

Management Report for Third Fiscal Quarter 2023

Hsinchu, Taiwan, November 8th, 2023 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended September 30th, 2023.

Executive Summary

- Q3 2023 revenue was NT\$ 787.09 million, up 13.0% sequentially but down 0.4% year-over-year. Net income increased by 15.4% sequentially but decreased 0.1% year-over-year. EPS was NT\$ 5.44, and ROE was 57.2%.
- We expect sequential growth for our revenue driven by strong licensing demand and expect royalty to regain growth momentum due to multiple new tape-outs moving into the production stage.

Financial Results

(Amounts in thousands of NT\$)

	Q3 2023	Q2 2023	QoQ	Q3 2022	YoY
Revenue	787,091	696,625	13.0%	790,608	-0.4%
Gross Margin	100%	100%	-	100%	-
Operating Expenses	369,873	327,865	12.8%	345,160	7.2%
Operating Income	417,218	368,760	13.1%	445,448	-6.3%
Operating Margin	53.0%	52.9%	0.1ppt	56.3%	-3.3ppts
*Net Income	405,903	351,697	15.4%	406,430	-0.1%
Net Margin	51.5%	50.2%	1.3ppts	50.9%	0.6ppt
EPS (NT\$)	5.44	4.71	15.5%	5.45	-0.2%
ROE	57.2%	53.5%	3.7ppts	63.7%	-6.5ppts

*Net income attributable to Shareholders of the Company

Revenue Analysis

(Amounts in thousands of NT\$)

	Q3 2023	Q2 2023	Change (QoQ)	Q3 2022	Change (YoY)
Licensing	259,151	249,711	3.8%	144,631	79.2%
Royalty	527,940	446,914	18.1%	645,977	-18.3%
Total	787,091	696,625	13.0%	790,608	-0.4%

Revenue analysis by technology

Technology	Q3 2023								
	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	23.8%	-2.8%	-30.9%	27.4%	25.5%	87.4%	22.1%	-14.5%	-50.1%
NeoFuse	63.4%	20.2%	9.4%	38.4%	-12.3%	48.0%	75.6%	32.5%	2.7%
PUF-Based	7.3%	104.7%	161.6%	22.1%	108.7%	189.4%	0.0%	-91.5%	-97.8%
MTP	5.5%	-28.7%	5.4%	12.1%	-39.9%	59.0%	2.3%	39.0%	-44.0%

- NeoBit : OTP technology covers from 0.5um to 55nm.
- NeoFuse : OTP technology covers mainly from 0.18um to 3nm.
- PUF-Based : PUF technology covers mainly from 55nm to 5nm.
- MTP : MTP technology covers from 0.15um 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	Q3 2023		
	% of Q3	Change (QoQ)	Change (YoY)
8-inch	36.3%	-3.8%	-36.5%
12-inch	63.7%	35.7%	-2.3%

Key Business Developments

Licensing

- Technology License
 - ✓ 15 licensing contracts were signed during this quarter.
 - ✓ As of September 30th, 2023, we have technologies under development for the adoption of 156 different process platforms, ranging from 0.25um to 3nm.

Development of Key Technologies

	3nm	4/5nm	6/7nm	12/16nm	22/28nm	40nm	55/65nm	80/90nm	0.11/ 0.13um	0.152/0.16/ 0.18um	0.25um	0.3/ 0.35um	0.4/ 0.5um	Total
Qualified	0	2	4	9	46	23	40	36	98	240	42	53	11	604
Developing	3	6	1	7	20	7	30	15	29	37	1	0	0	156

- Design License
 - ✓ A total of 139 product tape-outs occurred in the third quarter of 2023, remaining at a high level.
 - 2 tape-outs at 6nm/7nm for Sensor-related and AI SoC.
 - 4 tape-outs at 12nm/14nm/16nm for MCU, Network IC, AI SoC and others.
 - 14 tape-outs at 22nm/28nm for MCU, OLED Driver, Network IC, Multimedia and others.
 - 8 tape-outs at 40nm for MCU, TDDI, OLED Driver, Fingerprint, Network IC, Audio and others.
 - 20 tape-outs at 55nm/63nm/65nm for PMIC, MCU, Sensor-related, TDDI, LCD Driver, OLED Driver and others.
 - 5 tape-outs at 80nm/90nm for PMIC, MCU, TDDI, OLED Driver and Fingerprint.
 - 17 tape-outs at 0.13um for PMIC, MCU, Sensor-related, LCD Driver and Audio.
 - 65 tape-outs at 0.18um for PMIC, MCU, Sensor-related, LCD Driver, Fingerprint and others.
 - 3 tape-outs at 0.25um for PMIC and Sensor-related.
 - 1 tape-out for DRAM.
 - ✓ As of September 30th, 2023, eMemory's cumulative number of design licenses has increased to 6,926—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 licensing demand will continue to drive the growth momentum of licensing fees.

Royalty

- We expect royalties to regain growth momentum as new processes and applications enter production.

New IP Technology and Business Development

- Our development of special processes such as HV, HK, BCD, embedded flash, and emerging memory (RRAM/MRAM) continues to move into more advanced nodes, driving more applications and sustained growth in royalty revenues per wafer.
- Security-related applications are the focus of our development in advanced processes. In addition to licensing to major foundries, we expect to complete licensing to US foundries this quarter.

Financial Review

Gross margin

The gross margin remained at 100%.

Operating expenses

- The total operating expenses in Q3 2023 were NT\$ 369.87 million and represented 47.0% of the total revenue. The operating expenses were up 12.8% QoQ. The increase was mainly attributable to the increase in bonuses and rewards.

Non-operating items and income tax expense

- Non-operating income for the quarter was NT\$ 69.02 million, mainly due to the benefits derived from the depreciation of the Taiwan dollar this quarter.
- Q1-Q3 2023 effective tax rate was 16.5%.

Net Income and EPS

- Net income attributable to shareholders of the company for the quarter was NT\$ 405.90 million, an increase of 15.4% sequentially but a decrease of 0.1% year-over-year.
- Earnings per share was NT\$ 5.44 in Q3 2023. ROE was 57.2%

Current assets and current liabilities

- As of September 30th, 2023, cash decreased by NT\$ 1,409.75 million from June 30th, 2023, to NT\$ 2,302.08 million.
- Total current assets including cash totaled NT\$ 2,706.06 million, with a decrease of NT\$ 1,308.66 million from June 30th, 2023. The decrease was due to the dividend payout.
- Total current liabilities decreased by NT\$ 1,729.94 million from June 30th, 2023, to NT\$ 623.06 million, primarily due to the dividend payout.
- The net working capital was NT\$ 2,803 million and the current ratio was 4.3x.

Cash flows

- As of September 30th, net cash generated from operating activities totaled NT\$ 774.26 million, including NT\$ 1,273.62 million from income before income tax, NT\$ 91.04 million from depreciation and amortization, and NT\$ 590.40 million used in other operating activities, which included tax payment of NT\$ 360.10 million.
- Net cash used in investing activities was NT\$ 111.56 million in Q1-Q3 2023, primarily related to capital investment.
- Net cash used in financing activities was NT\$ 1,479.24 million in Q1-Q3 2023, mainly attributable to cash dividends.
- As a result, total cash decreased from NT\$ 3,066.27 million to NT\$ 2,302.08 million from December 31st, 2022, to September 30th, 2023.

Employee

- As of September 30th, 2023, eMemory has 292 full-time employees, including 202 R&D engineers. Our subsidiaries, PUFsecurity has 46 full-time employees, including 24 R&D engineers, and eMemory Japan has 7 full-time employees, including 4 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 (In Thousands of New Taiwan Dollars)

	September 30, 2023		December 31, 2022		September 30, 2022			September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
ASSETS							LIABILITIES AND EQUITY						
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$2,302,078	70	\$3,066,268	79	\$2,488,216	75	Short-term loans	\$ 30,000	1	\$ -	-	\$ -	-
Accounts receivable - net	367,752	11	239,381	6	238,959	7	Contract liabilities - current	70,754	2	67,508	2	82,310	2
Accounts receivable - related parties	-	-	3,071	-	-	-	Other payables	144,843	5	181,897	5	146,339	4
Other receivables	1,673	-	1,018	-	525	-	Other payables - related parties	50	-	10	-	45	-
Prepayments	28,656	1	20,014	1	27,484	1	Bonuses payable to employees and directors	360,293	11	384,981	10	348,978	11
Other current assets	<u>5,902</u>	-	<u>4,157</u>	-	<u>3,876</u>	-	Payables on equipment	11,662	-	7,478	-	1,914	-
Total current assets	<u>2,706,061</u>	<u>82</u>	<u>3,333,909</u>	<u>86</u>	<u>2,759,060</u>	<u>83</u>	Current tax liabilities	-	-	139,676	3	65,948	2
							Lease liabilities - current	2,895	-	3,299	-	3,283	-
							Other current liabilities	<u>2,560</u>	-	<u>1,979</u>	-	<u>1,703</u>	-
							Total current liabilities	<u>623,057</u>	<u>19</u>	<u>786,828</u>	<u>20</u>	<u>650,520</u>	<u>19</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income - noncurrent	4,947	-	4,914	-	6,139	-	Deferred tax liabilities	2,004	-	-	-	1,479	-
Financial assets at amortized cost - noncurrent	116	-	116	-	116	-	Lease liabilities - noncurrent	1,743	-	2,237	-	3,068	-
Investment accounted for using the equity method	12,718	1	15,185	-	14,989	1	Net defined benefit liabilities - noncurrent	15,246	1	15,712	1	18,610	1
Property, plant and equipment	459,540	14	460,797	12	459,826	14	Guarantee deposits received	<u>10</u>	-	<u>10</u>	-	<u>10</u>	-
Right-of-use assets	4,600	-	5,438	-	6,251	-	Total non-current liabilities	<u>19,003</u>	<u>1</u>	<u>17,959</u>	<u>1</u>	<u>23,167</u>	<u>1</u>
Intangible assets	94,417	3	74,187	2	80,642	2	Total liabilities	<u>642,060</u>	<u>20</u>	<u>804,787</u>	<u>21</u>	<u>673,687</u>	<u>20</u>
Deferred tax assets	1,742	-	2,743	-	-	-							
Prepayments for equipment	8,173	-	-	-	-	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Refundable deposits	<u>693</u>	-	<u>822</u>	-	<u>499</u>	-	Ordinary shares	<u>762,093</u>	<u>23</u>	<u>761,845</u>	<u>19</u>	<u>761,845</u>	<u>23</u>
Total non-current assets	<u>586,946</u>	<u>18</u>	<u>564,202</u>	<u>14</u>	<u>568,462</u>	<u>17</u>	Capital surplus	<u>114,172</u>	<u>3</u>	<u>210,522</u>	<u>5</u>	<u>212,612</u>	<u>6</u>
							Retained earnings						
							Legal reserve	761,844	23	635,956	16	635,956	19
							Special reserve	4,980	-	30,985	1	30,985	1
							Unappropriated earnings	<u>1,383,152</u>	<u>42</u>	<u>1,830,114</u>	<u>47</u>	<u>1,396,876</u>	<u>42</u>
							Total retained earnings	<u>2,149,976</u>	<u>65</u>	<u>2,497,055</u>	<u>64</u>	<u>2,063,817</u>	<u>62</u>
							Other equity						
							Exchange differences on the translation of the financial statements of foreign operations	295	-	706	-	416	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(<u>5,653</u>)	-	(<u>5,686</u>)	-	(<u>4,461</u>)	-
							Total other equity	(<u>5,358</u>)	-	(<u>4,980</u>)	-	(<u>4,045</u>)	-
							Treasury shares	(<u>404,238</u>)	(<u>12</u>)	(<u>404,238</u>)	(<u>10</u>)	(<u>404,238</u>)	(<u>12</u>)
							Total equity attributable to shareholders of the Company	2,616,645	79	3,060,204	78	2,629,991	79
							NON-CONTROLLING INTERESTS	<u>34,302</u>	<u>1</u>	<u>33,120</u>	<u>1</u>	<u>23,844</u>	<u>1</u>
							Total equity	<u>2,650,947</u>	<u>80</u>	<u>3,093,324</u>	<u>79</u>	<u>2,653,835</u>	<u>80</u>
TOTAL	<u>\$3,293,007</u>	<u>100</u>	<u>\$3,898,111</u>	<u>100</u>	<u>\$3,327,522</u>	<u>100</u>	TOTAL	<u>\$3,293,007</u>	<u>100</u>	<u>\$3,898,111</u>	<u>100</u>	<u>\$3,327,522</u>	<u>100</u>

Notice to Readers: The consolidated financial statements have been translated into English from the original Chinese version. If there is any conflict between the English version and the original Chinese version, the Chinese-language consolidated financial statements shall prevail.

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$ 787,091	100	\$ 790,608	100	\$ 2,151,467	100	\$ 2,314,007	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>787,091</u>	<u>100</u>	<u>790,608</u>	<u>100</u>	<u>2,151,467</u>	<u>100</u>	<u>2,314,007</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	69,711	9	59,355	7	173,644	8	154,558	7
General and administrative expenses	74,625	9	76,093	10	209,993	10	216,023	9
Research and development expenses	225,566	29	212,655	27	614,789	28	625,110	27
Expected credit loss (reversal)	(29)	-	(2,943)	-	(31)	-	(488)	-
Total operating expenses	<u>369,873</u>	<u>47</u>	<u>345,160</u>	<u>44</u>	<u>998,395</u>	<u>46</u>	<u>995,203</u>	<u>43</u>
OPERATING INCOME	<u>417,218</u>	<u>53</u>	<u>445,448</u>	<u>56</u>	<u>1,153,072</u>	<u>54</u>	<u>1,318,804</u>	<u>57</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	14,981	2	3,215	-	42,532	2	8,114	-
Other income	736	-	1,305	-	1,481	-	2,050	-
Other gains and losses	54,254	7	36,223	5	79,218	3	62,219	3
Finance costs	(134)	-	(34)	-	(181)	-	(114)	-
Share of loss of associates	(822)	-	(701)	-	(2,498)	-	(2,196)	-
Total non-operating income and expenses	<u>69,015</u>	<u>9</u>	<u>40,008</u>	<u>5</u>	<u>120,552</u>	<u>5</u>	<u>70,073</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	486,233	62	485,456	61	1,273,624	59	1,388,877	60
INCOME TAX EXPENSE	<u>80,530</u>	<u>10</u>	<u>83,400</u>	<u>10</u>	<u>210,585</u>	<u>10</u>	<u>214,842</u>	<u>9</u>
NET PROFIT	<u>405,703</u>	<u>52</u>	<u>402,056</u>	<u>51</u>	<u>1,063,039</u>	<u>49</u>	<u>1,174,035</u>	<u>51</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
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 (loss)	229	-	(4,043)	(1)	33	-	(5,337)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations	486	-	257	-	(334)	-	631	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>2</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>2</u>	<u>-</u>
Other comprehensive income (loss)	<u>717</u>	<u>-</u>	<u>(3,789)</u>	<u>(1)</u>	<u>(293)</u>	<u>-</u>	<u>(4,704)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 406,420</u>	<u>52</u>	<u>\$ 398,267</u>	<u>50</u>	<u>\$ 1,062,746</u>	<u>49</u>	<u>\$ 1,169,331</u>	<u>51</u>
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Shareholders of the Company	\$ 405,903	52	\$ 406,430	52	\$ 1,070,690	50	\$ 1,181,373	51
Non-controlling interests	<u>(200)</u>	<u>-</u>	<u>(4,374)</u>	<u>(1)</u>	<u>(7,651)</u>	<u>(1)</u>	<u>(7,338)</u>	<u>-</u>
	<u>\$ 405,703</u>	<u>52</u>	<u>\$ 402,056</u>	<u>51</u>	<u>\$ 1,063,039</u>	<u>49</u>	<u>\$ 1,174,035</u>	<u>51</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$ 406,522	52	\$ 402,590	51	\$ 1,070,312	50	\$ 1,176,564	51
Non-controlling interests	<u>(102)</u>	<u>-</u>	<u>(4,323)</u>	<u>(1)</u>	<u>(7,566)</u>	<u>(1)</u>	<u>(7,233)</u>	<u>-</u>
	<u>\$ 406,420</u>	<u>52</u>	<u>\$ 398,267</u>	<u>50</u>	<u>\$ 1,062,746</u>	<u>49</u>	<u>\$ 1,169,331</u>	<u>51</u>
EARNINGS PER SHARE								
Basic	<u>\$ 5.44</u>		<u>\$ 5.45</u>		<u>\$ 14.35</u>		<u>\$ 15.84</u>	
Diluted	<u>\$ 5.43</u>		<u>\$ 5.43</u>		<u>\$ 14.31</u>		<u>\$ 15.77</u>	

(Concluded)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Company							Other 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 Loss	Treasury Shares	Total	Non-Controlling Interests	Total Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2022	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
Appropriation of 2021 earnings													
Legal reserve	-	-	-	109,686	-	(109,686)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(29,116)	29,116	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(931,990)	(931,990)	-	-	-	(931,990)	-	(931,990)
Changes in percentage of ownership interests in subsidiaries	-	-	(11,642)	-	-	-	-	-	-	-	(11,642)	11,642	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	14,100	-	-	-	-	-	-	-	14,100	-	14,100
Issuance of cash dividends from capital surplus	-	-	(111,839)	-	-	-	-	-	-	-	(111,839)	-	(111,839)
Net profit (loss) for the nine months ended September 30, 2022	-	-	-	-	-	1,181,373	1,181,373	-	-	-	1,181,373	(7,338)	1,174,035
Other comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	-	528	(5,337)	-	(4,809)	105	(4,704)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	1,181,373	1,181,373	528	(5,337)	-	1,176,564	(7,233)	1,169,331
Issuance of ordinary shares under employee share options	61	610	18,812	-	-	-	-	-	-	-	19,422	1,638	21,060
Share-based payments												382	382
Non-controlling interests												(30,000)	(30,000)
Disposal of investments in equity instrument designated as at fair value through other comprehensive income	-	-	-	-	-	(31,750)	(31,750)	-	31,750	-	-	-	-
BALANCE, SEPTEMBER 30, 2022	76,185	\$ 761,845	\$ 212,612	\$ 635,956	\$ 30,985	\$ 1,396,876	\$ 2,063,817	\$ 416	(\$ 4,461)	(\$ 404,238)	\$ 2,629,991	\$ 23,844	\$ 2,653,835
BALANCE, JANUARY 1, 2023	76,185	\$ 761,845	\$ 210,522	\$ 635,956	\$ 30,985	\$ 1,830,114	\$ 2,497,055	\$ 706	(\$ 5,686)	(\$ 404,238)	\$ 3,060,204	\$ 33,120	\$ 3,093,324
Appropriation of 2022 earnings													
Legal reserve	-	-	-	125,888	-	(125,888)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(26,005)	26,005	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,417,769)	(1,417,769)	-	-	-	(1,417,769)	-	(1,417,769)
Changes in percentage of ownership interests in subsidiaries	-	-	7,923	-	-	-	-	-	-	-	7,923	(7,923)	-
Change in capital surplus from investments in associates accounted for using the equity method	-	-	23	-	-	-	-	-	-	-	23	-	23
Issuance of cash dividends from capital surplus	-	-	(111,929)	-	-	-	-	-	-	-	(111,929)	-	(111,929)
Net profit (loss) for the nine months ended September 30, 2023	-	-	-	-	-	1,070,690	1,070,690	-	-	-	1,070,690	(7,651)	1,063,039
Other comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	-	-	(411)	33	-	(378)	85	(293)
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	1,070,690	1,070,690	(411)	33	-	1,070,312	(7,566)	1,062,746
Issuance of ordinary shares under employee share options	25	248	7,633	-	-	-	-	-	-	-	7,881	-	7,881
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	1,239	1,239
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	15,432	15,432
BALANCE, SEPTEMBER 30, 2023	76,210	\$ 762,093	\$ 114,172	\$ 761,844	\$ 4,980	\$ 1,383,152	\$ 2,149,976	\$ 295	(\$ 5,653)	(\$ 404,238)	\$ 2,616,645	\$ 34,302	\$ 2,650,947

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,273,624	\$ 1,388,877
Adjustments for:		
Depreciation expenses	29,481	29,344
Amortization expenses	61,557	25,129
Expected credit (reversal) loss	(31)	(488)
Finance costs	181	114
Interest income	(42,532)	(8,114)
Dividend income	(363)	(932)
Share-based payments	1,239	382
Share of loss of associates	2,498	2,196
Property, plant and equipment transferred to expenses	67	-
Gain on disposal of investment	-	(86)
Net gain on foreign currency exchange	(62,134)	(49,600)
Intangible assets transferred to expenses	597	-
Changes in operating assets and liabilities		
Accounts receivable	(118,783)	(120,085)
Accounts receivable - related parties	3,038	-
Other receivables	(6)	5,118
Prepayments	4,205	(163)
Other current assets	(1,745)	(22)
Contract liabilities	3,246	5,367
Other payables	(37,127)	(6,028)
Other payables- related parties	40	45
Other current liabilities	581	(225)
Net defined benefit liabilities	(466)	(580)
Bonuses payable to employees and directors	(24,688)	93,989
Cash generated from operations	1,092,479	1,364,238
Interest received	41,883	7,742
Income tax paid	(360,103)	(283,880)
Net cash generated from operating activities	<u>774,259</u>	<u>1,088,100</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 4,654
Acquisition of financial assets at fair value through profit or loss	-	(370,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	370,086
Acquisition of property, plant and equipment	(21,499)	(34,267)
Increase in refundable deposits	-	(28)
Decrease in refundable deposits	129	-
Acquisition of intangible assets	(82,384)	(33,335)
Increase in prepayments for equipment	(8,173)	-
Dividends received	<u>363</u>	<u>932</u>
Net cash used in investing activities	(<u>111,564</u>)	(<u>61,958</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	30,000	-
Repayment of the principal portion of lease liabilities	(2,695)	(2,418)
Dividends paid	(1,529,693)	(1,043,820)
Exercise of employee share options	7,881	21,060
Interest paid	(163)	(114)
Increase(Decrease) in non-controlling interests	<u>15,432</u>	(<u>30,000</u>)
Net cash used in financing activities	(<u>1,479,238</u>)	(<u>1,055,292</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>52,353</u>	<u>34,601</u>
NET (DECREASE) INCREASE IN CASH	(764,190)	5,451
CASH AT THE BEGINNING OF THE PERIOD	<u>3,066,268</u>	<u>2,482,765</u>
CASH AT THE END OF THE PERIOD	<u>\$ 2,302,078</u>	<u>\$ 2,488,216</u>

(Concluded)