

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

	December 31,2017		September 30,2017		December 31,2016		QoQ		YoY	
<b>Current assets</b>										
Cash and cash equivalents	\$205,412	17%	\$168,458	15%	\$345,946	28%	\$36,954	22%	(\$140,534)	-41%
Financial assets at fair value through profit or loss - current	12,121	1%	0	3%	20,019.00	2%	12,121	100%	(7,898)	-39%
Current financial assets at cost, net	-	0%	-	0%	-	0%	-	0%	-	0%
Current bond investment without active market, net	27,664	2%	25,398	3%	14,000	1%	2,266	9%	13,664.00	98%
Notes receivable, net	421	0%	431	0%	3,709	0%	(10)	-2%	(3,288)	-89%
Accounts receivable, net	261,124	22%	267,720	17%	186,431	15%	(6,596)	-2%	74,693	40%
Accounts receivable - related parties, net	-	0%	-	0%	-	0%	-	0%	-	0%
Other receivable	8,617	1%	6,636	0%	4,174	0%	1,981	30%	4,443	106%
Deferred income tax assets	7,533	1%	7,033	0%	0	0%	0	0%	7,533	100%
Inventories, Net	422,233	36%	453,542	38%	412,333	34%	(31,309)	-7%	9,900	2%
Other current assets	32,040	3%	26,582	4%	44,328	4%	5,458	21%	(12,288)	-28%
<b>Total current assets</b>	<b>977,165</b>	<b>83%</b>	<b>955,800</b>	<b>81%</b>	<b>1,030,940</b>	<b>85%</b>	<b>21,365</b>	<b>2%</b>	<b>(53,775)</b>	<b>-5%</b>
<b>Long-term investments</b>										
Investments accounted for by the equity method	-	0%	-	0%	-	0%	-	0%	-	0%
Financial assets carried at cost – noncurrent	0	0%	610	0%	610	0%	610.00	-100%	610.00	-100%
<b>Total long-term investments</b>	<b>0</b>	<b>0%</b>	<b>610</b>	<b>0%</b>	<b>610</b>	<b>0%</b>	<b>610.00</b>	<b>-100%</b>	<b>610.00</b>	<b>-100%</b>
<b>Property, plant and equipment</b>										
Property, plant and equipment	129,290	11%	133,275	12%	130,707	11%	(3,985)	-3%	(1,417)	-1%
<b>Total property, plant and equipment</b>	<b>129,290</b>	<b>11%</b>	<b>133,275</b>	<b>12%</b>	<b>130,707</b>	<b>11%</b>	<b>(3,985)</b>	<b>-3%</b>	<b>(1,417)</b>	<b>-1%</b>
<b>Intangible assets and other assets</b>	<b>70,542</b>	<b>6%</b>	<b>71,313</b>	<b>7%</b>	<b>56,195</b>	<b>5%</b>	<b>(771)</b>	<b>-1%</b>	<b>14,347</b>	<b>26%</b>
<b>Total assets</b>	<b>\$1,176,997</b>	<b>100%</b>	<b>\$1,160,998</b>	<b>100%</b>	<b>\$1,218,452</b>	<b>100%</b>	<b>\$15,999</b>	<b>1%</b>	<b>(\$41,455)</b>	<b>-3%</b>
<b>LIABILITIES :</b>										
<b>Current liabilities</b>										
Short-term bills payable	50,000	4%	75,000	0%	-	0%	25,000	-33%	50,000	0
Notes payable	335	0%	669	0%	-	0%	334	-50%	335	100%
Accounts payable	117,127	10%	121,819	5%	78,287	6%	(4,692)	-4%	38,840	50%
Accounts payable - related parties	-	0%	-	0%	0	0%	-	0%	0	0%
Other payable	150,002	13%	135,862	18%	144,568	12%	14,140	10%	5,434	4%
Income tax payable	4,574	0%	4,574	0%	10,813	1%	0	0%	(6,239)	-58%
Other current liabilities	2,057	0%	3,863	0%	2,743	0%	(1,806)	-47%	(686)	-25%
<b>Total current liabilities</b>	<b>324,095</b>	<b>28%</b>	<b>341,787</b>	<b>24%</b>	<b>236,411</b>	<b>19%</b>	<b>(17,692)</b>	<b>-5%</b>	<b>87,684</b>	<b>37%</b>
<b>Non-current liabilities</b>										
Long-term loans liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	537	0%	450	0%	1,335	0%	87	19%	(798)	-60%
Accrued pension liabilities	16,822	1%	17,742	2%	17,749	1%	(920)	-5%	(927)	-5%
Refundable deposits	16,145	1%	16,145	1%	16,145	1%	-	-	0	0%
<b>Total non-current liabilities</b>	<b>33,504</b>	<b>3%</b>	<b>34,337</b>	<b>3%</b>	<b>35,229</b>	<b>3%</b>	<b>(833)</b>	<b>-2%</b>	<b>(1,725)</b>	<b>-5%</b>
<b>Total liabilities</b>	<b>357,599</b>	<b>30%</b>	<b>376,124</b>	<b>27%</b>	<b>271,640</b>	<b>22%</b>	<b>(18,525)</b>	<b>-5%</b>	<b>85,959</b>	<b>32%</b>
<b>SHAREHOLDERS' EQUITY :</b>										
Capital stock	684,891	58%	684,891	63%	684,891	56%	-	0%	-	0%
Capital surplus	1,101	0%	1,062	0%	1,062	0%	39.00	4%	39.00	4%
Retained earnings	135,477	12%	100,007	10%	259,108	21%	35,470	35%	(123,631)	-48%
Others-cumulative translation adjustments	(2,808)	0%	(1,498)	0%	1,572	0%	(1,310)	87%	(4,380)	-279%
Treasury stock	-	0%	-	0%	-	0%	-	0%	-	0%
Non-controlling interests	737	0%	412	0%	179	0%	325.00	79%	558	312%
<b>Total shareholders' equity</b>	<b>819,398</b>	<b>70%</b>	<b>784,874</b>	<b>73%</b>	<b>946,812</b>	<b>78%</b>	<b>34,524</b>	<b>4%</b>	<b>(127,414)</b>	<b>-13%</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,176,997</b>	<b>100%</b>	<b>\$1,160,998</b>	<b>100%</b>	<b>\$1,218,452</b>	<b>100%</b>	<b>\$15,999</b>	<b>1%</b>	<b>(\$41,455)</b>	<b>-3%</b>



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Period Ended 2017 and 2016**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	December 31,2017		December 31,2016		YoY	
<b>Net Sales</b>	1,242,223	100%	1,304,133	100%	(61,910)	-5%
<b>Cost of Goods Sold</b>	(760,023)	61%	(730,367)	56%	(29,656)	4%
<b>Gross Profit</b>	482,200	39%	573,766	44%	(91,566)	-16%
<b>Operating Expenses</b>						
Sales and Marketing Expenses	(223,932)	18%	(188,879)	14%	(35,053)	19%
General and Administrative Expenses	(73,824)	6%	(74,420)	6%	596	-1%
Research and Development Expenses	(242,989)	20%	(213,747)	16%	(29,242)	14%
<b>Total operating expenses</b>	(540,745)	44%	(477,046)	37%	(63,699)	13%
<b>Operating Income</b>	(58,545)	5%	96,720	7%	(155,265)	-161%
<b>Non-operating Income</b>						
Interest income	1,404	0%	910	0%	494	54%
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		0%		0%	0	0%
Miscellaneous income	1,046	0%	731	0%	315	43%
<b>Total non-operating income and gains</b>	2,450	0%	1,641	0%	809	49%
<b>Non-operating expenses and losses</b>						
Loss on disposal of property, plant and equipment	(21)	0%	(70)	0%	49	-70%
Exchange loss, net	(14,726)	1%	(6,135)	0%	(8,591)	140%
Financial Cost	(492)	0%	(66)	0%	(426)	645%
Valuation loss on financial assets, net	(9)	0%	(2,903)	0%	2,894	-100%
Miscellaneous expenses	0	0%	(2)	0%	2	-100%
<b>Total non-operating expenses and losses</b>	(15,248)	1%	(9,176)	1%	(6,072)	66%
<b>Income before income tax</b>	(71,343)	6%	89,185	7%	(160,528)	-180%
<b>Income tax expense (benefit)</b>	14,776	1%	(7,940)	1%	22,716	-286%
<b>Net income</b>	(56,567)	5%	81,245	6%	(137,812)	-170%
<b>Other comprehensive income</b>						
Exchange differences on translation	(5,277)	0%	(2,299)	0%	(2,978)	130%
Actuarial gains and losses of defined benefit plans	581	0%	(1,509)	0%	2,090	-139%
Other comprehensive income from deferred income tax	799	0%	647	0%	152	23%
Other comprehensive income, net	(3,897)	0%	(3,161)	0%	(736)	23%
<b>Total comprehensive income</b>	(60,464)	5%	78,084	6%	(138,548)	-177%
<b>Profit (loss), attributable to:</b>						
Profit (loss), attributable to owners of parent	(55,625)		81,638		(137,263)	
Profit (loss), attributable to non-controlling interests	(942)		(393)		(549)	
	(56,567)		81,245		(137,812)	
<b>Comprehensive income attributable to:</b>						
Comprehensive income, attributable to owners of parent	(59,522)		78,477		(137,999)	
Comprehensive income, attributable to non-controlling interests	(942)		(393)		(549)	
	(60,464)		78,084		(138,548)	
<b>Earnings Per Share</b>						
Basic Earnings Per Share After Income Tax	(0.81)		1.19		(2.00)	
Diluted Earnings Per Share After Income Tax	(0.81)		1.18		(1.99)	



**CIPHERLAB CO.,LTD.**  
**Consolidated Condensed Income Statements**  
**For the Quarterly Period Ended December 31,2017 , September 30,2017 and December 31,2016**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	4Q 2017		3Q 2017		4Q 2016		QoQ		YoY	
<b>Net Sales</b>	408,743	1	335,789	1	317,325	1	72,954	0	91,418	0
<b>Cost of Goods Sold</b>	(244,780)	(1)	(207,411)	(1)	(187,910)	(1)	(37,369)	0	(56,870)	0
<b>Gross Profit</b>	163,963	0	128,378	0	129,415	0	35,585	0	(1,037)	0
<b>Operating Expenses</b>										
Sales and Marketing Expenses	(55,471)	(0)	(54,496)	(0)	(53,574)	(0)	(975)	0	(1,897)	0
General and Administrative Expenses	(18,188)	(0)	(18,336)	(0)	(18,997)	(0)	148	(0)	809	(0)
Research and Development Expenses	(48,181)	(0)	(62,446)	(0)	(58,833)	(0)	14,265	(0)	10,652	(0)
<b>Total operating expenses</b>	<b>(121,840)</b>	<b>(0)</b>	<b>(135,278)</b>	<b>(0)</b>	<b>(131,404)</b>	<b>(0)</b>	<b>13,438</b>	<b>(0)</b>	<b>(3,874)</b>	<b>(0)</b>
<b>Operating Income</b>	42,123	0	(6,900)	(0)	(1,989)	(0)	49,023	(7)	(4,911)	(22)
<b>Non-operating Income</b>										
Interest income	381	0	376	0	214	0	5	0	167	1
Exchange gain, net	0	0	617	0	0	0	(617)	1	0	0
Gain on Disposal of Investment	(10)	(0)	0	0	0	0	(10)	#DIV/0!	(10)	1
Valuation gain on financial assets, net	(538)	(0)	0	0	0	0	(538)	#DIV/0!	(538)	1
Gain on financial asset at fair value method	0	0	25	0	0	0	(25)	1	0	0
Miscellaneous income	21	0	336	0	164	0	(315)	(1)	(143)	(1)
<b>Total non-operating income and gains</b>	<b>(146)</b>	<b>(0)</b>	<b>1,354</b>	<b>0</b>	<b>378</b>	<b>0</b>	<b>(1,500)</b>	<b>(1)</b>	<b>976</b>	<b>(1)</b>
<b>Non-operating expenses and losses</b>										
Interest expense	168	0	0	0	(24)	(0)	168	#DIV/0!	192	(8)
Investment loss recognized under equity method	0	0	(20)	(0)	0	0	20	1	0	0
Loss on disposal of property, plant and equipment	(1)	(0)	0	0	60	0	(1)		(61)	(1)
Exchange loss, net	(2,396)	(0)	0	0	4,469	0	(2,396)	#DIV/0!	(6,865)	(2)
Financial Cost	(492)	(0)	(110)	(0)	(66)	(0)	(382)	3	(426)	6
Valuation loss on financial assets, net	(9)	(0)	0	0	(1,744)	(0)	(9)	#DIV/0!	1,735	(1)
Miscellaneous expenses	0	0	0	0	(2)	(0)	0	0	2	(1)
<b>Total non-operating expenses and losses</b>	<b>(2,730)</b>	<b>(0)</b>	<b>(130)</b>	<b>(0)</b>	<b>2,693</b>	<b>0</b>	<b>(2,600)</b>	<b>20</b>	<b>(5,423)</b>	<b>(2)</b>
<b>Income before income tax</b>	39,247	0	(5,676)	(0)	1,082	0	44,923	(8)	38,165	35
<b>Income tax expense (benefit)</b>	(4,435)	(0)	602	0	12,473	0	(5,037)	(8)	(16,908)	(1)
<b>Net income</b>	34,812	0	(5,074)	(0)	13,555	0	39,886	(8)	(18,629)	2
<b>Other comprehensive income</b>										
Exchange differences on translation	(1,578)	(0)	717	0	1,788	0	(2,295)	(3)	(3,366)	(2)
Actuarial gains and losses of defined benefit plans	581	0	0	0	(1,509)	(0)	581		2,090	(1)
Other comprehensive income from deferred income tax	170	0	(122)	(0)	(48)	(0)	292	(2)	218	(5)
Other comprehensive income, net	(827)	(0)	595	0	231	0	(1,422)	(2)	364	(5)
<b>Total comprehensive income</b>	<b>33,985</b>	<b>0</b>	<b>(4,479)</b>	<b>(0)</b>	<b>13,786</b>	<b>0</b>	<b>38,464</b>	<b>(9)</b>	<b>(18,265)</b>	<b>1</b>
<b>Profit (loss), attributable to:</b>										
Profit (loss), attributable to owners of parent	34,987		(4,877)		5,868		39,864		29,119	
Profit (loss), attributable to non-controlling interests	(175)		(197)		(133)		22		(42)	
	34,812		(5,074)		5,735		39,886		29,077	
<b>Comprehensive income attributable to:</b>										
Comprehensive income, attributable to owners of parent	34,160		(4,282)		6,099		38,442		28,061	
Comprehensive income, attributable to non-controlling interests	(175)		(197)		(133)		22		(42)	
	33,985		(4,479)		5,966		38,464		28,019	
<b>Earnings Per Share</b>										
Basic Earnings Per Share After Income Tax	\$0.51		(\$0.07)		\$0.09		\$0.58		\$0.42	
Diluted Earnings Per Share After Income Tax	\$0.44		(\$0.07)		\$0.08		\$0.51		\$0.36	



**CIPHERLAB CO.,LTD.**  
**Consolidated Statements of Cash Flows**  
**For the Period Ended December 31,2017 and 2016**  
**(In Thousands of New Taiwan Dollars)**

	<b>December 31,2017</b>	<b>December 31,2016</b>
<b>Cash flows from operating activities</b>		
<b>Net income</b>	(71,343)	89,185
Adjustments for:		
Provision(Reversal) for doubtful accounts	5,556	(3,871)
Depreciation	26,840	35,562
Amortization	5,247	8,763
Loss(gain) on available-for-sale financial assets	(591)	2,903
Interest revenue	(1,404)	(910)
Financial Cost	492	66
Loss (gain) on disposal of property, plant and equipment	20	70
Loss (gain) on disposal of Investment	(10)	
Loss on market price decline and obsolete and slow-moving inventories	12,831	2,981
Unrealized foreign exchange loss (gain)	3,192	1,396
Decrease (increase) in available-for-sale financial assets	8,489	57,104
Decrease (increase) in notes receivable	3,288	(297)
Decrease (increase) in accounts receivable	(83,107)	19,165
Decrease (increase) in other receivables	(4,336)	4,315
Decrease (increase) in inventories	(25,739)	31,958
Decrease (increase) in other current assets	12,294	(33,647)
Decrease (increase) in notes payable	0	(2)
Decrease (increase) in accounts payable	39,477	(17,966)
Decrease (increase) in accounts payable – related parties	0	(5,088)
Decrease (increase) in other accounts payables	7,553	15,362
Decrease (increase) in other current liabilities	(686)	(5,463)
Decrease (increase) in net defined benefit liability	(346)	(315)
Interest received	1,297	908
Income tax paid	(11,801)	(7,566)
<b>Net cash provided by (used in) operating activities</b>	<b>(72,787)</b>	<b>194,613</b>
<b>Cash flows from investing activities</b>		
Acquisition of bond investments without active market	(13,664)	0
Loss (gain) on disposal of financial assets carried at cost	10	0
Acquisition of property, plant and equipment	(13,209)	(9,951)
Acquisition of Intangible assets	(1,735)	(2,161)
Decrease (increase) in other financial assets	(6)	(6)
Decrease (increase) in other non-current assets	(18,265)	(5,147)
<b>Net cash used in investing activities</b>	<b>(46,869)</b>	<b>(17,265)</b>
<b>Cash flows from financing activities</b>		
Short-term Loan	50,000	0
Acquisition of investments accounted for by equity method	0	0
Guarantee deposits received & refundable deposits	0	16,145
Cash Dividends	(68,489)	(68,489)
Interest Expense	(492)	(66)
Increase (Decrease) in non-controlling interests	1,500	500
Dividends not received over time	39	0
<b>Net cash used in financing activities</b>	<b>(17,442)</b>	<b>(51,910)</b>
<b>Effect of exchange rate changes</b>	<b>(4,046)</b>	<b>(602)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(140,534)</b>	<b>124,836</b>
<b>Cash and cash equivalents at Beginning of Period</b>	<b>345,946</b>	<b>221,110</b>
<b>Cash and cash equivalents at End of Period</b>	<b>205,412</b>	<b>345,946</b>