



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

	<u>March 31,2017</u>		<u>December 31,2016</u>		<u>March 31,2016</u>		<u>QoQ</u>		<u>YoY</u>	
Current assets										
Cash and cash equivalents	\$226,299	20%	\$345,946	28%	\$237,481	19%	(\$119,647)	-35%	(\$11,182)	-5%
Financial assets at fair value through profit or loss - current	49,995	5%	20,019	2%	76,974.00	6%	29,976	150%	(26,979)	-35%
Current bond investment without active market, net	18,396	2%	14,000	1%	14,000	1%	4,396.00	31%	4,396.00	31%
Notes receivable, net	1,529	0%	3,709	0%	1,968	0%	(2,180)	-59%	(439)	-22%
Accounts receivable, net	140,953	13%	186,431	15%	202,904	16%	(45,478)	-24%	(61,951)	-31%
Other receivable	4,696	0%	4,174	0%	7,339	1%	522	13%	(2,643)	-36%
Inventories, Net	411,508	37%	412,333	34%	479,354	38%	(825)	0%	(67,846)	-14%
Other current assets	50,048	5%	44,328	4%	28,159	2%	5,720	13%	21,889	78%
Total current assets	903,424	82%	1,030,940	85%	1,048,179	83%	(127,516)	-12%	(144,755)	-14%
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	126,381	11%	130,707	11%	143,259	11%	(4,326)	-3%	(16,878)	-12%
Total property, plant and equipment	126,381	11%	130,707	11%	143,259	11%	(4,326)	-3%	(16,878)	-12%
Intangible assets and other assets	74,980	7%	56,195	5%	63,397	5%	18,785	33%	11,583	18%
Total assets	\$1,105,395	100%	\$1,218,452	100%	\$1,255,445	100%	(\$113,057)	-9%	(\$150,050)	-12%
LIABILITIES :										
Current liabilities										
Notes payable		0%		0%	470	0%	-	0%	470	-100%
Accounts payable	65,386	6%	78,287	5%	85,630	7%	(12,901)	-16%	(20,244)	-24%
Accounts payable - related parties		0%		0%		0%	-	0%	0	0%
Other payable	103,984	9%	144,568	10%	135,957	11%	(40,584)	-28%	(31,973)	-24%
Income tax payable	11,926	1%	10,813	1%	20,514	2%	1,113	10%	(8,588)	-42%
Other current liabilities	1,946	0%	2,743	1%	6,314	1%	(797)	-29%	(4,368)	-69%
Total current liabilities	183,242	17%	236,411	17%	248,885	20%	(53,169)	-22%	(65,643)	-26%
Non-current liabilities										
Long-term loans liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	439	0%	1,335	0%	1,233	0%	(896)	-67%	(794)	-64%
Accrued pension liabilities	17,752	2%	17,749	1%	16,553	1%	3	0%	1,199	7%
Refundable deposits	16,145	1%	16,145							
Total non-current liabilities	34,336	3%	35,229	1%	17,786	1%	(893)	-3%	405	93%
Total liabilities	217,578	20%	271,640	19%	266,671	21%	(54,062)	-20%	(65,238)	-18%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	62%	684,891	59%	684,891	55%	-	0%	-	0%
Capital surplus	1,062	0%	1,062	0%	1,062	0%	-	0%	-	0%
Retained earnings	204,785	19%	259,108	22%	300,196	24%	(54,323)	-21%	(95,411)	-32%
Others-cumulative translation adjustments	(3,792)	0%	1,572	0%	2,625	0%	(5,364)	-341%	(6,417)	-244%
Treasury stock	-	0%	-	0%	-	0%	-	0%	-	0%
Non-controlling interests	871.00	0%	179.00	0%	-	0%	692.00	387%	871	0%
Total shareholders' equity	887,817	80%	946,812	81%	988,774	79%	(58,995)	-6%	(100,957)	-10%
Total liabilities and shareholders' equity	\$1,105,395	100%	\$1,218,452	100%	\$1,255,445	100%	(\$113,057)	-9%	(\$150,050)	-12%



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

	March 31,2017		March 31,2016		YoY	
Net Sales	234,411	100%	365,704	100%	(131,293)	-36%
Cost of Goods Sold	(144,604)	62%	(191,857)	52%	47,253	-25%
Gross Profit	89,807	38%	173,847	48%	(84,040)	-48%
Operating Expenses						
Sales and Marketing Expenses	(51,534)	22%	(36,638)	10%	(14,896)	41%
General and Administrative Expenses	(18,960)	8%	(21,995)	6%	3,035	-14%
Research and Development Expenses	(72,530)	31%	(49,567)	14%	(22,963)	46%
Total operating expenses	(143,024)	61%	(108,200)	30%	(34,824)	32%
Operating Income	(53,217)	23%	65,647	18%	(118,864)	-181%
Non-operating Income						
Interest income	315	0%	231	0%	84	36%
Gain on financial asset at fair value through profit or loss	3	0%		0%	3	100%
Miscellaneous income	94	0%	236	0%	(142)	-60%
Total non-operating income and gains	412	0%	467	0%	(55)	-12%
Non-operating expenses and losses						
Loss on disposal of property, plant and equipment		0%	(60)	0%	60	-100%
Exchange loss, net	(14,633)	6%	(4,311)	1%	(10,322)	239%
Financial Cost	(20)	0%		0%	(20)	100%
Valuation loss on financial assets, net		0%	(833)	0%	833	-100%
Miscellaneous expenses		0%		0%	0	0%
Total non-operating expenses and losses	(14,653)	6%	(5,204)	1%	(9,449)	182%
Income before income tax	(67,458)	29%	60,910	17%	(128,368)	-211%
Income tax expense (benefit)	12,827	5%	(7,998)	2%	20,825	-260%
Net income	(54,631)	23%	52,912	14%	(107,543)	-203%
Other comprehensive income						
Exchange differences on translation	(6,463)	3%	(1,030)	0%	(5,433)	527%
Actuarial gains and losses of defined benefit plans		0%		0%	0	0%
Other comprehensive income from deferred income tax	1,099	0%	175	0%	924	528%
Other comprehensive income, net	(5,364)	2%	(855)	0%	(4,509)	527%
Total comprehensive income	(59,995)	26%	52,057	14%	(112,052)	-215%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	(54,323)	23%	52,912	14%	(107,235)	
Profit (loss), attributable to non-controlling interests	(308)	0%	0	0%	(308)	
	(54,631)	23%	52,912	14%	(107,543)	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	(59,687)	25%	52,057	14%	(111,744)	
Comprehensive income, attributable to non-controlling interests	(308)	0%		0%	(308)	
	(59,995)	26%	52,057	14%	(112,052)	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	(0.79)		0.77		(1.57)	
Diluted Earnings Per Share After Income Tax	(0.79)		0.77		(1.56)	



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

	1Q 2017		4Q 2016		1Q 2016		QoQ		YoY	
Net Sales	\$234,411	100%	\$317,325	100%	\$365,704	100%	(\$82,914)	-26%	(\$131,293)	-36%
Cost of Goods Sold	(144,604)	-62%	(187,910)	-59%	(191,857)	-52%	43,306	-23%	47,253	-25%
Gross Profit	89,807	38%	129,415	41%	173,847	48%	(39,608)	-31%	(44,432)	-48%
Operating Expenses										
Sales and Marketing Expenses	(51,534)	-22%	(53,574)	-17%	(36,638)	-10%	2,040	-4%	(14,896)	41%
General and Administrative Expenses	(18,960)	-8%	(18,997)	-6%	(21,995)	-6%	37	0%	3,035	-14%
Research and Development Expenses	(72,530)	-31%	(58,833)	-19%	(49,567)	-14%	(13,697)	23%	(22,963)	46%
Total operating expenses	(143,024)	-61%	(131,404)	-41%	(108,200)	-30%	(11,620)	9%	(23,204)	32%
Operating Income	(53,217)	-23%	(1,989)	-1%	65,647	18%	(51,228)	2576%	(67,636)	-181%
Non-operating Income										
Interest income	315	0%	214	0%	231	0%	101	47%	84	36%
Investment income recognized under equity method	-	0%	-	0%	-	0%	-	0%	-	0%
Gain on financial asset at fair value method	3	0%	-	0%	-	0%	3		3	100%
Miscellaneous income	94	0%	164	0%	236	0%	(70)	-43%	(142)	-60%
Total non-operating income and gains	412	0%	378	0%	467	0%	34	9%	(89)	-12%
Non-operating expenses and losses										
Interest expense	0	0%	(24)	0%		0%	24	100%	0	0%
Loss on disposal of property, plant and equipment	0	0%	60	0%	(60)	0%	(60)		60	-100%
Exchange loss, net	(14,633)	-6%	4,469	1%	(4,311)	-1%	(19,102)	-427%	(10,322)	239%
Financial Cost	(20)	0%	66.00	0%	-	0%	46		(20)	100%
Valuation loss on financial assets, net	0	0%	1,744.00	-1%	(833)	0%	1,744	100%	833	-100%
Miscellaneous expenses	0	0%	(2)	0%	0	0%	2		0	0%
Total non-operating expenses and losses	(14,653)	-6%	2,693	1%	(5,204)	-1%	(17,346)	-644%	(9,449)	182%
Income before income tax	(67,458)	-29%	1,082	0%	60,910	17%	(68,540)	-6335%	(128,368)	-211%
Income tax expense (benefit)	12,827	5%	12,473	4%	(7,998)	-2%	354	3%	20,825	-260%
Net income	(54,631)	-23%	13,555	4%	52,912	14%	(68,186)	-503%	(39,357)	-203%
Other comprehensive income										
Exchange differences on translation	(6,463)	-3%	1,788	1%	(1,030)	0%	(8,251)	-461%	(5,433)	527%
Actuarial gains and losses of defined benefit plans	0	0%	(1,509)				1,509		0	0%
Other comprehensive income from deferred income tax	1,099	0%	(48)	0%	175	0%	1,147	-2390%	924	528%
Other comprehensive income, net	(5,364)	-2%	231	0%	(855)	0%	(5,595)	-2422%	1,086	527%
Total comprehensive income	(\$59,995)	-26%	\$13,786	4%	\$52,057	14%	(\$73,781)	-535%	(\$38,271)	-215%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	(\$54,323)		\$5,868		\$52,912		(\$60,191)		(\$107,235)	
Profit (loss), attributable to non-controlling interests	(308)		(133)		-		(175)		(308)	
	(\$54,631)		\$5,735		\$52,912		(\$60,366)		(\$107,543)	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	(\$59,687)		\$6,099		\$52,057		(\$65,786)		(\$111,744)	
Comprehensive income, attributable to non-controlling interests	(308)		(133)		-		(175)		(308)	
	(\$59,995)		\$5,966		\$52,057		(\$65,961)		(\$112,052)	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	(\$0.79)		\$0.09		\$0.77		(\$0.88)		(\$1.57)	
Diluted Earnings Per Share After Income Tax	(\$0.79)		\$0.08		\$0.77		(\$0.87)		(\$1.56)	



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

	<u>March 31,2017</u>	<u>March 31,2016</u>
Cash flows from operating activities		
Net income	(\$67,458)	\$60,910
Adjustments for:		
Provision(Reversal) for doubtful accounts	(542)	(2,905)
Depreciation	7,425	9,036
Amortization	1,425	3,572
Loss(gain) on available-for-sale financial assets	(3)	833
Interest revenue	(315)	(231)
Financial Cost	20	
Loss (gain) on disposal of property, plant and equipment	0	60
Loss on market price decline and obsolete and slow-moving inventories	15,582	
Unrealized foreign exchange loss (gain)	2,205	2,917
Decrease (increase) in available-for-sale financial assets	(29,973)	2,219
Decrease (increase) in notes receivable	2,180	1,444
Decrease (increase) in accounts receivable	41,680	2,265
Decrease (increase) in other receivables	(522)	1,149
Decrease (increase) in inventories	(17,749)	(32,136)
Decrease (increase) in other current assets	(5,701)	(17,534)
Decrease (increase) in notes payable	0	468
Decrease (increase) in accounts payable	(12,442)	(10,818)
Decrease (increase) in accounts payable – related parties	0	(5,088)
Decrease (increase) in other accounts payables	(38,462)	6,834
Decrease (increase) in other current liabilities	(797)	(1,889)
Decrease (increase) in net defined benefit liability	3	(2)
Interest received	315	230
Income tax paid	3,066	(13)
Net cash provided by (used in) operating activities	<u>(100,063)</u>	<u>21,321</u>
Cash flows from investing activities		
Acquisition of bond investments without active market	(4,396)	0
Acquisition of property, plant and equipment	(3,399)	(2,581)
Acquisition of Intangible assets	(346)	(356)
Decrease (increase) in other non-current assets	(10,104)	(1,972)
Net cash used in investing activities	<u>(18,245)</u>	<u>(4,909)</u>
Cash flows from financing activities		
Interest Expense	(20)	
Increase (Decrease) in non-controlling interests	1,000	0
Net cash used in financing activities	<u>980</u>	<u>0</u>
Effect of exchange rate changes	<u>(2,319)</u>	<u>(41)</u>
Net decrease in cash and cash equivalents	(119,647)	16,371
Cash and cash equivalents at Beginning of Period	345,946	221,110
Cash and cash equivalents at End of Period	<u>\$226,299</u>	<u>\$237,481</u>