

CIPHERLAB CO.,LTD.and Subsidiaries
Consolidated Condensed Balance Sheets
(In Thousands of New Taiwan Dollars)

	March 31,2018		December 31,2017		March 31,2017		QoQ		YoY	
Current assets										
Cash and cash equivalents	227,032	19%	205,412	15%	226,299	20%	\$21,620	11%	\$733	0%
Financial assets at fair value through profit or loss - current	0	0%	12,121	3%	49,995	5%	(12,121)	-100%	(49,995)	-100%
Current financial assets at cost, net	57,972	5%	0	0%	0	0%	57,972.00	100%	57,972.00	100%
Current bond investment without active market, net	0	0%	27,664	3%	18,396	2%	- 27,664	-100%	- 18,396.00	-100%
Notes receivable, net	400	0%	421	0%	1,529	0%	(21)	-5%	(1,129)	-74%
Accounts receivable, net	180,561	15%	261,124	17%	140,953	13%	(80,563)	-31%	39,608	28%
Other receivable	6,704	1%	8,617	0%	4,696	0%	(1,913)	-22%	2,008	43%
Deferred income tax assets	7,545	1%	7,533		0				7,545	100%
Inventories, Net	479,193	41%	422,233	38%	411,508	37%	56,960	13%	67,685	16%
Other current assets	25,810	2%	32,040	4%	50,048	5%	(6,230)	-19%	(24,238)	-48%
Total current assets	985,217	83%	977,165	81%	903,424	82%	8,052	1%	81,793	9%
Long-term investments										
Investments accounted for by the equity method	0	0%	0	0%	0	0%	-	0%	-	0%
Financial assets carried at cost – noncurrent	0	0%	0	0%	610	0%	-	0%	- 610.00	-100%
Total long-term investments	0	0%	0	0%	610	0%	-	0%	- 610.00	-100%
Property, plant and equipment										
Property, plant and equipment	128,681	11%	129,290	12%	126,381	11%	(609)	0%	2,300	2%
Total property, plant and equipment	128,681	11%	129,290	12%	126,381	11%	(609)	0%	2,300	2%
Intangible assets and other assets	68,278	6%	70,542	7%	74,980	7%	(2,264)	-3%	(6,702)	-9%
Total assets	1,182,176	100%	1,176,997	100%	1,105,395	100%	\$5,179	0%	\$76,781	7%
LIABILITIES :										
Current liabilities										
Short-term bills payable	90,000	8%	50,000	0%	0	0%	40,000	80%	90,000	0
Notes payable	15	0%	335	0%	0	0%	- 320	-96%	15	100%
Accounts payable	130,485	11%	117,127	5%	65,386	6%	13,358	11%	65,099	100%
Accounts payable - related parties	0	0%	0	0%	0	0%	-	0%	0	0%
Other payable	101,421	9%	150,002	18%	103,984	9%	(48,581)	-32%	(2,563)	-2%
Income tax payable	4,574	0%	4,574	0%	11,926	1%	0	0%	(7,352)	-62%
Other current liabilities	2,881	0%	2,057	0%	1,946	0%	824	40%	935	48%
Total current liabilities	329,376	28%	324,095	24%	183,242	17%	5,281	2%	146,134	80%
Non-current liabilities										
Long-term loans liabilities	0	0%	0	0%	0	0%	-	0%	-	0%
Deferred tax liabilities	537	0%	537	0%	439	0%	0	0%	98	22%
Accrued pension liabilities	16,821	1%	16,822	2%	17,752	2%	(1)	0%	(931)	-5%
Refundable deposits	16,145	1%	16,145	1%	16,145	1%			0	0%
Total non-current liabilities	33,503	3%	33,504	3%	34,336	3%	(1)	0%	(833)	-2%
Total liabilities	362,879	31%	357,599	27%	217,578	20%	5,280	1%	145,301	67%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	58%	684,891	63%	684,891	62%	-	0%	-	0%
Capital surplus	1,101	0%	1,101	0%	1,062	0%	-	0%	39.00	4%
Share-based Payments		0%		0%		0%	-	0%	-	0%
Retained earnings	138,484	12%	135,477	10%	204,785	19%	3,007	2%	(66,301)	-32%
Others-cumulative translation adjustments	(5,749)	0%	(2,808)	0%	(3,792)	0%	(2,941)	105%	(1,957)	52%
Treasury stock	0	0%	0	0%	0	0%	-	0%	-	0%
Non-controlling interests	570	0%	737	0%	871	0%	- 167.00	-23%	(301)	-35%
Total shareholders' equity	819,297	69%	819,398	73%	887,817	80%	(101)	0%	(68,520)	-8%
Total liabilities and shareholders' equity	1,182,176	100%	1,176,997	100%	1,105,395	100%	\$5,179	0%	\$76,781	7%



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Period Ended March 31,2018 and March 31,2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	March 31,2018		March 31,2017		YoY	
Net Sales	294,633	100%	234,411	100%	60,222	26%
Cost of Goods Sold	(175,040)	59%	(144,604)	62%	(30,436)	21%
Gross Profit	119,593	41%	89,807	38%	29,786	33%
Unrealized Profit	0	0%	0	-	0	0%
Realized Profit	0	0%	0	-	0	0%
Gross Profit	119,593	41%	89,807	38%	29,786	33%
Operating Expenses						
Sales and Marketing Expenses	(54,502)	18%	(51,534)	22%	(2,968)	6%
General and Administrative Expenses	(16,994)	6%	(18,960)	8%	1,966	-10%
Research and Development Expenses	(45,460)	15%	(72,530)	31%	27,070	-37%
Total operating expenses	(116,956)	40%	(143,024)	61%	26,068	-18%
Operating Income	2,637	1%	(53,217)	23%	55,854	-105%
Non-operating Income						
Interest income	182	0%	315	0%	(133)	-42%
Gain on disposal of property, plant and equipment		0%		0%	0	0%
Exchange gain, net		0%		0%	0	0%
Gain on Disposal of Investment		0%		0%	0	0%
Gain on financial asset at fair value through profit or loss	87	0%	3	0%	84	2800%
Miscellaneous income	57	0%	94	0%	(37)	-39%
Total non-operating income and gains	326	0%	412	0%	(86)	-21%
Non-operating expenses and losses						
Loss on disposal of property, plant and equipment		0%		0%	0	0%
Exchange loss, net	(1,571)	1%	(14,633)	6%	13,062	-89%
Financial Cost		0%	(20)	0%	20	-100%
Valuation loss on financial assets, net		0%		0%	0	0%
Miscellaneous expenses		0%		0%	0	0%
Total non-operating expenses and losses	(1,571)	1%	(14,653)	6%	13,082	-89%
Income before income tax	1,392	0%	(67,458)	29%	68,850	-102%
Income tax expense (benefit)	(732)	0%	12,827	5%	(13,559)	-106%
Net income	660	0%	(54,631)	23%	55,291	-101%
Other comprehensive income						
Exchange differences on translation	(951)	0%	(6,463)	3%	5,512	-85%
Actuarial gains and losses of defined benefit plans		0%		0%	0	0%
Other comprehensive income from deferred income tax	190	0%	1,099	0%	(909)	-83%
Other comprehensive income, net	(761)	0%	(5,364)	2%	4,603	-86%
Total comprehensive income	(101)	0%	(59,995)	26%	59,894	-100%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	827		(54,323)		55,150	
Profit (loss), attributable to non-controlling interests	(167)		(308)		141	
	<u>660</u>		<u>(54,631)</u>		<u>55,291</u>	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	66		(59,687)		59,753	
Comprehensive income, attributable to non-controlling interests	(167)		(308)		141	
	<u>(101)</u>		<u>(59,995)</u>		<u>59,894</u>	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	0.01		(0.79)		0.80	
Diluted Earnings Per Share After Income Tax	0.01		(0.79)		0.80	



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Quarterly Period Ended March 31,2018 , December 31,2017 and March 31,2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	1Q 2018		4Q 2017		1Q 2017		QoQ		YoY	
Net Sales	294,633	1	408,743	1	234,411	1	(114,110)	(0)	60,222	0
Cost of Goods Sold	(175,040)	(1)	(244,780)	(1)	(144,604)	(1)	69,740	(0)	(30,436)	0
Gross Profit	119,593	0	163,963	1	89,807	0	(44,370)	(0)	74,156	0
Operating Expenses										
Sales and Marketing Expenses	(54,502)	(0)	(55,471)	(0)	(51,534)	(0)	969	(0)	(2,968)	0
General and Administrative Expenses	(16,994)	(0)	(18,188)	(0)	(18,960)	(0)	1,194	(0)	1,966	(0)
Research and Development Expenses	(45,460)	(0)	(48,181)	(0)	(72,530)	(0)	2,721	(0)	27,070	(0)
Total operating expenses	(116,956)	(0)	(121,840)	(0)	(143,024)	(0)	4,884	(0)	21,184	(0)
Operating Income	2,637	0	42,123	0	(53,217)	(0)	(39,486)	(1)	95,340	(1)
Non-operating Income										
Interest income	182	0	381	0	315	0	(199)	(1)	(133)	(0)
Exchange gain, net	0	0	0	0	0	0	0	0	0	0
Gain on Disposal of Investment	0	0	(10)	(0)	0	0	10	1	0	0
Valuation gain on financial assets, net	0	0	(538)	(0)	0	0	538	1	0	0
Gain on financial asset at fair value method	87	0	0	0	3	0	87	#DIV/0!	84	28
Miscellaneous income	57	0	21	0	94	0	36	2	(37)	(0)
Total non-operating income and gains	326	0	(146)	(0)	412	0	472	(3)	(558)	(0)
Non-operating expenses and losses										
Interest expense	0	0	168	0	0	(0)	(168)	1	0	0
Investment loss recognized under equity method	0	0	0	0	0	0	0	0	0	0
Loss on disposal of property, plant and equipment	0	0	(1)	(0)	0	0	1	0	0	0
Exchange loss, net	(1,571)	(0)	(2,396)	(0)	(14,633)	0	825	(0)	13,062	(1)
Financial Cost	0	0	(492)	(0)	(20)	(0)	492	1	20	(1)
Valuation loss on financial assets, net	0	0	(9)	(0)	0	(0)	9	1	0	0
Miscellaneous expenses	0	0	0	0	0	(0)	0	0	0	0
Total non-operating expenses and losses	(1,571)	(0)	(2,730)	(0)	(14,653)	0	1,159	(0)	13,082	(1)
Income before income tax	1,392	0	39,247	0	(67,458)	0	(37,855)	(1)	68,850	(1)
Income tax expense (benefit)	(732)	(0)	(4,435)	(0)	12,827	0	3,703	(1)	(13,559)	(1)
Net income	660	0	34,812	0	(54,631)	0	(34,152)	(1)	89,443	(1)
Other comprehensive income										
Exchange differences on translation	(951)	(0)	(1,578)	(0)	(6,463)	0	627	(0)	5,512	(1)
Actuarial gains and losses of defined benefit plans	0	0	581	0	0	(0)	(581)	0	0	0
Other comprehensive income from deferred income tax	190	0	170	0	1,099	(0)	20	0	(909)	(1)
Other comprehensive income, net	(761)	(0)	(827)	(0)	(5,364)	0	66	(0)	4,537	(1)
Total comprehensive income	(101)	(0)	33,985	0	(59,995)	0	(34,086)	(1)	93,980	(1)
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	827		34,987		(54,323)		(34,160)		55,150	
Profit (loss), attributable to non-controlling interests	(167)		(175)		(308)		8		141	
	660		34,812		(54,631)		(34,152)		55,291	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	66		34,160		(59,687)		(34,094)		59,753	
Comprehensive income, attributable to non-controlling interests	(167)		(175)		(308)		8		141	
	(101)		33,985		(59,995)		(34,086)		59,894	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	\$0.01		\$0.51		(\$0.79)		(\$0.50)		\$0.81	
Diluted Earnings Per Share After Income Tax	\$0.01		\$0.44		(\$0.79)		(\$0.43)		\$0.80	



CIPHERLAB CO.,LTD.
Consolidated Statements of Cash Flows
For the Period Ended March 31,2018 and 2017
(In Thousands of New Taiwan Dollars)

	<u>March 31,2018</u>	<u>March 31,2017</u>
Cash flows from operating activities		
Net income	1,392	(67,458)
Adjustments for:		
Provision(Reversal) for doubtful accounts	266	(542)
Depreciation	5,688	7,425
Amortization	1,120	1,425
Loss(gain) on available-for-sale financial assets	(87)	(3)
Interest revenue	(435)	(315)
Financial Cost	252	20
Loss (gain) on disposal of property, plant and equipment	0	0
Loss (gain) on disposal of Investment	0	0
Loss on market price decline and obsolete and slow-moving inventories	648	15,582
Unrealized foreign exchange loss (gain)	2,524	2,205
Decrease (increase) in available-for-sale financial assets	0	(29,973)
financial asset at fair value through profit or loss	12,208	0
Decrease (increase) in notes receivable	21	2,180
Decrease (increase) in accounts receivable	78,044	41,680
Decrease (increase) in other receivables	1,969	(522)
Decrease (increase) in inventories	(57,937)	(17,749)
Decrease (increase) in other current assets	6,230	(5,701)
Decrease (increase) in notes payable	15	0
Decrease (increase) in accounts payable	13,265	(12,442)
Decrease (increase) in other accounts payables	(49,730)	(38,462)
Decrease (increase) in other current liabilities	824	(797)
Decrease (increase) in net defined benefit liability	(1)	3
Interest received	379	315
Income tax paid	(12)	3,066
Net cash provided by (used in) operating activities	<u>16,643</u>	<u>(100,063)</u>
Cash flows from investing activities		
Financial assets at amortized cost	(30,308)	0
Acquisition of bond investments without active market	0	(4,396)
Proceeds from bond investments without active market	0	0
Proceeds from financial assets carried at fair value	0	0
Loss (gain) on disposal of financial assets carried at cost	0	0
Acquisition of property, plant and equipment	(1,805)	(3,399)
Acquisition of Intangible assets	(1,476)	(346)
Decrease (increase) in other financial assets	0	0
Decrease (increase) in other non-current assets	(809)	(10,104)
Net cash used in investing activities	<u>(4,090)</u>	<u>(18,245)</u>
Cash flows from financing activities		
Short-term Loan	40,000	
Acquisition of investments accounted for by equity method	0	
Guarantee deposits received & refundable deposits	0	
Cash Dividends	0	
Interest Expense	(203)	(20)
Increase (Decrease) in non-controlling interests	0	1,000
Dividends not received over time	0	
Net cash used in financing activities	<u>39,797</u>	<u>980</u>
Effect of exchange rate changes	<u>(422)</u>	<u>(2,319)</u>
Net decrease in cash and cash equivalents	21,620	(119,647)
Cash and cash equivalents at Beginning of Period	205,412	345,946
Cash and cash equivalents at End of Period	<u>227,032</u>	<u>226,299</u>