



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

| | June 30,2014 | | December 31,2013 | | June 30,2013 | | QoQ | | YoY | |
|--|------------------|-------------|------------------|-------------|------------------|-------------|-----------------|-------------|-----------------|-------------|
| Current assets | | | | | | | | | | |
| Cash and cash equivalents | 267,769 | 21% | 212,449 | 17% | 227,262 | 17% | 55,320 | 26% | 40,507 | 18% |
| Financial assets at fair value through profit or loss - curr | 0 | 0% | 0 | 0% | 2,871 | 0% | 0 | 0% | (2,871) | -100% |
| Current financial assets at cost, net | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Current bond investment without active market, net | 14,000 | 1% | 17,343 | 1% | 22,753 | 2% | (3,343) | -19% | (8,753) | -38% |
| Notes receivable, net | 3,207 | 0% | 1,791 | 0% | 2,986 | 0% | 1,416 | 79% | 221 | 7% |
| Accounts receivable, net | 182,732 | 14% | 213,393 | 17% | 272,348 | 20% | (30,661) | -14% | (89,616) | -33% |
| Accounts receivable - related parties, net | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Other receivable | 10,636 | 1% | 10,127 | 1% | 7,735 | 1% | 509 | 5% | 2,901 | 38% |
| Inventories, Net | 515,517 | 40% | 491,597 | 39% | 511,709 | 37% | 23,920 | 5% | 3,808 | 1% |
| Other current assets | 30,551 | 2% | 22,604 | 2% | 27,862 | 2% | 7,947 | 35% | 2,689 | 10% |
| Total current assets | 1,024,412 | 79% | 969,304 | 77% | 1,075,526 | 78% | 55,108 | 6% | (51,114) | -5% |
| Long-term investments | | | | | | | | | | |
| Investments accounted for by the equity method | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Financial assets carried at cost – noncurrent | 4,048 | 0% | 5,098 | 0% | 5,098 | 0% | (1,050) | -21% | (1,050) | -21% |
| Prepayments for investments | - | - | - | - | - | - | - | 0% | - | - |
| Total long-term investments | 4,048 | 0% | 5,098 | 0% | 5,098 | 0% | (1,050) | -21% | (1,050) | -21% |
| Property, plant and equipment | | | | | | | | | | |
| Property, plant and equipment | 160,773 | 12% | 162,452 | 13% | 167,584 | 12% | (1,679) | -1% | (6,811) | -4% |
| Total property, plant and equipment | 160,773 | 12% | 162,452 | 13% | 167,584 | 12% | (1,679) | -1% | (6,811) | -4% |
| Intangible assets and other assets | 106,803 | 8% | 121,175 | 10% | 124,766 | 9% | (14,372) | -12% | (17,963) | -14% |
| Total assets | 1,296,036 | 100% | 1,258,029 | 100% | 1,372,974 | 100% | 38,007 | 3% | (76,938) | -6% |
| LIABILITIES : | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Notes payable | 15 | 0% | 6 | 0% | 304 | 0% | 9 | 150% | 289 | -95% |
| Accounts payable | 135,440 | 10% | 66,335 | 5% | 168,833 | 12% | 69,105 | 104% | (33,393) | -20% |
| Accounts payable - related parties | 9,277 | 1% | 5,174 | 0% | 13,013 | 1% | 4,103 | 79% | (3,736) | -29% |
| Other payable | 163,347 | 13% | 152,592 | 12% | 147,135 | 11% | 10,755 | 7% | 16,212 | 11% |
| Other payable - related parties | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Income tax payable | 14,607 | 1% | 6,587 | 1% | 13,629 | 1% | 8,020 | 122% | 978 | 7% |
| Current provisions | 415 | 0% | 960 | 0% | 2,463 | 0% | (545) | -57% | (2,048) | -83% |
| Long-term liabilities-current portion | 0 | 0% | 5,855 | 0% | 5,772 | 0% | (5,855) | -100% | (5,772) | -100% |
| Other current liabilities | 16,180 | 1% | 9,134 | 1% | 14,916 | 1% | 7,046 | 77% | 1,264 | 8% |
| Total current liabilities | 339,281 | 26% | 246,643 | 20% | 366,065 | 27% | 92,638 | 38% | (26,784) | -7% |
| Non-current liabilities | | | | | | | | | | |
| Long-term loans liabilities | 0 | 0% | 20,795 | 2% | 23,752 | 2% | (20,795) | -100% | (23,752) | -100% |
| Deferred tax liabilities | 2 | 0% | 416 | 0% | 3,278 | 0% | (414) | -100% | (3,276) | -100% |
| Accrued pension liabilities | 21,485 | 2% | 21,487 | 2% | 23,150 | 2% | (2) | 0% | (1,665) | -7% |
| Total non-current liabilities | 21,487 | 2% | 42,698 | 3% | 50,180 | 4% | (21,211) | -50% | (28,693) | -57% |
| Total liabilities | 360,768 | 28% | 289,341 | 23% | 416,245 | 30% | 71,427 | 25% | (55,477) | -13% |
| SHAREHOLDERS' EQUITY : | | | | | | | | | | |
| Capital stock | 692,991 | 53% | 709,811 | 56% | 709,811 | 52% | (16,820) | -2% | (16,820) | -2% |
| Capital surplus | 4,840 | 0% | 4,624 | 0% | 4,624 | 0% | 216 | 5% | 216 | 5% |
| Share-based Payments | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | - | 0% |
| Retained earnings | 261,502 | 20% | 338,442 | 27% | 319,464 | 23% | (76,940) | -23% | (57,962) | -18% |
| Others-cumulative translation adjustments | 1,018 | 0% | 1,032 | 0% | 731 | 0% | (14) | -1% | 287 | 39% |
| Treasury stock | (25,182) | -2% | (89,645) | -7% | (89,645) | -7% | 64,463 | -72% | 64,463 | -72% |
| Non-controlling interests | 99 | 0% | 4,424 | 0% | 11,744 | 1% | (4,325) | -98% | (11,645) | -99% |
| Total shareholders' equity | 935,268 | 72% | 968,688 | 77% | 956,729 | 70% | (33,420) | -3% | (21,461) | -2% |
| Total liabilities and shareholders' equity | 1,296,036 | 100% | 1,258,029 | 100% | 1,372,974 | 100% | 38,007 | 3% | (76,938) | -6% |



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Six Months Ended June 30,2014 and 2013
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | Six Months 2014 | | Six Months 2013 | | YoY | |
|---|-----------------|------|-----------------|------|----------|-------|
| Net Sales | 662,743 | 100% | 705,949 | 100% | (43,206) | -6% |
| Cost of Goods Sold | (368,371) | 56% | (394,173) | 56% | 25,802 | -7% |
| Gross Profit | 294,372 | 44% | 311,776 | 44% | (17,404) | -6% |
| Unrealized Profit | 0 | 0% | 0 | 0% | 0 | 0% |
| Realized Profit | 0 | 0% | 0 | 0% | 0 | 0% |
| Realized Gross Profit | 294,372 | 44% | 311,776 | 44% | (17,404) | -6% |
| Operating Expenses | | | | | | |
| Sales and Marketing Expenses | (117,303) | 18% | (106,929) | 15% | (10,374) | 10% |
| General and Administrative Expenses | (41,853) | 6% | (54,287) | 8% | 12,434 | -23% |
| Research and Development Expenses | (121,342) | 18% | (124,574) | 18% | 3,232 | -3% |
| Total operating expenses | (280,498) | 42% | (285,790) | 40% | 5,292 | -2% |
| Operating Income | 13,874 | 2% | 25,986 | 4% | (12,112) | -47% |
| Non-operating Income | | | | | | |
| Interest income | 817 | 0% | 817 | 0% | 0 | 0% |
| Investment income recognized under equity method | 0 | 0% | (62) | 0% | 62 | -100% |
| Dividend income | 0 | 0% | - | 0% | 0 | 0% |
| Gain on disposal of property, plant and equipment | 0 | 0% | 0 | 0% | 0 | 0% |
| Gain on disposal of available-for-sale financial assets | 0 | 0% | - | 0% | 0 | 0% |
| Gain on physical inventory | 0 | 0% | 0 | 0% | 0 | 0% |
| Exchange gain, net | (2,365) | 0% | 9,813 | 1% | (12,178) | -124% |
| Reversal of Bad Debt Expenses | 0 | 0% | - | 0% | 0 | 0% |
| Gain on financial asset at fair value through profit or loss | 0 | 0% | 0 | 0% | 0 | 0% |
| Miscellaneous income | 1,820 | 0% | 1,498 | 0% | 322 | 21% |
| Total non-operating income and gains | 272 | 0% | 12,066 | 2% | (11,794) | -98% |
| Non-operating expenses and losses | | | | | | |
| Interest expense | (147) | 0% | (77) | 0% | (70) | 91% |
| Investment loss recognized under equity method | 0 | 0% | 0 | 0% | 0 | 0% |
| Investment Impairment loss recognized under equity method | 0 | 0% | 0 | 0% | 0 | 0% |
| Loss on disposal of property, plant and equipment | 0 | 0% | 0 | 0% | 0 | 0% |
| Exchange loss, net | 0 | 0% | 0 | 0% | 0 | 0% |
| Miscellaneous expenses | 0 | 0% | 0 | 0% | 0 | 0% |
| Total non-operating expenses and losses | (147) | 0% | (77) | 0% | (70) | 91% |
| Income before income tax | 13,999 | 2% | 37,975 | 5% | (23,976) | -63% |
| Income tax expense (benefit) | (6,311) | 1% | (5,166) | 1% | (1,145) | 22% |
| Net income | 7,688 | 1% | 32,809 | 5% | (25,121) | -77% |
| Other comprehensive income | | | | | | |
| Exchange differences on translation | (17) | 0% | 2,169 | 0% | (2,186) | -101% |
| Actuarial gains and losses of defined benefit plans | 0 | 0% | 0 | 0% | 0 | 0% |
| Other comprehensive income | 3 | 0% | (368) | 0% | 371 | -101% |
| Other comprehensive income, net | (14) | 0% | 1,801 | 0% | (1,815) | -101% |
| Total comprehensive income | 7,674 | 1% | 34,610 | 5% | (26,936) | -78% |
| Profit (loss), attributable to: | | | | | | |
| Profit (loss), attributable to owners of parent | 11,757 | | 35,969 | | (24,212) | |
| Profit (loss), attributable to non-controlling interests | (4,083) | | (1,359) | | (2,724) | |
| Comprehensive income attributable to: | | | | | | |
| Comprehensive income, attributable to owners of parent | 11,757 | | 35,969 | | (24,212) | |
| Comprehensive income, attributable to non-controlling interests | (4,083) | | (1,359) | | (2,724) | |
| Earnings Per Share | | | | | | |
| Basic Earnings Per Share After Income Tax | 0.17 | | 0.53 | | - | 0.35 |
| Diluted Earnings Per Share After Income Tax | 0.17 | | 0.50 | | - | 0.32 |



CIPHERLAB CO.,LTD.
Consolidated Condensed Income Statements
For the Three Months Ended June 30,2014 , December 31,2013 and June 30 ,2013
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | 2Q 2014 | | 4Q 2013 | | 2Q 2013 | | QoQ | | YoY | |
|---|-----------|------|-----------|------|-----------|------|----------|-------|----------|-------|
| Net Sales | 324,646 | 100% | 341,562 | 100% | 405,374 | 119% | (16,916) | -5% | (80,728) | -20% |
| Cost of Goods Sold | (183,154) | -56% | (189,960) | -56% | (230,596) | -68% | 6,806 | -4% | 47,442 | -21% |
| Gross Profit | 141,492 | 44% | 151,602 | 44% | 174,778 | 51% | (10,110) | -7% | (33,286) | -19% |
| Unrealized Profit | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Realized Profit | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Realized Gross Profit | 141,492 | 44% | 151,602 | 44% | 174,778 | 51% | (10,110) | -7% | (33,286) | -19% |
| Operating Expenses | | | | | | | | | | |
| Sales and Marketing Expenses | (60,317) | -19% | (60,752) | -18% | (53,486) | -16% | 435 | -1% | (6,831) | 13% |
| General and Administrative Expenses | (20,670) | -6% | (23,430) | -7% | (27,274) | -8% | 2,760 | -12% | 6,604 | -24% |
| Research and Development Expenses | (66,207) | -20% | (74,489) | -22% | (64,363) | -19% | 8,282 | -11% | (1,844) | 3% |
| Total operating expenses | (147,194) | -45% | (158,671) | -46% | (145,123) | -42% | 11,477 | -7% | (2,071) | 1% |
| Operating Income | (5,702) | -2% | (7,069) | -2% | 29,655 | 9% | 1,367 | -19% | (35,357) | -119% |
| Non-operating Income | | | | | | | | | | |
| Interest income | 450 | 0% | 312 | 0% | 432 | 0% | 138 | 44% | 18 | 4% |
| Investment income recognized under equity method | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Dividend income | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Gain on disposal of property, plant and equipment | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Gain on sale of investments, net | 0 | 0% | 0 | 0% | 0 | 0% | - | 0% | - | 0% |
| Exchange gain, net | (3,867) | -1% | 3,466 | 1% | 2,511 | 1% | (7,333) | -212% | (6,378) | -254% |
| Reversal of Bad Debt Expenses | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Gain on financial asset at fair value through profit or loss | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Miscellaneous income | 1,600 | 1% | 574 | 1% | 975 | 1% | 1,026 | 179% | 625 | 64% |
| Total non-operating income and gains | (1,817) | 0% | 4,352 | 2% | 3,918 | 2% | (6,169) | -142% | (5,735) | -146% |
| Non-operating expenses and losses | | | | | | | | | | |
| Interest expense | (34) | 0% | (140) | 0% | (77) | 0% | 106 | -76% | 43 | -56% |
| Investment loss recognized under equity method | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Investment Impairment loss recognized under equity meth | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Loss on disposal of property, plant and equipment | 0 | 0% | (4) | 0% | 0 | 0% | 4 | -100% | 0 | 0% |
| Exchange loss, net | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Miscellaneous expenses | 0 | 0% | (9) | 0% | 0 | 0% | 9 | -100% | 0 | 0% |
| Total non-operating expenses and losses | (34) | 0% | (153) | 0% | (77) | 0% | 119 | -78% | 43 | -56% |
| Income before income tax | (7,553) | -2% | (2,870) | 0% | 33,496 | 11% | (4,683) | 163% | (41,049) | -123% |
| Income tax expense (benefit) | (52) | 0% | 535 | 0% | (6,338) | -2% | (587) | -110% | 6,286 | -99% |
| Net income | (7,605) | -2% | (2,335) | -1% | 27,158 | 8% | (5,270) | 226% | (34,763) | -128% |
| Other comprehensive income | | | | | | | | | | |
| Exchange differences on translation | (1,298) | 0% | 800 | 0% | 795 | 0% | (2,098) | -262% | (2,093) | -263% |
| Actuarial gains and losses of defined benefit plans | 0 | 0% | 1,711 | 1% | 0 | 0% | (1,711) | -100% | 0 | 0% |
| Other comprehensive income | 221 | 0% | (426) | 0% | (135) | 0% | 647 | -152% | 356 | -264% |
| Other comprehensive income, net | (1,077) | 0% | 2,085 | 1% | 660 | 0% | (3,162) | -152% | (1,737) | -263% |
| Total comprehensive income | (8,682) | -3% | (250) | 0% | 27,818 | 8% | (8,432) | 3373% | (36,500) | -131% |
| Profit (loss), attributable to: | | | | | | | | | | |
| Profit (loss), attributable to owners of parent | (7,770) | | (1,717) | | 29,096 | | (6,053) | | (36,866) | |
| Profit (loss), attributable to non-controlling interests | (912) | | (618) | | (1,278) | | (294) | | 366 | |
| Comprehensive income attributable to: | | | | | | | | | | |
| Comprehensive income, attributable to owners of parent | (7,770) | | 368 | | 29,096 | | (8,138) | | (36,866) | |
| Comprehensive income, attributable to non-controlling interes | (912) | | (618) | | (1,278) | | (294) | | 366 | |
| Earnings Per Share | | | | | | | | | | |
| Basic Earnings Per Share After Income Tax | (0.10) | | (0.03) | | 0.42 | | (0.08) | | (0.53) | |
| Diluted Earnings Per Share After Income Tax | (0.10) | | (0.03) | | 0.41 | | (0.08) | | (0.52) | |



CIPHERLAB CO.,LTD.
Consolidated Condensed Statements of Cash Flows
FOR THE Six MONTHS ENDED June 30,2014 AND 2013
(In Thousands of New Taiwan Dollars)

| | 2014 | 2013 |
|--|----------|----------|
| Cash flows from operating activities | | |
| Net income | 13,999 | 37,975 |
| Provision(Reversal) for doubtful accounts | (639) | 2,801 |
| Depreciation | 18,558 | 17,526 |
| Amortization | 14,094 | 9,344 |
| Investment loss (income) recognized under equity method | 0 | 62 |
| Interest revenue | (817) | (817) |
| Dividend income | (1,597) | 0 |
| Gain on financial asset at fair value through profit or loss | 0 | 0 |
| Financial Cost | 147 | 77 |
| Loss (gain) on disposal of property, plant and equipment | 3,672 | 0 |
| Loss (gain) on sale of investments | 0 | 0 |
| Provision for (recovery of) loss on inventories | 4,491 | 10,263 |
| Investment Impairment loss | 0 | 0 |
| Unrealized foreign exchange loss (gain) | (493) | 2,273 |
| Difference Between Net Pension Cost and Plan Contribution | (2) | 1 |
| Others | 124 | 0 |
| Valuation loss (gain) on financial instruments | 0 | 0 |
| Notes receivable | (1,416) | 241 |
| Notes receivable – related parties | 0 | 0 |
| Accounts receivable | 28,264 | (6,835) |
| Accounts receivable – related parties | 0 | 0 |
| Other receivables | (499) | (396) |
| Inventories | (28,585) | (52,561) |
| Other current assets | (7,949) | (14,481) |
| Notes payable | 9 | 294 |
| Accounts payable | 71,472 | 49,467 |
| Accounts payable – related parties | 4,103 | 7,590 |
| Other payables | (25,738) | 5,127 |
| Other payables – related parties | 0 | (471) |
| Provisions | 0 | 1,205 |
| Other current liabilities | 6,637 | 1,097 |
| Cash generated from operations | 97,835 | 69,782 |
| Interest received | 817 | 835 |
| Dividends received | 1,597 | 0 |
| Income tax paid | (269) | (26,307) |
| Net cash provided by (used in) operating activities | 99,980 | 44,310 |
| Cash flows from investing activities | | |
| Acquisition of bond investments without active market | 0 | (17) |
| Proceeds from bond investments without active market | 3,412 | 0 |
| Proceeds from financial assets carried at cost at fair value | 1,050 | 0 |
| Proceeds from financial assets carried at cost | 0 | 0 |
| Acquisition of property, plant and equipment | (9,540) | (8,041) |
| Proceeds from property, plant and equipment | 0 | 0 |
| Acquisition of Intangible assets | (1,514) | (8,789) |
| Decrease (increase) in other financial assets | (6) | (7) |
| Decrease (increase) in other non-current assets | (12,361) | (6,347) |
| Net cash used in investing activities | (18,959) | (23,201) |
| Cash flows from financing activities | | |
| Decrease (increase) in long-term loans | (26,650) | 29,524 |
| Capital Increase by cash of non-controlling interests | 0 | 0 |
| Increase in short-term bills payable | 0 | 0 |
| Cash dividends | 0 | (68,489) |
| Cash paid for acquisition of treasury stock | 0 | 0 |
| Interest paid | (170) | (50) |
| Net cash used in financing activities | (26,820) | (39,015) |
| Effect of exchange rate changes | 1,119 | 493 |
| Net decrease in cash and cash equivalents | 55,320 | (17,413) |
| Cash and cash equivalents at Beginning of Period | 212,449 | 244,675 |
| cash and cash equivalents at End of Period | 267,769 | 227,262 |