



Management Report for Fourth Quarter Fiscal 2020

Hsinchu, Taiwan, February 9th, 2021 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 31st December 2020.

Executive Summary

- Q4 2020 revenue was a record high, up 12.6% sequentially and 37.2% year-over-year. Operating income increased 19.3% sequentially and 47.5% year-over-year. EPS was NT\$ 2.60, and ROE at 41.8%.
- Full-year revenue up 26.0% year-over-year. EPS was NT\$ 9.52, up 30.4% year-over-year, and ROE at 38.3%.
- Licensing revenue will grow as continued strong demand for NeoFuse, NeoPUF and MTP related (MTP, emerging memory and AI memory) technologies.
- Royalty revenue will continue its growth momentum for both 8-inch and 12-inch as content increases in 5G PMIC, demand pick-up for TDDI, Automotive, IoT applications, and other new applications increasing production for ISP, OLED, DRAM, SSD Controller, Multimedia-related, Networking-related such as Bluetooth, WiFi 6, TWS and others.

Financial Results

(Amounts in thousands of NT\$)

	Q4 2020 (Unaudited)	Q3 2020	Change (QoQ)	Q4 2019	Change (YoY)	FY 2020 (Unaudited)	FY 2019	Change (YoY)
Revenue	496,682	441,259	12.6%	361,896	37.2%	1,776,653	1,410,085	26.0%
Gross Margin	100%	100%	-	100%	-	100%	100%	-
Operating Expenses	261,327	243,913	7.1%	202,386	29.1%	954,067	788,762	21.0%
Operating Income	235,355	197,346	19.3%	159,510	47.5%	822,586	621,323	32.4%
Operating Margin	47.4%	44.7%	2.7 pts	44.1%	3.3 pts	46.3%	44.1%	2.2 pts
Net Income Attributable to Owners of the Company	193,343	168,581	14.7%	129,653	49.1%	707,999	542,072	30.6%
Net Margin	38.7%	38.2%	0.5 ppt	35.8%	2.9 pts	39.8%	38.4%	1.4 pts
EPS (Unit: NTD)	2.60	2.26	15.0%	1.74	49.4%	9.52	7.30	30.4%
ROE	41.8%	38.8%	3.0 pts	30.2%	11.6 pts	38.3%	31.6%	6.7 pts



Revenue Analysis

(Amounts in thousands of NT\$)

	Q4 2020	Q3 2020	Change (QoQ)	Q4 2019	Change (YoY)	FY 2020	FY 2019	Change (YoY)
Licensing	154,472	111,125	39.0%	115,944	33.2%	490,105	430,263	13.9%
Royalty	342,210	330,134	3.7%	245,952	39.1%	1,286,548	979,822	31.3%
Total	496,682	441,259	12.6%	361,896	37.2%	1,776,653	1,410,085	26.0%

(Amounts in thousands of US\$)

	Q4 2020	Q3 2020	Change (QoQ)	Q4 2019	Change (YoY)	FY 2020	FY 2019	Change (YoY)
Licensing	5,350	3,765	42.1%	3,798	40.9%	16,610	13,944	19.1%
Royalty	11,859	11,195	5.9%	8,047	47.4%	43,586	31,810	37.0%
Total	17,209	14,960	15.0%	11,845	45.3%	60,196	45,754	31.6%

Revenue analysis by technology

Technology	Q4 2020								
	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	44.7%	-6.1%	12.2%	17.1%	6.2%	-17.1%	57.2%	-7.6%	17.8%
NeoFuse	49.5%	40.0%	81.2%	71.3%	60.6%	67.5%	39.6%	26.7%	94.1%
PUF-Based	0.5%	-58.7%	-40.1%	1.7%	-58.7%	-40.1%	0.0%	0.0%	0.0%
MTP	5.3%	14.9%	9.1%	9.9%	33.6%	9.3%	3.2%	-3.9%	8.9%

Technology	FY 2020					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of 2020 Revenue	Change (YoY)	% of 2020 Licensing	Change (YoY)	% of 2020 Royalty	Change (YoY)
NeoBit	50.8%	5.6%	19.5%	-17.4%	62.7%	9.2%
NeoFuse	43.6%	74.7%	68.8%	38.0%	34.0%	119.8%
PUF-Based	0.7%	148.2%	2.5%	148.2%	0.0%	0.0%
MTP	4.9%	-18.1%	9.2%	-30.9%	3.3%	1.9%

- 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	Q4 2020			FY 2020	
	% of Q4	Change (QoQ)	Change (YoY)	% of 2020	Change (YoY)
8-inch	61.0%	5.0%	21.2%	62.3%	18.0%
12-inch	39.0%	1.7%	80.9%	37.7%	61.4%

Key Business Developments

Licensing

- Technology License
 - ✓ 4 licensing contracts were signed during this quarter, 3 for NeoFuse and 1 for NeoMTP.
 - ✓ As of December 31st, 2020, we have technologies under development for the adoption of 99 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	26	16	17	1	111
Developing	4	1	5	11	5	15	13	3	3	60

- Design License
 - ✓ A total of 137 product tape-outs occurred in the fourth quarter of 2020.
 - 1 tape-out at 14nm/16nm for advanced processor.
 - 17 tape-outs at 22nm/28nm for PMIC, MCU, ISP, OLED driver, RFID, Ethernet, AI SoC, SSD controller, motor driver, and DRAM.
 - 9 tape-outs at 40nm for MCU, OLED driver, TDDI, Bluetooth, and Wi-Fi.
 - 18 tape-outs at 55nm/63nm/65nm for PMIC, CIS, MCU, OLED driver, LCD driver, TDDI, Bluetooth, touch panel controller, and etc.
 - 6 tape-outs at 80nm/90nm for OLED driver, LCD driver, and TDDI.
 - 23 tape-outs at 0.13um for PMIC, MCU, OLED driver, LCD driver, and TDDI.
 - 58 tape-outs at 0.18um for PMIC, ambient light sensor, controller sensor, gyroscope, magnetics, fingerprint sensor, MCU, LCD driver, RFID, HDMI, touch panel controller, oscillator, and etc.
 - 5 tape-outs at 0.25um for ambient light sensors, temperature sensors, and fingerprint sensors.



- ✓ As of December 31st, 2020, eMemory's cumulative number of design licenses has increased to 5,268—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

- Strong demand for NeoFuse, NeoPUF and MTP related will drive licensing revenue growth for the year.

Royalty

- 8-inch royalties will continue its momentum due to PMIC content increase in 5G smartphone and demand pick-up for TDDI, automotive, and IoT applications.
- 12-inch royalties will have strong growth as customers are increasing production for ISP, OLED, DRAM, SSD Controller, Multimedia-related, Networking-related such as Bluetooth, WiFi 6, TWS, and others.
- Royalties from 16nm and below have started to kick in according to the most recent royalty report.

New Business Development

- NeoFuse in advanced processes is being adopted for secure Key storage to replace the conventional e-Fuse. We expect this will be a trend in hardware security.
- Business activities of PUF-based security solutions are in progress in the applications of IoT, industrial IoT, AI, Blockchain, FPGA, Data Processor Unit (DPU), Mobile Storage (UFS), and Automotive.
- PUFrt has been adopted by American customers and all cooperation is in progress.
- Partnership with Processor IP vendors i.e. ARM and RISC-V related will extend our PUF-based security solution platform and bring in more customer adoption.

New IP Technology Development

- We have demonstrated 6nm silicon results successfully.
- 5nm plus (N5P) has been taped out in Q4, and silicon verification will be completed in 2021.
- We have announced the Crypto Processor, PUFiot, which integrates our Root-of-Trust, PUFrt, with Crypto Engines. PUFiot is targeted at providing IoT and AI chips with a comprehensive, easy to use security solution.
- We have announced a joint-partnership with UMC on PUFflash development by providing an integrated security solution for encrypting and protecting the data in the flash.



- 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 applications.

Financial Review

Gross margin

Gross margin remained at 100%.

Operating expenses

- The total operating expenses in Q4 2020 were NT\$ 261.33 million, increased by 7.1% sequentially and 29.1% year-over-year. The sequential and annual increases were mainly attributable to expenditure increases such as human resource expenses, rewards and bonuses, and the compensation of employees and directors.

Non-operating items and income tax expense

- Non-operating items for the quarter were a loss of NT\$ 4.62 million, compared to a gain of NT\$ 1.63 million in Q3 2020. The sequential decrease was mainly due to the loss in the exchange rate caused by the appreciation of the Taiwan dollar.
- Full year 2020 effective tax rate was 14.9%.

Net Income and EPS

- Net income attributable to owners of the company for the quarter was NT\$ 193.34 million, an increase of 14.7% sequentially and 49.1% year-over-year.
- Earnings per share was NT\$ 2.60 in Q4 2020. ROE was 41.8%. Full year earnings per share was NT\$ 9.52, and ROE was 38.3%.

Current assets and current liabilities

- As of December 31st, 2020, cash increased by NT\$ 490.25 million from December 31st, 2019 to NT\$ 1,754.11 million.
- Total current assets including cash were NT\$ 1,898.92 million, with an increase of NT\$ 482.16 million from December 31st, 2019. The increase was due to the growth in revenue.
- Total current liabilities increased by NT\$ 142.94 million from December 31st, 2019 to NT\$ 448.09 million.
- Net working capital was NT\$ 1,450.82 million and the current ratio was 4.24x.

Cash flows

- As of December 31st, 2020, net cash generated from operating activities totaled NT\$ 923.84 million, including NT\$ 830.80 million from income before income tax, NT\$ 59.56 million from depreciation and amortization, and NT\$ 33.48 million generated from other operating activities, which included tax payment of NT\$ 93.40 million.



- Net cash used in investing activities was NT\$ 14.93 million at the end of December 31st, 2020, primarily related to capital expenditures and acquisition of intangible assets.
- Net cash used in financing activities was NT\$ 416.24 million at the end of December 31st, 2020, mainly attributable to cash dividends paid.
- As a result, cash increased by NT\$ 490.25 million to NT\$ 1,754.11 million from December 31st, 2019 to December 31st, 2020.

Employee

- As of December 31st, 2020, eMemory has 260 full-time employees, including 178 R&D engineers. Subsidiary, PUFsecurity has 28 full-time employees, including 15 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.

Contact

Fiona Lai
Investor Relations
eMemory Technology Inc.
+886-3-5601168
ir@ememory.com.tw

-Financial Statements To Follow-

eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019		LIABILITIES AND EQUITY	2020		2019	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$1,754,111	71	\$1,263,858	62	Contract liabilities - current	\$ 50,802	2	\$ 32,837	2
Accounts receivable - net	117,449	5	126,812	7	Other payables	136,590	5	80,914	4
Other receivables	105	-	1,929	-	Bonuses payable to employees and directors	164,397	7	125,120	6
Other receivables - related parties	277	-	410	-	Payables on equipment	5,134	-	4,861	-
Prepayments	23,711	1	19,472	1	Current tax liabilities	87,696	4	56,576	3
Other current assets	3,262	-	4,275	-	Lease liabilities - current	1,340	-	3,114	-
Total current assets	<u>1,898,915</u>	<u>77</u>	<u>1,416,756</u>	<u>70</u>	Other current liabilities	2,134	-	1,731	-
					Total current liabilities	<u>448,093</u>	<u>18</u>	<u>305,153</u>	<u>15</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income - noncurrent	21,037	1	15,530	1	Lease liabilities - noncurrent	2,073	-	4,246	-
Financial assets at amortized cost - noncurrent	114	-	33,613	2	Net defined benefit liabilities - noncurrent	21,233	1	21,384	1
Investment accounted for using equity method	5,517	-	5,382	-	Guarantee deposits received	530	-	530	-
Property, plant and equipment	467,393	19	477,171	23	Total non-current liabilities	<u>23,836</u>	<u>1</u>	<u>26,160</u>	<u>1</u>
Right-of-use assets	3,352	-	7,287	-	Total liabilities	<u>471,929</u>	<u>19</u>	<u>331,313</u>	<u>16</u>
Intangible assets	76,814	3	73,805	4					
Deferred tax assets	4,022	-	3,434	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
Prepayments for equipment	50	-	-	-	Ordinary shares	<u>760,592</u>	<u>31</u>	<u>758,336</u>	<u>37</u>
Refundable deposits	358	-	349	-	Capital surplus	<u>391,907</u>	<u>16</u>	<u>404,446</u>	<u>20</u>
Total non-current assets	<u>578,657</u>	<u>23</u>	<u>616,571</u>	<u>30</u>	Retained earnings				
					Legal reserve	455,518	18	401,471	20
					Special reserve	65,586	3	61,932	3
					Unappropriated earnings	<u>787,007</u>	<u>32</u>	<u>545,653</u>	<u>27</u>
					Total retained earnings	<u>1,308,111</u>	<u>53</u>	<u>1,009,056</u>	<u>50</u>
					Other equity				
					Exchange differences on translating the financial statements of foreign operations	(26)	-	(4)	-
					Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(60,075)	(3)	(65,582)	(3)
					Total other equity	(60,101)	(3)	(65,586)	(3)
					Treasury shares	(404,238)	(16)	(404,238)	(20)
					Total equity attributable to shareholders of the Company	1,996,271	81	1,702,014	84
					NON-CONTROLLING INTERESTS				
						<u>9,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
					Total equity	<u>2,005,643</u>	<u>81</u>	<u>1,702,014</u>	<u>84</u>
TOTAL	<u>\$2,477,572</u>	<u>100</u>	<u>\$2,033,327</u>	<u>100</u>	TOTAL	<u>\$2,477,572</u>	<u>100</u>	<u>\$2,033,327</u>	<u>100</u>

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 1,776,653	100	\$ 1,410,085	100
OPERATING COSTS	-	-	-	-
GROSS PROFIT	<u>1,776,653</u>	<u>100</u>	<u>1,410,085</u>	<u>100</u>
OPERATING EXPENSES				
Selling and marketing expenses	137,638	8	122,545	9
General and administrative expenses	208,855	12	162,986	11
Research and development expenses	602,718	34	506,215	36
Expected credit loss (gain)	<u>4,856</u>	<u>-</u>	<u>(2,984)</u>	<u>-</u>
Total operating expenses	<u>954,067</u>	<u>54</u>	<u>788,762</u>	<u>56</u>
OPERATING INCOME	<u>822,586</u>	<u>46</u>	<u>621,323</u>	<u>44</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,601	1	9,631	-
Other income	5,867	-	10,129	1
Other gains and losses	(1,650)	-	(3,384)	-
Finance costs	(165)	-	(179)	-
Share of loss of associates	<u>(3,444)</u>	<u>-</u>	<u>(4,336)</u>	<u>-</u>
Total non-operating income and expenses	<u>8,209</u>	<u>1</u>	<u>11,861</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	830,795	47	633,184	45
INCOME TAX EXPENSE	<u>123,950</u>	<u>7</u>	<u>91,112</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>706,845</u>	<u>40</u>	<u>542,072</u>	<u>38</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(\$ 478)	-	(\$ 1,604)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	5,507	-	(3,650)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(24)	-	-	-
Share of the other comprehensive loss of associates accounted for using the equity method	(1)	-	(4)	-
Other comprehensive income (loss) for the year	<u>5,004</u>	-	<u>(5,258)</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 711,849</u>	<u>40</u>	<u>\$ 536,814</u>	<u>38</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 707,999	40	\$ 542,072	38
Non-controlling interests	(1,154)	-	-	-
	<u>\$ 706,845</u>	<u>40</u>	<u>\$ 542,072</u>	<u>38</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 713,006	40	\$ 536,814	38
Non-controlling interests	(1,157)	-	-	-
	<u>\$ 711,849</u>	<u>40</u>	<u>\$ 536,814</u>	<u>38</u>
EARNINGS PER SHARE				
Basic	<u>\$ 9.52</u>		<u>\$ 7.30</u>	
Diluted	<u>\$ 9.47</u>		<u>\$ 7.26</u>	

(Concluded)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Company											Total Equity	
	Ordinary Shares		Capital Surplus	Legal Reserve	Retained Earnings			Other Equity		Treasury Shares	Total		Non-Controlling Interests
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
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	-	-	3,676	-	-	-	-	-	-	-	3,676	-	3,676
Issuance of cash dividends from capital surplus	-	-	(37,112)	-	-	-	-	-	-	-	(37,112)	-	(37,112)
Net profit for the year ended December 31, 2019	-	-	-	-	-	542,072	542,072	-	-	-	542,072	-	542,072
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(1,604)	(1,604)	(4)	(3,650)	-	(5,258)	-	(5,258)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	540,468	540,468	(4)	(3,650)	-	536,814	-	536,814
Issuance of ordinary shares under employee share options	43	428	13,554	-	-	-	-	-	-	-	13,982	-	13,982
Share-based payment	-	-	7,791	-	-	-	-	-	-	-	7,791	-	7,791
BALANCE, DECEMBER 31, 2019	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	-	-	24,629	-	-	-	-	-	-	-	24,629	(24,629)	-
Change in capital surplus from investments in associates accounted for by using equity method	-	-	3,580	-	-	-	-	-	-	-	3,580	-	3,580
Issuance of cash dividends from capital surplus	-	-	(111,400)	-	-	-	-	-	-	-	(111,400)	-	(111,400)
Net profit for the year ended December 31, 2020	-	-	-	-	-	707,999	707,999	-	-	-	707,999	(1,154)	706,845
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	(478)	(478)	(22)	5,507	-	5,007	(3)	5,004
Total comprehensive income 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

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 830,795	\$ 633,184
Adjustments for:		
Depreciation expenses	43,206	40,678
Amortization expenses	16,356	14,495
Expected credit loss (gain)	4,856	(2,984)
Finance costs	165	179
Interest income	(7,601)	(9,631)
Dividend income	(1,210)	(291)
Share-based payment	1,243	7,791
Share of loss of associates	3,444	4,336
Loss on disposal of property, plant and equipment	35	-
Gain on disposal of investments	(48)	(95)
Net loss on foreign currency exchange	4,705	4,321
Lease modification benefit	(12)	-
Intangible assets transferred to expenses	110	10
Changes in operating assets and liabilities		
Accounts receivable	2,193	32,484
Other receivables	1,691	(1,691)
Other receivables - related parties	133	(159)
Prepayments	(4,258)	426
Other current assets	1,013	(1,373)
Contract liabilities	17,965	(4,985)
Other payables	55,673	(13,204)
Other current liabilities	403	115
Net defined benefit liabilities	(629)	(554)
Bonuses payable to employees and directors	39,277	(12,972)
Cash generated from operations	1,009,505	690,080
Interest received	7,734	9,618
Income tax paid	(93,399)	(107,168)
Net cash generated from operating activities	<u>923,840</u>	<u>592,530</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(\$ 1)	(\$ 1)
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	(30,155)	(24,601)
Increase in refundable deposits	(9)	(18)
Acquisition of intangible assets	(19,475)	(21,148)
Increase in prepayments for equipment	(50)	-
Dividend received	1,210	291
Net cash used in investing activities	<u>(14,932)</u>	<u>(45,382)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	20,000	-
Decrease in short-term bank loans	(20,000)	-
Repayment of the principal portion of lease liabilities	(3,035)	(3,022)
Dividend paid	(519,866)	(593,780)
Exercise of employee share options	71,823	13,982
Increase in non-controlling interests	35,000	-
Interest paid	(165)	(179)
Net cash used in financing activities	<u>(416,243)</u>	<u>(582,999)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(2,412)</u>	<u>(2,294)</u>
NET INCREASE (DECREASE) IN CASH	490,253	(38,145)
CASH AT THE BEGINNING OF THE YEAR	<u>1,263,858</u>	<u>1,302,003</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,754,111</u>	<u>\$ 1,263,858</u>

(Concluded)