



Management Report for Fourth Fiscal Quarter 2021

Hsinchu, Taiwan, February 10th, 2022 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 31st December 2021.

Executive Summary

- Q4 2021 revenue was NT\$ 631.40 million, up 6.2% sequentially, and 27.1% year-over-year. Operating income increased 4.8% sequentially, and 40.9% year-over-year. EPS was NT\$ 3.86, and ROE at 51.4%.
- Licensing revenue will grow due to the continued strong demand for our IP, especially NeoFuse and PUF-related solutions.
- Royalty revenue will continue its growth momentum for 8-inch and 12-inch as demand and content increase for various applications in 5G, Automotive and IoT-related applications. 12/16nm and 7nm FinFET is expected to be the next growth driver after 28nm.

Financial Results

(Amounts in thousands of NT\$)

	Q4 2021 (unaudited)	Q3 2021	Change (QoQ)	Q4 2020	Change (YoY)	FY 2021 (unaudited)	FY 2020	Change (YoY)
Revenue	631,398	594,277	6.2%	496,682	27.1%	2,363,824	1,776,653	33.0%
Gross Margin	100%	100%	-	100%	-	100%	100%	-
Operating Expenses	299,677	277,611	7.9%	261,327	14.7%	1,095,012	954,067	14.8%
Operating Income	331,721	316,666	4.8%	235,355	40.9%	1,268,812	822,586	54.2%
Operating Margin	52.5%	53.3%	-0.8ppt	47.4%	5.1ppts	53.7%	46.3%	7.4ppts
*Net Income	287,263	277,181	3.6%	193,343	48.6%	1,101,157	707,999	55.5%
Net Margin	45.2%	46.3%	-1.1ppts	38.7%	6.5ppts	46.3%	39.8%	6.5ppts
EPS (NT\$)	3.86	3.72	3.8%	2.60	48.5%	14.78	9.52	55.3%
ROE	51.4%	53.2%	-1.8ppts	41.8%	9.6ppts	49.3%	38.3%	11.0ppts

*Net income attributable to Shareholders of the Company

Revenue Analysis

(Amounts in thousands of NT\$)

	Q4 2021	Q3 2021	Change (QoQ)	Q4 2020	Change (YoY)	FY 2021	FY 2020	Change (YoY)
Licensing	162,632	188,667	-13.8%	154,472	5.3%	702,851	490,105	43.4%
Royalty	468,766	405,610	15.6%	342,210	37.0%	1,660,973	1,286,548	29.1%
Total	631,398	594,277	6.2%	496,682	27.1%	2,363,824	1,776,653	33.0%



(Amounts in thousands of US\$)

	Q4 2021	Q3 2021	Change (QoQ)	Q4 2020	Change (YoY)	FY 2021	FY 2020	Change (YoY)
Licensing	5,855	6,778	-13.6%	5,350	9.4%	25,092	16,610	51.1%
Royalty	16,788	14,584	15.1%	11,859	41.6%	59,173	43,586	35.8%
Total	22,643	21,362	6.0%	17,209	31.6%	84,265	60,196	40.0%

Revenue analysis by technology

Technology	Q4 2021								
	Total Revenue			Licensing Revenue			Royalty Revenue		
	% of Q4 Revenue	Change (QoQ)	Change (YoY)	% of Q4 Licensing	Change (QoQ)	Change (YoY)	% of Q4 Royalty	Change (QoQ)	Change (YoY)
NeoBit	35.2%	-3.6%	0.0%	14.5%	-39.7%	-11.2%	42.4%	3.7%	1.5%
NeoFuse	57.1%	22.0%	46.6%	63.4%	10.4%	-6.3%	54.8%	27.3%	89.6%
PUF-Based	3.0%	585.6%	647.7%	11.6%	580.4%	639.6%	0.1%	2,188.9%	100.0%
MTP	4.7%	-54.5%	13.9%	10.5%	-68.2%	11.3%	2.7%	6.3%	17.6%

*The royalty revenue of NeoFuse up 27.3% QoQ and up 89.6% YoY due to increasing production from new and existing products from OLED, DDI, ISP, DTV, DRAM, and others.

Technology	FY 2021					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of FY 2021 Revenue	Change (YoY)	% of FY 2021 Licensing	Change (YoY)	% of FY 2021 Royalty	Change (YoY)
NeoBit	38.8%	1.5%	19.9%	45.9%	46.7%	-3.8%
NeoFuse	51.9%	58.4%	55.4%	15.6%	50.4%	91.6%
PUF-Based	1.2%	142.7%	4.2%	140.9%	0.0%	100.0%
MTP	8.1%	119.2%	20.5%	220.8%	2.9%	12.1%

*PUF-based IP licensing increased 140.9% YoY due to strong demand of PUF based solution.

- NeoBit : OTP technology covers from 0.25um to 55nm.
- NeoFuse : OTP technology covers mainly from 0.13um to 5nm.
- PUF-Based : OTP technology covers mainly from 65nm to 5nm.
- MTP : MTP technology covers from 0.18um to 22nm, 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	Q4 2021			FY 2021	
	% of Q4	Change (QoQ)	Change (YoY)	% of FY 2021	Change (YoY)
8-inch	50.3%	11.2%	13.0%	52.5%	8.9%
12-inch	49.7%	20.3%	74.4%	47.5%	62.4%

*8-inch revenue increased mainly due to production from PMIC, DDI, Fingerprint and Sensors.

*12-inch revenue also increased due to continuous production from WiFi 6/6E, OLED, ISP, DTV, DRAM and more.

Key Business Developments

Licensing

- Technology License
 - ✓ 8 licensing contracts were signed during this quarter.
 - ✓ As of December 31st, 2021, we have technologies under development for the adoption of 103 different process platforms, ranging from 0.25um to 5nm.

Development of Key Technologies

	5/6nm	7/10nm	12/16nm	22/28nm	40nm	55/65nm	80/90nm	0.11/0.13um	0.152/0.16 /0.18um	0.25um	Total
Qualified	2	2	6	40	20	32	22	20	1	0	145
Developing	2	1	5	11	2	19	12	19	31	1	103

- Design License
 - ✓ A total of 163 product tape-outs occurred in the fourth quarter of 2021, remaining at a high level.
 - 3 tape-outs at 6nm/7nm for AI SoC and others.
 - 4 tape-outs at 14nm/16nm for Multimedia, SSD Controller and others.
 - 20 tape-outs at 22nm/28nm for Sensor-related applications, MCU, OLED Driver, Network IC, Multimedia, SSD Controller and AI SoC.
 - 12 tape-outs at 40nm for Sensor-related applications, MCU, OLED Driver, TDDI, AI SoC and others.
 - 18 tape-outs at 55nm/63nm/65nm for PMIC, Sensor-related applications, MCU, OLED Driver, LCD Driver, TDDI, Network IC and Audio.
 - 7 tape-outs at 80nm/90nm for PMIC, LCD Driver and TDDI.
 - 23 tape-outs at 0.13um for PMIC, Sensor-related applications, MCU, OLED Driver, LCD Driver, Network IC and others.
 - 72 tape-outs at 0.18um for PMIC, Sensor-related applications, Fingerprint, MCU, LCD Driver, Clock, Oscillator, Touch and Motor Driver.
 - 4 tape-outs at 0.25um for PMIC and Sensor-related applications.



- ✓ As of December 31st, 2021, eMemory's cumulative number of design licenses has increased to 5,889—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

- Licensing revenue will grow due to the continued strong demand for our IPs, especially NeoFuse and PUF-related solutions.

Royalty

- 8-inch royalties will continue their momentum due to the demand and content increase for PMIC, MCU, Fingerprint, and Sensor-related in 5G, Automotive and IoT-related applications.
- 12-inch royalties will have strong growth as customers are ramping up production for TDDI, OLED, ISP, DTV, STB, WiFi 6/6E, Bluetooth, Ethernet, Switch, TWS, DRAM, and others. In addition, royalties for 12/16nm and 7nm FinFET have also started to contribute in the fourth quarter and is expected to be the next growth driver after 28nm.

New Business Development

- The focus of our new application development is in the field of security. There is already a trend replacing eFuse for secret key storage with NeoFuse and applications are migrating to more advanced processes. Besides replacing eFuse for security key storage, our IP was also adopted by automotive applications in 7nm and 6nm.
- Business activities for PUF-based security solutions are continuing to progress in IoT, Industrial IoT, AI, Blockchain, FPGA, Data Processor Unit (DPU), Mobile Storage (UFS), and Automotive applications. Our PUFrt (Root-of-Trust IP) and PUFcc (Crypto Co-Processor IP) have been adopted by several customers across various applications.
- We just announced that our PUFrt was selected by Arm for the secure sub-system of the Armv9 confidential computing architecture. This is significant breakthrough for our IP to be adopted by leading processor application markets.

New IP Technology Development

- In Q4 we have verified our security-enhanced NeoFuse OTP, which was designed in TSMC's N5 process. It is an integrated NeoFuse and NeoPUF IP with high security function. NeoFuse supports a variety of product applications, including those in high-end to mid-end Mobile, Consumer, AI, Networking, 5G Infrastructure, GPU, DPU and High-performance Computing. At present, we are discussing further collaborations with customers.
- ReRAM IP has been qualified on the UMC 40nm process, and tape-out has begun for the 22nm process. eMemory is one of the world's first companies to provide this emerging memory and offer more comprehensive solutions for Automotive, edge computing, AI and AIoT markets. We will extend the ReRAM technology to more advance process nodes and specialty processes such as BCD and high voltage.
- Continue to develop new security functional IPs, including PUF-based Security Co-Processors and PUF-based Security Elements.



- Develop NeoFlash in BCD as well as 28nm and below processes to solve the technology problem of traditional embedded Flash.

Financial Review

Gross margin

The gross margin remained at 100%.

Operating expenses

- The total operating expenses in Q4 2021 were NT\$ 299.68 million and represented 47.5% of the total revenue, which increased 14.7% from the prior year. The annual increase was mainly attributable to expenditure increases such as salary and other related human resource expenses such as bonuses and rewards.

Non-operating items and income tax expense

- Non-operating items for the quarter were NT\$ 785 thousand, which decreased 87.8% sequentially. The decreases were due to the decrease in government grants and the loss caused by the appreciation of the NTD this quarter.
- FY 2021 effective tax rate was 14.8%.

Net Income and EPS

- Net income attributable to shareholders of the company for the quarter was NT\$ 287.26 million, an increase of 3.6% sequentially, and an increase of 48.4% year-over-year.
- Earnings per share were NT\$ 3.86 in Q4 2021. ROE was 51.4%.

Current assets and current liabilities

- As of December 31st, 2021, cash increased by NT\$ 728.65 million from December 31st, 2020 to NT\$ 2,482.77 million.
- Total current assets including cash were NT\$ 2,621.82 million, with an increase of NT\$ 722.90 million from December 31st, 2020. The increase was due to revenue and profit growth.
- Total current liabilities increased by NT\$ 191.69 million from December 31st, 2020 to NT\$ 639.79 million.
- The net working capital was NT\$ 1,982.03 million and the current ratio was 4.10x.

Cash flows

- As of December 31st, 2021, net cash generated from operating activities totaled NT\$ 1,347.47 million, including NT\$ 1,283.10 million from income before income tax, NT\$ 59.62 million from depreciation and amortization, and NT\$ 4.75 million generated from other operating activities, which included tax payment of NT\$ 136.69 million.
- Net cash used in investing activities was NT\$ 12.31 million at the end December 31st, 2021, primarily related to the capital investment.
- Net cash used in financing activities was NT\$ 604.46 million at the end of December 31st,



2021, mainly attributable to the increase in cash dividends paid and the decrease in employees executing stock options.

- As a result, cash increased from NT\$ 1,754.11 million to NT2,482.77 million from December 31st, 2020 to December 31st, 2021.

Employee

- As of December 31st, 2021, eMemory has 269 full-time employees, including 185 R&D engineers. Our subsidiary, PUFsecurity has 28 full-time employees, including 17 R&D engineers.

Cautionary Statement

This report contains forward-looking statements, which are subject to risk factors associated with the 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 (UNAUDITED)

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020		LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 2,482,765	78	\$ 1,754,111	71	Contract liabilities - current	\$ 76,943	3	\$ 50,802	2
Accounts receivable - net	102,669	3	117,449	5	Other payables	152,271	5	136,590	5
Other receivables	5,271	-	105	-	Bonuses payable to employees and directors	254,989	8	164,397	7
Other receivables - related parties	-	-	277	-	Payables on equipment	9,763	-	5,134	-
Prepayments	27,260	1	23,711	1	Current tax liabilities	140,661	4	87,696	4
Other current assets	3,854	-	3,262	-	Lease liabilities - current	3,230	-	1,340	-
Total current assets	<u>2,621,819</u>	<u>82</u>	<u>1,898,915</u>	<u>77</u>	Other current liabilities	1,928	-	2,134	-
					Total current liabilities	<u>639,785</u>	<u>20</u>	<u>448,093</u>	<u>18</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income - noncurrent	16,130	1	21,037	1	Lease liabilities - noncurrent	5,532	-	2,073	-
Financial assets at amortized cost - noncurrent	116	-	114	-	Net defined benefit liabilities - noncurrent	19,190	1	21,233	1
Investment accounted for using the equity method	3,083	-	5,517	-	Guarantee deposits received	10	-	530	-
Property, plant and equipment	460,310	15	467,393	19	Total non-current liabilities	<u>24,732</u>	<u>1</u>	<u>23,836</u>	<u>1</u>
Right-of-use assets	8,686	-	3,352	-	Total liabilities	<u>664,517</u>	<u>21</u>	<u>471,929</u>	<u>19</u>
Intangible assets	72,436	2	76,814	3					
Deferred tax assets	4,257	-	4,022	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
Prepayments for equipment	-	-	50	-	Ordinary shares	761,235	24	760,592	31
Refundable deposits	471	-	358	-	Capital surplus	303,181	10	391,907	16
Total non-current assets	<u>565,489</u>	<u>18</u>	<u>578,657</u>	<u>23</u>	Retained earnings				
					Legal reserve	526,270	16	455,518	18
					Special reserve	60,101	2	65,586	3
					Unappropriated earnings	1,259,813	40	787,007	32
					Total retained earnings	<u>1,846,184</u>	<u>58</u>	<u>1,308,111</u>	<u>53</u>
					Other equity				
					Exchange differences on the translation of the financial statements of foreign operations	(112)	-	(26)	-
					Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(30,874)	(1)	(60,075)	(3)
					Total other equity	(30,986)	(1)	(60,101)	(3)
					Treasury shares	(404,238)	(13)	(404,238)	(16)
					Total equity attributable to shareholders of the Company	2,475,376	78	1,996,271	81
					NON-CONTROLLING INTERESTS				
						47,415	1	9,372	-
					Total equity	<u>2,522,791</u>	<u>79</u>	<u>2,005,643</u>	<u>81</u>
TOTAL	<u>\$ 3,187,308</u>	<u>100</u>	<u>\$ 2,477,572</u>	<u>100</u>	TOTAL	<u>\$ 3,187,308</u>	<u>100</u>	<u>\$ 2,477,572</u>	<u>100</u>



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 2,363,824	100	\$ 1,776,653	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	<u>2,363,824</u>	<u>100</u>	<u>1,776,653</u>	<u>100</u>
OPERATING EXPENSES				
Selling and marketing expenses	166,218	7	137,638	8
General and administrative expenses	257,449	11	208,855	12
Research and development expenses	681,871	29	602,718	34
Expected credit (gain) loss	(10,526)	(1)	4,856	-
Total operating expenses	<u>1,095,012</u>	<u>46</u>	<u>954,067</u>	<u>54</u>
OPERATING INCOME	<u>1,268,812</u>	<u>54</u>	<u>822,586</u>	<u>46</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	6,997	-	7,601	1
Other income	3,899	-	5,867	-
Other gains and losses	6,059	-	(1,650)	-
Finance costs	(109)	-	(165)	-
Share of loss of associates	(2,560)	-	(3,444)	-
Total non-operating income and expenses	<u>14,286</u>	<u>-</u>	<u>8,209</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,283,098	54	830,795	47
INCOME TAX EXPENSE	<u>189,444</u>	<u>8</u>	<u>123,950</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>1,093,654</u>	<u>46</u>	<u>706,845</u>	<u>40</u>

(Continued)



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 1,253	-	(\$ 478)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	23,656	1	5,507	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations	(97)	-	(24)	-
Share of the other comprehensive loss of associates accounted for using the equity method	-	-	(1)	-
Other comprehensive income for the year	<u>24,812</u>	<u>1</u>	<u>5,004</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,118,466</u>	<u>47</u>	<u>\$ 711,849</u>	<u>40</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 1,101,157	46	\$ 707,999	40
Non-controlling interests	(7,503)	-	(1,154)	-
	<u>\$ 1,093,654</u>	<u>46</u>	<u>\$ 706,845</u>	<u>40</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Company	\$ 1,125,980	47	\$ 713,006	40
Non-controlling interests	(7,514)	-	(1,157)	-
	<u>\$ 1,118,466</u>	<u>47</u>	<u>\$ 711,849</u>	<u>40</u>
EARNINGS PER SHARE				
Basic	<u>\$ 14.78</u>		<u>\$ 9.52</u>	
Diluted	<u>\$ 14.73</u>		<u>\$ 9.47</u>	

(Concluded)



eMemory Technology Inc. and Subsidiary

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Shareholders of the Company							Other Equity		Treasury Shares	Total	Non-Controlling Interests	Total Equity
	Ordinary Shares		Capital Surplus	Retained Earnings			Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income					
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			Total				
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 percentage of ownership interests in subsidiaries	-	-	24,629	-	-	-	-	-	-	-	24,629	(24,629)	-
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	3,580	-	-	-	-	-	-	-	3,580	-	3,580
Issuance of cash dividends from capital surplus	-	-	(111,400)	-	-	-	-	-	-	-	(111,400)	-	(111,400)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	-	707,999	707,999	-	-	-	707,999	(1,154)	706,845
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(478)	(478)	(22)	5,507	-	5,007	(3)	5,004
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	707,521	707,521	(22)	5,507	-	713,006	(1,157)	711,849
Issuance of ordinary shares under employee share options	226	2,256	69,567	-	-	-	-	-	-	-	71,823	-	71,823
Share-based payment	-	-	1,085	-	-	-	-	-	-	-	1,085	158	1,243
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	35,000	35,000
BALANCE, DECEMBER 31, 2020	76,060	760,592	391,907	455,518	65,586	787,007	1,308,111	(26)	(60,075)	(404,238)	1,996,271	9,372	2,005,643
Appropriation of 2020 earnings													
Legal reserve	-	-	-	70,752	-	(70,752)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(5,485)	5,485	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(558,792)	(558,792)	-	-	-	(558,792)	-	(558,792)
Changes in percentage of ownership interests in subsidiaries	-	-	3,068	-	-	-	-	-	-	-	3,068	(3,068)	-
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	126	-	-	-	-	-	-	-	126	-	126
Issuance of cash dividends from capital surplus	-	-	(111,759)	-	-	-	-	-	-	-	(111,759)	-	(111,759)
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	-	1,101,157	1,101,157	-	-	-	1,101,157	(7,503)	1,093,654
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,253	1,253	(86)	23,656	-	24,823	(11)	24,812
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,102,410	1,102,410	(86)	23,656	-	1,125,980	(7,514)	1,118,466
Issuance of ordinary shares under employee share options	64	643	19,839	-	-	-	-	-	-	-	20,482	9,613	30,095
Share-based payment	-	-	-	-	-	-	-	-	-	-	-	78	78
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	38,934	38,934
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(5,545)	(5,545)	-	5,545	-	-	-	-
BALANCE, DECEMBER 31, 2021	76,124	\$ 761,235	\$ 303,181	\$ 526,270	\$ 60,101	\$ 1,259,813	\$ 1,846,184	(\$ 112)	(\$ 30,874)	(\$ 404,238)	\$ 2,475,376	\$ 47,415	\$ 2,522,791



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,283,098	\$ 830,795
Adjustments for:		
Depreciation expenses	40,785	43,206
Amortization expenses	18,838	16,356
Expected credit (gain) loss	(10,526)	4,856
Finance costs	109	165
Interest income	(6,997)	(7,601)
Dividend income	(315)	(1,210)
Share-based payment	78	1,243
Share of loss of associates	2,560	3,444
Loss on disposal of property, plant and equipment	26	35
Gain on disposal of investments	(100)	(48)
Net loss on foreign currency exchange	4,553	4,705
Lease modification benefit	-	(12)
Intangible assets transferred to expenses	-	110
Changes in operating assets and liabilities		
Accounts receivable	22,699	2,193
Other receivables	(5,118)	1,691
Other receivables - related parties	277	133
Prepayments	(3,571)	(4,258)
Other current assets	(592)	1,013
Contract liabilities	26,141	17,965
Other payables	15,678	55,673
Other current liabilities	(206)	403
Net defined benefit liabilities	(790)	(629)
Bonuses payable to employees and directors	90,592	39,277
Cash generated from operations	<u>1,477,219</u>	<u>1,009,505</u>
Interest received	6,949	7,734
Income tax paid	(136,692)	(93,399)
Net cash generated from operating activities	<u>1,347,476</u>	<u>923,840</u>

(Continued)



eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 28,563	\$ -
Acquisition of financial assets at amortized cost	(2)	(1)
Proceeds from disposal of financial assets at amortized cost	-	33,500
Acquisition of financial assets at fair value through profit or loss	(771,000)	(626,000)
Proceeds from disposal of financial assets at fair value through profit or loss	771,100	626,048
Acquisition of property, plant and equipment	(26,762)	(30,155)
Increase in refundable deposits	(113)	(9)
Acquisition of intangible assets	(14,460)	(19,475)
Increase in prepayments for equipment	-	(50)
Decrease in prepayments for equipment	50	-
Dividend received	<u>315</u>	<u>1,210</u>
Net cash used in investing activities	<u>(12,309)</u>	<u>(14,932)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	-	20,000
Decrease in short-term bank loans	-	(20,000)
Decrease in guarantee deposits received	(520)	-
Repayment of the principal portion of lease liabilities	(2,322)	(3,035)
Dividend paid	(670,536)	(519,866)
Exercise of employee share options	30,095	71,823
Increase in non-controlling interests	38,934	35,000
Interest paid	(109)	(165)
Net cash used in financing activities	<u>(604,458)</u>	<u>(416,243)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(2,055)</u>	<u>(2,412)</u>
NET INCREASE IN CASH	728,654	490,253
CASH AT THE BEGINNING OF THE YEAR	<u>1,754,111</u>	<u>1,263,858</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,482,765</u>	<u>\$ 1,754,111</u>

(Concluded)