

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

	<u>June 30,2017</u>		<u>March 31,2017</u>		<u>June 30,2016</u>		<u>QoQ</u>		<u>YoY</u>	
Current assets										
Cash and cash equivalents	\$166,695	15%	\$226,299	20%	\$252,025	20%	(\$59,604)	-26%	(\$85,330)	-34%
Financial assets at fair value through profit or loss - current	35,330	3%	49,995	5%	77,825.00	6%	(14,665)	-29%	(42,495)	-55%
Current financial assets at cost, net		0%		0%	-	0%	-	0%	-	0%
Current bond investment without active market, net	29,717	3%	18,396	2%	14,000	1%	11,321	62%	15,717.00	112%
Notes receivable, net	1,581	0%	1,529	0%	1,921	0%	52	3%	(340)	-18%
Accounts receivable, net	180,642	17%	140,953	13%	174,104	14%	39,689	28%	6,538	4%
Accounts receivable - related parties, net		0%		0%	-	0%	-	0%	-	0%
Other receivable	5,350	0%	4,696	0%	5,230	0%	654	14%	120	2%
Inventories, Net	407,959	38%	411,508	37%	488,388	39%	(3,549)	-1%	(80,429)	-16%
Other current assets	42,612	4%	50,048	5%	44,193	4%	(7,436)	-15%	(1,581)	-4%
Total current assets	869,886	81%	903,424	82%	1,057,686	84%	(33,538)	-4%	(187,800)	-18%
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	134,551	12%	126,381	11%	137,449	11%	8,170	6%	(2,898)	-2%
Total property, plant and equipment	134,551	12%	126,381	11%	137,449	11%	8,170	6%	(2,898)	-2%
Intangible assets and other assets										
	73,596	7%	74,980	7%	61,151	5%	(1,384)	-2%	12,445	20%
Total assets	\$1,078,643	100%	\$1,105,395	100%	\$1,256,896	100%	(\$26,752)	-2%	(\$178,253)	-14%
LIABILITIES :										
Current liabilities										
Notes payable		0%		0%	465	0%	-	0%	465	-100%
Accounts payable	58,852	5%	65,386	5%	66,387	5%	(6,534)	-10%	(7,535)	-11%
Accounts payable - related parties		0%		0%	0	0%	-	0%	0	0%
Other payable	188,872	18%	103,984	10%	200,417	16%	84,888	82%	(11,545)	-6%
Income tax payable	5,044	0%	11,926	1%	23,472	2%	(6,882)	-58%	(18,428)	-79%
Other current liabilities	2,191	0%	1,946	1%	5,848	0%	245	13%	(3,657)	-63%
Total current liabilities	254,959	24%	183,242	17%	296,589	24%	71,717	39%	(41,630)	-14%
Non-current liabilities										
Long-term loans liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	439	0%	439	0%	1,170	0%	0	0%	(731)	-62%
Accrued pension liabilities	17,747	2%	17,752	1%	16,554	1%	(5)	0%	1,193	7%
Refundable deposits	16,145	1%	16,145							
Total non-current liabilities	34,331	3%	34,336	1%	17,724	1%	(5)	0%	462	94%
Total liabilities	289,290	27%	217,578	19%	314,313	25%	71,712	33%	(41,168)	-8%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	63%	684,891	59%	684,891	54%	-	0%	-	0%
Capital surplus	1,062	0%	1,062	0%	1,062	0%	-	0%	-	0%
Retained earnings	104,884	10%	204,785	22%	253,836	20%	(99,901)	-49%	(148,952)	-59%
Others-cumulative translation adjustments	(2,093)	0%	(3,792)	0%	2,320	0%	1,699	-45%	(4,413)	-190%
Treasury stock	-	0%	-	0%	-	0%	-	0%	-	0%
Non-controlling interests	609	0%	871	0%	474	0%	262.00	-30%	135	28%
Total shareholders' equity	789,353	73%	887,817	81%	942,583	75%	(98,464)	-11%	(153,230)	-16%
Total liabilities and shareholders' equity	\$1,078,643	100%	\$1,105,395	100%	\$1,256,896	100%	(\$26,752)	-2%	(\$178,253)	-14%



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

	June 30,2017		June 30,2016		YoY	
Net Sales	497,691	100%	691,544	100%	(193,853)	-28%
Cost of Goods Sold	(307,832)	62%	(374,327)	54%	66,495	-18%
Gross Profit	189,859	38%	317,217	46%	(127,358)	-40%
Operating Expenses						
Sales and Marketing Expenses	(113,965)	23%	(85,004)	12%	(28,961)	34%
General and Administrative Expenses	(37,300)	7%	(42,548)	6%	5,248	-12%
Research and Development Expenses	(132,362)	27%	(98,394)	14%	(33,968)	35%
Total operating expenses	(283,627)	57%	(225,946)	33%	(57,681)	26%
Operating Income	(93,768)	19%	91,271	13%	(185,039)	-203%
Non-operating Income						
Interest income	647	0%	499	0%	148	30%
Gain on Disposal of Investment	10	0%		0%	10	100%
Miscellaneous income	689	0%	429	0%	260	61%
Total non-operating income and gains	1,346	0%	928	0%	418	45%
Non-operating expenses and losses						
Interest expense	(58)	0%	(23)	0%	(35)	152%
Investment loss recognized under equity method	513	0%	18	0%	495	2750%
Loss on disposal of property, plant and equipment		0%	(60)	0%	60	-100%
Exchange loss, net	(12,947)	3%	(4,646)	1%	(8,301)	179%
Total non-operating expenses and losses	(12,492)	3%	(4,711)	1%	(7,781)	165%
Income before income tax	(104,914)	21%	87,488	13%	(192,402)	-220%
Income tax expense (benefit)	18,609	4%	(12,473)	2%	31,082	-249%
Net income	(86,305)	17%	75,015	11%	(161,320)	-215%
Other comprehensive income						
Exchange differences on translation	(4,416)	1%	(1,398)	0%	(3,018)	216%
Actuarial gains and losses of defined benefit plans		0%		0%	0	0%
Other comprehensive income from deferred income tax	751	0%	238	0%	513	216%
Other comprehensive income, net	(3,665)	1%	(1,160)	0%	(2,505)	216%
Total comprehensive income	(89,970)	18%	73,855	11%	(163,825)	-222%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	(85,735)	17%	75,041	11%	(160,776)	
Profit (loss), attributable to non-controlling interests	(570)	0%	(26)	0%	(544)	
	(86,305)	17%	75,015	11%	(161,320)	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	(89,400)	18%	73,881	11%	(163,281)	
Comprehensive income, attributable to non-controlling interests	(570)	0%	(26)	0%	(544)	
	(89,970)	18%	73,855	11%	(163,825)	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	(1.25)		1.10		(2.35)	
Diluted Earnings Per Share After Income Tax	(1.25)		1.09		(2.34)	



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

	2Q 2017		1Q 2017		2Q 2016		QoQ		YoY	
Net Sales	263,280	100%	234,411	100%	\$325,840	100%	\$28,869	12%	(62,560)	-19%
Cost of Goods Sold	(163,228)	-62%	(144,604)	-62%	(182,470)	-56%	(18,624)	13%	19,242	-11%
Gross Profit	100,052	38%	89,807	38%	143,370	44%	10,245	11%	(53,563)	-30%
Operating Expenses										
Sales and Marketing Expenses	(62,431)	-24%	(51,534)	-22%	(48,366)	-15%	(10,897)	21%	(14,065)	29%
General and Administrative Expenses	(18,340)	-7%	(18,960)	-8%	(20,553)	-6%	620	-3%	2,213	-11%
Research and Development Expenses	(59,832)	-23%	(72,530)	-31%	(48,827)	-15%	12,698	-18%	(11,005)	23%
Total operating expenses	(140,603)	-53%	(143,024)	-61%	(117,746)	-36%	2,421	-2%	(25,278)	19%
Operating Income	(40,551)	-15%	(53,217)	-23%	25,624	8%	12,666	-24%	(78,841)	-258%
Non-operating Income										
Interest income	332	0%	315	0%	268	0%	17	5%	64	24%
Exchange gain, net	1,686	1%	0	0%	-	0%	1,686	#DIV/0!	1,686	1
Gain on Disposal of Investment	10	0%	0	0%	-	0%	10	#DIV/0!	10	1
Gain on financial asset at fair value method	510	0%	3	0%	833	0%	507	16900%	(323)	-39%
Miscellaneous income	595	0%	94	0%	193	0%	501	533%	402	208%
Total non-operating income and gains	3,133	1%	412	0%	1,294	0%	2,721	660%	(882)	142%
Non-operating expenses and losses										
Interest expense	(38)	0%	0	0%	(23)	0%	(38)	#DIV/0!	(15)	65%
Investment loss recognized under equity method	0	0%	0	0%	18	0%	0	0%	(18)	-100%
Exchange loss, net	0	0%	(14,633)	-6%	(335)	0%	14,633	100%	335	-100%
Financial Cost	0	0%	(20)	0%	-	0%	20	100%	0	0%
Total non-operating expenses and losses	(38)	0%	(14,653)	-6%	(340)	0%	14,615	-100%	302	-89%
Income before income tax	(37,456)	-14%	(67,458)	-29%	26,578	8%	30,002	-44%	(64,034)	-241%
Income tax expense (benefit)	5,782	2%	12,827	5%	(4,475)	-1%	(7,045)	-55%	10,257	-229%
Net income	(31,674)	-12%	(54,631)	-23%	22,103	7%	22,957	-42%	(76,734)	-243%
Other comprehensive income										
Exchange differences on translation	2,047	1%	(6,463)	-3%	(368)	0%	8,510	-132%	2,415	-656%
Actuarial gains and losses of defined benefit plans	0	0%	0		(1,851)		0		1,851	-100%
Other comprehensive income from deferred income tax	(348)	0%	1,099	0%	63	0%	(1,447)	-132%	(411)	-652%
Other comprehensive income, net	1,699	1%	(5,364)	-2%	(305)	0%	7,063	-132%	(5,059)	-657%
Total comprehensive income	(29,975)	-11%	(59,995)	-26%	\$21,798	7%	\$30,020	-50%	(\$81,793)	-238%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	(31,412)		(54,323)		22,129		\$22,911		(53,541)	
Profit (loss), attributable to non-controlling interests	(262)		(308)		(26)		46		(236)	
	(31,674)		(54,631)		22,103		\$22,957		(53,777)	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	(29,713)		(59,687)		21,824		\$29,974		(51,537)	
Comprehensive income, attributable to non-controlling interests	(262)		(308)		(26)		46		(236)	
	(29,975)		(59,995)		\$21,798		\$30,020		(51,773)	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	(\$0.46)		(\$0.79)		\$0.32		\$0.33		(\$0.78)	
Diluted Earnings Per Share After Income Tax	(\$0.46)		(\$0.79)		\$0.32		\$0.33		(\$0.78)	



CIPHERLAB CO.,LTD.
Consolidated Statements of Cash Flows
For the Period Ended June 30,2017 and 2016
(In Thousands of New Taiwan Dollars)

	<u>June 30,2017</u>	<u>June 30,2016</u>
Cash flows from operating activities		
Net income	(104,914)	87,488
Adjustments for:		
Provision(Reversal) for doubtful accounts	2,044	(3,513)
Depreciation	15,000	17,837
Amortization	2,876	5,146
Loss(gain) on available-for-sale financial assets	(513)	(18)
Interest revenue	(647)	(499)
Financial Cost	58	23
Loss (gain) on disposal of property, plant and equipment	0	60
Loss (gain) on disposal of Investment	(10)	
Loss on market price decline and obsolete and slow-moving inventories	15,066	
Unrealized foreign exchange loss (gain)	2,265	3,357
Decrease (increase) in available-for-sale financial assets	(14,798)	2,219
Decrease (increase) in notes receivable	2,128	1,491
Decrease (increase) in accounts receivable	167	29,558
Decrease (increase) in other receivables	(1,081)	3,239
Decrease (increase) in inventories	(13,202)	(41,587)
Decrease (increase) in other current assets	1,722	(33,564)
Decrease (increase) in notes payable	0	463
Decrease (increase) in accounts payable	(19,510)	(29,862)
Decrease (increase) in accounts payable – related parties	0	(5,088)
Decrease (increase) in other accounts payables	(26,939)	4,689
Decrease (increase) in other current liabilities	(552)	(2,350)
Decrease (increase) in net defined benefit liability	(2)	(1)
Interest received	552	517
Income tax paid	(4,296)	(148)
Net cash provided by (used in) operating activities	<u>(144,586)</u>	<u>39,457</u>
Cash flows from investing activities		
Acquisition of bond investments without active market	(15,717)	0
Loss (gain) on disposal of financial assets carried at cost	10	0
Acquisition of property, plant and equipment	(5,045)	(6,595)
Acquisition of Intangible assets	(1,015)	(1,260)
Decrease (increase) in other financial assets	(6)	(7)
Decrease (increase) in other non-current assets	(13,142)	(1,879)
Net cash used in investing activities	<u>(34,915)</u>	<u>(9,741)</u>
Cash flows from financing activities		
Interest Expense	(58)	(23)
Increase (Decrease) in non-controlling interests	1,000	500
Net cash used in financing activities	<u>942</u>	<u>477</u>
Effect of exchange rate changes	<u>(692)</u>	<u>(722)</u>
Net decrease in cash and cash equivalents	(179,251)	30,915
Cash and cash equivalents at Beginning of Period	345,946	221,110
Cash and cash equivalents at End of Period	<u>166,695</u>	<u>252,025</u>