



Management Report for Third Quarter Fiscal 2020

Hsinchu, Taiwan, November 11th, 2020 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 30th September 2020.

Executive Summary

- Q3 2020 revenue was record high, up 4.2% sequentially and 31.1% year-over-year. Operating income increased 0.7% sequentially and 41.8% year-over-year. EPS was NT\$ 2.26, and ROE at 38.8%.
- 8-inch royalty will grow due to PMIC content increase in 5G smartphone and demand pick-up for automotive, and IoT applications. 12-inch royalty will have a strong growth as customers are ramping up productions for ISP, OLED, Networking-related such as WiFi 6, multimedia-related, DRAM, SSD controller and others.
- We are actively engaging with leading industry companies to embed our NeoPUF and security solution into their security architectures and expect more design wins in the future.

Financial Results

(Amounts in thousands of NT\$)

	Q3 2020	Q2 2020	Change (QoQ)	Q3 2019	Change (YoY)	Q1-Q3 2020	Q1-Q3 2019	Change (YoY)
Revenue	441,259	423,276	4.2%	336,587	31.1%	1,279,971	1,048,189	22.1%
Gross Margin	100%	100%	-	100%	-	100%	100%	-
Operating Expenses	243,913	227,364	7.3%	197,399	23.6%	692,740	586,376	18.1%
Operating Income	197,346	195,912	0.7%	139,188	41.8%	587,231	461,813	27.2%
Operating Margin	44.7%	46.3%	-1.6 pts	41.4%	3.3 pts	45.9%	44.1%	1.8 pts
Net Income	168,581	169,317	-0.4%	120,170	40.3%	514,656	412,419	24.8%
Net Margin	38.2%	40.0%	-1.8 pts	35.7%	2.5 pts	40.2%	39.3%	0.9 ppt
EPS (Unit: NTD)	2.26	2.28	-0.9%	1.62	39.5%	6.92	5.56	24.5%
ROE	38.8%	41.9%	-3.1 pts	29.1%	9.7 pts	39.5%	33.3%	6.2 pts

Revenue Analysis

(Amounts in thousands of NT\$)

	Q3 2020	Q2 2020	Change (QoQ)	Q3 2019	Change (YoY)	Q1-Q3 2020	Q1-Q3 2019	Change (YoY)
Licensing	111,125	118,062	-5.9%	103,689	7.2%	335,633	314,319	6.8%
Royalty	330,134	305,214	8.2%	232,898	41.8%	944,338	733,870	28.7%
Total	441,259	423,276	4.2%	336,587	31.1%	1,279,971	1,048,189	22.1%



(Amounts in thousands of US\$)

	Q3 2020	Q2 2020	Change (QoQ)	Q3 2019	Change (YoY)	Q1-Q3 2020	Q1-Q3 2019	Change (YoY)
Licensing	3,765	3,953	-4.8%	3,335	12.9%	11,260	10,146	11.0%
Royalty	11,195	10,196	9.8%	7,488	49.5%	31,727	23,763	33.5%
Total	14,960	14,149	5.7%	10,823	38.2%	42,987	33,909	26.8%

Revenue analysis by technology

Technology	Q3 2020								
	Total Revenue			Licensing Revenue			Royalty Revenue		
	% of Q3 Revenue	Change (QoQ)	Change (YoY)	% of Q3 Licensing	Change (QoQ)	Change (YoY)	% of Q3 Royalty	Change (QoQ)	Change (YoY)
NeoBit	53.7%	7.3%	10.4%	22.4%	22.5%	-31.4%	64.2%	5.8%	18.9%
NeoFuse	39.8%	-2.4%	84.9%	61.7%	-18.2%	42.7%	32.4%	11.4%	128.2%
PUF-Based	1.4%	120.6%	100.0%	5.6%	120.6%	100.0%	0.0%	0.0%	0.0%
MTP	5.1%	13.6%	-16.1%	10.3%	3.0%	-40.9%	3.4%	26.9%	45.5%

Technology	Q1-Q3 2020					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of Q1-Q3 Revenue	Change (YoY)	% of Q1-Q3 Licensing	Change (YoY)	% of Q1-Q3 Royalty	Change (YoY)
NeoBit	53.2%	3.6%	20.7%	-17.5%	64.7%	6.7%
NeoFuse	41.3%	71.8%	67.6%	27.1%	31.9%	133.7%
PUF-Based	0.7%	1,429.3%	2.9%	1,429.3%	0.0%	0.0%
MTP	4.8%	-25.9%	8.8%	-41.9%	3.4%	-0.3%

- 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	Q3 2020			Q1-Q3 2020	
	% of Q3	Change (QoQ)	Change (YoY)	% of Q1-Q3	Change (YoY)
8-inch	60.2%	1.7%	27.6%	62.7%	16.9%
12-inch	39.8%	19.8%	70.5%	37.3%	55.0%

Key Business Developments

Licensing

- Technology License
 - ✓ 7 licensing contracts were signed during this quarter, 6 for NeoFuse and 1 for NeoMTP.
 - ✓ As of September 30th, 2020, we have technologies under development for the adoption of 98 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	31	15	25	16	17	1	110
Developing	4	1	5	11	5	15	15	3	3	62

- Design License
 - ✓ A total of 136 product tape-outs occurred in the third quarter of 2020.
 - 2 tape-outs at 7nm for multimedia and processor related.
 - 3 tape-outs at 14nm/16nm for video processor, DTV, and SSD controller.
 - 12 tape-outs at 22nm/28nm for ISP, OLED driver, WiFi 6, HDMI, and etc.
 - 2 tape-outs at 25nm for DRAM.
 - 7 tape-outs at 40nm for ISP, MCU, and OLED driver.
 - 11 tape-outs at 55nm/63nm/65nm for MCU, OLED driver, LCD driver, TDDI, Bluetooth and 2.4GHz-related RF.
 - 13 tape-outs at 80nm/90nm for CIS, OLED driver, LCD driver, and TDDI.
 - 22 tape-outs at 0.13um for PMIC, MCU, LCD driver, USB, and T-con.
 - 63 tape-outs at 0.18um for PMIC, ambient light sensor, controller, magnetics, accelerometer, temperature sensor, CIS, MCU, OLED driver, LCD driver, RFID, Clock, HDMI, LED driver, Motor driver, oscillator, and etc.
 - 1 tape-outs at 0.25um for gyroscope.



- ✓ As of September 30th, 2020, eMemory's cumulative number of design licenses has increased to 5,131—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 demand for design license activity and technology platforms that are continuously built among foundry partners.

Royalty

- 8-inch royalty will grow due to PMIC content increase in 5G smartphone and demand pick-up for automotive, and IoT applications.
- 12-inch royalty will have a strong growth as customers are ramping up productions for ISP, OLED, Networking-related such as WiFi 6, multimedia-related, DRAM, SSD controller and others.

New Business Development

- NeoFuse in advanced process is adopted for secure Key storage to replace conventional e-Fuse. We expect this will be a trend for security requirement.
- Business activities of PUF-based security solutions are in progress in the applications of IoT, industrial IoT, AI, Blockchain, FPGA, data processor unit, mobile storage (UFS), and automotives.
- Partnership with Processor IP vendors i.e. ARM and RISC-V related continue to extend our PUF-based security solution platform and bring in more customer adoption.

New IP Technology Development

- Developing 6nm and 5nm plus (N5P) technology with our leading foundry partner.
- In Q3, we have announced crypto processor, PUFiot, which integrates our Root-of-Trust, PUFrt, with crypto engines. PUFiot is targeting to provide IoT and AI chips with comprehensive but easy to use security solutions.
- We will continue to develop our PUF-based solution to implement HSM (Hardware Security Module), which can be embedded in the chip to provide security function for network application.

Financial Review

Gross margin

Gross margin remained at 100%.



Operating expenses

- The total operating expenses in Q3 2020 were NT\$ 243.91 million and represented 55.3% of the total revenue, which decreased from 58.6% of the total revenue in the prior year.
- Operating expenses increased by 7.3% sequentially and 23.6% year-over-year. The sequential and year-over-year increase were mainly attributable to expected credit losses of NT\$ 11.23 million, affecting the operating ratio by 2.54%. The reason is that a Chinese foundry delayed the remittance due to a tax exemption approval flow deferment. It is expected to be deferred to the fourth quarter of this year and the expense will be reversed then.

Non-operating items and income tax expense

- Non-operating items for the quarter were NT\$ 1.63 million, which decreased 42.3% sequentially, but increased 17.5% year-over-year. The decrease was due to the exchange losses caused by the appreciation of Taiwan dollar.
- The first three quarters of 2020 effective tax rate was 14.2%.

Net Income and EPS

- Net income for the quarter was NT\$ 168.58 million, a decrease of 0.4% sequentially but an increase of 40.3% year-over-year.
- Earnings per share was NT\$ 2.26 in Q3 2020. ROE was 38.8%.

Current assets and current liabilities

- As of September 30th, 2020, cash increased by NT\$ 170.78 million from December 31st, 2019 to NT\$ 1,434.64 million.
- Total current assets including cash were NT\$ 1,637.97 million, with an increase of NT\$ 221.21 million from December 31st, 2019. The increase was due to the growth in revenue.
- Total current liabilities increased by NT\$ 99.70 million from December 31st, 2019 to NT\$ 404.85 million, mainly due to the increase in contract liabilities, bonuses payable to employees and directors, current tax liabilities, and short-term bank loans.
- Net working capital was NT\$ 1,233.12 million and the current ratio was 4.0x.

Cash flows

- As of September 30th, 2020, net cash generated from operating activities totaled NT\$ 596.37 million, including NT\$ 600.06 million from income before income tax, NT\$ 43.87 million from depreciation and amortization, and NT\$ 47.56 million used in other operating activities, which included tax payment of NT\$ 79.61 million.
- Net cash used in investing activities was NT\$ 5.17 million at the end of September 30th, 2020, has a decrease as compared with the same period last year, primarily related to disposal of financial assets measured at amortized cost.



- Net cash used in financing activities was NT\$ 416.44 million at the end of September 30th, 2020, has a decrease as compared with the same period last year, mainly attributable to the decrease in cash dividends paid, new bank loans, and increase in employee stock options.
- As a result, cash increased by NT\$ 170.78 million to NT\$ 1,434.64 million from December 31st, 2019 to September 30th, 2020.

Employee

- As of September 30th, 2020, eMemory has 259 full-time employees, including 178 R&D engineers. 100% owned subsidiary, PUFsecurity has 27 full-time employees, including 15 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)

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)			September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
ASSETS							LIABILITIES AND EQUITY						
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$1,434,636	65	\$1,263,858	62	\$1,093,653	57	Short-term bank loans	\$ 20,000	1	\$ -	-	\$ -	-
Accounts receivable - net	149,105	7	126,812	7	145,610	8	Contract liabilities - current	56,002	2	32,837	2	33,983	2
Other receivables	156	-	1,929	-	255	-	Other payables	89,622	4	80,914	4	88,483	5
Other receivables - related parties	427	-	410	-	469	-	Bonuses payable to employees and directors	147,565	7	125,120	6	125,808	7
Prepayments	50,037	2	19,472	1	50,471	3	Payables on equipment	3,755	-	4,861	-	882	-
Other current assets	3,608	-	4,275	-	3,891	-	Current tax liabilities	79,059	4	56,576	3	58,726	3
Total current assets	<u>1,637,969</u>	<u>74</u>	<u>1,416,756</u>	<u>70</u>	<u>1,294,349</u>	<u>68</u>	Lease liabilities - current	1,800	-	3,114	-	3,103	-
							Other current liabilities	7,050	-	1,731	-	1,725	-
							Total current liabilities	<u>404,853</u>	<u>18</u>	<u>305,153</u>	<u>15</u>	<u>312,710</u>	<u>17</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income - noncurrent	17,100	1	15,530	1	15,209	1	Lease liabilities - noncurrent	2,327	-	4,246	-	5,028	-
Financial assets at amortized cost - noncurrent	113	-	33,613	2	33,612	2	Net defined benefit liabilities - noncurrent	20,915	1	21,384	1	19,918	1
Investment accounted for using equity method	2,681	-	5,382	-	6,356	-	Guarantee deposits received	530	-	530	-	530	-
Property, plant and equipment	472,984	21	477,171	23	479,979	25	Total non-current liabilities	<u>23,772</u>	<u>1</u>	<u>26,160</u>	<u>1</u>	<u>25,476</u>	<u>1</u>
Right-of-use assets	4,059	-	7,287	-	8,070	-							
Intangible assets	75,116	4	73,805	4	69,462	4	Total liabilities	<u>428,625</u>	<u>19</u>	<u>331,313</u>	<u>16</u>	<u>338,186</u>	<u>18</u>
Deferred tax assets	3,702	-	3,434	-	2,677	-							
							EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Refundable deposits	358	-	349	-	349	-	Ordinary shares	760,562	34	758,336	37	758,314	40
Total non-current assets	<u>576,113</u>	<u>26</u>	<u>616,571</u>	<u>30</u>	<u>615,714</u>	<u>32</u>	Capital surplus	362,825	17	404,446	20	402,697	21
							Retained earnings						
							Legal reserve	455,518	20	401,471	20	401,471	21
							Special reserve	65,586	3	61,932	3	61,932	3
							Unappropriated earnings	594,142	27	545,653	27	417,604	22
							Total retained earnings	<u>1,115,246</u>	<u>50</u>	<u>1,009,056</u>	<u>50</u>	<u>881,007</u>	<u>46</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	(64,012)	(3)	(65,582)	(3)	(65,903)	(4)
							Total other equity	(64,007)	(3)	(65,586)	(3)	(65,903)	(4)
							Treasury shares	(404,238)	(18)	(404,238)	(20)	(404,238)	(21)
							Total equity attributable to shareholders of the Company	1,770,388	80	1,702,014	84	1,571,877	82
							NON-CONTROLLING INTERESTS						
							Total equity	<u>1,785,457</u>	<u>81</u>	<u>1,702,014</u>	<u>84</u>	<u>1,571,877</u>	<u>82</u>
TOTAL	<u>\$2,214,082</u>	<u>100</u>	<u>\$2,033,327</u>	<u>100</u>	<u>\$1,910,063</u>	<u>100</u>	TOTAL	<u>\$2,214,082</u>	<u>100</u>	<u>\$2,033,327</u>	<u>100</u>	<u>\$1,910,063</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)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$441,259	100	\$336,587	100	\$1,279,971	100	\$1,048,189	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>441,259</u>	<u>100</u>	<u>336,587</u>	<u>100</u>	<u>1,279,971</u>	<u>100</u>	<u>1,048,189</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	34,062	8	30,310	9	94,444	7	89,369	8
General and administrative expenses	51,477	12	39,113	12	147,740	12	122,519	12
Research and development expenses	147,140	33	125,049	37	436,818	34	377,923	36
Expected credit loss (gain)	<u>11,234</u>	<u>2</u>	<u>2,927</u>	<u>1</u>	<u>13,738</u>	<u>1</u>	<u>(3,435)</u>	<u>-</u>
Total operating expenses	<u>243,913</u>	<u>55</u>	<u>197,399</u>	<u>59</u>	<u>692,740</u>	<u>54</u>	<u>586,376</u>	<u>56</u>
OPERATING INCOME	<u>197,346</u>	<u>45</u>	<u>139,188</u>	<u>41</u>	<u>587,231</u>	<u>46</u>	<u>461,813</u>	<u>44</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	1,385	-	2,250	1	6,064	1	7,537	1
Other income	2,374	-	1,473	-	4,753	-	8,946	1
Other gains and losses	(1,219)	-	(1,099)	-	4,839	-	2,236	-
Finance costs	(58)	-	(43)	-	(122)	-	(140)	-
Share of loss of associates	(854)	-	(1,196)	-	(2,703)	-	(3,361)	(1)
Total non-operating income and expenses	<u>1,628</u>	<u>-</u>	<u>1,385</u>	<u>1</u>	<u>12,831</u>	<u>1</u>	<u>15,218</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	198,974	45	140,573	42	600,062	47	477,031	45
INCOME TAX EXPENSE	<u>30,393</u>	<u>7</u>	<u>20,403</u>	<u>6</u>	<u>85,406</u>	<u>7</u>	<u>64,612</u>	<u>6</u>
NET PROFIT	<u>168,581</u>	<u>38</u>	<u>120,170</u>	<u>36</u>	<u>514,656</u>	<u>40</u>	<u>412,419</u>	<u>39</u>

(Continued)

eMemory Technology Inc. and Subsidiary

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	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	\$ 198	-	\$ 89	-	\$ 1,570	-	(\$ 3,971)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	10	-	-	-	10	-	-	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>1</u>	-	<u>-</u>	-	<u>(1)</u>	-	<u>-</u>	-
Other comprehensive income (loss)	<u>209</u>	-	<u>89</u>	-	<u>1,579</u>	-	<u>(3,971)</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$168,790</u>	<u>38</u>	<u>\$120,259</u>	<u>36</u>	<u>\$516,235</u>	<u>40</u>	<u>\$408,448</u>	<u>39</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$168,581	38	\$120,170	36	\$514,656	40	\$412,419	39
Non-controlling interests	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-
	<u>\$168,581</u>	<u>38</u>	<u>\$120,170</u>	<u>36</u>	<u>\$514,656</u>	<u>40</u>	<u>\$412,419</u>	<u>39</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$168,790	38	\$120,259	36	\$516,235	40	\$408,448	39
Non-controlling interests	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-
	<u>\$168,790</u>	<u>38</u>	<u>\$120,259</u>	<u>36</u>	<u>\$516,235</u>	<u>40</u>	<u>\$408,448</u>	<u>39</u>
EARNINGS PER SHARE								
Basic	<u>\$ 2.26</u>		<u>\$ 1.62</u>		<u>\$ 6.92</u>		<u>\$ 5.56</u>	
Diluted	<u>\$ 2.26</u>		<u>\$ 1.61</u>		<u>\$ 6.90</u>		<u>\$ 5.53</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
Appropriation of 2018 earnings													
Legal reserve	-	-	-	61,311	-	(61,311)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	61,006	(61,006)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(556,678)	(556,678)	-	-	-	(556,678)	-	(556,678)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	3,671	-	-	-	-	-	-	-	3,671	-	3,671
Issuance of cash dividends from capital surplus	-	-	(37,112)	-	-	-	-	-	-	-	(37,112)	-	(37,112)
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	412,419	412,419	-	-	-	412,419	-	412,419
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	(3,971)	-	(3,971)	-	(3,971)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	412,419	412,419	-	(3,971)	-	408,448	-	408,448
Issuance of ordinary shares under employee share options	40	406	12,894	-	-	-	-	-	-	-	13,300	-	13,300
Share-based payment	-	-	6,707	-	-	-	-	-	-	-	6,707	-	6,707
BALANCE, SEPTEMBER 30, 2019	<u>75,831</u>	<u>\$ 758,314</u>	<u>\$ 402,697</u>	<u>\$ 401,471</u>	<u>\$ 61,932</u>	<u>\$ 417,604</u>	<u>\$ 881,007</u>	<u>\$ -</u>	<u>(\$ 65,903)</u>	<u>(\$ 404,238)</u>	<u>\$ 1,571,877</u>	<u>\$ -</u>	<u>\$ 1,571,877</u>
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
Appropriation of 2019 earnings													
Legal reserve	-	-	-	54,047	-	(54,047)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	3,654	(3,654)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(408,466)	(408,466)	-	-	-	(408,466)	-	(408,466)
Changes in ownership interests in subsidiaries	-	-	49	-	-	-	-	-	-	-	49	-	49
Change in capital surplus from investments in associates accounted for by using equity method	-	-	3	-	-	-	-	-	-	-	3	-	3
Issuance of cash dividends from capital surplus	-	-	(111,400)	-	-	-	-	-	-	-	(111,400)	-	(111,400)
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	514,656	514,656	-	-	-	514,656	-	514,656
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	-	9	1,570	-	1,579	-	1,579
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	514,656	514,656	9	1,570	-	516,235	-	516,235
Issuance of ordinary shares under employee share options	223	2,226	68,642	-	-	-	-	-	-	-	70,868	-	70,868
Share-based payment	-	-	1,085	-	-	-	-	-	-	-	1,085	69	1,154
Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	-	15,000	15,000
BALANCE, SEPTEMBER 30, 2020	<u>76,057</u>	<u>\$ 760,562</u>	<u>\$ 362,825</u>	<u>\$ 455,518</u>	<u>\$ 65,586</u>	<u>\$ 594,142</u>	<u>\$ 1,115,246</u>	<u>\$ 5</u>	<u>(\$ 64,012)</u>	<u>(\$ 404,238)</u>	<u>\$ 1,770,388</u>	<u>\$ 15,069</u>	<u>\$ 1,785,457</u>

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 600,062	\$ 477,031
Adjustments for:		
Depreciation expenses	31,908	30,205
Amortization expenses	11,961	10,959
Expected credit loss (gain)	13,738	(3,435)
Finance costs	122	140
Interest income	(6,064)	(7,537)
Dividend income	(1,210)	(291)
Share-based payment	1,203	6,707
Share of loss of associates	2,703	3,361
Loss on disposal of property, plant and equipment	35	-
Gain on disposal of investments	(48)	(95)
Net loss (gain) on foreign currency exchange	7,111	(725)
Intangible assets transferred to expenses	110	-
Lease modification benefit	(12)	-
Changes in operating assets and liabilities		
Accounts receivable	(39,149)	16,437
Other receivables	1,650	(48)
Other receivables - related parties	(17)	(218)
Prepayments	(14,148)	(12,409)
Other current assets	667	(989)
Contract liabilities	23,165	(3,839)
Other payables	8,710	(5,629)
Other current liabilities	5,319	109
Net defined benefit liabilities	(469)	(416)
Bonuses payable to employees and directors	22,445	(12,284)
Cash generated from operations	669,792	497,034
Interest received	6,187	7,555
Income tax paid	(79,608)	(95,925)
Net cash generated from operating activities	<u>596,371</u>	<u>408,664</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at amortized cost	\$ 33,500	\$ -
Acquisition of financial assets at fair value through profit or loss	(626,000)	(592,000)
Proceeds from disposal of financial assets at fair value through profit or loss	626,048	592,095
Acquisition of property, plant and equipment	(26,534)	(21,698)
Increase in refundable deposits	(9)	(18)
Acquisition of intangible assets	(13,382)	(13,259)
Dividend received	1,210	291
Net cash used in investing activities	<u>(5,167)</u>	<u>(34,589)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	20,000	-
Repayment of the principal portion of lease liabilities	(2,321)	(2,251)
Dividend paid	(519,866)	(593,780)
Exercise of employee share options	70,868	13,300
Increase in non-controlling interests	15,000	-
Interest paid	(116)	(140)
Net cash used in financing activities	<u>(416,435)</u>	<u>(582,871)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(3,991)</u>	<u>446</u>
NET INCREASE (DECREASE) IN CASH	170,778	(208,350)
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>\$ 1,434,636</u>	<u>\$ 1,093,653</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: <https://mops.twse.com.tw/mops/web/index>