



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

	December 31,2016		September 30,2016		December 31,2015		QoQ		YoY	
Current assets										
Cash and cash equivalents	\$345,946	28%	\$149,910	13%	\$221,110	18%	\$196,036	131%	\$124,836	56%
Financial assets at fair value through profit or loss - current	20,019	2%	96,648	8%	80,026.00	7%	(76,629)	-79%	(60,007)	-75%
Current bond investment without active market, net	14,000	1%	14,000	1%	14,000	1%	-	0%	-	0%
Notes receivable, net	3,709	0%	1,913	0%	3,412	0%	1,796	94%	297	9%
Accounts receivable, net	186,431	15%	181,433	16%	202,534	17%	4,998	3%	(16,103)	-8%
Other receivable	4,174	0%	4,832	0%	8,487	1%	(658)	-14%	(4,313)	-51%
Inventories, Net	412,333	34%	478,290	41%	449,496	37%	(65,957)	-14%	(37,163)	-8%
Other current assets	44,328	4%	38,112	3%	10,675	1%	6,216	16%	33,653	315%
Total current assets	1,030,940	85%	965,138	84%	989,740	82%	65,802	7%	41,200	4%
Long-term investments										
Investments accounted for by the equity method	-	0%	-	0%	-	0%	-	0%	-	0%
Financial assets carried at cost – noncurrent	610	0%	610	0%	610	0%	-	0%	-	0%
Total long-term investments	610	0%	610	0%	610	0%	-	0%	-	0%
Property, plant and equipment										
Property, plant and equipment	130,707	11%	134,316	12%	148,705	12%	(3,609)	-3%	(17,998)	-12%
Total property, plant and equipment	130,707	11%	134,316	12%	148,705	12%	(3,609)	-3%	(17,998)	-12%
Intangible assets and other assets	56,195	5%	55,487	5%	62,203	5%	708	1%	(6,008)	-10%
Total assets	\$1,218,452	100%	\$1,155,551	100%	\$1,201,258	100%	\$62,901	5%	\$17,194	1%
LIABILITIES :										
Current liabilities										
Notes payable		0%	460	0%	2	0%	460	-100%	2	-100%
Accounts payable	78,287	6%	55,772	5%	96,211	8%	22,515	40%	(17,924)	-19%
Accounts payable - related parties		0%	-	0%	5,088	0%	-	0%	(5,088)	-100%
Other payable	144,568	12%	117,925	10%	126,999	11%	26,643	23%	17,569	14%
Income tax payable	10,813	1%	16,500	1%	9,065	1%	(5,687)	-34%	1,748	19%
Other current liabilities	2,743	0%	6,780	1%	8,206	1%	(4,037)	-60%	(5,463)	-67%
Total current liabilities	236,411	19%	197,437	17%	245,571	20%	38,974	20%	(9,160)	-4%
Non-current liabilities										
Long-term loans liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	1,335	0%	713	0%	2,415	0%	622	87%	(1,080)	-45%
Accrued pension liabilities	17,749	1%	16,555	1%	16,555	1%	1,194	7%	1,194	7%
Refundable deposits	16,145	1%								
Total non-current liabilities	35,229	3%	17,268	1%	18,970	2%	1,816	104%	114	86%
Total liabilities	271,640	22%	214,705	19%	264,541	22%	40,790	27%	(9,046)	3%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	56%	684,891	59%	684,891	57%	-	0%	-	0%
Capital surplus	1,062	0%	1,062	0%	1,062	0%	-	0%	-	0%
Retained earnings	259,108	21%	254,493	22%	247,284	21%	4,615	2%	11,824	5%
Others-cumulative translation adjustments	1,572	0%	88	0%	3,480	0%	1,484	1686%	(1,908)	-55%
Treasury stock	-	0%	-	0%	-	0%	-	0%	-	0%
Non-controlling interests	179.00	0%	312.00	0%	-	0%	133.00	-43%	179	0%
Total shareholders' equity	946,812	78%	940,846	81%	936,717	78%	5,966	1%	10,095	1%
Total liabilities and shareholders' equity	\$1,218,452	100%	\$1,155,551	100%	\$1,201,258	100%	\$62,901	5%	\$17,194	1%



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Period Ended 2016 and 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	December 31,2016		December 31,2015		YoY	
Net Sales	1,304,133	100%	1,130,751	100%	173,382	15%
Cost of Goods Sold	(730,367)	56%	(656,701)	58%	(73,666)	11%
Gross Profit	573,766	44%	474,050	42%	99,716	21%
Operating Expenses						
Sales and Marketing Expenses	(188,879)	14%	(159,853)	14%	(29,026)	18%
General and Administrative Expenses	(74,420)	6%	(84,170)	7%	9,750	-12%
Research and Development Expenses	(213,747)	16%	(197,821)	17%	(15,926)	8%
Total operating expenses	(477,046)	37%	(441,844)	39%	(35,202)	8%
Operating Income	96,720	7%	32,206	3%	64,514	200%
Non-operating Income						
Interest income	910	0%	1,168	0%	(258)	-22%
Gain on disposal of property, plant and equipment		0%	3,523	0%	(3,523)	-100%
Exchange gain, net		0%	6,673	1%	(6,673)	-100%
Gain on Disposal of Investment		0%		0%	0	0%
Gain on financial asset at fair value through profit or loss		0%	476	0%	(476)	-100%
Miscellaneous income	731	0%	2,463	0%	(1,732)	-70%
Total non-operating income and gains	1,641	0%	14,303	1%	(12,662)	-89%
Non-operating expenses and losses						
Loss on disposal of property, plant and equipment	(70)	0%	(59)	0%	(11)	19%
Exchange loss, net	(6,135)	0%		0%	(6,135)	100%
Financial Cost	(66)	0%	(88)	0%	22	-25%
Valuation loss on financial assets, net	(2,903)	0%		0%	(2,903)	100%
Miscellaneous expenses	(2)	0%	(48)	0%	46	-96%
Total non-operating expenses and losses	(9,176)	1%	(195)	0%	(8,981)	4606%
Income before income tax	89,185	7%	46,314	4%	42,871	93%
Income tax expense (benefit)	(120)	0%	(5,197)	0%	5,077	-98%
Net income	89,065	7%	41,117	4%	47,948	117%
Other comprehensive income						
Exchange differences on translation	(2,299)	0%	1,633	0%	(3,932)	-241%
Actuarial gains and losses of defined benefit plans	(1,509)	0%	1,851	0%	(3,360)	-182%
Other comprehensive income from deferred income tax	647	0%	(593)	0%	1,240	-209%
Other comprehensive income, net	(3,161)	0%	2,891	0%	(6,052)	-209%
Total comprehensive income	85,904	7%	44,008	4%	41,896	95%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	81,638		41,125		40,513	
Profit (loss), attributable to non-controlling interests	(393)		(8)		(385)	
	81,245		41,117		40,128	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	78,477		44,016		34,461	
Comprehensive income, attributable to non-controlling interests	(393)		(8)		(385)	
	78,084		44,008		34,076	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	1.19		0.60		0.59	
Diluted Earnings Per Share After Income Tax	1.18		0.60		0.58	



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Quarterly Period Ended December 31,2016 , September 30,2016 and December 31,2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	4Q 2016		3Q 2016		4Q 2015		QoQ		YoY	
Net Sales	\$317,325	100%	\$295,264	100%	\$379,157	100%	\$22,061	7%	(\$61,832)	-16%
Cost of Goods Sold	(187,910)	-59%	(168,130)	-57%	(223,192)	-59%	(19,780)	12%	35,282	-16%
Gross Profit	129,415	41%	127,134	43%	155,965	41%	(46,713)	2%	(28,831)	-17%
Operating Expenses										
Sales and Marketing Expenses	(53,574)	-17%	(50,301)	-17%	(28,108)	-7%	(3,273)	7%	(25,466)	91%
General and Administrative Expenses	(18,997)	-6%	(12,875)	-4%	(21,067)	-6%	(6,122)	48%	2,070	-10%
Research and Development Expenses	(58,833)	-19%	(56,520)	-19%	(47,990)	-13%	(2,313)	4%	(10,843)	23%
Total operating expenses	(131,404)	-41%	(119,696)	-41%	(97,165)	-26%	(11,496)	10%	(22,531)	35%
Operating Income	(1,989)	-1%	7,438	3%	58,800	16%	(58,209)	-127%	(51,362)	-103%
Non-operating Income										
Interest income	214	0%	197	0%	359	0%	17	9%	(145)	-40%
Exchange gain, net	-	0%	-	0%	374	0%	-	0%	374	(1)
Gain on financial asset at fair value method	-	0%	-	0%	150	0%	0	0%	(150)	-100%
Miscellaneous income	164	0%	138	0%	1,128	0%	26	19%	(964)	-85%
Total non-operating income and gains	378	0%	335	0%	1,258	0%	43	13%	(923)	-70%
Non-operating expenses and losses										
Interest expense	(24)	0%	(23)	0%	(66)	0%	(1)	4%	42	-64%
Investment loss recognized under equity method	0	0%	0	0%	-	0%	0	0%	0	0%
Investment Impairment loss recognized under equity method	0	0%	0	0%	-	0%	0	0%	0	0%
Loss on disposal of property, plant and equipment	60	0%	0	0%	(59)	0%	60	0%	119	-202%
Loss on sale of investments, net	0	0%	0	0%	-	0%	0	0%	0	0%
Loss on physical inventory	0	0%	0	0%	-	0%	0	0%	0	0%
Exchange loss, net	4,469	1%	(5,958)	-2%	-	0%	10,427	-175%	4,469	100%
Financial Cost	(66)	0%	-	0%	-	0%	(66)	0%	(66)	100%
Impairment loss	0	0%	-	0%	-	0%	0	0%	0	0%
Valuation loss on financial assets, net	(1,744)	-1%	1,177.00	0%	-	0%	(567)	48%	(1,744)	100%
Valuation loss on financial liabilities, net	0	0%	-	0%	-	0%	0	0%	0	0%
Miscellaneous expenses	(2)	0%	0	0%	(39)	0%	(2)	0%	37	-95%
Total non-operating expenses and losses	2,693	1%	(7,158)	-2%	(164)	0%	9,851	-138%	2,857	-1742%
Income before income tax	1,082	0%	615	0%	59,894	16%	467	76%	(58,812)	-98%
Income tax expense (benefit)	12,473	4%	(120)	0%	(12,254)	-3%	12,593	-10494%	24,727	-202%
Net income	13,555	4%	495	0%	47,640	13%	13,060	2638%	(47,145)	-72%
Other comprehensive income										
Exchange differences on translation	1,788	1%	(2,689)	-1%	(21)	0%	4,477	-166%	1,809	-8614%
Actuarial gains and losses of defined benefit plans	(1,509)	0%	-	0%	-	0%	(1,509)	0%	(1,509)	100%
Other comprehensive income from deferred income tax	(48)	0%	457	0%	(312)	0%	(505)	-111%	264	-85%
Other comprehensive income, net	231	0%	(2,232)	-1%	(333)	0%	2,463	-110%	(1,899)	-169%
Total comprehensive income	\$13,786	4%	(\$1,737)	-1%	\$47,307	12%	\$15,523	-894%	(\$49,044)	-71%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	\$5,868		\$729		\$47,640		\$5,139		(\$41,772)	
Profit (loss), attributable to non-controlling interests	(133)		(234)		-		101		(133)	
	\$5,735		\$495		\$47,640		\$5,240		(\$41,905)	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	\$6,099		(\$1,503)		\$49,158		\$7,602		(\$43,059)	
Comprehensive income, attributable to non-controlling interests	(133)		(234)		-		101		(133)	
	\$5,966		(\$1,737)		\$49,158		\$7,703		(\$43,192)	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	\$0.09		\$0.01		\$0.70		\$0.08		(\$0.61)	
Diluted Earnings Per Share After Income Tax	\$0.08		\$0.01		\$0.70		\$0.07		(\$0.62)	



CIPHERLAB CO.,LTD.
Consolidated Statements of Cash Flows
For the Period Ended Decemember 31,2016 and 2015
(In Thousands of New Taiwan Dollars)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Net income	\$89,185	\$46,314
Adjustments for:		
Provision(Reversal) for doubtful accounts	(3,871)	7,872
Depreciation	35,562	42,594
Amortization	8,763	14,550
Loss(gain) on available-for-sale financial assets	2,903	(476)
Investment loss (income) recognized under equity method		
Interest revenue	(910)	(1,168)
Financial Cost	66	88
Loss (gain) on disposal of property, plant and equipment	70	59
Loss on market price decline and obsolete and slow-moving inventories	2,981	18,351
Unrealized foreign exchange loss (gain)	1,396	1,981
Loss (gain) on disposal of subsidiary		(3,523)
Others – write off allowance for bad debts	(63)	(25)
Decrease (increase) in available-for-sale financial assets	57,104	(79,550)
Decrease (increase) in notes receivable	(297)	(1,874)
Decrease (increase) in accounts receivable	19,228	(18,316)
Decrease (increase) in other receivables	4,315	(2,860)
Decrease (increase) in inventories	31,958	64,368
Decrease (increase) in other current assets	(33,647)	7,396
Decrease (increase) in notes payable	(2)	2
Decrease (increase) in accounts payable	(17,966)	16,602
Decrease (increase) in accounts payable – related parties	(5,088)	(407)
Decrease (increase) in other accounts payables	15,362	(9,831)
Decrease (increase) in other current liabilities	(5,463)	(5,556)
Decrease (increase) in net defined benefit liability	(315)	(246)
Interest received	908	1,152
Income tax paid	(7,566)	(7,869)
Net cash provided by (used in) operating activities	<u>194,613</u>	<u>89,628</u>
Cash flows from investing activities		
Loss (gain) on disposal of long-term investments at equity method	0	2
Acquisition of property, plant and equipment	(9,951)	(9,861)
Loss (gain) on disposal of property, plant and equipment	0	7
Acquisition of Intangible assets	(2,161)	(9,235)
Decrease (increase) in other financial assets	(6)	(7)
Decrease (increase) in other non-current assets	(5,147)	(6,494)
Net cash used in investing activities	<u>(17,265)</u>	<u>(25,588)</u>
Cash flows from financing activities		
Guarantee deposits received & refundable deposits	16,145	
Cash Dividends	(68,489)	(68,489)
Interest Expense	(66)	(88)
Increase (Decrease) in non-controlling interests	500	0
Net cash used in financing activities	<u>(51,910)</u>	<u>(68,577)</u>
Effect of exchange rate changes	<u>(602)</u>	<u>(5,341)</u>
Net decrease in cash and cash equivalents	124,836	(9,881)
Cash and cash equivalents at Beginning of Period	221,110	230,991
Cash and cash equivalents at End of Period	<u>\$345,946</u>	<u>\$221,110</u>