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

ANDES TECHNOLOGY CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

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

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

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2018 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the Combined Financial Statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the consolidated financial statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the consolidated financial statements.

Very truly yours,

Andes Technology Corporation

Chairman: Ming-Kai Tsai

March 15, 2019

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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, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, 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 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 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Net sales recognized by the Group amounted to NT$304,756 thousand for the year ended December 31, 2018. 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 around revenue recognition; selecting samples from the contracts with customers to review significant terms and condition of contracts, identify separate performance obligations and their transaction prices, and further perform tests of details to verify the correctness of the amount and timing of revenue recognition; executing tests of journal entries prepared by management to validate the consistency with the substance of transaction and ensure the appropriateness of revenue recognition.

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

An intangible asset arising from development costs

The Group devotes itself to developing and constructing a unique system architecture and contributes significant R&D efforts in development of embedded processor IPs and hardware/software developing platforms. Therefore, the Group determined to capitalize the expenditures during development phases of certain R&D projects. Net carrying value of intangible assets arising from development recognized by the Group was NT$124,590 thousand as of December 31, 2018, NT$100,272 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 around the internally generated intangible assets, including assessing whether the Group has established appropriate written accounting policies that address the required conditions and documentations for R&D expenditure capitalization; selecting samples from research and development projects of the year to gather evidences to support the technical feasibility, future economic benefits, the availability of future resources and expenditures needed, the management's intention to complete and the ability to sell the intangible asset; and verifying the accuracy of the expenditures attributable to the intangible asset during its development phase and the amount to be capitalized.

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

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

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

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

Those charged with governance, including supervisors, 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 2018 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, 2018 and 2017.

Kuo, Shao-Pin

Tu, Jia-Ling

Ernst & Young, Taiwan
March 15, 2019

Notice to Readers

The reader is advised that these 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.

The accompanying consolidated financial statements are intended only to present the consolidated 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.

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2018	%	December 31, 2017	%
Current assets					
Cash and cash equivalents	6(1)	$ 528,368	42.71	$ 688,705	58.15
Financial assets measured at amortized cost, current	3, 4, 6(2)	420,000	33.95	-	-
Contract assets, current	3, 4, 6(11), 6(12), 7	60,061	4.86	-	-
Debt instrument investments for which no active market exists, current	3, 4, 6(3)	-	-	394,000	33.26
Trade receivables, net	3, 4, 6(4), 6(12)	53,558	4.33	45,458	3.84
Trade receivables-related parties, net	4, 6(4), 6(12), 7	2,580	0.21	-	-
Other receivables		1,047	0.08	621	0.05
Inventories	4, 6(5)	911	0.07	1,059	0.09
Prepayments		15,754	1.27	9,307	0.79
Total current assets		1,082,279	87.48	1,139,150	96.18
Non-current assets					
Property, plant and equipment	4, 6(6)	23,154	1.87	3,209	0.27
Intangible assets	4, 6(7)	125,283	10.13	40,629	3.43
Deferred tax assets	4, 6(17)	276	0.02	359	0.03
Refundable deposits		6,115	0.50	1,096	0.09
Total non-current assets		154,828	12.52	45,293	3.82
Total assets		$ 1,237,107	100.00	$ 1,184,443	100.00

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2018	%	December 31, 2017	%
Current liabilities					
Contract liabilities, current	3, 4, 6(11), 7	$ 19,587	1.58	$ -	-
Trade payables		1,108	0.09	40	-
Other payables		26,021	2.10	23,556	1.99
Advance receipts	3, 7	54	0.01	5,365	0.45
Other currents liabilities		1,335	0.11	1,148	0.10
Total current liabilities		48,105	3.89	30,109	2.54
Total liabilities		48,105	3.89	30,109	2.54
Equity attributable to owners of the parent					
Capital					
Common stock	6(9)	426,509	34.48	406,199	34.29
Capital surplus	6(9), 6(10)	728,972	58.92	756,338	63.86
Retained earnings	3, 6(9)				
Legal reserve		388	0.03	388	0.03
Special reserve		217	0.02	217	0.02
Undistributed earnings (accumulated deficits)		34,021	2.75	(7,056)	(0.59)
Total retained earnings		34,626	2.80	(6,451)	(0.54)
Other equity		(1,105)	(0.09)	(1,752)	(0.15)
Total equity		1,189,002	96.11	1,154,334	97.46
Total liabilities and equity		$ 1,237,107	100.00	$ 1,184,443	100.00

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

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

Description	Notes	2018	%	2017	%
Net sales	4, 6(11), 7	$ 304,756	100.00	$ 289,377	100.00
Operating costs	6(5)	(416)	(0.14)	(940)	(0.32)
Gross profit		304,340	99.86	288,437	99.68
Operating expenses	6(12), 6(13), 6(14), 7				
Selling expenses		(91,992)	(30.18)	(95,059)	(32.85)
Administrative expenses		(57,821)	(18.97)	(58,416)	(20.19)
Research and development expenses		(117,203)	(38.46)	(108,070)	(37.35)
Expected credit losses		(2,013)	(0.66)	-	-
Total operating expenses		(269,029)	(88.27)	(261,545)	(90.39)
Operating income		35,311	11.59	26,892	9.29
Non-operating income and expenses	6(15)				
Other income		6,145	2.02	4,997	1.73
Other gains and losses		1,508	0.49	(8,167)	(2.82)
Total non-operating income and expenses		7,653	2.51	(3,170)	(1.09)
Net income before income tax		42,964	14.10	23,722	8.20
Income tax expense	4, 6(17)	(1,397)	(0.46)	(2,189)	(0.76)
Net income		41,567	13.64	21,533	7.44
Other comprehensive income	6(16)				
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		730	0.24	(1,234)	(0.42)
Income tax relating to those items to be reclassified to profit or loss		(83)	(0.03)	210	0.07
Other comprehensive income (loss), net of tax		647	0.21	(1,024)	(0.35)
Total comprehensive income		$ 42,214	13.85	$ 20,509	7.09
Net income attributable to :					
Owners of the parent		$ 41,567		$ 21,533	
Total comprehensive income attributable to :					
Owners of the parent		$ 42,214		$ 20,509	
Earnings per share (NTD)	6(18)				
Basic Earnings Per Share		$ 0.97		$ 0.51	
Diluted Earnings Per Share		$ 0.97		$ 0.51	

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent						
	Capital		Retained earnings			Other equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings (accumulated deficits)	Exchange differences resulting from translating the financial statements of foreign operations	Total equity
Balance as of January 1, 2017	$ 371,399	$ 459,761	$ 388	$ 217	$ (28,589)	$ (728)	$ 802,448
Issuance of common stock for cash	34,720	295,192	-	-	-	-	329,912
Net income for the year ended December 31, 2017	-	-	-	-	21,533	-	21,533
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(1,024)	(1,024)
Total comprehensive income (loss)	-	-	-	-	21,533	(1,024)	20,509
Share-based payment transactions	80	1,385	-	-	-	-	1,465
Balance as of December 31, 2017	406,199	756,338	388	217	(7,056)	(1,752)	1,154,334
Effects of retrospective application and restatement	-	-	-	-	(7,546)	-	(7,546)
Restated balance as of January 1, 2018	406,199	756,338	388	217	(14,602)	(1,752)	1,146,788
Changes in other capital surplus							
Capital surplus used to cover accumulated deficits	-	(7,056)	-	-	7,056	-	-
Stock dividends distributed from capital surplus	20,310	(20,310)	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	41,567	-	41,567
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	647	647
Total comprehensive income	-	-	-	-	41,567	647	42,214
Balance as of December 31, 2018	$ 426,509	$ 728,972	$ 388	$ 217	$ 34,021	$ (1,105)	$ 1,189,002

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

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

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	2018	2017
Cash flows from operating activities :		
Net income before income tax	$ 42,964	$ 23,722
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	1,786	788
Amortization	15,726	2,188
Expected credit loss	2,013	8,109
Interest income	(5,141)	(4,219)
Losses on disposal of property, plant and equipment	37	-
Changes in operating assets and liabilities:		
Contract assets	(37,235)	-
Trade receivables	(32,896)	11,424
Trade receivables - related parties	(2,580)	-
Other receivables	(797)	-
Inventories	148	368
Prepayments	(6,447)	135
Contract liabilities	6,676	-
Trade payables	1,068	(6)
Other payables	2,465	(4,640)
Advance receipts	54	1,821
Other current liabilities	187	162
Cash (used in) generated from operating activities	(11,972)	39,852
Interest received	5,223	4,102
Income tax paid	(1,108)	(1,886)
Net cash (used in) provided by operating activities	(7,857)	42,068
Cash flows from investing activities :		
Acquisition of financial assets measured at amortized cost	(420,000)	-
Proceeds from disposal of financial assets measured at amortized cost	394,000	-
Acquisition of debt instrument investments for which no active market exists	-	(574,000)
Proceeds from disposal of debt instrument investments for which no active market exists	-	180,000
Acquisition of property, plant and equipment	(21,768)	(2,677)
Increase in refundable deposits	(5,216)	(60)
Decrease in refundable deposits	199	-
Acquisition of intangible assets	(100,380)	(42,744)
Net cash used in investing activities	(153,165)	(439,481)
Cash flows from financing activities :		
Issuance of common stock for cash	-	329,912
Proceeds from exercise of employee stock options	-	1,465
Net cash provided by financing activities	-	331,377
Effect of changes in exchange rate on cash and cash equivalents	685	(1,197)
Net decrease in cash and cash equivalents	(160,337)	(67,233)
Cash and cash equivalents at the beginning of the year	688,705	755,938
Cash and cash equivalents at the end of the year	$ 528,368	$ 688,705

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

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

1. History, Organization and Operation

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

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

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

The consolidated financial statements of the Group were authorized for issue in accordance with a resolution of the board meeting held on March 15, 2019.

3. Newly Issued or Revised Standards and Interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 15 "Revenue from Contracts with Customers" (including Amendments to *IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provisions in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's principal activities consist of the sale of CPU IP and rendering of maintenance services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

a. Please refer to Note 4(15) for the accounting policies before or after January 1, 2018.

b. Starting from January 1, 2018, in accordance with IFRS 15, the Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. However, for some contracts, if 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, which is different from the accounting treatment of recognizing trade receivables before January 1, 2018. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. The amount reclassified from trade receivables to contract assets of the Group as at January 1, 2018 was NT$22,826 thousand.

c. Before January 1, 2018, revenue from rendering of maintenance service was recognized on a straight-line basis over the contract period. Starting from January 1, 2018, in accordance with IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by rendering of maintenance services to a customer, which has no significant impacts on the revenue recognition. However, for some maintenance services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently. Before January 1, 2018, the Group recognized the consideration received in advance from customers under advance receipts. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from advance receipts to contract liabilities of the Group as at January 1, 2018 was NT$5,365 thousand.

d. In accordance with IFRS 15, the Group shall identify performance obligations in the contract, including the commitment that in writing, orally or implied by an entity's customary business practices, and shall allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. For certain CPU IP contracts, the Group has identified the maintenance service as a separate performance obligation which has been bundled with those CPU IP contracts. The Group shall allocate the transaction price to the maintenance service on a relative stand-alone selling price basis and the revenue shall be recognized during the period that the Group performs its obligation. Before January 1, 2018, the consideration received for the aforementioned implied performance obligation was recognized as revenue. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from retained earnings to contracts liabilities of the Group as at January 1, 2018 was NT$4,272 thousand.

e. The consideration promised in a contract includes a variable amount, such as the terms of deduction. In accordance with IFRS 15, 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 entity expects to better predict the amount of consideration to which it will be entitled. In estimating the transaction price of some or all of an amount of variable consideration, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Before January 1, 2018, the received consideration was recognized as revenue. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from retained earnings to contracts liabilities of the Group as at January 1, 2018 was NT$3,274 thousand.

f. Please refer to Note 4(15) and Note 6(11) for additional disclosure required by IFRS 15.

g. The amount by which each financial statement line item is effected in the current reporting period by the application of IFRS 15 as compared to IAS 11, IAS 18 and related Interpretations that were in effect before the change and an explanation of the reasons for significant changes:

Items	Amounts in accordance with IFRS 15	Amounts in accordance with IAS 18	Differences	Note
December 31, 2018				
Balance sheet:				
Contract assets	$60,061	$-	$60,061	A
Trade receivables, net	53,558	112,083	(58,525)	A
Trade receivables-related parties, net	2,580	4,116	(1,536)	A
Current liabilities:				
Contract liabilities	19,587	-	19,587	B, C, D
Advance receipts	54	15,072	(15,018)	B
Equity:				
Retained earnings	34,626	39,195	(4,569)	B, C, D

For the year ended December 31, 2018				
Statement of comprehensive income:				
Net sales	$304,756	$301,779	$2,977	B, C
Net income before income tax	42,964	39,987	2,977	
Net income	41,567	38,590	2,977	
Net income (loss) for the periods attributable to:				
Owners of the parent	41,567	38,590	2,977	
Earnings per share				
Basic earnings per share	0.97	0.90		
Diluted earnings per share	0.97	0.90		

For the year ended December 31, 2018				
Statement of cash flows:				
Cash flows from operating activities				
Contract assets	$(37,235)	$-	$(37,235)	
Trade receivables, net	(32,896)	(68,595)	35,699	
Trade receivables-related parties, net	(2,580)	(4,116)	1,536	
Contract liabilities	6,676	-	6,676	
Advance receipts	54	9,707	(9,653)	

Note：

A. In accordance with IFRS 15, for some contracts, if 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.

B. For some maintenance services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently. The Group recognized the consideration received in advance from customers under advance receipts, and in accordance with IFRS 15, it should be recognized as contract liabilities.

C. For certain CPU IP contracts, the Group has identified the maintenance service as a separate performance obligation which has been bundled with those CPU IP contracts. The Group shall allocate the transaction price to the maintenance service on a relative stand-alone selling price basis and the revenue shall be recognized during the period that the Group performs its obligation.

D. The consideration promised in a contract includes a variable amount, such as the terms of deduction. In accordance with IFRS 15, 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 entity expects to better predict the amount of consideration to which it will be entitled.

B. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provisions of IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

a. The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

b. In accordance with the transition provisions in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and its carrying amounts as at January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
At amortized cost		At amortized cost (including cash and cash equivalents (excluding petty cash), notes receivables, trade receivables, financial assets measured at amortized cost, other receivables and refundable deposits)	
Loans and receivables (including cash and cash equivalents (excluding petty cash), notes receivables, trade receivables, debt instrument investments for which no active market exists, other receivables and refundable deposits)	$1,107,034		$1,107,034

c. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets as at January 1, 2018 are as follow:

IAS 39		IFRS 9				
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Retained earnings Adjustment	Other components of equity Adjustment
Loans and receivables (Note)		At amortized costs				
Debt instrument investments for which no active market exists	$394,000	Financial assets measured at amortized costs	$394,000	$-	$-	$-
Cash and cash equivalents	688,685	Cash and cash equivalents	688,685	-	-	-
Trade receivables	22,632	Trade receivables	22,632	-	-	-
Other receivables	621	Other receivables	621	-	-	-
Refundable deposits	1,096	Refundable deposits	1,096	-	-	-
Total	$1,107,034	Total	$1,107,034		$-	$-

Note:
In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arisen from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

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

Items	The Projects of Standards or Interpretations	Effective Dates
A	IFRS 16 “Leases”	January 1, 2019
B	IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
C	IAS 28 “Investments in Associates and Joint Ventures” (Amendment to IAS 28)	January 1, 2019
D	Prepayment Features with Negative Compensation (Amendment to IFRS 9)	January 1, 2019
E	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
F	Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)	January 1, 2019

A. IFRS 16 “Leases”

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

C. IAS 28 “Investment in Associates and Joint Ventures” (Amendments to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

D. Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

E. Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”
The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”
The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”
The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”
The amendments clarify that an entity should treats any borrowing made specifically to obtain an asset as part of general borrowings when the asset is ready for its intended use or sale.

F. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. Apart from the potential impact of the standards listed under A which is described below, the remaining standards and interpretations have no material impact on the Group.

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group is summarized as follows:

a. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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

Leases classified as operating leases

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

The Group expects the right-of-use asset will increase by NT$152,432 thousand and the lease liability will increase by NT$152,432 thousand on January 1, 2019.

b. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2021
C	Definition of a Business (Amendment to IFRS 3)	January 1, 2020
D	Definition of material (Amendment to IAS 1 and 8)	January 1, 2020

A. IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” (IFRS 10) and IAS 28 “Investments in Associate and Joint Ventures” (IAS 28), 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 a 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 “Business Combinations” (IFRS 3) between an investor and its associate or joint venture is recognized in full.

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

B. IFRS 17 “Insurance Contracts”

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

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

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

C. Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

D. Definition of Material (IAS 1 and IAS 8 Amendment)

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

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

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the year ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and interpretations issued, revised or amended which are endorsed by FSC (TIFRS).

(2) Basis of Preparation

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

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

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

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

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

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangements; and (or)
c. ANDES' voting rights and potential voting rights.

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

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

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

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

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

The consolidated entities are listed as follows:

			Percentage of Ownership	
Investor	Subsidiary	Business nature	December 31, 2018	December 31, 2017
ANDES	Everest Peaks Technology Corporation	General investing	100%	100%
Everest Peaks Technology Corporation	Andes Technology (Samoa) Corporation	General investing	100%	100%
Everest Peaks Technology Corporation	Andes Technology USA Corporation	Licensing CPU IP and providing related services	100%	100%
Andes Technology (Samoa) Corporation	Andes Technology (Wuhan) Corporation	Licensing CPU IP and providing related services	100%	100%

Note: On March 20, 2018, the board meeting resolved the increase in capital of Andes Technology USA Corporation in the amount of US$750 thousand through Everest Peaks Technology Corporation.

(4) Foreign currency transactions

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

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

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

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

b. foreign currency items within the scope of IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) 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 accounting policy from January 1, 2018 as follow:

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

   (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.

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

Financial asset measured at fair value through profit or loss

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

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

The accounting policy before January 1, 2018 as follow:

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investment for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

B. Impairment of financial assets

The accounting policy from January 1, 2018 as follow:

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

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

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

The loss allowance is measured as follows:

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

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

The accounting policy before January 1, 2018 as follow:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

a. significant financial difficulty of the issuer or obligor;
b. a breach of contract, such as a default or delinquency in interest or principal payments;
c. it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
d. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity instruments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

Inventory costs include costs incurred in bringing each inventory to its present location and Condition:
Raw materials – valued at purchase cost
Finished goods and work in progress – Cost 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.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Property, plant and equipment

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

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

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

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

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

(12)Leases

Group as a lessee

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

(13)Intangible assets

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

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

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

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

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

Development costs - research and development costs

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

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b. its intention to complete and its ability to use or sell the asset;
c. how the asset will generate future economic benefits;
d. the availability of resources to complete the asset; and
e. the ability to measure reliably the expenditure during development.

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

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

Computer software	3 years
Technologies	3 years

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

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

(14) Impairment of non-financial assets

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

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

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

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

(15)Revenue recognition

The accounting policy from January 1, 2018 as follow:

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

Licensing of CPU IP

When a promised CPU IP is licensed to a customer, the customer can direct the use of, and obtain substantially all of the remaining benefits from the license. The nature of the Group's promise is to provide a right to use the CPU IP at the point in time at which the license of the CPU IP is granted to the customer. Therefore, revenue is recognized when the control of the promised goods has been transferred to the customer. The considerations 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 has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. In addition, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of maintenance services

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

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

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

Royalty revenues

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

The accounting policy before January 1, 2018 as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

A. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

a. the significant risks and rewards of ownership of the goods have passed to the buyer;
b. neither continuing managerial involvement nor effective control over the goods sold have been retained;
c. the amount of revenue can be measured reliably;

d. it is probable that the economic benefits associated with the transaction will flow to the entity; and
e. the costs incurred in respect of the transaction can be measured reliably.

B. Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

C. Licensing fees and royalties

Fees and royalties are normally recognized based on the substance of the agreement and on an accrual basis.

a. Licensing of CPU IP
The Group licenses its CPU IP to customers that allows customers to use its CPU IP freely. The license agreements are usually non-cancellable, with fixed fees, and, after licenses delivered, the Group has no further obligations. Accordingly, the licensing of Group's CPU IP is in substance a sale.

b. Rendering of maintenance services
Maintenance services include support and enhancements on delivered CPU IPs or developing tools. Revenues of maintenance service are recognized on a straight-line basis over the contract period.

c. Royalty revenues
Royalty revenues are recognized only when the Group has the right to receive the royalty.

(16) Post-employment benefits

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

(17)Share-based payment transactions

The cost of equity-settled transactions between the Group and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it fully vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award substitutes the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(18) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

(1) 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:

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.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6(10).

b. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could cause future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6(17) for more details on unrecognized deferred tax assets.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash	$20	$20
Checking and savings accounts	71,781	37,117
Time deposits	278,600	406,600
Reverse repurchase agreements-corporate bonds	177,967	244,968
Total	$528,368	$688,705

(2) Financial assets measured at amortized cost, current

	December 31, 2018	December 31, 2017(Note)
Time deposits	$420,000	-

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

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.

(3) Debt instrument investments for which no active market exists, current

	December 31, 2018(Note)	December 31, 2017
Time deposits	-	$394,000

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt instrument investments for which no active market exists. The aforementioned debt instrument was not pledged.

(4) Trade receivables and trade receivables-related parties

	December 31, 2018	December 31, 2017
Trade receivables	$60,947	$53,596
Less: allowance	(7,389)	(8,138)
Subtotal	53,558	45,458
Trade receivables-related parties	2,580	-
Less: allowance	-	-
Subtotal	2,580	-
Total	$56,138	$45,458

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

Trade receivables are generally on 30-75 day terms. The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6(12) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	$-	$-	$-
Charge for the current period	7,980	158	8,138
Write off	-	-	-
As of December 31, 2017	$7,980	$158	$8,138

Aging analysis of trade receivables (net) that are past due as at the end of the reporting period but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired	<=30 days	31~60 days	61~90 days	91~120 days	>=121 days	Total
December 31, 2017	$41,658	$2,352	$25	$1,423	$-	$-	$45,458

(5) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$436	$356
Work in progress	103	61
Finished goods	372	642
Net amount	$911	$1,059

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

For the year ended December 31, 2017, the cost of inventories recognized in expenses amounted to NT$940 thousand, including the write-down of inventories of NT$270 thousand.

Inventories were not pledged.

(6) Property, plant and equipment

	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2018	$1,582	$2,855	$-	$4,437
Additions	1,406	5,372	14,990	21,768
Disposals	-	(41)	-	(41)
Exchange differences	-	(3)	-	(3)
As of December 31, 2018	$2,988	$8,183	$14,990	$26,161

	Computer and telecommunication equipment	Office equipment	Leasehold improvements	Total
As of January 1, 2017	$804	$1,164	$-	$1,968
Additions	873	1,804	-	2,677
Disposals	(95)	(100)	-	(195)
Exchange differences	-	(13)	-	(13)
As of December 31, 2017	$1,582	$2,855	$-	$4,437
Depreciation and impairment:				
As of January 1, 2018	$470	$758	$-	$1,228
Depreciation	509	861	416	1,786
Disposals	-	(4)	-	(4)
Exchange differences	-	(3)	-	(3)
As of December 31, 2018	$979	$1,612	$416	$3,007
As of January 1, 2017	$245	$395	$-	$640
Depreciation	320	468	-	788
Disposals	(95)	(100)	-	(195)
Exchange differences	-	(5)	-	(5)
As of December 31, 2017	$470	$758	$-	$1,228
Net carrying amount as of:				
December 31, 2018	$2,009	$6,571	$14,574	$23,154
December 31, 2017	$1,112	$2,097	$-	$3,209

Property, plant and equipment were not pledged.

(7) Intangible assets

	Development costs	Technologies	Computer software	Total
Cost:				
As of January 1, 2018	$6,020	$35,700	$1,119	$42,839
Additions-internally generated	100,272	-	-	100,272
Additions-acquired separately	-	-	108	108
Disposals	-	-	(95)	(95)
Transfers	(21,207)	21,207	-	-
As of December 31, 2018	$85,085	$56,907	$1,132	$143,124
As of January 1, 2017	$-	$-	$2,157	$2,157
Additions-internally generated	41,720	-	-	41,720
Additions-acquired separately	-	-	1,024	1,024
Disposals	-	-	(2,062)	(2,062)
Transfers	(35,700)	35,700	-	-
As of December 31, 2017	$6,020	$35,700	$1,119	$42,839
Amortization and impairment:				
As of January 1, 2018	$-	$2,058	$152	$2,210
Amortization	-	15,344	382	15,726
Disposals	-	-	(95)	(95)
As of December 31, 2018	$-	$17,402	$439	$17,841
As of January 1, 2017	$-	$-	$2,084	$2,084
Amortization	-	2,058	130	2,188
Disposals	-	-	(2,062)	(2,062)
As of December 31, 2017	$-	$2,058	$152	$2,210

	Development costs	Technologies	Computer software	Total
Net carrying amount as of:				
December 31, 2018	$85,085	$39,505	$693	$125,283
December 31, 2017	$6,020	$33,642	$967	$40,629

The amortization amounts of intangible assets are as follows:

	For the years ended December 31,	
	2018	2017
Selling expenses	$36	$-
Administrative expenses	$341	$70
Research and development expenses	$15,349	$2,118

(8) Post-employment benefits

Defined contribution plan

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

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

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

Pension expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT$8,882 thousand and NT$7,407 thousand, respectively.

(9) Equity

A. Common stock

ANDES' authorized capital as of December 31, 2018 and 2017 was NT$700,000 thousand, divided into 70,000 thousand shares, each at a par value of NT$10. ANDES' issued capital was NT$426,509 thousand, and NT$406,199 thousand, divided into 42,651 thousand shares, and 40,620 thousand shares as of December 31, 2018 and 2017, respectively. Each share has one voting right and a right to receive dividends.

ANDES issued 8 thousand new shares for the year ended December 31, 2017, for the exercise of employee stock options. Newly shares had been registered and all employee stock options had been exercised by the end of 2017.

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

B. Capital surplus

	December 31, 2018	December 31, 2017
Additional paid-in capital	$727,198	$754,564
Employee stock options	1,774	1,774
Total	$728,972	$756,338

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

C. Retained earnings and dividend policy

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

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

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

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

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Jin-Guan-Zheng-Fa-Zi 1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal

amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

There was no special reserve set aside for the first-time adoption of the TIFRS.

D. Due to the deficits, no distribution of earnings for 2017 was proposed and approved at the board meeting held on March 15, 2019 and the shareholders meeting on June 21, 2018.

	Retained earnings and dividend policy	
	December 31, 2018	December 31, 2017
Legal reserve	$3,402	$-
Aside to special reserve	888	-
Cash dividend	$29,731	$-

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

Please refer to Note 6(14) for information on the employees' compensation and remuneration to directors.

(10) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations. Services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

A. Share-based payment plan for employees of the parent entity

The board meeting approved the 1st share-based payment plan of 2014 and would issue employee share options with a total number of 3,000 units on April 1, 2014.

Each unit entitles an option to subscribe for 1,000 shares of the ANDES' common shares. When employees exercise the share options, new shares will be issued. The exercise price is the higher of the net asset value of each share calculated by the most recent audited financial statement or par value of common stock of NT$10. The share options may be exercised after being vested, and such share option is effective for six years.

There are no cash settlement alternatives. The Group has never settled these employee share options in cash before.

The relevant details of the aforementioned share-based payment plan are as follows:

Grant date	Total number of share options granted	Exercise price of share options (NT$)
July 21, 2014	3,000	10.00
October 3, 2014		10.00
December 26, 2014		10.00
March 27, 2015		22.50

The following table lists the inputs to the model used for the plan granted during 2015 and 2014:

Grant date	Expected volatility (%)	Dividend yield (%)	Risk free interest rate (%)	Expected option life	Option pricing model
July 21, 2014	30.14%	-%	0.39%	1 year	Black-Scholes
October 3, 2014	38.71%	-%	1.40%	3 years	Black-Scholes
December 26, 2014	37.56%	-%	1.10%	3 years	Black-Scholes
March 27, 2015	35.58%	-%	0.3844%	3 years	Black-Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	For the year ended December 31, 2017	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of year	8	20.18
Granted	-	-
Exercised	(8) [1]	20.18
Expired	-	-
Outstanding at end of year	-	
Exercisable at end of year	-	
Weighted-average fair value of options granted during the year (NT$)	$-	

[1] The weighted average share price at the date of exercise was NT$124.

The share-based payment plans had all been exercised by the end of 2017.

B. New shares reserved for employees' subscription

An initial public offering was approved by the board meeting on December 21, 2016. Andes totally issued 3,472 thousand shares, of which 348 thousand shares were reserved for employees to subscribe. The record date of subscription was on March 10, 2017, and the newly issued shares were registered.

The relevant information to aforementioned share-based payment plan is as follows:

Date of grant	Total number of share options granted (in thousands)	Exercise price of share options (NT$)
February 16, 2017	348	65.10

The following table lists the inputs to the model used for the aforementioned share-based payment plans:

	Issuance of common stock for cash retained for employees
Expected dividend yield (%)	-
Expected volatility (%)	26.92
Risk-free interest rate (%)	0.237
Expected life (Years)	0.052
Weighted average share price ($)	68.34
Option pricing model	Black - Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

C. Share-based compensation expenses recognized for the years ended December 31, 2018 and 2017 are shown in the following table:

	For the years ended December 31,	
	2018	2017
Total expense arising from equity-settled share-based payment transactions	$-	$1,304

D. No modification or cancellation of share-based payment plan has occurred during the years ended December 31, 2018 and 2017.

(11)Sales

	For the year ended December 31, 2018	Percent of total sales	For the year ended December 31, 2017	Percent of total sales
Revenue from contracts with customers				
Licensing of CPU IP	$211,029	69%	$239,997	83%
Royalty revenues	74,953	25%	38,287	13%
Maintenance services	17,022	5%	8,870	3%
Subtotal	303,004	99%	287,154	99%
Others	1,752	1%	2,223	1%
Total	$304,756	100%	$289,377	100%

Note: The Group has adopted IFRS 15 since January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application.

The Group has adopted IFRS 15 since January 1, 2018. Relevant information of revenue from contracts with customers for the year ended December 31, 2018 is as follows:

A. Disaggregation of revenue

	For the year ended December 31, 2018
Timing of revenue recognition:	
At a point in time	$287,734 (Note)
Over time	17,022
Total	$304,756

Note: The amount includes royalty revenues of NT$74,953 thousand, which is calculated on sale basis and recognized when subsequent sale occurs.

B. Contract balances

a. Contract assets, current

	January 1, 2018	December 31, 2018	Difference
Licensing of CPU IP	$22,826	$60,061	$37,235

Contract assets represent the amount that the Group has transferred CPU IPs to customers but not yet billed. Contract assets will be transferred to trade receivables as the Group obtains an unconditional right to receive the consideration. The Group transferred NT$21,741 thousand of the beginning balance of contract assets to trade receivables during 2018. Please refer to Note 6(12) for more details on the impairment impact.

b. Contract liabilities

	January 1, 2018	December 31, 2018	Difference
Contract liabilities, current			
Licensing of CPU IP	$-	$3,912	$3,912
Maintenance services	9,637	12,401	2,764
Deductions	3,274	3,274	-
Total	$12,911	$19,587	$6,676

NT$8,878 thousand of beginning balance of contract liabilities has been recognized as revenues. The increase of contract liabilities by the end of 2018 is because part of the performance obligations have not been satisfied.

(12)Expected credit losses

	For the years ended December 31,	
	2018	2017(Note)
Operating expenses – expected credit losses		
Trade receivables	$(2,013)	

Note: The Group has adopted IFRS 9 since January 1, 2018. The Group elected not to apply restate prior periods in accordance with the transition provision in IFRS 9.

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

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

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

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

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

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

Note 2: The contract assets were not past due.

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

	Contract assets	Trade receivables
Beginning balance (in accordance with IAS 39)	$-	$8,138
Beginning adjusted retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	8,138
Addition for the current period	-	2,013
Write off	-	(2,719)
Effect of changes in exchange rate	-	(43)
Ending balance	$-	$7,389

(13)Operating leases

The Group as a lessee

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

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$22,361	$3,569
Later than one year but not later than five years	73,365	1,634
Total	$95,726	$5,203

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2018	2017
Minimum lease payments	$9,503	$3,855

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

	For the years ended December 31					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$-	$137,028	$137,028	$-	$152,612	$152,612
Labor and health insurance	-	15,223	15,223	-	12,812	12,812
Pension	-	8,882	8,882	-	7,407	7,407
Others	-	525	525	-	462	462
Depreciation	-	1,786	1,786	-	788	788
Amortization	-	15,726	15,726	-	2,188	2,188

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

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

ANDES did not estimate the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017.

(15) Non-operating income and expenses

(a) Other income

	For the years ended December 31,	
	2018	2017
Interest income (Note)		$4,219
Financial assets measured at amortized cost	$5,141	-
Others	1,004	778
Total	$6,145	$4,997

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(b) Other gains and losses

	For the years ended December 31,	
	2018	2017
Foreign exchange gains (losses), net	$3,499	$(6,882)
Losses on disposal of property, plant and equipment	(37)	-
Others	(1,954)	(1,285)
Total	$1,508	$(8,167)

(16)Components of other comprehensive income

For the year ended December 31, 2018:

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

For the year ended December 31, 2017:

	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	$(1,234)	$-	$(1,234)	$210	$(1,024)

(17)Income tax

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

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2018	2017
Current income tax expenses:		
Current income tax charge	$-	$-
Adjustments in respect of current income tax of prior periods	-	378
Deferred tax expense (income):		
Others	$1,397	1,811
Income tax expense	$1,397	$2,189

Income tax related to components of other comprehensive income

	For the years ended December 31,	
	2018	2017
Deferred tax income:		
Exchange differences resulting from translation the financial statements of foreign operations	$(83)	$210
Income tax relating to components of other comprehensive income	$(83)	$210

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,	
	2018	2017
Accounting profit (loss) before tax from continuing operations	$42,964	$23,722
At ANDES's statutory income tax rate (2018:20%; 2017:17%)	$8,593	$4,033
Adjustments in respect of current income tax of prior periods	-	378
Recognition of tax losses or temporary differences of prior periods not recognized	(8,588)	(4,029)
Others	1,392	1,807
Income tax expense recognized in profit or loss	$1,397	$2,189

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Generated from consolidation	Exchange differences	Ending balance
Temporary differences							
Investments accounted for using the equity method	$359	$-	$(83)	$-	$-	$-	$276
Deferred income tax		$-	$(83)	$-	$-	$-	
Net deferred tax assets (liabilities)	$359						$276
Reflected in balance sheet as follows:							
Deferred tax assets	$359						$276
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 loss	Unutilized accumulated loss December 31, 2018	Unutilized accumulated loss December 31, 2017	Expiration year
ANDES	2007	$107,266	$-	$67,726	2017
	2008	82,011	40,688	82,011	2018
	2009	145,944	145,944	145,944	2019
	2010	119,980	119,980	119,980	2020
	2011	114,257	114,257	114,257	2021
	2012	88,644	88,644	88,644	2022
	2013	87,983	87,983	87,983	2023
	2016	18,406	18,406	18,406	2026
	Total		$615,902	$724,951	

As of December 31, 2018 and 2017, the subsidiaries' unused tax losses at their respective jurisdictions were NT$59,138 thousand and NT$44,068 thousand, respectively.

Unrecognized deferred income tax assets

As of December 31, 2018 and 2017, the Group's unrecognized deferred income tax assets were NT$145,542 thousand and NT$153,179 thousand, respectively.

The assessment of income tax returns

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

	The assessment of income tax returns
ANDES	Assessed and approved up to 2016
Subsidiary - Andes Technology (Wuhan) Corporation	Assessed up to 2017
Subsidiary - Andes Technology USA Corporation	Assessed up to 2017

(18)Earnings per share

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

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

	For the years ended December 31,	
	2018	2017
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$41,567	$21,533
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	41,965
Basic earnings per share (NT$)	$0.97	$0.51
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT$)	$41,567	$21,533
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	42,651	41,965
Effect of dilution:		
Employee stock options (in thousands)	-	5
Employees' compensation-stock (share)	9	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	42,660	41,970
Diluted earnings per share (NT$)	$0.97	$0.51

Weighted number of ordinary shares outstanding for the year ended December 31, 2017 had been retrospectively adjusted for the capital increase from capital surplus in 2018.

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.	ANDES' chairman and the company's chairman is the same person

(1) Sales

	For the years ended December 31,	
	2018	2017
Mediatek Inc.	$29,929	$26,929

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

(2) Contract assets

	December 31, 2018	December 31, 2017(Note)
Mediatek Inc.	$1,536	

Note: The Group has adopted IFRS 15 since January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

(3) Trade receivables - related parties

	December 31, 2018	December 31, 2017
Mediatek Inc.	$2,580	$-

(4) Unearned revenues

	December 31, 2018(Note)	December 31, 2017
Mediatek Inc.		$2,177

Note: The Group has adopted IFRS 15 since January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

(5) Contract liabilities, current

	December 31, 2018	December 31, 2017(Note)
Mediatek Inc.	$2,200	

Note: The Group has adopted IFRS 15 since January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

(6) Others

The Group entered into office leases with Mediatek Inc. for the years ended December 31, 2018 and 2017, and lease expenses recognized were NT$790 thousand and NT$578 thousand, respectively. The rents were paid monthly.

(7) Key management personnel compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$19,446	$11,910
Post-employment benefits	540	324
Total	$19,986	$12,234

8. Assets Pledged as Collateral

None

9. Commitments and Contingencies

None

10. Losses due to Major Disasters

None

11. Significant Subsequent Events

None

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2018	December 31, 2017
Financial assets measured at amortized cost:		(Note)
Cash and cash equivalents (excluding petty cash)	$528,348	
Financial assets measured at amortized cost	420,000	
Trade receivables, net (including related parties)	56,138	
Other receivables	1,047	
Refundable deposits	6,115	
Total	$1,011,648	
	(Note)	
Loans and receivables:		
Cash and cash equivalents (excluding petty cash)		$688,685
Debt instrument investments for which no active market exists		394,000
Trade receivables, net		45,458
Other receivables		621
Refundable deposits		1,096
Total		$1,129,860

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities at amortized cost:		
Trade payables	$1,108	$40
Other payables	26,021	23,556
Total	$27,129	$23,596

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

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.

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, 2018 and 2017 decreases/increases by NT$1,054 thousand and NT$506 thousand, respectively.

(4) Credit risk management

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

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

As of December 31, 2018 and 2017, receivables from top ten customers represented 38.85% and 32.93% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables was insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	4 to 5 years	more than 5 years	Total
December 31, 2018					
Trade payables	$1,108	$-	$-	$-	$1,108
Other payables	26,021	-	-	-	26,021
December 31, 2017					
Trade payables	$40	$-	$-	$-	$40
Other payables	23,556	-	-	-	23,556

(6) Fair value of financial instruments

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

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

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

(7) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$3,579	30.715	$109,935
CNY	6,462	4.472	28,897
Financial liabilities			
Monetary item:			
USD	$148	30.715	$4,531
CNY	359	4.472	1,606

	December 31, 2017		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Financial assets			
Monetary item:			
USD	$1,815	29.760	$54,020
CNY	2,795	4.565	12,758
Financial liabilities			
Monetary item:			
USD	$115	29.760	$3,420
CNY	535	4.565	2,444

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$3,499 thousand and NT$(6,882) thousand for the years ended December 31, 2018 and 2017, respectively.

(8) Capital management

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

13. Segment Information

(1) General information

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

(2) Geographical information

A. Sales to other than consolidated entities

	For the years ended December 31,	
	2018	2017
Taiwan	$144,801	$137,308
Mainland China	96,575	72,679
Korea	23,989	23,786
United States	23,340	46,153
Japan	8,756	8,694
Europe	7,295	757
Total	$304,756	$289,377

Sales are presented by customers' country.

B. Non-current assets

	December 31, 2018	December 31, 2017
Taiwan	$146,976	$43,633
Mainland China	83	116
United States	1,378	89
Total	$148,437	$43,838

C. The major customer

There was no individual customer accounting for more than 10% of net sales for the years ended December 31, 2018 and 2017.