

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

	<u>June 30,2016</u>		<u>March 31,2016</u>		<u>June 30,2015</u>		<u>QoQ</u>		<u>YoY</u>	
Current assets										
Cash and cash equivalents	252,025	20%	237,481	19%	191,227	17%	14,544	6%	60,798	32%
Financial assets at fair value through profit or loss - current	77,825	6%	76,974	6%	41,007.00	4%	851	1%	36,818	90%
Current financial assets at cost, net	-	0%	-	0%	-	0%	-	0%	-	0%
Current bond investment without active market, net	14,000	1%	14,000	1%	14,000	1%	-	0%	-	0%
Notes receivable, net	1,921	0%	1,968	0%	1,641	0%	(47)	-2%	280	17%
Accounts receivable, net	174,104	14%	202,904	16%	144,701	13%	(28,800)	-14%	29,403	20%
Accounts receivable - related parties, net	-	0%	-	0%	-	0%	-	0%	-	0%
Other receivable	5,230	0%	7,339	1%	1,965	0%	(2,109)	-29%	3,265	166%
Inventories, Net	488,388	39%	479,354	38%	480,519	43%	9,034	2%	7,869	2%
Other current assets	44,193	4%	28,159	2%	19,190	2%	16,034	57%	25,003	130%
Total current assets	1,057,686	84%	1,048,179	83%	894,250	79%	9,507	1%	163,436	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%
Prepayments for investments	-	0%	-	0%	-	0%	-	0%	-	0%
Total long-term investments	610	0%	610	0%	610	0%	-	0%	-	0%
Property, plant and equipment										
Property, plant and equipment	137,449	11%	143,259	11%	164,441	15%	(5,810)	-4%	(26,992)	-16%
Total property, plant and equipment	137,449	11%	143,259	11%	164,441	15%	(5,810)	-4%	(26,992)	-16%
Intangible assets and other assets	61,151	5%	63,397	5%	66,834	6%	(2,246)	-4%	(5,683)	-9%
Total assets	1,256,896	100%	1,255,445	100%	1,126,135	100%	1,451	0%	130,761	12%
LIABILITIES :										
Current liabilities										
Notes payable	465	0%	470	0%	5	0%	5	-1%	460	9200%
Accounts payable	66,387	5%	85,630	7%	26,952	2%	(19,243)	-22%	39,435	146%
Accounts payable - related parties	0	0%	0	0%	931	0%	0	0%	(931)	-100%
Other payable	200,417	16%	135,957	11%	179,589	16%	64,460	47%	20,828	12%
Other payable - related parties	-	0%	-	0%	-	0%	-	0%	-	0%
Income tax payable	23,472	2%	20,514	2%	9,849	1%	2,958	14%	13,623	138%
Current provisions	-	0%	-	0%	-	0%	-	0%	0	0%
Long-term liabilities-current portion	-	0%	-	0%	-	0%	-	0%	-	0%
Other current liabilities	5,848	0%	6,314	1%	6,703	1%	(466)	-7%	(855)	-13%
Total current liabilities	296,589	24%	248,885	20%	224,029	20%	47,704	19%	72,560	32%
Non-current liabilities										
Long-term loans liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	1,170	0%	1,233	0%	466	0%	(63)	-5%	704	151%
Accrued pension liabilities	16,554	1%	16,553	1%	18,645	2%	1	0%	(2,091)	-11%
Total non-current liabilities	17,724	1%	17,786	1%	19,111	2%	(62)	0%	(1,387)	-7%
Total liabilities	314,313	25%	266,671	21%	243,140	22%	47,642	18%	71,173	29%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	54%	684,891	55%	684,891	61%	-	0%	0	0%
Capital surplus	1,062	0%	1,062	0%	1,062	0%	-	0%	0	0%
Share-based Payments	-	0%	-	0%	-	0%	-	0%	-	0%
Retained earnings	253,836	20%	300,196	24%	196,648	17%	(46,360)	-15%	57,188	29%
Others-cumulative translation adjustments	2,320	0%	2,625	0%	394	0%	(305)	-12%	1,926	489%
Treasury stock	-	0%	-	0%	0	0%	-	0%	0	0%
Non-controlling interests	474.00	0%	-	0%	0	0%	474.00	0%	474	0%
Total shareholders' equity	942,583	75%	988,774	79%	882,995	78%	(46,191)	-5%	59,588	7%
Total liabilities and shareholders' equity	1,256,896	100%	1,255,445	100%	1,126,135	100%	1,451	0%	130,761	12%



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Six Months Ended June 30,2016 and 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Six Months 2016		Six Months 2015		YoY	
Net Sales	691,544	100%	490,518	100%	201,026	41%
Cost of Goods Sold	(374,327)	54%	(273,916)	56%	(100,411)	37%
Gross Profit	317,217	46%	216,602	44%	100,615	46%
Unrealized Profit	0	0%	0	-	0	0%
Realized Profit	0	0%	0	-	0	0%
Realized Gross Profit	317,217	46%	120,802	25%	196,415	163%
Operating Expenses						
Sales and Marketing Expenses	(85,004)	12%	(87,686)	18%	2,682	-3%
General and Administrative Expenses	(42,548)	6%	(42,237)	9%	(311)	1%
Research and Development Expenses	(98,394)	14%	(101,418)	21%	3,024	-3%
Total operating expenses	(225,946)	33%	(231,341)	47%	5,395	-2%
Operating Income	91,271	13%	3,217	1%	88,054	2737%
Non-operating Income						
Interest income	499	0%	298	0%	201	67%
Investment income recognized under equity method	0	0%	0	0%	0	0%
Dividend income	0	0%	0	0%	0	0%
Gain on disposal of property, plant and equipment	0	0%	0	0%	0	0%
Gain on sale of investments, net	0	0%	0	0%	0	0%
Gain on physical inventory	0	0%	0	0%	0	0%
Gain on financial asset at fair value through profit or loss	0	0%	140	0%	(140)	-100%
Miscellaneous income	429	0%	950	0%	(521)	-55%
Total non-operating income and gains	928	0%	1,388	0%	(460)	-33%
Non-operating expenses and losses						
Interest expense	(23)	0%	0	0%	(23)	100%
Investment loss recognized under equity method	18	0%	0	0%	18	100%
Investment Impairment loss recognized under equity method	0	0%	0	0%	0	0%
Loss on disposal of property, plant and equipment	(60)	0%	0	0%	(60)	100%
Loss on sale of investments, net	0	0%	0	0%	0	0%
Loss on disposal of intangible asset	0	0%	0	0%	0	0%
Exchange loss, net	(4,646)	1%	(2,392)	0%	(2,254)	94%
Miscellaneous expenses	0	0%	(8)	0%	8	-100%
Total non-operating expenses and losses	(4,711)	1%	(2,400)	0%	(2,311)	96%
Income before income tax	87,488	13%	2,205	0%	85,283	3868%
Income tax expense (benefit)	(12,473)	2%	(5)	0%	(12,468)	249360%
Net income	75,015	11%	2,200	0%	72,815	3310%
Other comprehensive income						
Exchange differences on translation	(1,398)	0%	(1,909)	0%	511	-27%
Actuarial gains and losses of defined benefit plans	0	0%	0	0%	0	0%
Other comprehensive income	238	0%	325	0%	(87)	-27%
Other comprehensive income, net	(1,160)	0%	(1,584)	0%	424	-27%
Total comprehensive income	73,855	11%	616	0%	73,239	11889%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	75,041		2,207		72,834	
Profit (loss), attributable to non-controlling interests	(26)		(7)		(19)	
	75,015		2,200		72,815	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	73,881		623		73,258	
Comprehensive income, attributable to non-controlling interests	(26)		(7)		(19)	
	73,855		616		73,239	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	1.10		0.03		1.06	
Diluted Earnings Per Share After Income Tax	1.09		0.03		1.06	



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Six Months Ended June 30,2016 , March 31,2016 and June 30,2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2Q 2016		1Q 2016		2Q 2015		QoQ		YoY	
Net Sales	691,544	100%	365,704	100%	250,453	100%	325,840	89%	441,091	176%
Cost of Goods Sold	(374,327)	-54%	(191,857)	-61%	(129,651)	-52%	(182,470)	95%	(244,676)	189%
Gross Profit	317,217	46%	173,847	39%	120,802	48%	143,370	82%	196,415	163%
Unrealized Profit	-	0%	-	0%	-	0%	-	0%	-	0%
Realized Profit	-	0%	-	0%	-	0%	-	0%	-	0%
Realized Gross Profit	317,217	46%	173,847	39%	120,802	48%	143,370	82%	196,415	163%
Operating Expenses										
Sales and Marketing Expenses	(85,004)	-12%	(36,638)	-17%	(40,901)	-16%	(48,366)	132%	(44,103)	108%
General and Administrative Expenses	(42,548)	-6%	(21,995)	-8%	(23,464)	-9%	(20,553)	93%	(19,084)	81%
Research and Development Expenses	(98,394)	-14%	(49,567)	-19%	(53,220)	-21%	(48,827)	99%	(45,174)	85%
Total operating expenses	(225,946)	-33%	(108,200)	-43%	(117,585)	-47%	(117,746)	109%	(108,361)	92%
Operating Income	91,271	13%	65,647	-5%	3,217	1%	25,624	39%	88,054	2737%
Non-operating Income										
Interest income	499	0%	231	0%	298	0%	268	116%	201	67%
Investment income recognized under equity method	-	0%	-	0%	-	0%	-	0%	-	0%
Dividend income	-	0%	-	0%	-	0%	-	0%	-	0%
Gain on disposal of property, plant and equipment	-	0%	-	0%	-	0%	0	0%	-	0%
Gain on sale of investments, net	-	0%	-	0%	-	0%	-	0%	-	0%
Gain on physical inventory	-	0%	-	0%	-	0%	-	0%	-	0%
Exchange gain, net	-	0%	-	5%	-	0%	0	0%	-	0%
Gain on financial asset at fair value through profit or loss	-	0%	(833)	0%	140	0%	833	-100%	(140)	-100%
Miscellaneous income	429	1%	236	1%	950	0%	193	82%	(521)	-55%
Total non-operating income and gains	928	1%	(366)	6%	1,388	1%	1,294	-354%	(460)	-33%
Non-operating expenses and losses										
Interest expense	(23)	0%	-	0%	-	0%	(23)	100%	23.00	100%
Investment loss recognized under equity method	18.00	0%	-	0%	-	0%	18.00	100%	18.00	100%
Investment Impairment loss recognized under equity meth	-	0%	-	0%	-	0%	-	0%	-	0%
Loss on disposal of property, plant and equipment	(60)	0%	(60)	0%	-	0%	0	0%	(60)	100%
Exchange loss, net	(4,646)	-1%	(4,311)	-1%	(2,392)	-1%	(335)	8%	(2,254)	94%
Provision for loss on inventories	-	0%	-	0%	-	0%	-	0%	-	0%
Impairment loss	-	0%	-	0%	-	0%	-	0%	-	0%
Valuation loss on financial assets, net	-	0%	-	0%	-	0%	-	0%	-	0%
Valuation loss on financial liabilities, net	-	0%	-	0%	-	0%	-	0%	-	0%
Miscellaneous expenses	-	0%	-	0%	(8)	0%	0	0%	8	-100%
Total non-operating expenses and losses	(4,711)	-1%	(4,371)	-1%	(2,400)	-1%	(340)	8%	(2,311)	96%
Income before income tax	87,488	13%	60,910	17%	2,205	1%	26,578	44%	85,283	3868%
Income tax expense (benefit)	(12,473)	-2%	(7,998)	-2%	(5)	0%	(4,475)	56%	(12,468)	249360%
Net income	75,015	11%	52,912	14%	2,200	1%	22,103	42%	72,815	3310%
Other comprehensive income										
Exchange differences on translation	(1,398)	0%	(1,030)	0%	(1,909)	-1%	(368)	36%	511	-27%
Actuarial gains and losses of defined benefit plans	-	0%	1,851	1%	0	0%	(1,851)	-100%	0	0%
Other comprehensive income	238	0%	175	0%	325	0%	63	36%	(87)	-27%
Other comprehensive income, net	(1,160)	0%	(855)	0%	(1,584)	-1%	(305)	36%	424	-27%
Total comprehensive income	73,855	11%	52,057	14%	616	0%	21,798	42%	73,239	11889%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	75,041		52,912		2,207		22,129		72,834	
Profit (loss), attributable to non-controlling interests	(26.00)		-		(7)		26.00		(19)	
	75,015		52,912		2,200		22,103		72,815	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	73,881		52,057		623		21,824		73,258	
Comprehensive income, attributable to non-controlling interests	(26.00)		-		(7)		26.00		(19)	
	73,855		52,057		616		21,798		73,239	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	1.10		0.77		0.03		0.32		1.06	
Diluted Earnings Per Share After Income Tax	1.09		0.77		0.03		0.32		1.06	



CIPHERLAB CO.,LTD.
Consolidated Condensed Statements of Cash Flows
FOR THE SIX MONTHS ENDED June 30,2016 AND 2015
(In Thousands of New Taiwan Dollars)

	<u>2016 Q2</u>	<u>2015 Q2</u>
Cash flows from operating activities		
Net income	87,488	(15,477)
Provision(Reversal) for doubtful accounts	(3,513)	(917)
Depreciation	17,837	21,879
Amortization	5,146	7,414
Loss (Gains) on financial asset at fair value through profit or loss	(18)	247
Investment loss (income) recognized under equity method	-	-
Interest revenue	(499)	(539)
Loss (gain) on disposal of property, plant and equipment	60	5.00
Provision for (recovery of) loss on inventories	-	(3,523)
Loss on market price decline and obsolete and slow-moving inventories	-	8,586
Unrealized foreign exchange loss (gain)	3,357	3,475
Others – write off allowance for bad debts	-	(27)
Others	-	18
Financial asset held for trading	2,219	(41,254)
Notes receivable	1,491	(103)
Notes receivable – related parties	-	-
Accounts receivable	29,558	44,527
Accounts receivable – related parties	-	-
Other receivables	3,239	3,636
Inventories	(41,587)	34,725
Other current assets	(33,564)	(1,244)
Notes payable	463	5
Accounts payable	(29,862)	(52,234)
Accounts payable – related parties	(5,088)	(4,564)
Other payables	4,689	(30,829)
Other payables – related parties	-	-
Other current liabilities	(2,350)	(6,916)
Net defined benefit liability	(1)	(7)
Cash generated from operations	<u>39,065</u>	<u>(33,127)</u>
Interest received	517	547
Dividends received	-	-
Income tax paid	(148)	(232)
Net cash provided by (used in) operating activities	<u>39,434</u>	<u>(32,812)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,595)	(1,590)
Loss (gain) on disposal of property, plant and equipment	-	5
Decrease (increase) in refundable deposits	0	-
Acquisition of Intangible assets	(1,260)	(854)
Decrease (increase) in other financial assets	(7)	(6)
Decrease (increase) in other non-current assets	(1,879)	(5,346)
Net cash used in investing activities	<u>(9,741)</u>	<u>(7,791)</u>
Cash flows from financing activities		
Increase (Decrease) in non-controlling interests	500	-
Net cash used in financing activities	<u>500</u>	<u>0</u>
Effect of exchange rate changes	722	839
Net decrease in cash and cash equivalents	<u>30,915</u>	<u>(39,764)</u>
Cash and cash equivalents at Beginning of Period	<u>221,110</u>	<u>230,991</u>
Cash and cash equivalents at End of Period	<u>252,025</u>	<u>191,227</u>