



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

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
ASSETS :				
Current assets				
Cash and cash equivalents	\$214,986	16%	\$205,412	17%
Financial assets at fair value through profit or loss – current	0	0%	12,121	1%
Current financial assets at cost, net	40,278	3%	0	0%
Current bond investment without active market, net	0	0%	27,664	2%
Notes receivable, net	166	0%	421	0%
Accounts receivable, net	342,539	25%	261,124	22%
Other receivable	12,460	1%	8,617	1%
Deferred income tax assets	7,564	1%	7,533	1%
Inventories, net	495,925	37%	422,233	36%
Other current assets	30,656	2%	32,040	3%
Total current assets	<u>1,144,574</u>	<u>85%</u>	<u>977,165</u>	<u>83%</u>
Long-term investments				
Financial assets carried at cost – noncurrent	0	0%	0	0%
Total long-term investments	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0%</u>
Property, plant and equipment				
Property, plant and equipment	129,872	10%	129,290	11%
Total property, plant and equipment	<u>129,872</u>	<u>10%</u>	<u>129,290</u>	<u>11%</u>
Intangible assets and other assets				
	67,977	5%	70,542	6%
Total assets	<u>\$1,342,423</u>	<u>100%</u>	<u>\$1,176,997</u>	<u>100%</u>
LIABILITIES :				
Current liabilities				
Short-term bills payable	\$90,000	7%	\$50,000	4%
Notes payable	0	0%	335	0%
Accounts payable	137,671	10%	117,127	10%
Other payable	188,049	14%	150,002	13%
Income tax payable	7,326	1%	4,574	0%
Other current liabilities	8,905	1%	2,057	0%
Total current liabilities	<u>431,951</u>	<u>33%</u>	<u>324,095</u>	<u>27%</u>
Non-current liabilities				
Deferred tax liabilities	696	0%	537	0%
Accrued pension liabilities	16,080	1%	16,822	2%
Refundable deposits	16,145	1%	16,145	1%
Total non-current liabilities	<u>32,921</u>	<u>2%</u>	<u>33,504</u>	<u>3%</u>
Total liabilities	<u>464,872</u>	<u>35%</u>	<u>357,599</u>	<u>30%</u>
SHAREHOLDERS' EQUITY :				
Capital stock	684,891	51%	684,891	58%
Capital surplus	1,131	0%	1,101	0%
Retained earnings	194,374	14%	135,477	12%
Others-cumulative translation adjustments	(3,062)	0%	(2,808)	0%
Non-controlling interests	217	0%	737	0%
Total shareholders' equity	<u>877,551</u>	<u>65%</u>	<u>819,398</u>	<u>70%</u>
Total liabilities and shareholders' equity	<u>\$1,342,423</u>	<u>100%</u>	<u>\$1,176,997</u>	<u>100%</u>



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

	December 31, 2018		December 31, 2017		YoY	
Net Sales	\$1,568,120	100%	\$1,242,223	100%	\$325,897	26%
Cost of Goods Sold	(988,363)	-63%	(760,023)	-61%	(228,340)	30%
Gross Profit	579,757	37%	482,200	39%	97,557	20%
Operating Expenses						
Sales and Marketing Expenses	(235,987)	-15%	(223,932)	-18%	(12,055)	5%
General and Administrative Expenses	(74,298)	-5%	(73,824)	-6%	(474)	1%
Research and Development Expenses	(219,007)	-14%	(242,989)	-20%	23,982	-10%
Expected Credit Impairment Gain (Loss)	8,056	1%	0	0%	8,056	100%
Total operating expenses	(521,236)	-33%	(540,745)	-44%	19,509	-4%
Operating Income	58,521	4%	(58,545)	-5%	117,066	-200%
Non-operating Income						
Interest income	1,562	0%	1,404	0%	158	11%
Gain on Disposal of investments, net	0	0%	10	0%	(10)	-100%
Exchange gain, net	4,943	0%	0	0%	4,943	100%
Gain on financial asset at fair value through profit or loss	234	0%	0	0%	234	100%
Gain on financial asset held for trading	0	0%	591	0%	(591)	-100%
Miscellaneous income	318	0%	1,046	0%	(728)	-70%
Total non-operating income and gains	7,057	0%	3,051	0%	4,006	131%
Non-operating expenses and losses						
Loss on disposal of property, plant and equipment	0	0%	(20)	0%	20	-100%
Exchange loss, net	0	0%	(14,727)	-1%	14,727	-100%
Financial Cost	(1,372)	0%	(492)	0%	(880)	179%
Valuation loss on financial assets, net	0	0%	(610)	0%	610	-100%
Miscellaneous expenses	(3)	0%	0	0%	(3)	100%
Total non-operating expenses and losses	(1,375)	0%	(15,849)	-1%	14,474	-91%
Income before income tax	64,203	4%	(71,343)	-6%	135,546	-190%
Income tax expense (benefit)	(8,167)	0%	14,776	1%	(22,943)	-155%
Net income	56,036	4%	(56,567)	-5%	112,603	-199%
Other comprehensive income						
Items not to be reclassified into profit or loss						
Actuarial gains and losses of defined benefit plans	320	0%	581	0%	(261)	-45%
Items not to be reclassified related income tax	(159)	0%	(98)	0%	(61)	62%
Items will be reclassified into profit or loss						
Exchange differences on translation	2,281	0%	(5,277)	0%	7,558	-143%
Items will be reclassified related income tax	(355)	0%	897	0%	(1,252)	-140%
Other comprehensive income, net	2,087	0%	(3,897)	0%	5,984	-154%
Total comprehensive income	\$58,123	4%	(\$60,464)	-5%	\$118,587	-196%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	\$56,556	4%	(\$55,625)	-5%	\$112,181	
Profit (loss), attributable to non-controlling interests	(520)	0%	(942)	0%	422	
	\$56,036	4%	(\$56,567)	-5%	\$112,603	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	\$58,643	4%	(\$59,522)	-5%	\$118,165	
Comprehensive income, attributable to non-controlling interests	(520)	0%	(942)	0%	422	
	\$58,123	4%	(\$60,464)	-5%	\$118,587	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	\$0.83		(\$0.81)		\$1.64	
Diluted Earnings Per Share After Income Tax	\$0.82		(\$0.81)		\$1.63	

CIPHERLAB CO., LTD. and Subsidiaries
Consolidated Condensed Income Statements

For the Quarterly Period Ended December 31, 2018 , September 30, 2018 and December 31, 2017

(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	4Q 2018		3Q 2018		4Q 2017		QoQ		YoY	
Net Sales	\$491,012	100%	\$471,348	100%	\$408,743	100%	\$19,664	4%	\$82,269	20%
Cost of Goods Sold	(328,012)	-67%	(295,619)	-63%	(244,780)	-60%	(32,393)	11%	(83,232)	34%
Gross Profit	163,000	33%	175,729	37%	163,963	40%	(12,729)	-7%	(963)	-1%
Operating Expenses										
Sales and Marketing Expenses	(65,588)	-13%	(58,893)	-12%	(55,471)	-14%	(6,695)	11%	(10,117)	18%
General and Administrative Expenses	(19,921)	-5%	(19,495)	-5%	(18,188)	-4%	(426)	2%	(1,733)	10%
Research and Development Expenses	(65,482)	-13%	(56,397)	-12%	(48,181)	-12%	(9,085)	16%	(17,301)	36%
Expected Credit Impairment Gain (Loss)	(2,051)	0%	(171)	0%	0	0%	(1,880)	1099%	(2,051)	100%
Total operating expenses	(153,042)	-31%	(134,956)	-29%	(121,840)	-30%	(18,086)	13%	(31,202)	26%
Operating Income	9,958	2%	40,773	8%	42,123	10%	(30,815)	-76%	(32,165)	-76%
Non-operating Income										
Interest income	334	0%	353	0%	381	0%	(19)	-5%	(47)	-12%
Gain on Disposal of investments, net	0	0%	0	0%	0	0%	0	0%	0	0%
Exchange gain, net	1,775	0%	0	0%	0	0%	1,775	100%	1,775	100%
Gain on financial asset at fair value through profit or loss	0	0%	9	0%	(538)	0%	(9)	-100%	538	-100%
Gain on financial asset held for trading	0	0%	0	0%	591	0%	0	0%	(591)	-100%
Miscellaneous income	56	0%	189	0%	21	0%	(133)	-70%	35	167%
Total non-operating income and gains	2,165	0%	551	0%	455	0%	1,614	293%	1,710	376%
Non-operating expenses and losses										
Loss on disposal of property, plant and equipment	0	0%	0	0%	0	0%	0	0%	0	0%
Exchange loss, net	0	0%	(761)	0%	(2,397)	-1%	761	-100%	2,397	-100%
Financial Cost	(488)	0%	(330)	0%	(324)	0%	(158)	48%	(164)	51%
Valuation loss on financial assets, net	0	0%	0	0%	(610)	0%	0	0%	610	-100%
Miscellaneous expenses	(3)	0%	0	0%	0	0%	(3)	100%	(3)	100%
Total non-operating expenses and losses	(491)	0%	(1,091)	0%	(3,331)	-1%	600	-55%	2,840	-85%
Income before income tax	11,632	2%	40,233	8%	39,247	9%	(28,601)	-71%	(27,615)	-70%
Income tax expense (benefit)	(2,393)	0%	(5,458)	-1%	(4,435)	-1%	3,065	-56%	2,042	-46%
Net income	9,239	2%	34,775	7%	34,812	8%	(25,536)	-73%	(25,573)	-73%
Other comprehensive income										
Items not to be reclassified into profit or loss										
Actuarial gains and losses of defined benefit plans	320	0%	0	0%	581	0%	320	100%	(261)	-45%
Items not to be reclassified related income tax	(64)	0%	0	0%	(98)	0%	(64)	100%	34	-35%
Items will be reclassified into profit or loss										
Exchange differences on translation	1,054	0%	(1,869)	0%	(1,578)	0%	2,923	-156%	2,632	-167%
Items will be reclassified related income tax	(211)	0%	374	0%	268	0%	(585)	-156%	(479)	-179%
Other comprehensive income, net	1,099	0%	(1,495)	0%	(827)	0%	2,594	-174%	1,926	-233%
Total comprehensive income	\$10,338	2%	\$33,280	7%	\$33,985	8%	(\$22,942)	-69%	(\$23,647)	-70%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	\$9,315	2%	\$34,920	7%	\$34,987	8%	(\$25,605)		(\$25,672)	
Profit (loss), attributable to non-controlling interests	(76)	0%	(145)	0%	(175)	0%	69		99	
	\$9,239	2%	\$34,775	7%	\$34,812	8%	(\$25,536)		(\$25,573)	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	\$10,414	2%	\$33,425	7%	\$34,160	8%	(\$23,011)		(\$23,746)	
Comprehensive income, attributable to non-controlling interests	(76)	0%	(145)	0%	(175)	0%	69		99	
	\$10,338	2%	\$33,280	7%	\$33,985	8%	(\$22,942)		(\$23,647)	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	<u>\$0.14</u>		<u>\$0.51</u>		<u>\$0.51</u>		<u>(\$0.37)</u>		<u>(\$0.37)</u>	
Diluted Earnings Per Share After Income Tax	<u>\$0.13</u>		<u>\$0.51</u>		<u>\$0.51</u>		<u>(\$0.38)</u>		<u>(\$0.38)</u>	



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

	December 31, 2018	December 31, 2017
Cash flows from operating activities		
Net income	\$64,203	(\$71,343)
Adjustments for:		
Reversal of expected credit impairment loss	(8,056)	0
Provision (Reversal) for doubtful accounts	0	5,556
Depreciation	21,092	26,840
Amortization	3,893	5,247
Gain on available-for-sale financial assets	(234)	(591)
Interest revenue	(1,562)	(1,404)
Financial Cost	1,372	492
Loss on disposal of property, plant and equipment	0	20
Gain on disposal of Investment	0	(10)
Valuation loss on financial assets	0	610
Loss on market price decline and obsolete and slow-moving inventories	11,119	12,831
Unrealized foreign exchange loss	1,031	3,192
Decrease (increase) in available-for-sale financial assets	0	8,489
Decrease (increase) in financial asset at fair value through profit or loss	12,355	0
Decrease (increase) in notes receivable	255	3,288
Decrease (increase) in accounts receivable	(71,880)	(83,107)
Decrease (increase) in other receivables	(3,665)	(4,336)
Decrease (increase) in inventories	(82,723)	(25,739)
Decrease (increase) in other current assets	1,391	12,294
Decrease (increase) in accounts payable	20,248	39,477
Decrease (increase) in other accounts payables	34,887	7,592
Decrease (increase) in other current liabilities	6,848	(686)
Decrease (increase) in net defined benefit liability	(422)	(346)
Interest received	1,384	1,297
Income tax paid	(120)	(11,801)
Net cash provided by (used in) operating activities	11,416	(72,138)
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	(70,678)	0
Disposal of financial assets at amortized cost	58,064	0
Acquisition of bond investments without active market	0	(13,664)
Loss (gain) on disposal of financial assets carried at cost	0	10
Acquisition of property, plant and equipment	(9,107)	(13,209)
Acquisition of intangible assets	(6,978)	(1,735)
Decrease (increase) in other financial assets	(7)	(6)
Decrease (increase) in other non-current assets	(10,307)	(18,265)
Net cash used in investing activities	(39,013)	(46,869)
Cash flows from financing activities		
Short-term Loan	40,000	50,000
Cash Dividends	0	(68,489)
Interest Expense	(1,372)	(492)
Increase (decrease) in non-controlling interests	0	1,500
Net cash used in financing activities	38,628	(17,481)
Effect of exchange rate changes	(1,457)	(4,046)
Net decrease in cash and cash equivalents	9,574	(140,534)
Cash and cash equivalents at Beginning of Period	205,412	345,946
Cash and cash equivalents at End of Period	\$214,986	\$205,412