

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

	June 30,2018		December 31,2017		June 30,2017		QoQ		YoY	
<b>Current assets</b>										
Cash and cash equivalents	\$210,564	17%	\$205,412	17%	\$166,695	15%	\$5,152	3%	\$43,869	26%
Financial assets at fair value through profit or loss - current	21,797	2%	12,121	1%	35,330	3%	9,676	80%	(13,533)	-38%
Current financial assets at cost, net	43,923	4%	0	0%	0	0%	43,923	100%	43,923	100%
Current bond investment without active market, net	0	0%	27,664	2%	29,717	3%	(27,664)	-100%	(29,717)	-100%
Notes receivable, net	1,571	0%	421	0%	1,581	0%	1,150	273%	(10)	-1%
Accounts receivable, net	206,380	17%	261,124	22%	180,642	17%	(54,744)	-21%	25,738	14%
Other receivable	5,733	0%	8,617	1%	5,350	1%	(2,884)	-33%	383	7%
Deferred income tax assets	7,556	1%	7,533	1%	0	0%	23	0%	7,556	100%
Inventories, Net	469,459	39%	422,233	36%	407,959	38%	47,226	11%	61,500	15%
Other current assets	43,027	4%	32,040	3%	42,612	4%	10,987	34%	415	1%
<b>Total current assets</b>	<b>1,010,010</b>	<b>84%</b>	<b>977,165</b>	<b>83%</b>	<b>869,886</b>	<b>81%</b>	<b>32,845</b>	<b>3%</b>	<b>140,124</b>	<b>16%</b>
<b>Long-term investments</b>										
Financial assets carried at cost – noncurrent	0	0%	0	0%	610	0%	0	0%	(610)	-100%
<b>Total long-term investments</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>610</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>(610)</b>	<b>-100%</b>
<b>Property, plant and equipment</b>										
Property, plant and equipment	126,400	11%	129,290	11%	134,551	12%	(2,890)	-2%	(8,151)	-6%
<b>Total property, plant and equipment</b>	<b>126,400</b>	<b>11%</b>	<b>129,290</b>	<b>11%</b>	<b>134,551</b>	<b>12%</b>	<b>(2,890)</b>	<b>-2%</b>	<b>(8,151)</b>	<b>-6%</b>
<b>Intangible assets and other assets</b>	<b>67,511</b>	<b>5%</b>	<b>70,542</b>	<b>6%</b>	<b>73,596</b>	<b>7%</b>	<b>(3,031)</b>	<b>-4%</b>	<b>(6,085)</b>	<b>-8%</b>
<b>Total assets</b>	<b>\$1,203,921</b>	<b>100%</b>	<b>\$1,176,997</b>	<b>100%</b>	<b>\$1,078,643</b>	<b>100%</b>	<b>\$26,924</b>	<b>2%</b>	<b>\$125,278</b>	<b>12%</b>
<b>LIABILITIES :</b>										
<b>Current liabilities</b>										
Short-term bills payable	\$70,000	6%	\$50,000	4%	\$0	0%	\$20,000	40%	\$70,000	0
Notes payable	10	0%	335	0%	0	0%	(325)	-97%	10	100%
Accounts payable	134,264	11%	117,127	10%	58,852	5%	17,137	15%	75,412	128%
Other payable	112,814	9%	150,002	13%	188,872	18%	(37,188)	-25%	(76,058)	-40%
Income tax payable	4,574	1%	4,574	0%	5,044	1%	0	0%	(470)	-9%
Other current liabilities	14,756	1%	2,057	0%	2,191	0%	12,699	617%	12,565	573%
<b>Total current liabilities</b>	<b>336,418</b>	<b>28%</b>	<b>324,095</b>	<b>27%</b>	<b>254,959</b>	<b>24%</b>	<b>12,323</b>	<b>4%</b>	<b>81,459</b>	<b>32%</b>
<b>Non-current liabilities</b>										
Deferred tax liabilities	632	0%	537	0%	439	0%	95	18%	193	44%
Accrued pension liabilities	16,823	2%	16,822	2%	17,747	2%	1	0%	(924)	-5%
Refundable deposits	16,145	1%	16,145	1%	16,145	1%	0	0%	0	0%
<b>Total non-current liabilities</b>	<b>33,600</b>	<b>3%</b>	<b>33,504</b>	<b>3%</b>	<b>34,331</b>	<b>3%</b>	<b>96</b>	<b>0%</b>	<b>(731)</b>	<b>-2%</b>
<b>Total liabilities</b>	<b>370,018</b>	<b>31%</b>	<b>357,599</b>	<b>30%</b>	<b>289,290</b>	<b>27%</b>	<b>12,419</b>	<b>3%</b>	<b>80,728</b>	<b>28%</b>
<b>SHAREHOLDERS' EQUITY :</b>										
Capital stock	684,891	57%	684,891	58%	684,891	63%	0	0%	0	0%
Capital surplus	1,101	0%	1,101	0%	1,062	0%	0	0%	39	4%
Retained earnings	149,883	12%	135,477	12%	104,884	10%	14,406	11%	44,999	43%
Others-cumulative translation adjustments	(2,410)	0%	(2,808)	0%	(2,093)	0%	398	-14%	(317)	15%
Non-controlling interests	438	0%	737	0%	609	0%	(299)	-41%	(171)	-28%
<b>Total shareholders' equity</b>	<b>833,903</b>	<b>69%</b>	<b>819,398</b>	<b>70%</b>	<b>789,353</b>	<b>73%</b>	<b>14,505</b>	<b>2%</b>	<b>44,550</b>	<b>6%</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,203,921</b>	<b>100%</b>	<b>\$1,176,997</b>	<b>100%</b>	<b>\$1,078,643</b>	<b>100%</b>	<b>\$26,924</b>	<b>2%</b>	<b>\$125,278</b>	<b>12%</b>



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Period Ended June 30,2018 and June 30,2017**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	<u>June 30,2018</u>		<u>June 30,2017</u>		<u>YoY</u>	
<b>Net Sales</b>	\$605,760	100%	\$497,691	100%	\$108,069	22%
<b>Cost of Goods Sold</b>	(364,732)	60%	(307,832)	62%	(56,900)	18%
<b>Gross Profit</b>	241,028	40%	189,859	38%	51,169	27%
<b>Operating Expenses</b>						
Sales and Marketing Expenses	(101,228)	17%	(113,965)	23%	12,737	-11%
General and Administrative Expenses	(34,882)	6%	(37,300)	7%	2,418	-6%
Research and Development Expenses	(97,128)	16%	(132,362)	27%	35,234	-27%
<b>Total operating expenses</b>	(233,238)	39%	(283,627)	57%	50,389	-18%
<b>Operating Income</b>	7,790	1%	(93,768)	19%	101,558	-108%
Non-operating Income						
Interest income	875	0%	647	0%	228	35%
Gain on Disposal of investments, net	0	0%	10	0%	(10)	-100%
Exchange gain, net	3,929	1%	0	0%	3,929	100%
Gain on financial asset at fair value through profit or loss	225	0%	513	0%	(288)	-56%
Miscellaneous income	73	0%	689	0%	(616)	-89%
<b>Total non-operating income and gains</b>	5,102	1%	1,859	0%	3,243	174%
Non-operating expenses and losses						
Exchange loss, net	0	0%	(12,947)	2%	12,947	-100%
Financial Cost	(554)	0%	(58)	0%	(496)	855%
<b>Total non-operating expenses and losses</b>	(554)	0%	(13,005)	2%	12,451	-96%
<b>Income before income tax</b>	12,338	2%	(104,914)	21%	117,252	-112%
<b>Income tax expense (benefit)</b>	(316)	0%	18,609	4%	(18,925)	-102%
<b>Net income</b>	12,022	2%	(86,305)	17%	98,327	-114%
<b>Other comprehensive income</b>						
Items not to be reclassified into profit or loss						
Items not to be reclassified related income tax	(95)	0%	0	0%	(95)	100%
Items will be reclassified into profit or loss						
Exchange differences on translation	3,096	0%	(4,416)	1%	7,512	-170%
Items will be reclassified related income tax	(518)	0%	751	0%	(1,269)	-169%
Other comprehensive income, net	2,483	0%	(3,665)	1%	6,148	-168%
<b>Total comprehensive income</b>	\$14,505	2%	(\$89,970)	18%	\$104,475	-116%
<b>Profit (loss), attributable to:</b>						
Profit (loss), attributable to owners of parent	\$12,321	2%	(\$85,735)	17%	\$98,056	
Profit (loss), attributable to non-controlling interests	(299)	0%	(570)	0%	271	
	\$12,022	2%	(\$86,305)	17%	\$98,327	
<b>Comprehensive income attributable to:</b>						
Comprehensive income, attributable to owners of parent	\$14,804	2%	(\$89,400)	18%	\$104,204	
Comprehensive income, attributable to non-controlling interests	(299)	0%	(570)	0%	271	
	\$14,505	2%	(\$89,970)	18%	\$104,475	
<b>Earnings Per Share</b>						
Basic Earnings Per Share After Income Tax	\$0.18		(\$1.25)		\$1.43	
Diluted Earnings Per Share After Income Tax	\$0.18		(\$1.25)		\$1.43	



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Quarterly Period Ended June 30,2018 , March 31,2018 and June 30,2017**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	2Q 2018		1Q 2018		2Q 2017		QoQ		YoY	
Net Sales	\$311,127	100%	\$294,633	100%	\$263,280	100%	\$16,494	6%	\$47,847	18%
Cost of Goods Sold	(189,692)	-61%	(175,040)	-59%	(163,228)	-62%	(14,652)	8%	(26,464)	16%
Gross Profit	121,435	39%	119,593	41%	100,052	38%	1,842	2%	21,383	21%
Operating Expenses										
Sales and Marketing Expenses	(46,726)	-15%	(54,502)	-18%	(62,431)	-23%	7,776	-14%	15,705	-25%
General and Administrative Expenses	(17,888)	-6%	(16,994)	-6%	(18,340)	-7%	(894)	5%	452	-2%
Research and Development Expenses	(51,668)	-16%	(45,460)	-16%	(59,832)	-23%	(6,208)	14%	8,164	-14%
Total operating expenses	(116,282)	-37%	(116,956)	-40%	(140,603)	-53%	674	-1%	24,321	-17%
Operating Income	5,153	2%	2,637	1%	(40,551)	-15%	2,516	95%	45,704	-113%
Non-operating Income										
Interest income	440	0%	435	0%	332	0%	5	1%	108	33%
Gain on Disposal of investments, net	0	0%	0	0%	10	0%	0	0%	(10)	-100%
Exchange gain, net	5,501	2%	0	0%	1,686	1%	5,501	#DIV/0!	3,815	226%
Gain on financial asset at fair value method	138	0%	87	0%	510	0%	51	59%	(372)	-73%
Miscellaneous income	16	0%	57	0%	595	0%	(41)	-72%	(579)	-97%
Total non-operating income and gains	6,095	2%	579	0%	3,133	1%	5,516	953%	2,962	95%
Non-operating expenses and losses										
Exchange loss, net	0	0%	(1,572)	-1%	0	0%	1,572	100%	0	0%
Financial Cost	(302)	0%	(252)	0%	(38)	0%	(50)	20%	(264)	695%
Total non-operating expenses and losses	(302)	0%	(1,824)	-1%	(38)	0%	1,522	-83%	(264)	695%
Income before income tax	10,946	4%	1,392	0%	(37,456)	-14%	9,554	686%	48,402	-129%
Income tax expense (benefit)	416	0%	(732)	0%	5,782	2%	1,148	-157%	(5,366)	-93%
Net income	11,362	4%	660	0%	(31,674)	-12%	10,702	1622%	43,036	-136%
Other comprehensive income										
Items not to be reclassified into profit or loss										
Items not to be reclassified related income tax	(95)	0%	0	0%	0	0%	(95)	#DIV/0!	(95)	100%
Items will be reclassified into profit or loss										
Exchange differences on translation	4,047	1%	(951)	0%	2,047	1%	4,998	-526%	2,000	98%
Items will be reclassified related income tax	(708)	0%	190	0%	(348)	0%	(898)	-473%	(360)	103%
Other comprehensive income, net	3,244	1%	(761)	0%	1,699	1%	4,005	-526%	1,545	91%
Total comprehensive income	\$14,606	5%	(\$101)	0%	(\$29,975)	-11%	\$14,707	-14561%	\$44,581	-149%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	\$11,494	4%	\$827	0%	(\$31,412)	12%	\$10,667		\$42,906	
Profit (loss), attributable to non-controlling interests	(132)	0%	(167)	0%	(262)	0%	35		130	
	\$11,362	4%	\$660	0%	(\$31,674)	12%	\$10,702		\$43,036	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	\$14,738	5%	\$66	0%	(\$29,713)	11%	\$14,672		\$44,451	
Comprehensive income, attributable to non-controlling interests	(132)	0%	(167)	0%	(262)	0%	35		130	
	\$14,606	5%	(\$101)	0%	(\$29,975)	11%	\$14,707		\$44,581	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	\$0.17		\$0.01		(\$0.46)		\$0.16		\$0.63	
Diluted Earnings Per Share After Income Tax	\$0.17		\$0.01		(\$0.46)		\$0.16		\$0.63	



**CIPHERLAB CO.,LTD.**  
**Consolidated Statements of Cash Flows**  
**For the Period Ended June 30,2018 and 2017**  
**(In Thousands of New Taiwan Dollars)**

	<u>June 30,2018</u>	<u>June 30,2017</u>
<b>Cash flows from operating activities</b>		
Net income	\$12,338	(\$104,914)
Adjustments for:		
Provision(Reversal) for doubtful accounts	(10,278)	2,044
Depreciation	11,234	15,000
Amortization	2,260	2,876
Loss (gain) on available-for-sale financial assets	(225)	(513)
Interest revenue	(875)	(647)
Financial Cost	554	58
Loss (gain) on disposal of Investment	0	(10)
Loss on market price decline and obsolete and slow-moving inventories	1,750	15,066
Unrealized foreign exchange loss (gain)	(878)	2,265
Decrease (increase) in available-for-sale financial assets	0	(14,798)
Decrease (increase) in financial asset at fair value through profit or loss	(9,451)	0
Decrease (increase) in notes receivable	(1,150)	2,128
Decrease (increase) in accounts receivable	70,109	167
Decrease (increase) in other receivables	2,976	(1,081)
Decrease (increase) in inventories	(47,634)	(13,202)
Decrease (increase) in other current assets	(10,980)	1,722
Decrease (increase) in notes payable	10	0
Decrease (increase) in accounts payable	14,994	(19,510)
Decrease (increase) in other accounts payables	(37,975)	(26,939)
Decrease (increase) in other current liabilities	12,699	(552)
Decrease (increase) in net defined benefit liability	1	(2)
Interest received	783	552
Income tax paid	(23)	(4,296)
<b>Net cash provided by (used in) operating activities</b>	<u>10,239</u>	<u>(144,586)</u>
<b>Cash flows from investing activities</b>		
Financial assets at amortized cost	(16,259)	0
Acquisition of bond investments without active market	0	(15,717)
Loss (gain) on disposal of financial assets carried at cost	0	10
Acquisition of property, plant and equipment	(4,409)	(5,045)
Acquisition of Intangible assets	(2,271)	(1,015)
Decrease (increase) in other financial assets	(7)	(6)
Decrease (increase) in other non-current assets	(2,172)	(13,142)
<b>Net cash used in investing activities</b>	<u>(25,118)</u>	<u>(34,915)</u>
<b>Cash flows from financing activities</b>		
Short-term Loan	20,000	0
Interest Expense	(557)	(58)
Increase (decrease) in non-controlling interests	0	1,000
<b>Net cash used in financing activities</b>	<u>19,443</u>	<u>942</u>
<b>Effect of exchange rate changes</b>	<u>588</u>	<u>(692)</u>
<b>Net decrease in cash and cash equivalents</b>	5,152	(179,251)
<b>Cash and cash equivalents at Beginning of Period</b>	205,412	345,946
<b>Cash and cash equivalents at End of Period</b>	<u>\$210,564</u>	<u>\$166,695</u>