$33,046
Additions	1,151	2,011	139	-	3,301
Disposals	(428)	-	(562)	-	(990)
Exchange differences	-	-	(93)	6	(87)
As of December 31, 2020	<u>\$8,074</u>	<u>\$3,754</u>	<u>\$8,060</u>	<u>\$15,382</u>	<u>\$35,270</u>
Depreciation and impairment:					
As of January 1, 2021	\$3,706	\$711	\$4,538	\$3,522	\$12,477
Depreciation	2,162	1,461	1,609	1,605	6,837
Disposals	(873)	-	(1,275)	-	(2,148)
Exchange differences	-	-	(31)	(2)	(33)
As of December 31, 2021	<u>\$4,995</u>	<u>\$2,172</u>	<u>\$4,841</u>	<u>\$5,125</u>	<u>\$17,133</u>
As of January 1, 2020	\$2,224	\$195	\$3,250	\$1,794	\$7,463
Depreciation	1,910	516	1,881	1,723	6,030
Disposals	(428)	-	(562)	-	(990)
Exchange differences	-	-	(31)	5	(26)
As of December 31, 2020	<u>\$3,706</u>	<u>\$711</u>	<u>\$4,538</u>	<u>\$3,522</u>	<u>\$12,477</u>

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

Property, plant and equipment were not pledged.

(6) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2021	\$151,923	\$278,043	\$1,572	\$431,538
Additions-internally generated	211,956	-	-	211,956
Additions-acquired separately	-	-	320	320
Disposals	-	-	(997)	(997)
Transfers	(253,745)	253,745	-	-
As of December 31, 2021	\$110,134	\$531,788	\$895	\$642,817
As of January 1, 2020	\$98,472	\$169,115	\$1,224	\$268,811
Additions-internally generated	162,379	-	-	162,379
Additions-acquired separately	-	-	483	483
Disposals	-	-	(135)	(135)
Transfers	(108,928)	108,928	-	-
As of December 31, 2020	\$151,923	\$278,043	\$1,572	\$431,538

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	Development costs	Technologies	Computer software	Total
Amortization and impairment:				
As of January 1, 2021	\$-	\$139,983	\$1,114	\$141,097
Amortization	-	122,308	299	122,607
Disposals	-	-	(997)	(997)
As of December 31, 2021	<u>\$-</u>	<u>\$262,291</u>	<u>\$416</u>	<u>\$262,707</u>
As of January 1, 2020	\$-	\$62,921	\$847	\$63,768
Amortization	-	77,062	402	77,464
Disposals	-	-	(135)	(135)
As of December 31, 2020	<u>\$-</u>	<u>\$139,983</u>	<u>\$1,114</u>	<u>\$141,097</u>
Net carrying amount as of:				
December 31, 2021	<u>\$110,134</u>	<u>\$269,497</u>	<u>\$479</u>	<u>\$380,110</u>
December 31, 2020	<u>\$151,923</u>	<u>\$138,060</u>	<u>\$458</u>	<u>\$290,441</u>

The amortization amounts of intangible assets are as follows:

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

(7) Post-employment benefits

Defined contribution plan

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

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

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

Pension expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$17,561 thousand and NT\$13,951 thousand, respectively.

(8) Equity

A. Common stock

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

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

B. Capital surplus

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

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

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

C. Retained earnings and dividend policies

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

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

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

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

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

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

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

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

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(9) Operating revenues

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

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

A. Disaggregation of revenues

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

B. Contract balances

(a) Contract assets, current

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

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Contract assets represent the amount that the Group has transferred CPU IPs to customers but not yet billed. Contract assets will be reclassified to trade receivables as the Group obtains an unconditional right to receive the consideration. The Group reclassified NT\$133,004 thousand and NT\$73,845 thousand of the beginning balance of contract assets to trade receivables during 2021 and 2020, respectively. Please refer to Note 6(10) for related impairment.

(b) Contract liabilities, current

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

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

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

(10) Expected credit losses (gains)

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

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

The Group measures the loss allowance of contract assets and receivables (including trade receivables - related parties) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2021 and 2020 is as follows:

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

December 31, 2021

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$111,346	\$-	\$-	\$-	\$-	\$-	\$111,346
Loss ratio	-%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Subtotal	\$111,346	\$-	\$-	\$-	\$-	\$-	\$111,346

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

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December 31, 2020

	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 1 :							
Gross carrying amount	\$176,828	\$-	\$-	\$-	\$7,370	\$28,166	\$212,364
Loss ratio	-%	-%	-%	-%	55%-70%	100%	
Lifetime expected credit losses	-	-	-	-	(4,606)	(28,166)	(32,772)
Subtotal	\$176,828	\$-	\$-	\$-	\$2,764	\$-	\$179,592
	Not past due	Past due					Total
		<=60 days	61~120 days	121~180 days	181~360 days	>=361 days	
Group 2 :							
Gross carrying amount	\$61,335	\$-	\$5,589	\$-	\$-	\$8,544	\$75,468
Loss ratio	-%	-%	13%	-%	-%	100%	
Lifetime expected credit losses	-	-	(727)	-	-	(8,544)	(9,271)
Subtotal	\$61,335	\$-	\$4,862	\$-	\$-	\$-	\$66,197
Carrying amount of contract assets and receivables (including trade receivables - related parties)							<u>\$245,789</u>

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

	Contract assets	Trade receivables
As of January 1, 2021	\$-	\$42,043
Reversol for the current period	-	(1)
Write off (Note)	-	(34,935)
Effect of changes in exchange rate	-	(551)
As of December 31, 2021	<u>\$-</u>	<u>\$6,556</u>
As of January 1, 2020	\$-	\$11,409
Addition for the current period	-	36,968
Write off	-	(5,033)
Effect of changes in exchange rate	-	(1,301)
As of December 31, 2020	<u>\$-</u>	<u>\$42,043</u>

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Note: For the year ended December 31, 2021, the amount written off by the Group includes the unpaid amount due to bankruptcy of customers. Subsequently, the Group sold the creditor's claim and collected NT\$16,095 thousand, which was accounted as non-operating income and expenses - other income.

(11) Leases

A. The Group as a lessee

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

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

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

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

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

II. Lease liabilities

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

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

(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

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

(c) Income and costs relating to leasing activities

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

(d) Cash outflows relating to leasing activities

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

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

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

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

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

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Based on the profit for the year ended December 31, 2020, ANDES estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2020 to be 6% and 0.99% of profit for the year ended December 31, 2020. As such, employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to NT\$2,439 thousand and NT\$406 thousand, respectively, recognized as salary expenses.

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

The estimated amounts NT\$2,439 thousand and NT\$406 thousand of the employee compensation and remuneration to directors for the year ended December 31, 2020 were no material differences with the resolutions of the Board of Directors meeting held on March 2, 2021.

No material differences between the estimated amounts and the actual distribution of the employees' compensation and remuneration of directors for the year ended December 31, 2020.

(13) Non-operating income and expenses

A. Interest income

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

B. Other income

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

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

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C. Other gains and losses

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

D. Finance costs

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

(14) Components of other comprehensive income

For the year ended December 31, 2021:

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

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For the year ended December 31, 2020:

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

(15) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expenses:		
Current income tax charge	\$15,470	\$3,548

Income tax related to components of other comprehensive income

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

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

	For the years ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	\$177,135	\$38,690
At ANDES's statutory income tax rate	\$35,427	\$7,738
Tax effect of expenses not deductible for tax purpose	1,541	862
Recognition of tax losses or temporary differences of prior periods not recognized	(35,677)	(8,423)
Recognition of different tax rates applicable to entities operating in other taxation region	5,165	740
Foreign taxes have been paid in the source country	9,014	2,631
Income tax expense recognized in profit or loss	<u>\$15,470</u>	<u>\$3,548</u>

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2021

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

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For the year ended December 31, 2020

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

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

Company name	Occurrence year	Accumulated losses	Unutilized accumulated losses		Expiration year
			December 31, 2021	December 31, 2020	
ANDES	2010	\$119,980	\$-	\$26,637	2020
	2011	114,257	-	114,257	2021
	2012	88,644	86,490	88,644	2022
	2013	87,983	87,983	87,983	2023
	2016	18,406	18,406	18,406	2026
	Total		\$192,879	\$335,927	

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

Unrecognized deferred tax assets

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

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The assessment of income tax returns

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

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

(16) Earnings per share

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

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

	For the years ended December 31,	
	2021	2020
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$161,665	\$35,142
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	45,062	42,651
Basic earnings per share (NT\$)	\$3.59	\$0.82

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

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

7. Related Party Transactions

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

Name and nature of relationship of the related parties

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

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

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(1) Operating revenues

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

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

(2) Trade receivables - related parties

	December 31, 2021	December 31, 2020
MediaTek Inc.	\$-	\$23,962

(3) Contract liabilities, current

	December 31, 2021	December 31, 2020
MediaTek Inc.	\$-	\$3,593

(4) Key management personnel compensation

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

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8. Assets Pledged as Collateral

None

9. Significant Contingencies and Unrecognized Contractual Commitments

None

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

12. Others

(1) Categories of financial instruments

Financial assets

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

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Financial liabilities

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

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

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Foreign currency risk

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

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

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2021 and 2020 decreases/increases by NT\$32,567 thousand and NT\$2,095 thousand, respectively.

Interest rate risk

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

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

Sensitivity analysis

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

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(4) Credit risk management

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

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

As of December 31, 2021 and 2020, receivables from top ten customers represented 41.16% and 57.98% of the total contract assets and trade receivables of the Group, respectively. The credit concentration risk of other contract assets and accounts receivables was insignificant.

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

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

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	more than 5 years	Total
December 31, 2021					
Trade payables	\$2,930	\$-	\$-	\$-	\$2,930
Other payables	80,142	-	-	-	80,142
Lease liabilities	15,534	33,683	29,588	22,863	101,668
December 31, 2020					
Trade payables	\$256	\$-	\$-	\$-	\$256
Other payables	63,469	-	-	-	63,469
Lease liabilities	18,812	29,825	29,588	37,657	115,882

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(6) Reconciliation of liabilities from financing activities

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

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

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

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

(7) Fair value of financial instruments

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

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

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

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(8) Significant assets and liabilities denominated in foreign currencies

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

December 31, 2021			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$118,680	27.68	\$3,285,064
CNY	18,276	4.343	79,569
 <u>Financial liabilities</u>			
Monetary item:			
USD	\$1,023	27.68	\$28,320
CNY	1,263	4.343	5,486
December 31, 2020			
	Foreign Currency (thousand)	Exchange rate	NT\$ (thousand)
<u>Financial assets</u>			
Monetary item:			
USD	\$8,242	28.48	\$234,719
CNY	15,652	4.377	68,509
 <u>Financial liabilities</u>			
Monetary item:			
USD	\$887	28.48	\$25,260
CNY	824	4.377	3,609

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

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(9) Capital management

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

13. Additional Disclosures

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

- (a) Financing provided to others for the year ended December 31, 2021: None.
- (b) Endorsement/guarantee provided to others for the year ended December 31, 2021: None.
- (c) Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2021: Please refer to Attachment 1.

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Information on major shareholders:

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

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14. Segment Information

(1) General information

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

(2) Geographical information

A. Revenue from external customers

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

Revenues are presented by customers' country.

B. Non-current assets

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

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

C. The major customer

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

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

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

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

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

ATTACHMENT 2 : NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
ANDES	Everest Peaks Technology Corporation	British Virgin Islands	Investment Holding	\$267,423	\$210,863	8,858,780	100%	\$128,302	\$38,926	\$38,926	-
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	Samoa	Investment Holding	\$64,450	\$64,450	2,058,780	100%	\$63,797	\$23,557	\$23,557	(Note)
Everest Peaks Technology Corporation	Andes Technology USA Corporation	USA	Licensing CPU IP and providing related services	\$202,973	\$146,413	6,800,000	100%	\$64,505	\$15,369	\$15,369	(Note)

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

ATTACHMENT 3 : INFORMATION ON INVESTMENT IN MAINLAND CHINA

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

Investee Company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021
					Outflow	Inflow						
Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	\$18,117	(ii)Andes Technology (Samoa) Corporation	\$18,117	\$-	\$-	\$18,117	\$12,709	100%	\$12,709 (ii)	\$35,608	\$-
Andes Shanghai Technology Corporation	Licensing CPU IP and providing related services	\$9,258	(ii)Andes Technology (Samoa) Corporation	\$9,258	\$-	\$-	\$9,258	\$10,848	100%	\$10,848 (ii)	\$28,185	\$-

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

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

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

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

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

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

Note 4 : Amounts denominated in foreign currency is converted into New Taiwan Dollars by the exchange rate at December 31, 2021.

ATTACHMENT 4 : INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS DURING THE REPORTING PERIOD

(Amounts in Thousands of New Taiwan Dollars)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transactions			
				Financial Statement Account	Amount	Transaction Terms	Percentage of Consolidated Net Sales or Total Assets (Note 3)
0	Andes Technology Corporation	Andes Technology (Wuhan) Corporation	1	Trade receivables-related parties	\$10,181	Net 60 days	0.20%
				Contract assets	\$8,436	According to the contract terms	0.17%
				Sales	\$34,876	Net 60 days	4.25%
				Contract liabilities, current	\$2,889	According to the contract terms	0.06%
		Andes Technology USA Corporation	1	Trade receivables-related parties	\$89,255	Net 60 days	1.77%
				Sales	\$116,926	Net 60 days	14.26%
				Contract liabilities, current	\$16,819	According to the contract terms	0.33%
				R&D design fees	\$54,631	According to the contract terms	6.66%
		Andes Shanghai Technology Corporation	1	Other payables	\$9,294	According to the contract terms	0.18%
				Trade receivables-related parties	\$6,564	Net 60 days	0.13%
				Contract assets	\$18,542	According to the contract terms	0.37%
				Sales	\$45,975	Net 60 days	5.61%
				Contract liabilities, current	\$2,250	According to the contract terms	0.04%

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

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

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

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

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

ATTACHMENT 5 : THE INFORMATION OF MAJOR SHAREHOLDERS

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