



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

	September 30,2016		June 30,2016		September 30,2015		QoQ		YoY	
Current assets										
Cash and cash equivalents	\$149,910	13%	\$252,025	20%	\$207,862	19%	(\$102,115)	-41%	(\$57,952)	-28%
Financial assets at fair value through profit or loss - current	96,648	8%	77,825	6%	36,456.00	3%	18,823	24%	60,192	165%
Current bond investment without active market, net	14,000	1%	14,000	1%	14,000	1%	-	0%	-	0%
Notes receivable, net	1,913	0%	1,921	0%	1,301	0%	(8)	0%	612	47%
Accounts receivable, net	181,433	16%	174,104	14%	149,298	14%	7,329	4%	32,135	22%
Other receivable	4,832	0%	5,230	0%	3,528	0%	(398)	-8%	1,304	37%
Inventories, Net	478,290	41%	488,388	39%	448,689	41%	(10,098)	-2%	29,601	7%
Other current assets	38,112	3%	44,193	4%	8,389	1%	(6,081)	-14%	29,723	354%
Total current assets	965,138	84%	1,057,686	84%	869,523	79%	(92,548)	-9%	95,615	11%
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	134,316	12%	137,449	11%	157,764	14%	(3,133)	-2%	(23,448)	-15%
Total property, plant and equipment	134,316	12%	137,449	11%	157,764	14%	(3,133)	-2%	(23,448)	-15%
Intangible assets and other assets	55,487	5%	61,151	5%	74,046	7%	(5,664)	-9%	(18,559)	-25%
Total assets	\$1,155,551	100%	\$1,256,896	100%	\$1,101,943	100%	(\$101,345)	-8%	\$53,608	5%
LIABILITIES :										
Current liabilities										
Notes payable	460	0%	465	0%	-	0%	5	-1%	460	100%
Accounts payable	55,772	5%	66,387	5%	53,140	5%	(10,615)	-16%	2,632	5%
Accounts payable - related parties	-	0%	-	0%	339	0%	-	0%	(339)	-100%
Other payable	117,925	10%	200,417	16%	110,718	10%	(82,492)	-41%	7,207	7%
Income tax payable	16,500	1%	23,472	2%	5,708	1%	(6,972)	-30%	10,792	189%
Other current liabilities	6,780	1%	5,848	0%	23,018	2%	932	16%	(16,238)	-71%
Total current liabilities	197,437	17%	296,589	24%	192,923	18%	(99,152)	-33%	4,514	2%
Non-current liabilities										
Long-term loans liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	713	0%	1,170	0%	2,819	0%	(457)	-39%	(2,106)	-75%
Accrued pension liabilities	16,555	1%	16,554	1%	18,642	2%	1	0%	(2,087)	-11%
Total non-current liabilities	17,268	1%	17,724	1%	21,461	2%	(456)	-3%	(4,193)	-20%
Total liabilities	214,705	19%	314,313	25%	214,384	19%	(99,608)	-32%	321	0%
SHAREHOLDERS' EQUITY :										
Capital stock	684,891	59%	684,891	54%	684,891	62%	-	0%	-	0%
Capital surplus	1,062	0%	1,062	0%	1,062	0%	-	0%	-	0%
Retained earnings	254,493	22%	253,836	20%	198,108	18%	657	0%	56,385	28%
Others-cumulative translation adjustments	88	0%	2,320	0%	3,498	0%	(2,232)	-96%	(3,410)	-97%
Treasury stock	-	0%	-	0%	-	0%	-	0%	-	0%
Non-controlling interests	312.00	0%	474.00	0%	-	0%	162.00	-34%	312	0%
Total shareholders' equity	940,846	81%	942,583	75%	887,559	81%	(1,737)	0%	53,287	6%
Total liabilities and shareholders' equity	\$1,155,551	100%	\$1,256,896	100%	\$1,101,943	100%	(\$101,345)	-8%	\$53,608	5%



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

	September 30,2016		September 30,2015		YoY	
Net Sales	986,808	100%	751,594	100%	235,214	31%
Cost of Goods Sold	(542,457)	55%	(433,509)	58%	(108,948)	25%
Gross Profit	444,351	45%	318,085	42%	126,266	40%
Operating Expenses						
Sales and Marketing Expenses	(135,305)	14%	(131,745)	18%	(3,560)	3%
General and Administrative Expenses	(55,423)	6%	(63,103)	8%	7,680	-12%
Research and Development Expenses	(154,914)	16%	(149,831)	20%	(5,083)	3%
Total operating expenses	(345,642)	35%	(344,679)	46%	(963)	0%
Operating Income	98,709	10%	(26,594)	4%	125,303	-471%
Non-operating Income						
Interest income	696	0%	809	0%	(113)	-14%
Gain on disposal of property, plant and equipment		0%	5	0%	(5)	-100%
Exchange gain, net		0%	7,047	1%	(7,047)	-100%
Gain on Disposal of Investment		0%	3,523	0%	(3,523)	-100%
Gain on financial asset at fair value through profit or loss		0%	326	0%	(326)	-100%
Miscellaneous income	567	0%	1,335	0%	(768)	-58%
Total non-operating income and gains	1,263	0%	13,045	2%	(11,782)	-90%
Non-operating expenses and losses						
Interest expense	(46)	0%	(22)	0%	(24)	109%
Loss on disposal of property, plant and equipment	(60)	0%		0%	(60)	100%
Exchange loss, net	(10,604)	1%		0%	(10,604)	100%
Valuation loss on financial assets, net	(1,159)	0%		0%	(1,159)	100%
Miscellaneous expenses		0%	(9)	0%	9	-100%
Total non-operating expenses and losses	(11,869)	1%	(31)	0%	(11,838)	38187%
Income before income tax	88,103	9%	(13,580)	2%	101,683	-749%
Income tax expense (benefit)	(12,593)	1%	7,057	1%	(19,650)	-278%
Net income	75,510	8%	(6,523)	1%	82,033	-1258%
Other comprehensive income						
Exchange differences on translation	(4,087)	0%	1,654	0%	(5,741)	-347%
Other comprehensive income from deferred income tax	695	0%	(281)	0%	976	-347%
Other comprehensive income, net	(3,392)	0%	1,373	0%	(4,765)	-347%
Total comprehensive income	72,118	7%	(5,150)	1%	77,268	-1500%
Profit (loss), attributable to:						
Profit (loss), attributable to owners of parent	75,770		(6,515)		82,285	
Profit (loss), attributable to non-controlling interests	(260)		(8)		(252)	
	75,510		(6,523)		82,033	
Comprehensive income attributable to:						
Comprehensive income, attributable to owners of parent	72,378		(5,142)		77,520	
Comprehensive income, attributable to non-controlling interests	(260)		(8)		(252)	
	72,118		(5,150)		77,268	
Earnings Per Share						
Basic Earnings Per Share After Income Tax	1.11		-	0.10	1.20	
Diluted Earnings Per Share After Income Tax	1.10		-	0.10	1.20	



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

	3Q 2016		2Q 2016		3Q 2015		QoQ		YoY	
Net Sales	\$295,264	91%	\$325,840	100%	\$261,076	100%	(\$39,864)	-11%	\$64,764	25%
Cost of Goods Sold	(168,130)	-52%	(182,470)	-56%	(159,593)	-61%	9,387	-5%	(22,877)	14%
Gross Profit	127,134	39%	143,370	44%	101,483	39%	(30,477)	-18%	41,887	41%
Operating Expenses										
Sales and Marketing Expenses	(50,301)	-15%	(48,366)	-15%	(44,059)	-17%	(11,728)	32%	(4,307)	10%
General and Administrative Expenses	(12,875)	-4%	(20,553)	-6%	(20,866)	-8%	1,442	-7%	313	-2%
Research and Development Expenses	(56,520)	-17%	(48,827)	-15%	(48,413)	-19%	740	-1%	(414)	1%
Total operating expenses	(119,696)	-37%	(117,746)	-36%	(113,338)	-43%	(9,546)	9%	(4,408)	4%
Operating Income	7,438	2%	25,624	8%	(11,855)	-5%	(40,023)	-61%	37,479	-316%
Non-operating Income										
Interest income	197	0%	268	0%	270	0%	37	16%	(2)	-1%
Exchange gain, net	-	0%	-	0%	12,910	5%	-	0%	(12,910)	(1)
Gain on financial asset at fair value method	-	0%	851	0%	573	0%	1,684	-202%	278	49%
Miscellaneous income	138	1%	193	1%	21	0%	(43)	-18%	172	819%
Total non-operating income and gains	335	1%	1,312	1%	13,774	5%	1,678	-458%	(12,462)	-90%
Non-operating expenses and losses										
Interest expense	(23)	0%	(23)	0%	(22)	0%	(23)	100%	-	1.00
Loss on disposal of property, plant and equipment	-	0%	-	0%	-	0%	60	-100%	0	0%
Loss on sale of investments, net	-	0%	-	0%	-	0%	0	0%	0	0%
Loss on physical inventory	-	0%	-	0%	-	0%	0	0%	0	0%
Exchange loss, net	(5,958)	-2%	(335)	0%	-	0%	3,976	-92%	(335)	100%
Valuation loss on financial assets, net	(1,177)	0%	-	0%	-	0%	-	0%	-	0%
Total non-operating expenses and losses	(7,158)	-2%	(358)	0%	(22)	0%	4,013	-92%	(336)	1527%
Income before income tax	615	0%	26,578	8%	1,897	1%	(34,332)	-56%	24,681	1301%
Income tax expense (benefit)	(120)	0%	(4,475)	-1%	(437)	0%	3,523	-44%	(4,038)	924%
Net income	495	0%	22,103	7%	1,460	1%	(30,809)	-58%	20,643	1414%
Other comprehensive income										
Exchange differences on translation	(2,689)	-1%	(368)	0%	3,739	1%	662	-64%	(4,107)	-110%
Other comprehensive income from deferred income tax	457	0%	63	0%	(635)	0%	(112)	-64%	698	-110%
Other comprehensive income, net	(2,232)	-1%	(305)	0%	3,104	1%	550	-64%	(3,409)	-110%
Total comprehensive income	(\$1,737)	-1%	\$21,798	7%	\$4,564	2%	(\$30,259)	-58%	\$17,234	378%
Profit (loss), attributable to:										
Profit (loss), attributable to owners of parent	\$729		\$22,129		\$1,460		(\$30,783)		\$20,669	
Profit (loss), attributable to non-controlling interests	(234)		(26)		-		(26)		(26)	
	\$495		\$22,103		\$1,460		(\$30,809)		\$20,643	
Comprehensive income attributable to:										
Comprehensive income, attributable to owners of parent	(\$1,503)		\$22,824		\$4,564		(\$29,233)		\$18,260	
Comprehensive income, attributable to non-controlling interests	(234)		(26)		-		(26)		(26)	
	(\$1,737)		\$22,798		\$4,564		(\$29,259)		\$18,234	
Earnings Per Share										
Basic Earnings Per Share After Income Tax	\$0.01		\$0.32		\$0.02		(\$0.45)		\$0.30	
Diluted Earnings Per Share After Income Tax	\$0.01		\$0.32		\$0.02		(\$0.45)		\$0.30	



CIPHERLAB CO.,LTD.
Consolidated Statements of Cash Flows
For the Period Ended September 30,2016 and 2015
(In Thousands of New Taiwan Dollars)

	<u>2016 Q3</u>	<u>2015 Q3</u>
Cash flows from operating activities		
Net income	\$88,103	(\$13,580)
Adjustments for:		
Provision(Reversal) for doubtful accounts	(4,280)	10,947
Depreciation	26,665	32,475
Amortization	6,723	10,977
Loss (Gains) on financial asset at fair value through profit or loss	1,159	(326)
Interest revenue	(696)	(809)
Financial Cost	46	22
Loss (gain) on disposal of property, plant and equipment	60	(5)
Loss on market price decline and obsolete and slow-moving inventories	481	22,714
Unrealized foreign exchange loss (gain)	1,101	319
Others – write off allowance for bad debts		(28)
Others		18
Financial asset held for trading	(17,781)	(36,130)
Notes receivable	1,499	237
Accounts receivable	25,405	34,290
Other receivables	3,626	2,091
Inventories	(33,042)	61,636
Other current assets	(27,554)	9,671
Notes payable	458	
Accounts payable	(40,431)	(26,127)
Accounts payable – related parties	(5,088)	(6,182)
Other payables	(8,884)	(31,590)
Other current liabilities	(1,400)	9,000
Net defined benefit liability		(10)
Dividends received	725	820
Income tax paid	(3,316)	(7,838)
Net cash provided by (used in) operating activities	<u>13,579</u>	<u>(7,018)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(8,322)	(6,906)
Loss (gain) on disposal of property, plant and equipment		5
Acquisition of Intangible assets	(1,672)	(7,869)
Decrease (increase) in other financial assets	(7)	(3)
Decrease (increase) in other non-current assets	(5,389)	(6,417)
Net cash used in investing activities	<u>(15,390)</u>	<u>(21,190)</u>
Cash flows from financing activities		
Increase (Decrease) in non-controlling interests	500	
Cash Dividends	(68,489)	(68,489)
Interest Expense	(46)	(22)
Net cash used in financing activities	<u>(68,035)</u>	<u>(68,511)</u>
Effect of exchange rate changes	<u>(1,354)</u>	<u>(6,020)</u>
Net decrease in cash and cash equivalents	<u>(71,200)</u>	<u>(23,129)</u>
Cash and cash equivalents at Beginning of Period	221,110	230,991
Cash and cash equivalents at End of Period	<u>\$149,910</u>	<u>\$207,862</u>