



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

	September 30,2017		June 30,2017		September 30,2016		QoQ		YoY	
Current assets										
Cash and cash equivalents	\$168,458	15%	\$166,695	15%	\$149,910	13%	\$1,763	1%	\$18,548	12%
Financial assets at fair value through profit or loss - current	0	0%	35,330	3%	96,648.00	8%	(35,330)	-100%	(96,648)	-100%
Current financial assets at cost, net	-	0%	-	0%	-	0%	-	0%	-	0%
Current bond investment without active market, net	25,398	2%	29,717	3%	14,000	1%	4,319	-15%	11,398.00	81%
Notes receivable, net	431	0%	1,581	0%	1,913	0%	(1,150)	-73%	(1,482)	-77%
Accounts receivable, net	267,720	23%	180,642	17%	181,433	16%	87,078	48%	86,287	48%
Accounts receivable - related parties, net	-	0%	-	0%	-	0%	-	0%	-	0%
Other receivable	6,636	1%	5,350	0%	4,832	0%	1,286	24%	1,804	37%
Deferred income tax assets	7,033	1%	-	-	-	-	-	-	-	-
Inventories, Net	453,542	39%	407,959	38%	478,290	41%	45,583	11%	(24,748)	-5%
Other current assets	26,582	2%	42,612	4%	38,112	3%	(16,030)	-38%	(11,530)	-30%
Total current assets	955,800	82%	869,886	81%	965,138	84%	85,914	10%	(9,338)	-1%
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	133,275	11%	134,551	12%	134,316	12%	(1,276)	-1%	(1,041)	-1%
Total property, plant and equipment	133,275	11%	134,551	12%	134,316	12%	(1,276)	-1%	(1,041)	-1%
Intangible assets and other assets	71,313	6%	73,596	7%	55,487	5%	(2,283)	-3%	15,826	29%
Total assets	\$1,160,998	100%	\$1,078,643	100%	\$1,155,551	100%	\$82,355	8%	\$5,447	0%
LIABILITIES :										
Current liabilities										
Short-term bills payable	75,000	7%	-	0%	-	0%	75,000	0%	75,000	0
Notes payable	669	0%	-	0%	460	0%	669	0%	209	45%
Accounts payable	121,819	10%	58,852	5%	55,772	5%	62,967	107%	66,047	118%
Accounts payable - related parties	-	0%	-	0%	0	0%	-	0%	0	0%
Other payable	135,862	12%	188,872	18%	117,925	10%	(53,010)	-28%	17,937	15%
Income tax payable	4,574	0%	5,044	0%	16,500	1%	(470)	-9%	(11,926)	-72%
Other current liabilities	3,863	0%	2,191	0%	6,780	1%	1,672	76%	(2,917)	-43%
Total current liabilities	341,787	29%	254,959	24%	197,437	17%	86,828	34%	144,350	73%
Non-current liabilities										
Long-term loans liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	450	0%	439	0%	713	0%	11	3%	(263)	-37%
Accrued pension liabilities	17,742	2%	17,747	2%	16,555	1%	(5)	0%	1,187	7%
Refundable deposits	16,145	1%	16,145	1%	-	-	-	-	-	-
Total non-current liabilities	34,337	3%	34,331	3%	17,268	1%	6	0%	924	99%
Total liabilities	376,124	32%	289,290	27%	214,705	19%	86,834	30%	145,274	75%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	59%	684,891	63%	684,891	59%	-	0%	-	0%
Capital surplus	1,062	0%	1,062	0%	1,062	0%	-	0%	-	0%
Retained earnings	100,007	9%	104,884	10%	254,493	22%	(4,877)	-5%	(154,486)	-61%
Others-cumulative translation adjustments	(1,498)	0%	(2,093)	0%	88	0%	595	-28%	(1,586)	-1802%
Treasury stock	-	0%	-	0%	-	0%	-	0%	-	0%
Non-controlling interests	412	0%	609	0%	312	0%	197.00	-32%	100	32%
Total shareholders' equity	784,874	68%	789,353	73%	940,846	81%	(4,479)	-1%	(155,972)	-17%
Total liabilities and shareholders' equity	\$1,160,998	100%	\$1,078,643	100%	\$1,155,551	100%	\$82,355	8%	\$5,447	0%



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

	Sept. 30,2017		Sept. 30,2016		YoY	
Net Sales	833,480	100%	986,808	118%	(153,328)	-16%
Cost of Goods Sold	(515,243)	62%	(542,457)	65%	27,214	-5%
Gross Profit	318,237	38%	444,351	53%	(126,114)	-28%
Operating Expenses						
Sales and Marketing Expenses	(168,461)	20%	(135,305)	16%	(33,156)	25%
General and Administrative Expenses	(55,636)	7%	(55,423)	7%	(213)	0%
Research and Development Expenses	(194,808)	23%	(154,914)	19%	(39,894)	26%
Total operating expenses	(418,905)	50%	(345,642)	41%	(73,263)	21%
Operating Income	(100,668)	12%	98,709	12%	(199,377)	-202%
Non-operating Income						
Interest income	1,023	0%	696	0%	327	47%
Investment income recognized under equity method		0%		0%	0	0%
Dividend income		0%		0%	0	0%
Gain on disposal of property, plant and equipment		0%		0%	0	0%
Gain on sale of investments, net		0%		0%	0	0%
Gain on physical inventory		0%		0%	0	0%
Exchange gain, net		0%		0%	0	0%
Gain on Disposal of Investment	10	0%		0%	10	100%
Reversal of Bad Debt Expenses		0%		0%	0	0%
Reversal of loss on inventories		0%		0%	0	0%
Reversal of impairment loss		0%		0%	0	0%
Valuation gain on financial assets, net	538	0%		0%	538	100%
Valuation gain on financial liabilities, net		0%		0%	0	0%
Gain on financial asset at fair value through profit or loss		0%		0%	0	0%
Miscellaneous income	1,025	0%	567	0%	458	81%
Total non-operating income and gains	2,596	0%	1,263	0%	1,333	106%
Non-operating expenses and losses						
Interest expense	(168)	0%	(46)	0%	(122)	265%
Investment loss recognized under equity method		0%		0%	0	0%
Investment Impairment loss recognized under equity method		0%	0	0%	0	0%
Loss on disposal of property, plant and equipment	(20)	0%	(60)	0%	40	-67%
Loss on sale of investments, net		0%	0	0%	0	0%
Loss on disposal of intangible asset		0%	0	0%	0	0%
Exchange loss, net	(12,330)	1%	(10,604)	1%	(1,726)	16%
Valuation loss on financial assets, net		0%	(1,159)	0%	1,159	-100%
Valuation loss on financial liabilities, net		0%	0	0%	0	0%
Miscellaneous expenses		0%	0	0%	0	0%
Total non-operating expenses and losses	(12,518)	2%	(11,869)	1%	(649)	5%
Income before income tax	(110,590)	13%	88,103	9%	(198,693)	-226%
Income tax expense (benefit)	19,211	2%	(12,593)	2%	31,804	-253%
Net income	(91,379)	11%	75,510	8%	(166,889)	-221%
Other comprehensive income						
Exchange differences on translation	(3,699)	0%	(4,087)	0%	388	-9%
Actuarial gains and losses of defined benefit plans		0%		0%	0	0%
Other comprehensive income from deferred income tax	629	0%	695	0%	(66)	-9%
Other comprehensive income, net	(3,070)	0%	(3,392)	0%	322	-9%
Total comprehensive income	(94,449)	11%	72,118	7%	(166,567)	-231%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	(90,612)	11%	75,770	8%	(166,382)	
Profit (loss), attributable to non-controlling interests	(767)	0%	(260)	0%	(507)	
	(91,379)	11%	75,510	8%	(166,889)	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	(93,682)	11%	72,378	7%	(166,060)	
Comprehensive income, attributable to non-controlling interests	(767)	0%	(260)	0%	(507)	
	(94,449)	11%	72,118	7%	(166,567)	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	(1.32)		1.11		(2.43)	
Diluted Earnings Per Share After Income Tax	(1.25)		1.10		(2.35)	



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

	3Q 2017		2Q 2017		3Q 2016		QoQ		YoY	
Net Sales	335,789	100%	263,280	100%	\$295,264	100%	\$72,509	28%	40,525	14%
Cost of Goods Sold	(207,411)	-62%	(163,228)	-62%	(168,130)	-57%	(44,183)	27%	(39,281)	23%
Gross Profit	128,378	38%	100,052	38%	127,134	43%	28,326	28%	(27,082)	1%
Operating Expenses										
Sales and Marketing Expenses	(54,496)	-16%	(62,431)	-24%	(50,301)	-17%	7,935	-13%	(4,195)	8%
General and Administrative Expenses	(18,336)	-5%	(18,340)	-7%	(12,875)	-4%	4	0%	(5,461)	42%
Research and Development Expenses	(62,446)	-19%	(59,832)	-23%	(56,520)	-19%	(2,614)	4%	(5,926)	10%
Total operating expenses	(135,278)	-40%	(140,603)	-53%	(119,696)	-41%	5,325	-4%	(20,907)	13%
Operating Income	(6,900)	-2%	(40,551)	-15%	7,438	3%	33,651	-83%	(47,989)	-193%
Non-operating Income										
Interest income	376	0%	332	0%	197	0%	44	13%	179	91%
Exchange gain, net	617	0%	1,686	1%	-	0%	- 1,069	-63%	617	1
Gain on Disposal of Investment		0%	10	0%		0%	- 10	100%	0	0
Gain on financial asset at fair value method	25	0%	510	0%	-	0%	(485)	-95%	25	100%
Miscellaneous income	336	0%	595	0%	138	0%	(259)	-44%	198	143%
Total non-operating income and gains	1,354	0%	3,133	1%	335	0%	(1,779)	-57%	2,798	304%
Non-operating expenses and losses										
Interest expense		0%	(38)	0%	(23)	0%	38	100%	23	-100%
Investment loss recognized under equity method	(20)	0%	0	0%		0%	(20)	#DIV/0!	(20)	100%
Exchange loss, net	0	0%	0	0%	(5,958)	-2%	0	0%	5,958	-100%
Financial Cost	(110)	0%	0	0%	-	0%	(110)	#DIV/0!	(110)	100%
Total non-operating expenses and losses	(130)	0%	(38)	0%	(7,158)	-2%	(92)	242%	7,028	-98%
Income before income tax	(5,676)	-2%	(37,456)	-14%	615	0%	31,780	-85%	(6,291)	-1023%
Income tax expense (benefit)	602	0%	5,782	2%	(120)	0%	(5,180)	-90%	722	-602%
Net income	(5,074)	-2%	(31,674)	-12%	495	0%	26,600	-84%	(32,169)	-1125%
Other comprehensive income										
Exchange differences on translation	717	0%	2,047	1%	(2,689)	-1%	(1,330)	-65%	3,406	-127%
Actuarial gains and losses of defined benefit plans	0	0%	0				0		0	0%
Other comprehensive income from deferred income tax	(122)	0%	(348)	0%	457	0%	226	-65%	(579)	-127%
Other comprehensive income, net	595	0%	1,699	1%	(2,232)	-1%	(1,104)	-65%	3,931	-127%
Total comprehensive income	(4,479)	-1%	(29,975)	-11%	(\$1,737)	-1%	\$25,496	-85%	(\$28,238)	158%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	(4,877)		(31,412)		729		\$26,535		(5,606)	
Profit (loss), attributable to non-controlling interests	(197)		(262)		(234)		65		37	
	(5,074)		(31,674)		495		\$26,600		(5,569)	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	(4,282)		(29,713)		(1,503)		\$25,431		(2,779)	
Comprehensive income, attributable to non-controlling interests	(197)		(262)		(234)		65		37	
	(4,479)		(29,975)		(\$1,737)		\$25,496		(2,742)	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	(\$0.07)		(\$0.46)		\$0.01		\$0.39		(\$0.08)	
Diluted Earnings Per Share After Income Tax	(\$0.07)		(\$0.46)		\$0.01		\$0.39		(\$0.08)	



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

	<u>September 30,2017</u>	<u>September 30,2016</u>
Cash flows from operating activities		
Net income	(110,950)	88,103
Adjustments for:		
Provision(Reversal) for doubtful accounts	5,306	(4,280)
Depreciation	21,263	26,665
Amortization	4,206	6,723
Loss(gain) on available-for-sale financial assets	(538)	1,159
Interest revenue	(1,023)	(696)
Financial Cost	168	46
Loss (gain) on disposal of property, plant and equipment	20	60
Loss (gain) on disposal of Investment	(10)	
Loss on market price decline and obsolete and slow-moving inventories	15,081	481
Unrealized foreign exchange loss (gain)	2,267	1,101
Decrease (increase) in available-for-sale financial assets	20,557	(17,781)
Decrease (increase) in notes receivable	3,278	1,499
Decrease (increase) in accounts receivable	(88,577)	25,405
Decrease (increase) in other receivables	(2,347)	3,626
Decrease (increase) in inventories	(58,742)	(33,042)
Decrease (increase) in other current assets	17,752	(27,554)
Decrease (increase) in notes payable	0	458
Decrease (increase) in accounts payable	43,579	(40,431)
Decrease (increase) in accounts payable – related parties	0	(5,088)
Decrease (increase) in other accounts payables	(8,442)	(8,884)
Decrease (increase) in other current liabilities	1,120	(1,400)
Decrease (increase) in net defined benefit liability	(7)	0
Interest received	908	725
Income tax paid	(11,799)	(3,316)
Net cash provided by (used in) operating activities	<u>(146,930)</u>	<u>13,579</u>
Cash flows from investing activities		
Acquisition of bond investments without active market	(11,398)	0
Loss (gain) on disposal of financial assets carried at cost	10	0
Acquisition of property, plant and equipment	(10,770)	(8,332)
Acquisition of Intangible assets	(1,401)	(1,672)
Decrease (increase) in other financial assets	(6)	(7)
Decrease (increase) in other non-current assets	(12,787)	(5,389)
Net cash used in investing activities	<u>(36,352)</u>	<u>(15,400)</u>
Cash flows from financing activities		
Short-term Loan	75,000	
Cash Dividends	(68,489)	(68,489)
Interest Expense	(168)	(46)
Increase (Decrease) in non-controlling interests	1,000	500
Net cash used in financing activities	<u>7,343</u>	<u>(68,035)</u>
Effect of exchange rate changes	<u>(1,909)</u>	<u>(1,354)</u>
Net decrease in cash and cash equivalents	(177,488)	(71,200)
Cash and cash equivalents at Beginning of Period	345,946	221,110
Cash and cash equivalents at End of Period	<u>168,458</u>	<u>149,910</u>