



Management Report for First Quarter Fiscal 2020

Hsinchu, Taiwan, May 13th, 2020 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 31st March 2020.

Executive Summary

- Q1 2020 revenue was record high, up 14.8% sequentially and 5.2% year-over-year. Operating income increased 21.6% sequentially, flat year-over-year due to expense increases for new hiring at 100% owned subsidiary company, PUFsecurity. EPS was NT\$ 2.38, up 36.8% sequentially, ROE 39.5%.
- We expect growth rate to accelerate in Q2 and beyond as 249 tape outs in 55nm to 7nm for various applications accumulated in past years are moving into production stage.
- We foresee a surge for security IP demand due to increasing on-line activities caused by global pandemic. Our security IP NeoPUF has been designed into IoT platform, AI, industrial automation, and WiFi by leading industry customers.

Financial Results

(Amounts in thousands of NT\$)

	Q1 2020	Q4 2019	Q1 2019	Change (QoQ)	Change (YoY)
Revenue	415,436	361,896	395,061	14.8%	5.2%
Gross Margin	100%	100%	100%	-	-
Operating Expenses	221,463	202,386	201,088	9.4%	10.1%
Operating Income	193,973	159,510	193,973	21.6%	0.0%
Operating Margin	46.7%	44.1%	49.1%	2.6ppts	-2.4ppts
Net Income	176,758	129,653	177,151	36.3%	-0.2%
Net Margin	42.5%	35.8%	44.8%	6.7ppts	-2.3ppts
EPS (Unit: NTD)	2.38	1.74	2.39	36.8%	-0.4%
ROE	39.5%	30.2%	38.9%	9.3ppts	0.6ppts

Revenue Analysis

(Amounts in thousands of NT\$)

	Q1 2020	Q4 2019	Q1 2019	Change (QoQ)	Change (YoY)
Licensing	106,446	115,944	105,824	-8.2%	0.6%
Royalty	308,990	245,952	289,237	25.6%	6.8%
Total	415,436	361,896	395,061	14.8%	5.2%



(Amounts in thousands of US\$)

	Q1 2020	Q4 2019	Q1 2019	Change (QoQ)	Change (YoY)
Licensing	3,542	3,798	3,438	-6.7%	3.0%
Royalty	10,336	8,047	9,405	28.4%	9.9%
Total	13,878	11,845	12,843	17.2%	8.1%

Revenue analysis by technology

Technology	Q1 2020								
	Total Revenue			Licensing Revenue			Royalty Revenue		
	% of Q1 Revenue	Change (QoQ)	Change (YoY)	% of Q1 Licensing	Change (QoQ)	Change (YoY)	% of Q1 Royalty	Change (QoQ)	Change (YoY)
NeoBit	53.8%	12.8%	-14.7%	22.6%	-24.5%	20.5%	64.5%	19.9%	-17.7%
NeoFuse	41.6%	27.5%	74.6%	70.1%	13.5%	15.0%	31.8%	40.8%	187.8%
PUF-Based	0.1%	-85.9%	100.0%	0.6%	-85.9%	100.0%	0.0%	0.0%	0.0%
MTP	4.5%	-22.5%	-45.5%	6.7%	-49.2%	-66.1%	3.7%	14.8%	-12.6%

- NeoBit : OTP technology covers from 0.25um to 55nm.
- NeoFuse : OTP technology covers mainly from 0.18um to 5nm.
- PUF-Based : OTP technology covers mainly from 65nm to 5nm.
- MTP : MTP technology covers from 0.18um to 55nm, offering high density memory and allowing up to 100K rewritable times with zero additional masking layers.

Royalty revenue analysis by wafer size (8-inch vs 12-inch)

Wafer Size	Q1 2020		
	% of Q1	Change (QoQ)	Change (YoY)
8-inch	64.1%	15.0%	3.3%
12-inch	35.9%	50.4%	13.7%

Key Business Developments

Licensing

- Technology License
 - ✓ 5 licensing contracts were signed during this quarter.
 - ✓ As of March 31st, 2020, we have technologies under development for the adoption of 89 different process platforms, ranging from 0.25um to 5nm.



Development of Key Technology on 12-inch Nodes

	5/6nm	7/10nm	12/16nm	22/28nm	40nm	55/65nm	80/90nm	0.11/0.13um	0.18um	Total
Qualified	0	2	3	25	14	23	16	15	1	99
Developing	3	1	3	15	5	13	10	7	2	59

- Design License
 - ✓ A total of 116 product tape-outs occurred in the first quarter of 2020.
 - 1 tape-out at 14nm/16nm.
 - 11 tape-outs at 22nm/28nm for MCU, OLED driver, Network IC, USB, Multi-media and etc.
 - 2 tape-outs at 25nm for DRAM.
 - 14 tape-outs at 40nm for MCU, LCD driver, OLED driver, Network IC, and etc.
 - 7 tape-outs at 55nm/65nm for LCD driver, OLED driver, TDDI, and etc.
 - 9 tape-outs at 80nm/90nm for LCD driver, OLED driver and TDDI.
 - 16 tape-outs at 0.13um for MCU, PMIC, LCD driver, sensor-related and HDMI.
 - 50 tape-outs at 0.18um for MCU, PMIC, LCD driver, sensor-related, fingerprint sensor, USB, oscillator, LED driver, audio, and etc.
 - 5 tape-outs at 0.25um for PMIC and sensor-related.
 - 1 tape-out at 0.35um for sensor-related.
 - ✓ As of March 31st, 2020, eMemory's cumulative number of design licenses has increased to 4,880—a direct result of our ongoing effort in expanding and diversifying our technologies for adoption in a wide range of applications.

Future Growth Drivers

License

- NeoFuse and NeoPUF will continue to grow due to increasing advanced technology platforms and more comprehensive PUF-based security IPs.

Royalty

- Royalty of DDI will increase due to a higher penetration rate of OLED DDI of existing customers and new largest Korean OLED panel customer.
- PMIC will continue to grow due to content increases in 5G devices and higher ASPs from the migration into advanced process nodes.
- New applications such as Multimedia-related products (i.e. DTV, STB, surveillance, ISP), networking-related (switch, Bluetooth, WiFi) and DRAM will continue to drive royalty growth.
- The global pandemic has also driven the recent increase in production of 8-inch medical-related MCU, sensors, and NB related applications.



New Application Development

- NeoPUF was designed by the largest Chinese chip company into its IoT platform to protect edge devices from external attacks.
- A Chinese AI customer applied NeoPUF to secure AI training modules.
- A leading European company used NeoPUF to protect sensitive data in Wi-Fi chips.
- A US customer used NeoPUF to protect their FPGA IC design from theft.
- A US customer applied NeoPUF into their industrial automation application to ensure data security and increase its attack-resistance ability.

New Technology Development

- In addition to the 5nm technology platform, MRAM, ReRAM, and ARM security IP platform which we mentioned in the previous quarter, we are developing 6nm and 5nm plus (N5P) technology with our leading foundry partner, and have already completed the 6nm development tape-out.
- After the completion of PUFtrng (PUF-base random number generator) and PUFrt (PUF-based root of trust), we are working with foundry partners to incorporate PUFrt into embedded flash platforms to protect the data stored in the embedded flash. Our PUF-based IoT security solutions, security elements, and hardware security module IPs are also under development.
- We are in the process of creating an open platform. This open platform focuses on PUF-based hardware security by integrating OTP, PUF, security-function IPs, and cryptographic algorithm IPs to provide total security solutions for AIoT and 5G applications.

Financial Review

Gross margin

Gross margin remained at 100%.

Operating expenses and operating margin

- The total operating expenses in Q1 2020 were NT\$ 221.46 million and represented 53.3% of the total revenue, which increased from 50.9% of the total revenue in the prior year.
- Operating expenses increased by 9.4% sequentially and 10.1% year-over-year. The sequential and year-over-year increase were mainly due to the increase of the number of employees from our 100% owned subsidiary, PUFsecurity, and employee bonus.
- As a result, operating margin for the quarter was 46.7%, up by 2.6 percentage points from the prior quarter but down by 2.4 percentage points year-over-year.



Non-operating items and income tax expense

- Non-operating items were a gain of NT\$ 8.38 million in Q1 2020, compared to a loss of NT\$ 3.36 million in Q4 2019.
- Q1 2020 effective tax rate was 12.6%.

Net Income and EPS

- Net income for the quarter was NT\$ 176.76 million, an increase of 36.3% sequentially but a decrease of 0.2% year-over-year.
- Earnings per share was NT\$ 2.38 in Q1 2020. ROE was 39.5%.

Current assets and current liabilities

- As of March 31st, 2020, cash increased by NT\$ 266.57 million from that of December 31st, 2019 to NT\$ 1,530.43 million.
- Total current assets including cash were NT\$ 1,694.08 million, with an increase of NT\$ 277.32 million from December 31st, 2019. The increase was due to revenue growth and accounts receivable recovery.
- Total current liabilities increased by NT\$ 58.92 million from December 31st, 2019 to NT\$ 364.07 million.
- Net working capital was NT\$ 1,330.01 million and the current ratio was 4.65x.

Cash flows

- As of March 31st, 2020, net cash generated from operating activities totaled NT\$ 240.40 million, including NT\$ 202.36 million from income before income tax, NT\$ 14.03 million from depreciation and amortization, and NT\$ 24.01 million generated from other operating activities, which included tax payment of NT\$ 7.28 million.
- Net cash generated from investing activities was NT\$ 26.63 million at the end of March 31st, 2020, primarily related to disposal of financial assets at amortized cost.
- Net cash used in financing activities was NT\$ 0.81 million at the end of March 31st, 2020, mainly attributable to repayment of the principal portion of lease liabilities and their interest payment.
- As a result, cash increased by NT\$ 266.57 million to NT\$ 1,530.43 million from December 31st, 2019 to March 31st, 2020.

Employee

- As of March 31st, 2020, eMemory has 250 full-time employees, including 176 R&D engineers. 100% owned subsidiary, PUFsecurity has 19 full-time employees, including 10 R&D engineers.



Cautionary Statement

This report contains forward-looking statements, which are subject to risk factors associated with semiconductor and intellectual property business. We believe that the expectations reflected in these statements are reasonable. However, they may be affected by a variety of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially which include, but are not limited to: wafer price fluctuation, actual demand, rapid technology change, delays or failures in customers' tape-outs into wafer production, our ability to negotiate, monitor and enforce agreements for the determination and payment of royalties, any bug or fault in our technology which leads to significant damage to our technology and reputation, actual or potential litigation, semiconductor industry cycle and general economic conditions. Unless as required by law, eMemory undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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-Financial Statements To Follow-

eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$1,530,426	68	\$1,263,858	62	\$1,518,774	66	Contract liabilities - current	\$ 43,005	2	\$ 32,837	2	\$ 43,560	2
Accounts receivable - net	108,376	5	126,812	7	105,307	5	Other payables	87,170	4	80,914	4	68,976	3
Other receivables	171	-	1,929	-	259	-	Other payables - related parties	40	-	-	-	-	-
Other receivables - related parties	389	-	410	-	297	-	Bonuses payable to employees and directors	136,743	6	125,120	6	146,862	7
Prepayments	50,821	2	19,472	1	47,218	2	Payables on equipment	6,215	-	4,861	-	2,265	-
Other current assets	3,897	-	4,275	-	2,363	-	Current tax liabilities	81,533	4	56,576	3	96,285	4
Total current assets	<u>1,694,080</u>	<u>75</u>	<u>1,416,756</u>	<u>70</u>	<u>1,674,218</u>	<u>73</u>	Lease liabilities - current	3,002	-	3,114	-	3,075	-
							Other current liabilities	6,363	-	1,731	-	1,598	-
NON-CURRENT ASSETS							Total current liabilities	<u>364,071</u>	<u>16</u>	<u>305,153</u>	<u>15</u>	<u>362,621</u>	<u>16</u>
Financial assets at fair value through other comprehensive income - noncurrent	15,948	1	15,530	1	17,300	1	NON-CURRENT LIABILITIES						
Financial assets at amortized cost - noncurrent	113	-	33,613	2	33,612	2	Lease liabilities - noncurrent	3,631	-	4,246	-	6,584	-
Investment accounted for using equity method	4,444	-	5,382	-	4,932	-	Net defined benefit liabilities - noncurrent	21,229	1	21,384	1	20,198	1
Property, plant and equipment	473,370	21	477,171	23	484,656	21	Guarantee deposits received	530	-	530	-	530	-
Right-of-use assets	6,553	-	7,287	-	9,635	-	Total non-current liabilities	<u>25,390</u>	<u>1</u>	<u>26,160</u>	<u>1</u>	<u>27,312</u>	<u>1</u>
Intangible assets	72,583	3	73,805	4	68,743	3	Total liabilities	<u>389,461</u>	<u>17</u>	<u>331,313</u>	<u>16</u>	<u>389,933</u>	<u>17</u>
Deferred tax assets	2,333	-	3,434	-	2,422	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Prepayments for equipment	-	-	-	-	5,823	-	Ordinary shares	<u>758,336</u>	<u>34</u>	<u>758,336</u>	<u>37</u>	<u>757,908</u>	<u>33</u>
Refundable deposits	349	-	349	-	352	-	Capital surplus	<u>405,547</u>	<u>18</u>	<u>404,446</u>	<u>20</u>	<u>419,485</u>	<u>18</u>
Total non-current assets	<u>575,693</u>	<u>25</u>	<u>616,571</u>	<u>30</u>	<u>627,475</u>	<u>27</u>	Retained earnings						
							Legal reserve	401,471	17	401,471	20	340,160	15
							Special reserve	61,932	3	61,932	3	926	-
							Unappropriated earnings	<u>722,411</u>	<u>32</u>	<u>545,653</u>	<u>27</u>	<u>861,331</u>	<u>37</u>
							Total retained earnings	<u>1,185,814</u>	<u>52</u>	<u>1,009,056</u>	<u>50</u>	<u>1,202,417</u>	<u>52</u>
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	(5)	-	(4)	-	-	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(65,164)	(3)	(65,582)	(3)	(63,812)	(3)
							Total other equity	(65,169)	(3)	(65,586)	(3)	(63,812)	(3)
							Treasury shares	(404,238)	(18)	(404,238)	(20)	(404,238)	(17)
							Total equity attributable to shareholders of the Company	1,880,290	83	1,702,014	84	1,911,760	83
							NON-CONTROLLING INTERESTS						
							Total equity	<u>1,880,312</u>	<u>83</u>	<u>1,702,014</u>	<u>84</u>	<u>1,911,760</u>	<u>83</u>
TOTAL	<u>\$2,269,773</u>	<u>100</u>	<u>\$2,033,327</u>	<u>100</u>	<u>\$2,301,693</u>	<u>100</u>	TOTAL	<u>\$ 2,269,773</u>	<u>100</u>	<u>\$ 2,033,327</u>	<u>100</u>	<u>\$ 2,301,693</u>	<u>100</u>

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 415,436	100	\$ 395,061	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	415,436	100	395,061	100
OPERATING EXPENSES				
Selling and marketing expenses	29,520	7	28,959	8
General and administrative expenses	48,343	12	44,108	11
Research and development expenses	145,693	35	127,573	32
Expected credit (gain) loss	(2,093)	(1)	448	-
Total operating expenses	221,463	53	201,088	51
OPERATING INCOME	193,973	47	193,973	49
NON-OPERATING INCOME AND EXPENSES				
Other income	3,588	1	8,688	2
Other gains and losses	5,767	1	1,710	1
Finance costs	(34)	-	(49)	-
Share of loss of associates	(938)	-	(1,116)	-
Total non-operating income and expenses	8,383	2	9,233	3
PROFIT BEFORE INCOME TAX	202,356	49	203,206	52
INCOME TAX EXPENSE	25,598	6	26,055	7
NET PROFIT	176,758	43	177,151	45

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 418	-	(\$ 1,880)	(1)
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of associates accounted for using the equity method	(1)	-	-	-
Other comprehensive income (loss)	417	-	(1,880)	(1)
TOTAL COMPREHENSIVE INCOME	<u>\$ 177,175</u>	<u>43</u>	<u>\$ 175,271</u>	<u>44</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 176,758	43	\$ 177,151	45
Non-controlling interests	-	-	-	-
	<u>\$ 176,758</u>	<u>43</u>	<u>\$ 177,151</u>	<u>45</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 177,175	43	\$ 175,271	44
Non-controlling interests	-	-	-	-
	<u>\$ 177,175</u>	<u>43</u>	<u>\$ 175,271</u>	<u>44</u>
EARNINGS PER SHARE				
Basic	<u>\$ 2.38</u>		<u>\$ 2.39</u>	
Diluted	<u>\$ 2.37</u>		<u>\$ 2.37</u>	

(Concluded)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Company							Other Equity		Treasury Shares	Total	Non-Controlling Interests	Total Equity
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2019	75,791	\$ 757,908	\$ 416,537	\$ 340,160	\$ 926	\$ 684,180	\$ 1,025,266	\$ -	(\$ 61,932)	(\$ 404,238)	\$1,733,541	\$ -	\$1,733,541
Change in capital surplus from investments in associates accounted for by using equity method	-	-	2	-	-	-	-	-	-	-	2	-	2
Net profit for the three months ended March 31, 2019	-	-	-	-	-	177,151	177,151	-	-	-	177,151	-	177,151
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	-	-	(1,880)	-	(1,880)	-	(1,880)
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	177,151	177,151	-	(1,880)	-	175,271	-	175,271
Share-based payment	-	-	2,946	-	-	-	-	-	-	-	2,946	-	2,946
BALANCE, MARCH 31, 2019	75,791	\$ 757,908	\$ 419,485	\$ 340,160	\$ 926	\$ 861,331	\$ 1,202,417	\$ -	(\$ 63,812)	(\$ 404,238)	\$1,911,760	\$ -	\$1,911,760
BALANCE, JANUARY 1, 2020	75,834	\$ 758,336	\$ 404,446	\$ 401,471	\$ 61,932	\$ 545,653	\$ 1,009,056	(\$ 4)	(\$ 65,582)	(\$ 404,238)	\$1,702,014	\$ -	\$1,702,014
Changes in ownership interests in subsidiaries	-	-	15	-	-	-	-	-	-	-	15	-	15
Change in capital surplus from investments in associates accounted for by using equity method	-	-	1	-	-	-	-	-	-	-	1	-	1
Net profit for the three months ended March 31, 2020	-	-	-	-	-	176,758	176,758	-	-	-	176,758	-	176,758
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	-	(1)	418	-	417	-	417
Total comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	176,758	176,758	(1)	418	-	177,175	-	177,175
Share-based payment	-	-	1,085	-	-	-	-	-	-	-	1,085	22	1,107
BALANCE, MARCH 31, 2020	75,834	\$ 758,336	\$ 405,547	\$ 401,471	\$ 61,932	\$ 722,411	\$ 1,185,814	(\$ 5)	(\$ 65,164)	(\$ 404,238)	\$1,880,290	\$ 22	\$1,880,312

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 202,356	\$ 203,206
Adjustments for:		
Depreciation expenses	10,222	9,781
Amortization expenses	3,810	3,587
Expected credit (gain) loss	(2,093)	448
Finance costs	34	49
Interest income	(2,400)	(2,540)
Share-based payments	1,122	2,946
Share of loss of associates	938	1,116
Net gain on foreign currency exchange	(1,419)	(1,386)
Changes in operating assets and liabilities		
Accounts receivable	21,631	53,239
Other receivables	1,691	-
Other receivables - related parties	21	(46)
Prepayments	(23,614)	(16,257)
Other current assets	378	539
Contract liabilities	10,168	5,738
Other payables	6,222	(25,132)
Other payables - related parties	40	-
Other current liabilities	4,632	(18)
Net defined benefit liabilities	(155)	(136)
Bonuses payable to employees and directors	11,623	8,770
Cash generated from operations	<u>245,207</u>	<u>243,904</u>
Interest received	2,467	2,506
Income tax paid	(<u>7,275</u>)	(<u>12,453</u>)
Net cash generated from operating activities	<u>240,399</u>	<u>233,957</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at amortized cost	\$ 33,500	\$ -
Acquisition of property, plant and equipment	(4,280)	(6,133)
Increase in refundable deposits	-	(21)
Acquisition of intangible assets	(2,588)	(5,168)
Increase in prepayments for equipment	-	(5,823)
Net cash generated from (used in) investing activities	<u>26,632</u>	<u>(17,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(780)	(723)
Interest paid	(34)	(49)
Net cash used in financing activities	<u>(814)</u>	<u>(772)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>351</u>	<u>731</u>
NET INCREASE IN CASH	266,568	216,771
CASH AT THE BEGINNING OF THE PERIOD	<u>1,263,858</u>	<u>1,302,003</u>
CASH AT THE END OF THE PERIOD	<u>\$ 1,530,426</u>	<u>\$ 1,518,774</u>

(Concluded)

Notice to Readers

The above financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the previously mentioned financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. For the complete financial statements in Chinese version, please refer to MOPS: <http://mops.twse.com.tw/mops/web/index>