



Andes Technology Corporation

Handbook for the 2018 Annual Meeting of Shareholders

(Summary Translation)

Meeting Date: June 21st, 2018

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Andes Technology Corporation

Procedure for the 2018 Annual Meeting of Shareholders

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Report Items
- IV. Acknowledgements
- V. Proposed Resolutions
- VI. Elections
- VII. Extemporary Motions
- VIII. Meeting Adjourned

Andes Technology Corporation

Agenda of Year 2018 Annual Meeting of Shareholders

Time: 10:00 a.m., June 21st, 2018 (Thursday)

Venue: Si-Soft Business Center, Administration Building, B1 Training Room, No. 1,
Li-Hsin First Road, Hsinchu Science Park, Hsinchu City, Taiwan

Agenda:

- I. Call the Meeting to Order
- II. Chairman Remarks
- III. Report items
 - (1) 2017 business report
 - (2) Supervisor's Review Report on the 2017 Financial Statements
- IV. Acknowledgements
 - (1) Adoption of the 2017 Business Report and Financial Statements
 - (2) Adoption of the Proposal for 2017 Deficit Compensation
- V. Elections
 - (1) The 6th Election of 7 Directors (including 2 Independent Directors) and 3 Supervisors
- VI. Proposed Resolutions
 - (1) To suspend the Non-Competition Restriction on the Company's 6th Newly Elected Directors
 - (2) Proposal for a new share issue through capitalization of Additional paid-in capital
 - (3) Amendment to the Company's "Operational procedures for Acquisition and Disposal of Assets"
 - (4) Amendment to the Company's "Operational Procedures for Loaning of Company Funds"
 - (5) Amendment to the Company's "Operational Procedures for Endorsements and Guarantees"
- VII. Extemporary Motions
- VIII. Meeting Adjourned

I. Report Items

Report item (1)

Proposed by the Board of Directors

Subject: 2017 business report.

Descriptions: For 2017 business report, please refer to Chinese version Attachment 1, P.10~P.11.

Report item (2)

Proposed by the Board of Directors

Subject: Supervisor's Review Report on the 2017 Financial Statements.

Descriptions: 2017 Supervisor's Review Report is attached on P.11, Attachment 1.

II. Acknowledgements

Acknowledgement (1)

Proposed by the Board of Directors

Subject: Adoption of the 2017 business report and financial statements.

Descriptions:

- (1) ANDES' 2017 financial statements, including the balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows, were audited by independent auditors Shao-Pin Kuo and Jia-Lin Tu of Ernst & Young.
- (2) For the 2017 business report, please refer to Chinese version Attachment 1, P.10~P.11. For independent auditors' report and the aforementioned financial statements, please refer to P.12-P.22, Attachment 2.

Resolution:

Acknowledgement (2)

Proposed by the Board of Directors

Subject: Adoption of the Proposal for 2017 Deficit Compensation.

Descriptions:

- (1) Accumulated deficit of prior years was NT\$28,588,745. Net income of 2017 was NT\$21,532,530. Capital surplus used to cover accumulated deficits was NT\$7,056,215. Deficit yet to be compensated was NT\$0.
- (2) Please refer to the 2017 Deficit Compensation table below:

| Descriptions | Amount (NTD) |
|--|-----------------|
| Accumulated deficit of prior years | \$ (28,588,745) |
| Plus: Net income of 2017 | 21,532,530 |
| Plus: Capital surplus used to cover accumulated deficits | 7,056,215 |
| Deficit yet to be compensated | <u>\$ 0</u> |

Chairman: Ming-Kai Tsai

President: Jyh-Ming Lin

CFO: Han-Chang Chou

Resolution:

III. Election

Election (1)

Proposed by the Board of Directors

Subject: The 6th Election of 7 Directors (including 2 Independent Directors) and 3 Supervisors. Election is respectfully requested.

Descriptions:

- (1) The tenure of Directors and Supervisors of the 5th session will be due on June 29th, 2018. The Company plans to elect the Directors and Supervisors of the 6th session for 7 seats of Directors (including 2 seats of Independent Directors) and 3 seats of Supervisors at the 2018 annual shareholders' meeting.
- (2) The tenure of Directors and Supervisors of the 5th session will be due on the end of the annual shareholders' meeting. The new tenure of Directors and Supervisors will start at the end of the election from June 21st, 2018 to June 20th, 2021, for a period of three years.
- (3) For the list of Director and Supervisor Candidates and other relevant information, please refer to P.23-P.24, Attachment 3.
- (4) Election is respectfully requested.

Election Results:

IV. Proposed Resolutions

Proposal (1)

Proposed by the Board of Directors

Subject: To suspend the Non-Competition Restriction on the Company's 6th Newly Elected Directors. Approval is respectfully requested.

Descriptions:

- (1) Pursuant to Article 209 of the Company Act, "a director who engages in any behavior for himself/herself or on behalf of another person that is within the scope of the company's business shall explain the essential contents of such an act to the shareholders' meeting and obtain its approval."
- (2) Since one or more of director(s) of the Company may engage in the investment in or operation of another company whose scope of business is the same or similar to that of the Company and may serve(s) as a director of that company, we hereby request the meeting of shareholders to approve that in case of the above mentioned situation, the non-competition restriction imposed on the directors and the entity they represent (including the legal representative of the entity if the entity is elected as the Director) be removed in accordance with the above mentioned Article 209 of the Company Act.
- (3) For the position and company name list of the candidate for the Directors (including Independent Directors), please refer to Chinese version, Attachment 6, P.35~P.36 for details.

Resolution:

Proposal (2)

Proposed by the Board of Directors

Subject: Proposal for a new share issue through capitalization of Additional paid-in capital. Approval is respectfully requested.

Descriptions:

- (1) For the further development of company business, the management plans to withdraw NTD\$20,309,960 from capitalization of Additional paid-in capital to issue new stocks of NTD\$20,309,960 (2,030,996 shares), each share having a par value of NT\$ 10.
- (2) The distribution of the new shares should be made to the shareholders with no consideration at the ratio of 50 new shares for every 1,000 shares held by shareholders. For the fractional share of less than one share, the distribution will be made in the form of cash in a dollar amount calculated at par value. The existing shareholders may apply by himself to combine fractional share of less than one share into one share within five days after the basis date of dividend distribution, abandon to combine or cannot combine into one share, such fractional shares will be purchased by persons arranged by the Chairman as authorized by the BOD.
- (3) The rights and obligations on the new shares issued through the capitalization of earnings are the same as those of the existing shares, and issue non-physical stock.
- (4) After this proposal is approved by the Annual General Meeting and the governing agency, the Board of Directors will determine the ex-right date for the capital increase and distribution of shares.
- (5) When the conditions for this capitalization change due to the change in laws, decisions of regulators or the reality need to revise or change, the BOD has the authority to take necessary measures.

Resolution:

Proposal (3)

Proposed by the Board of Directors

Subject: Amendment to the Company's "Operational procedures for Acquisition and Disposal of Assets". Approval is respectfully requested.

Descriptions:

- (1) For the further development of company business, the Company plans to amend the Company's "Operational procedures for Acquisition and Disposal of Assets".
- (2) For the comparison table illustrating the original and amended texts of the "Operational procedures for Acquisition and Disposal of Assets", please refer to Chinese version, Attachment 7, P.37~P.39 for details.

Resolution:

Proposal (4)

Proposed by the Board of Directors

Subject: Amendment to the Company's "Operational Procedures for Endorsements and Guarantees". Approval is respectfully requested.

Descriptions:

- (1) For the further development of company business, the Company plans to amend the Company's "Operational Procedures for Endorsements and Guarantees".
- (2) For the comparison table illustrating the original and amended texts of the "Operational Procedures for Endorsements and Guarantees", please refer to Chinese version, Attachment 8, P.40~P.42 for details.

Resolution:

Proposal (5)

Proposed by the Board of Directors

Subject: Amendment to the Company's "Operational Procedures for Loaning of Company Funds". Approval is respectfully requested.

Descriptions:

- (1) For the further development of company business, the Company plans to amend the Company's "Operational Procedures for Loaning of Company Funds".
- (2) For the comparison table illustrating the original and amended texts of the "Operational Procedures for Loaning of Company Funds", please refer to Chinese version, Attachment 9, P.43~P.44 for details.

Resolution:

V. Extemporaneous Motions

VI. Meeting Adjourned

Attachment

Andes Technology Corporation Supervisors' Report

The Financial Statements of Andes Technology Corporation in fiscal year 2017 have been duly audited by Ernst & Young and are believed to fairly represent the financial standing, operation results and cash flows of Andes Technology Corporation. We, the Supervisors, have duly reviewed the Financial Statements along with the Business Report and proposal for profits distribution and hereby verify that they comply with the requirements of Company Law and relevant regulations. This report is duly submitted in accordance with Article 219 of the Company Law, and we hereby submit this report.

To Andes Technology Corporation 2017 Annual General Shareholders' Meeting

Andes Technology Corporation

Supervisor: Ding-Hua Hu (Representative of Chien-Hsu Investment Corp.)

Supervisor: Chung-Laung Liu

Supervisor: Chun-Huei Ho (Representative of Hotran Resource Development Ltd.)

March 20th, 2018

Attachment 2 Independent Auditors' Report



安永聯合會計師事務所

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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, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and their consolidated financial performance and cash flows for the years ended December 31, 2017 and 2016, 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 2017 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\$289,377 thousand for the year ended December 31, 2017. The Group provides embedded processor intellectual property (IP), and its revenues are mainly from licensing IP and providing IP maintenance services to clients. The timing to recognize revenue shall be determined by respective contract terms. However, contract terms may vary and there remained a risk of revenues being recorded in an inappropriate period because the significant risks and rewards of ownership of the goods or services have not been passed 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 to perform tests of details and reviewing significant terms and conditions of contracts to verify the reasonableness of the timing of revenue recognition; confirming significant trade terms; performing cut-off testing by selecting a sample of transactions from either side of year-end and vouching them to supporting evidences to ensure the reasonableness of revenue cut-off; executing tests of journal entries prepared by management and reviewing manual sales journal entries to validate the consistency with the substance of transactions.

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

An intangible asset arising from development costs

Net carrying value of intangible assets arising from development recognized by the Group amounted to NT\$39,662 thousand as of December 31, 2017, which is significant to the Group.

The Group devotes itself to developing and constructing a unique system architecture, and also input a large amount of research and development spending in embedded processor IP and hardware/software developing platform. Therefore, the Group determined to capitalize the expenditure on development phase. In order to meet all of the capitalization criteria, the Group's research and development team needed to demonstrate the technical feasibility of each individual project, and the financial department needed to evaluate future economic benefits for each project product. Considering that management performed the above-mentioned assessment 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 intangible asset arising from development costs, including assessing the reasonableness of the written accounting policy of capitalizing the internal intangible asset. We also selected samples to perform tests on project management – such as verifying the expenditure attributable to the intangible asset during its development phase, and verifying whether the timing for capitalization and amortization period properly followed the written accounting policy of capitalizing the expenditure on development phase.

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 2017 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, 2017 and 2016.

/s/ Kuo, Shao-Pin

/s/ Tu, Jia-Ling

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 20, 2018
Taipei, Taiwan
Republic of China

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, 2017 and 2016

(Amounts in thousands of New Taiwan Dollars)

| ASSETS | Notes | December 31, 2017 | % | December 31, 2016 | % |
|--|----------|---------------------|---------------|-------------------|---------------|
| Current assets | | | | | |
| Cash and cash equivalents | 4, 6(1) | \$ 688,705 | 58.15 | \$ 755,938 | 90.51 |
| Debt instrument investments for which no active market exists, current | 4, 6(2) | 394,000 | 33.26 | - | - |
| Trade receivables, net | 4, 6(3) | 45,458 | 3.84 | 65,020 | 7.78 |
| Other receivables | | 621 | 0.05 | 807 | 0.10 |
| Inventories | 4, 6(4) | 1,059 | 0.09 | 1,427 | 0.17 |
| Prepayments | | 9,307 | 0.79 | 9,442 | 1.13 |
| Total current assets | | <u>1,139,150</u> | <u>96.18</u> | <u>832,634</u> | <u>99.69</u> |
| Non-current assets | | | | | |
| Property, plant and equipment | 4, 6(5) | 3,209 | 0.27 | 1,328 | 0.16 |
| Intangible assets | 4, 6(6) | 40,629 | 3.43 | 73 | 0.01 |
| Deferred tax assets | 4, 6(15) | 359 | 0.03 | 149 | 0.02 |
| Refundable deposits | | 1,096 | 0.09 | 1,036 | 0.12 |
| Total non-current assets | | <u>45,293</u> | <u>3.82</u> | <u>2,586</u> | <u>0.31</u> |
| Total assets | | <u>\$ 1,184,443</u> | <u>100.00</u> | <u>\$ 835,220</u> | <u>100.00</u> |

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

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

English Translation of Financial Statements Originally Issued in Chinese

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2017 and 2016

(Amounts in thousands of New Taiwan Dollars)

| LIABILITIES AND EQUITY | Notes | December 31, 2017 | % | December 31, 2016 | % |
|--|------------|-------------------|--------|-------------------|--------|
| Current liabilities | | | | | |
| Trade payables | | \$ 40 | - | \$ 46 | 0.01 |
| Other payables | | 23,556 | 1.99 | 28,196 | 3.38 |
| Advance receipts | | 5,365 | 0.45 | 3,544 | 0.42 |
| Other current liabilities | 7 | 1,148 | 0.10 | 986 | 0.12 |
| Total current liabilities | | 30,109 | 2.54 | 32,772 | 3.93 |
| Total liabilities | | 30,109 | 2.54 | 32,772 | 3.93 |
| Equity attributable to owners of the parent | | | | | |
| Capital | | | | | |
| Common stock | 6(8) | 406,199 | 34.29 | 371,399 | 44.47 |
| Capital surplus | 6(8), 6(9) | 756,338 | 63.86 | 459,761 | 55.04 |
| Retained earnings | 6(8) | | | | |
| Legal reserve | | 388 | 0.03 | 388 | 0.04 |
| Special reserve | | 217 | 0.02 | 217 | 0.03 |
| Undistributed earnings (accumulated deficits) | | (7,056) | (0.59) | (28,589) | (3.42) |
| Total retained earnings | | (6,451) | (0.54) | (27,984) | (3.35) |
| Other equity | | (1,752) | (0.15) | (728) | (0.09) |
| Total equity | | 1,154,334 | 97.46 | 802,448 | 96.07 |
| Total liabilities and equity | | \$ 1,184,443 | 100.00 | \$ 835,220 | 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, 2017 and 2016

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

| Description | Notes | 2017 | % | 2016 | % |
|--|-----------------|------------|---------|-------------|----------|
| Net sales | 4, 6(10), 7 | \$ 289,377 | 100.00 | \$ 208,635 | 100.00 |
| Operating costs | 6(4) | (940) | (0.32) | (1,036) | (0.50) |
| Gross profit | | 288,437 | 99.68 | 207,599 | 99.50 |
| Operating expenses | 6(11), 6(12), 7 | | | | |
| Selling expenses | | (95,059) | (32.85) | (75,766) | (36.32) |
| Administrative expenses | | (58,416) | (20.19) | (45,199) | (21.66) |
| Research and development expenses | | (108,070) | (37.35) | (124,142) | (59.50) |
| Total operating expenses | | (261,545) | (90.39) | (245,107) | (117.48) |
| Operating income (loss) | | 26,892 | 9.29 | (37,508) | (17.98) |
| Non-operating income and expenses | 6(13) | | | | |
| Other income | | 4,997 | 1.73 | 13,480 | 6.46 |
| Other gains and losses | | (8,167) | (2.82) | (4,640) | (2.22) |
| Total non-operating income and expenses | | (3,170) | (1.09) | 8,840 | 4.24 |
| Net income (loss) before income tax | | 23,722 | 8.20 | (28,668) | (13.74) |
| Income tax expense | 4, 6(15) | (2,189) | (0.76) | (3,193) | (1.53) |
| Net income (loss) | | 21,533 | 7.44 | (31,861) | (15.27) |
| Other comprehensive income | 6(14) | | | | |
| To be reclassified to profit or loss in subsequent periods | | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | (1,234) | (0.42) | (616) | (0.30) |
| Income tax relating to those items to be reclassified to profit or loss | | 210 | 0.07 | 105 | 0.05 |
| Other comprehensive income (loss), net of tax | | (1,024) | (0.35) | (511) | (0.25) |
| Total comprehensive income (loss) | | \$ 20,509 | 7.09 | \$ (32,372) | (15.52) |
| Net income (loss) for the periods attributable to : | | | | | |
| Owners of the parent | | \$ 21,533 | | \$ (31,861) | |
| Total comprehensive income for the periods attributable to : | | | | | |
| Owners of the parent | | \$ 20,509 | | \$ (32,372) | |
| Earnings per share (NTD) | 6(16) | | | | |
| Basic Earnings Per Share | | \$ 0.54 | | \$ (0.86) | |
| Diluted Earnings Per Share | | \$ 0.54 | | \$ (0.86) | |

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, 2017 and 2016
(Amounts in thousands of New Taiwan Dollars)

| Description | Equity attributable to owners of the parent | | | | | | |
|--|---|---------------|-----------------|-------------------|---|--------------|--------------|
| | Capital | | Capital surplus | Retained earnings | | Other equity | |
| | Common stock | Legal reserve | | Special reserve | Undistributed earnings (accumulated deficits) | | |
| | | | | | | | |
| Balance as of January 1, 2016 | \$ 359,619 | \$ 469,637 | \$ - | \$ - | \$ 3,877 | \$ (217) | \$ 832,916 |
| Appropriation and distribution of 2015 earnings: | | | | | | | |
| Legal reserve | - | - | 388 | - | (388) | - | - |
| Special reserve | - | - | - | 217 | (217) | - | - |
| Other change in capital surplus | | | | | | | |
| Stock dividends distributed from capital surplus | 10,809 | (10,809) | - | - | - | - | - |
| Net loss for the year ended December 31, 2016 | - | - | - | - | (31,861) | - | (31,861) |
| Other comprehensive income (loss) for the year ended December 31, 2016 | - | - | - | - | - | (511) | (511) |
| Total comprehensive income (loss) | - | - | - | - | (31,861) | (511) | (32,372) |
| Share-based payment transactions | 971 | 933 | - | - | - | - | 1,904 |
| Balance as of December 31, 2016 | 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 |

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

Chairman : Ming-Kai Tsai

President : Jyh-Ming Lin

Chief Financial Officer : Han-Chang Chou

ANDES TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(Amounts in thousands of New Taiwan Dollars)

| Description | 2017 | 2016 |
|---|------------|-------------|
| Cash flows from operating activities : | | |
| Net income (loss) before income tax | \$ 23,722 | \$ (28,668) |
| Adjustments for: | | |
| The profit or loss items which did not affect cash flows: | | |
| Depreciation | 788 | 358 |
| Amortization | 2,188 | 1,083 |
| Bad debt provision | 8,109 | - |
| Interest income | (4,219) | (2,282) |
| Changes in operating assets and liabilities: | | |
| Trade receivables | 11,424 | (18,022) |
| Other receivables | - | 17 |
| Inventories | 368 | (451) |
| Prepayments | 135 | (630) |
| Trade payables | (6) | 43 |
| Other payables | (4,640) | 4,836 |
| Advance receipts | 1,821 | 186 |
| Other current liabilities | 162 | (104) |
| Cash generated from (used in) operating activities | 39,852 | (43,634) |
| Interest received | 4,102 | 2,299 |
| Income tax paid | (1,886) | (3,428) |
| Net cash provided by (used in) operating activities | 42,068 | (44,763) |
| Cash flows from investing activities : | | |
| 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 | (2,677) | (1,131) |
| Acquisition of intangible assets | (42,744) | - |
| Increase in refundable deposits | (60) | (159) |
| Net cash used in investing activities | (439,481) | (1,290) |
| Cash flows from financing activities : | | |
| Issuance of common stock for cash | 329,912 | - |
| Proceeds from exercise of employee stock options | 1,465 | 1,904 |
| Net cash provided by financing activities | 331,377 | 1,904 |
| Effect of changes in exchange rate on cash and cash equivalents | (1,197) | (593) |
| Net decrease in cash and cash equivalents | (67,233) | (44,742) |
| Cash and cash equivalents at the beginning of the year | 755,938 | 800,680 |
| Cash and cash equivalents at the end of the year | \$ 688,705 | \$ 755,938 |

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

Attachment 3 List of Director and Supervisor Candidates

**Andes Technology Corporation
List of Director and Supervisor Candidates**

| Position | Candidates | Shareholdings (Note 1) | Education Recognitions | Current/Previous Positions |
|----------|----------------------------------|---------------------------|---|---|
| Director | MediaTek Capital Corp. | 5,387,928 | NA | NA |
| | Representative: Ming-Kai Tsai | 0 | Master, Electrical Engineering, University of Cincinnati, USA | Chairman, Andes Technology Corp. Chairman, MediaTek, Inc President, 2nd Business Group, UMC |
| Director | National Development Fund | 5,958,321 | NA | NA |
| | Representative: Hahn-Ming Lee | 0 | Ph. D, Department of Computer Science & Information Engineering, National Taiwan University | Director, Andes Technology Corp. Adviser, Taiwan Institute of Economic Research (TIER) Adviser, Taiwan e-Learning and Digital Archives Program Professor, Department of Computer Science and Information Engineering, National Taiwan University of Science and Technology Supervisor, National Information Infrastructure Enterprise Promotion Association (NII) |
| Director | HOTRAN RESOURCE DEVELOPMENT LTD. | 866,500 | NA | NA |
| | Representative: Chun-Huei Ho | 0 | Ph.D. in Economics, University of Pittsburgh | Supervisor, Andes Technology Corp. President, CDIB Capital Group Chairman, Pharma Engine Inc. Deputy Executive Secretary, National Development Fund, Executive Yuan, ROC |
| Director | Jyh-Ming Lin | 513,578 | MSEE, Portland State University, Oregon, USA. | Director, President & CEO, Andes Technology Corp. Sales VP, Faraday Technology Corp. Sales Manage, UMC |
| Director | Hong-Men Su | 319,792 | Ph.D. in Computer Science, Illinois at Urbana-Champaign | Director, CTO & SVP, Andes Technology Corp. Chief Architect, Faraday Technology Corp. Sun Microsystems Sr. Staff Afara Websystems Sr. Staff C-Cube Micro Director Silicon Graphics Intergraph Corp. Sr. Engr. |

| Position | Candidates | Shareholdings (Note 1) | Education Recognitions | Current/Previous Positions |
|----------------------|-----------------------------|---------------------------|---|--|
| Independent Director | Chien-Kuo Yang | 0 | BS in Department of International Trade, Tamkang University | Independent Director, Andes Technology Corp. CPA Leader of Diwan & Company Independent Director, Leadtrend Technology Corp. Independent Director, Spirox Corp. Independent Director, M31 Technology Corp. |
| Independent Director | Hsiao-Ping Lin | 0 | MSEE, U.C. Santa Barbara | Independent Director, Andes Technology Corp. Chairman & President, M31 Technology Corp. Chairman, M31 Technology USA, Inc. Chairman, Sirius Venture Ltd. President, Faraday Technology Corp. ASIC Design Manager, UMC Senior Software Engineer, Cadence Software Engineer, ECAD (Cadence) |
| Supervisor | Chien-Hsu Investment Corp. | 260,358 | NA | NA |
| | Representative: Ding-Hua Hu | 0 | Ph.D. in Computer Science, University of Missouri-Columbia | Supervisor, Andes Technology Corp. Chairman, Chien-Hsu Investment Corp. |
| Supervisor | Chung-Laung Liu | 0 | Ph.D., E.E, Massachusetts Institute of Technology, United States | Supervisor, Andes Technology Corp. Chairman, TrendForce Corp. Independent Director, UMC Independent Director, MTI, Inc. Independent Director, Powerchip Technology Corp. Independent Director, Far EasTone Telecommunications Corp. Director, Macronix International Co., Ltd. William Mong Honorary Chair Professor at National Tsing Hua University |
| Supervisor | Ying-Chih Wu | 0 | BS in Physics, Department of Education, Provincial College of Education | Compensation Committee, Andes Technology Corp. Director, Harvatek Corp. Director, INVENTEC BESTA Co., Ltd. Independent Director, E-Ton Solar Tech Co., Ltd. |