



Management Report for Second Quarter Fiscal 2020

Hsinchu, Taiwan, August 12th, 2020 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 30th June 2020.

Executive Summary

- Q2 2020 revenue was record high, up 1.9% sequentially and 33.7% year-over-year. Operating income increased 1.0% sequentially and 52.3% year-over-year. EPS was NT\$ 2.28, and ROE 41.9%.
- We expect 8-inch wafer royalty to regain momentum due to the 2 to 3 times PMIC content increase in 5G smartphones. We have also developed various automobile-grade processes, and expect the EV automotive sector to drive further growth momentum for 8-inch application royalty. 12-inch wafer royalty will continue to grow as more than 300 tape outs for various applications in the pipe line ready for production.
- We are actively engaging with leading customers to embed our NeoPUF into their security architecture.

Financial Results

(Amounts in thousands of NT\$)

	Q2 2020	Q1 2020	Change (QoQ)	Q2 2019	Change (YoY)	H1 2020	H1 2019	Change (YoY)
Revenue	423,276	415,436	1.9%	316,541	33.7%	838,712	711,602	17.9%
Gross Margin	100%	100%	-	100%	-	100%	100%	-
Operating Expenses	227,364	221,463	2.7%	187,889	21.0%	448,827	388,977	15.4%
Operating Income	195,912	193,973	1.0%	128,652	52.3%	389,885	322,625	20.8%
Operating Margin	46.3%	46.7%	-0.4ppt	40.6%	5.7ppts	46.5%	45.3%	1.2ppts
Net Income	169,317	176,758	-4.2%	115,098	47.1%	346,075	292,249	18.4%
Net Margin	40.0%	42.5%	-2.5ppts	36.4%	3.6ppts	41.3%	41.1%	0.2ppt
EPS (Unit: NTD)	2.28	2.38	-4.2%	1.55	47.1%	4.66	3.94	18.3%
ROE	41.9%	39.5%	2.4ppts	29.0%	12.9ppts	42.8%	36.9%	5.9ppts

Revenue Analysis

(Amounts in thousands of NT\$)

	Q2 2020	Q1 2020	Change (QoQ)	Q2 2019	Change (YoY)	H1 2020	H1 2019	Change (YoY)
Licensing	118,062	106,446	10.9%	104,806	12.6%	224,508	210,630	6.6%
Royalty	305,214	308,990	-1.2%	211,735	44.1%	614,204	500,972	22.6%
Total	423,276	415,436	1.9%	316,541	33.7%	838,712	711,602	17.9%



(Amounts in thousands of US\$)

	Q2 2020	Q1 2020	Change (QoQ)	Q2 2019	Change (YoY)	H1 2020	H1 2019	Change (YoY)
Licensing	3,953	3,542	11.6%	3,373	17.2%	7,495	6,811	10.0%
Royalty	10,196	10,336	-1.4%	6,870	48.4%	20,532	16,275	26.2%
Total	14,149	13,878	2.0%	10,243	38.1%	28,027	23,086	21.4%

Revenue analysis by technology

Technology	Q2 2020								
	Total Revenue			Licensing Revenue			Royalty Revenue		
	% of Q2 Revenue	Change (QoQ)	Change (YoY)	% of Q2 Licensing	Change (QoQ)	Change (YoY)	% of Q2 Royalty	Change (QoQ)	Change (YoY)
NeoBit	52.1%	-1.2%	22.1%	17.2%	-15.6%	-26.7%	65.6%	0.5%	31.0%
NeoFuse	42.5%	4.0%	58.3%	71.0%	12.3%	27.6%	31.5%	-2.3%	100.4%
PUF-Based	0.7%	364.7%	347.0%	2.4%	364.7%	347.0%	0.0%	0.0%	0.0%
MTP	4.7%	7.8%	-7.6%	9.4%	56.3%	3.3%	2.9%	-22.2%	-18.3%

Technology	H1 2020					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of H1 Revenue	Change (YoY)	% of H1 Licensing	Change (YoY)	% of H1 Royalty	Change (YoY)
NeoBit	52.9%	0.3%	19.8%	-6.9%	65.1%	1.2%
NeoFuse	42.1%	65.9%	70.6%	21.4%	31.6%	136.8%
PUF-Based	0.4%	443.2%	1.5%	443.2%	0.0%	0.0%
MTP	4.6%	-30.7%	8.1%	-42.6%	3.3%	-15.2%

- 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	Q2 2020			H1 2020	
	% of Q2	Change (QoQ)	Change (YoY)	% of H1	Change (YoY)
8-inch	64.1%	-1.2%	22.7%	64.1%	12.1%
12-inch	35.9%	-1.2%	109.4%	35.9%	47.1%

Key Business Developments

Licensing

- Technology License
 - ✓ 12 licensing contracts were signed during this quarter, 1 for NeoBit and 11 for NeoFuse.
 - ✓ As of June 30th, 2020, we have technologies under development for the adoption of 93 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	27	14	24	16	17	1	104
Developing	3	1	3	14	6	15	12	5	2	61

- Design License
 - ✓ A total of 115 product tape-outs occurred in the second quarter of 2020.
 - 11 tape-outs at 22nm/28nm for CIS, OLED driver, Ethernet, DTV, HDMI and etc.
 - 2 tape-outs at 25nm for DRAM.
 - 12 tape-outs at 40nm for MCU, OLED driver, TDDI and etc.
 - 10 tape-outs at 55nm/65nm for PMIC, OLED driver, LCD driver, TDDI, video camera, audio, and fingerprint sensor.
 - 1 tape-out at 63nm for LCOS.
 - 7 tape-outs at 80nm/90nm for OLED driver, LCD driver, and TDDI.
 - 24 tape-outs at 0.13um for PMIC, ambient light sensor, pressure sensor, MCU, LCD driver, TDDI, and USB.
 - 38 tape-outs at 0.18um for PMIC, ambient light sensor, controller, gyroscope, magnetics, pressure sensor, MCU, LCD driver, LED driver, wireless charger and etc.
 - 8 tape-outs at 0.25um for PMIC, and temperature sensor.
 - 1 tape-out at 0.35um for magnetics.
 - 1 tape-out at 0.5um for MCU.



- ✓ As of June 30th, 2020, eMemory's cumulative number of design licenses has increased to 4,995—a direct result of our ongoing effort in expanding and diversifying our technologies for adoption in a wide range of applications.

Future Growth Drivers

License

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

Royalty

- Royalty from 8-inch wafer to regain momentum due to the 2 to 3 times PMIC content increase in 5G smartphones. In addition, we have developed various automobile-grade processes, and expect the EV automotive sector to drive further growth momentum for 8-inch application royalty.
- Royalty from 12-inch will continue to grow as more than 300 tape outs for various applications in the pipe line ready for production, which include TDDI, OLED, T-con, ISP, Bluetooth, WiFi, TWS, switch, set top box, video processor, SSD controller, IoT security processor, digital power, DRAM and others.

New Application Development

- PUFrt was adopted by customers in IoT platform, AI training modules, Blockchain, FPGA, and industrial automation applications to ensure data security and increase attack-resistance ability.
- PUFiot is well-developed and engagement with customers are ongoing.
- Collaboration with ARM to embed NeoFuse in their security platform. Customers' products are under verification stage.

New Technology Development

- Developed 5nm plus and 6nm with production tape outs completed.
- Continue working with partners on MRAM and ReRAM.
- Developed PUFrt into embedded flash platforms to protect the data stored in the embedded flash.
- Developed open IP platform, by integrating OTP, PUF, security-function IPs, cryptographic algorithm IPs, security elements and hardware security module IP to provide total security solutions for AIoT and 5G applications.

Financial Review

Gross margin

Gross margin remained at 100%.



Operating expenses and operating margin

- The total operating expenses in Q2 2020 were NT\$ 227.36 million and represented 53.7% of the total revenue, which decreased from 59.4% of the total revenue in the prior year.
- Operating expenses increased by 2.7% sequentially and 21.0% year-over-year. The sequential and year-over-year increase were mainly due to the increase in the number of employees from our 100% owned subsidiary, PUFsecurity, and employee bonuses.
- As a result, operating margin for the quarter was 46.3%, down by 0.4 percentage point from the prior quarter but up by 5.7 percentage points year-over-year.

Non-operating items and income tax expense

- Non-operating items for the quarter were NT\$ 2.82 million, which decreased 66.4% sequentially and 38.7% year-over-year. The decreases were due to the exchange losses caused by the appreciation of Taiwan dollar.
- H1 2020 effective tax rate was 13.7%.

Net Income and EPS

- Net income for the quarter was NT\$ 169.32 million, a decrease of 4.2% sequentially but an increase of 47.1% year-over-year.
- Earnings per share was NT\$ 2.28 in Q2 2020. ROE was 41.9%.

Current assets and current liabilities

- As of June 30th, 2020, cash increased by NT\$ 121.49 million from that of June 30th, 2019 to NT\$ 1,719.67 million.
- Total current assets including cash were NT\$ 1,873.94 million, with an increase of NT\$ 108.02 million from June 30th, 2019. The increase was due to revenue growth and accounts receivable recovery.
- Total current liabilities decreased by NT\$ 26.73 million from June 30th, 2019 to NT\$ 896.23 million, mainly due to the decrease in dividends payable as compared with the same period last year.
- Net working capital was NT\$ 977.70 million and the current ratio was 2.1x.

Cash flows

- As of June 30th, 2020, net cash generated from operating activities totaled NT\$ 453.76 million, including NT\$ 401.09 million from income before income tax, NT\$ 28.52 million from depreciation and amortization, and NT\$ 24.15 million generated from other operating activities, which included tax payment of NT\$ 74.12 million.
- Net cash generated from investing activities was NT\$ 5.67 million at the end of June 30th, 2020, primarily related to disposal of financial assets measured at amortized cost.
- Net cash used in financing activities was NT\$ 1.63 million at the end of June 30th, 2020, mainly attributable to repayment of the principal portion of lease liabilities and their



interest payment.

- As a result, cash increased by NT\$ 121.49 million to NT\$ 1,719.67 million from June 30th, 2019 to June 30th, 2020.

Employee

- As of June 30th, 2020, eMemory has 255 full-time employees, including 178 R&D engineers. 100% owned subsidiary, PUFsecurity has 26 full-time employees, including 14 R&D engineers.

Cautionary Statement

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

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-Financial Statements To Follow-

eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)		LIABILITIES AND EQUITY	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$1,719,667	70	\$1,263,858	62	\$1,598,180	67	Contract liabilities - current	\$ 53,311	2	\$ 32,837	2	\$ 36,958	2
Accounts receivable - net	91,715	4	126,812	7	102,718	4	Other payables	89,436	4	80,914	4	72,410	3
Other receivables	167	-	1,929	-	250	-	Bonuses payable to employees and directors	176,013	7	125,120	6	173,193	7
Other receivables - related parties	409	-	410	-	379	-	Payables on equipment	1,549	-	4,861	-	1,677	-
Prepayments	58,528	2	19,472	1	61,697	3	Dividends payable	519,866	22	-	-	593,790	25
Other current assets	3,450	-	4,275	-	2,692	-	Current tax liabilities	51,220	2	56,576	3	40,179	2
Total current assets	<u>1,873,936</u>	<u>76</u>	<u>1,416,756</u>	<u>70</u>	<u>1,765,916</u>	<u>74</u>	Lease liabilities - current	2,543	-	3,114	-	3,093	-
							Other current liabilities	2,294	-	1,731	-	1,661	-
NON-CURRENT ASSETS							Total current liabilities	<u>896,232</u>	<u>37</u>	<u>305,153</u>	<u>15</u>	<u>922,961</u>	<u>39</u>
Financial assets at fair value through other comprehensive income - noncurrent	16,902	1	15,530	1	15,120	1	NON-CURRENT LIABILITIES						
Financial assets at amortized cost - noncurrent	113	-	33,613	2	33,612	2	Lease liabilities - noncurrent	3,306	-	4,246	-	5,804	-
Investment accounted for using equity method	3,533	-	5,382	-	3,886	-	Net defined benefit liabilities - noncurrent	21,073	1	21,384	1	20,058	1
Property, plant and equipment	474,360	20	477,171	23	486,788	20	Guarantee deposits received	530	-	530	-	530	-
Right-of-use assets	5,767	-	7,287	-	8,852	-	Total non-current liabilities	<u>24,909</u>	<u>1</u>	<u>26,160</u>	<u>1</u>	<u>26,392</u>	<u>1</u>
Intangible assets	74,147	3	73,805	4	69,121	3	Total liabilities	<u>921,141</u>	<u>38</u>	<u>331,313</u>	<u>16</u>	<u>949,353</u>	<u>40</u>
Deferred tax assets	2,784	-	3,434	-	2,480	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Prepayments for equipment	-	-	-	-	709	-	Ordinary shares	<u>758,336</u>	<u>31</u>	<u>758,336</u>	<u>37</u>	<u>758,050</u>	<u>32</u>
Refundable deposits	356	-	349	-	365	-	Capital surplus	<u>294,165</u>	<u>12</u>	<u>404,446</u>	<u>20</u>	<u>388,839</u>	<u>16</u>
Total non-current assets	<u>577,962</u>	<u>24</u>	<u>616,571</u>	<u>30</u>	<u>620,933</u>	<u>26</u>	Retained earnings						
							Legal reserve	455,518	19	401,471	20	401,471	17
							Special reserve	65,586	3	61,932	3	61,932	3
							Unappropriated earnings	<u>425,561</u>	<u>17</u>	<u>545,653</u>	<u>27</u>	<u>297,434</u>	<u>12</u>
							Total retained earnings	<u>946,665</u>	<u>39</u>	<u>1,009,056</u>	<u>50</u>	<u>760,837</u>	<u>32</u>
							Other equity						
							Exchange differences on translating the financial statements of foreign operations	(6)	-	(4)	-	-	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(64,210)	(3)	(65,582)	(3)	(65,992)	(3)
							Total other equity	(64,216)	(3)	(65,586)	(3)	(65,992)	(3)
							Treasury shares	(404,238)	(17)	(404,238)	(20)	(404,238)	(17)
							Total equity attributable to shareholders of the Company	1,530,712	62	1,702,014	84	1,437,496	60
							NON-CONTROLLING INTERESTS						
								45	-	-	-	-	-
							Total equity	<u>1,530,757</u>	<u>62</u>	<u>1,702,014</u>	<u>84</u>	<u>1,437,496</u>	<u>60</u>
TOTAL	<u>\$2,451,898</u>	<u>100</u>	<u>\$2,033,327</u>	<u>100</u>	<u>\$2,386,849</u>	<u>100</u>	TOTAL	<u>\$2,451,898</u>	<u>100</u>	<u>\$2,033,327</u>	<u>100</u>	<u>\$2,386,849</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 June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$423,276	100	\$316,541	100	\$838,712	100	\$711,602	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>423,276</u>	<u>100</u>	<u>316,541</u>	<u>100</u>	<u>838,712</u>	<u>100</u>	<u>711,602</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	30,862	7	30,100	9	60,382	7	59,059	8
General and administrative expenses	47,920	12	39,298	12	96,263	11	83,406	12
Research and development expenses	143,985	34	125,301	40	289,678	35	252,874	36
Expected credit loss (gain)	<u>4,597</u>	<u>1</u>	<u>(6,810)</u>	<u>(2)</u>	<u>2,504</u>	<u>-</u>	<u>(6,362)</u>	<u>(1)</u>
Total operating expenses	<u>227,364</u>	<u>54</u>	<u>187,889</u>	<u>59</u>	<u>448,827</u>	<u>53</u>	<u>388,977</u>	<u>55</u>
OPERATING INCOME	<u>195,912</u>	<u>46</u>	<u>128,652</u>	<u>41</u>	<u>389,885</u>	<u>47</u>	<u>322,625</u>	<u>45</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	2,279	1	2,747	1	4,679	-	5,287	2
Other income	1,191	-	1,325	-	2,379	-	7,473	-
Other gains and losses	291	-	1,625	-	6,058	1	3,335	-
Finance costs	(30)	-	(48)	-	(64)	-	(97)	-
Share of loss of associates	<u>(911)</u>	<u>-</u>	<u>(1,049)</u>	<u>-</u>	<u>(1,849)</u>	<u>-</u>	<u>(2,165)</u>	<u>-</u>
Total non-operating income and expenses	<u>2,820</u>	<u>1</u>	<u>4,600</u>	<u>1</u>	<u>11,203</u>	<u>1</u>	<u>13,833</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	198,732	47	133,252	42	401,088	48	336,458	47
INCOME TAX EXPENSE	<u>29,415</u>	<u>7</u>	<u>18,154</u>	<u>6</u>	<u>55,013</u>	<u>7</u>	<u>44,209</u>	<u>6</u>
NET PROFIT	<u>169,317</u>	<u>40</u>	<u>115,098</u>	<u>36</u>	<u>346,075</u>	<u>41</u>	<u>292,249</u>	<u>41</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 June 30				For the Six Months Ended June 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	\$ 954	-	(\$ 2,180)	-	\$ 1,372	-	(\$ 4,060)	-
Items that may be reclassified subsequently to profit or loss:								
Share of the other comprehensive loss of associates accounted for using the equity method	(1)	-	-	-	(2)	-	-	-
Other comprehensive income (loss)	953	-	(2,180)	-	1,370	-	(4,060)	-
TOTAL COMPREHENSIVE INCOME	<u>\$170,270</u>	<u>40</u>	<u>\$112,918</u>	<u>36</u>	<u>\$347,445</u>	<u>41</u>	<u>\$288,189</u>	<u>41</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$169,317	40	\$115,098	36	\$346,075	41	\$292,249	41
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$169,317</u>	<u>40</u>	<u>\$115,098</u>	<u>36</u>	<u>\$346,075</u>	<u>41</u>	<u>\$292,249</u>	<u>41</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$170,270	40	\$112,918	36	\$347,445	41	\$288,189	41
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$170,270</u>	<u>40</u>	<u>\$112,918</u>	<u>36</u>	<u>\$347,445</u>	<u>41</u>	<u>\$288,189</u>	<u>41</u>
EARNINGS PER SHARE								
Basic	<u>\$ 2.28</u>		<u>\$ 1.55</u>		<u>\$ 4.66</u>		<u>\$ 3.94</u>	
Diluted	<u>\$ 2.27</u>		<u>\$ 1.55</u>		<u>\$ 4.64</u>		<u>\$ 3.92</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		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	Treasury Shares				
	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	-	-	5	-	-	-	-	-	-	-	5	-	5
Issuance of cash dividends from capital surplus	-	-	(37,112)	-	-	-	-	-	-	-	(37,112)	-	(37,112)
Net profit for the six months ended June 30, 2019	-	-	-	-	-	292,249	292,249	-	-	-	292,249	-	292,249
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	(4,060)	-	(4,060)	-	(4,060)
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	292,249	292,249	-	(4,060)	-	288,189	-	288,189
Issuance of ordinary shares under employee share options	14	142	4,583	-	-	-	-	-	-	-	4,725	-	4,725
Share-based payment	-	-	4,826	-	-	-	-	-	-	-	4,826	-	4,826
BALANCE, JUNE 30, 2019	<u>75,805</u>	<u>\$ 758,050</u>	<u>\$ 388,839</u>	<u>\$ 401,471</u>	<u>\$ 61,932</u>	<u>\$ 297,434</u>	<u>\$ 760,837</u>	<u>\$ -</u>	<u>(\$ 65,992)</u>	<u>(\$ 404,238)</u>	<u>\$ 1,437,496</u>	<u>\$ -</u>	<u>\$ 1,437,496</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	-	-	32	-	-	-	-	-	-	-	32	-	32
Change in capital surplus from investments in associates accounted for by using equity method	-	-	2	-	-	-	-	-	-	-	2	-	2
Issuance of cash dividends from capital surplus	-	-	(111,400)	-	-	-	-	-	-	-	(111,400)	-	(111,400)
Net profit for the six months ended June 30, 2020	-	-	-	-	-	346,075	346,075	-	-	-	346,075	-	346,075
Other comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	-	(2)	1,372	-	1,370	-	1,370
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	346,075	346,075	(2)	1,372	-	347,445	-	347,445
Share-based payment	-	-	1,085	-	-	-	-	-	-	-	1,085	45	1,130
BALANCE, JUNE 30, 2020	<u>75,834</u>	<u>\$ 758,336</u>	<u>\$ 294,165</u>	<u>\$ 455,518</u>	<u>\$ 65,586</u>	<u>\$ 425,561</u>	<u>\$ 946,665</u>	<u>(\$ 6)</u>	<u>(\$ 64,210)</u>	<u>(\$ 404,238)</u>	<u>\$ 1,530,712</u>	<u>\$ 45</u>	<u>\$ 1,530,757</u>

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 401,088	\$ 336,458
Adjustments for:		
Depreciation expenses	20,750	19,904
Amortization expenses	7,773	7,333
Expected credit loss (gain)	2,504	(6,362)
Finance costs	64	97
Interest income	(4,679)	(5,287)
Share-based payments	1,162	4,826
Share of loss of associates	1,849	2,165
Loss on disposal of property, plant and equipment	35	-
Net loss (gain) on foreign currency exchange	2,873	(1,591)
Changes in operating assets and liabilities		
Accounts receivable	31,712	62,689
Other receivables	1,691	-
Other receivables - related parties	1	(128)
Prepayments	(24,651)	(24,945)
Other current assets	825	210
Contract liabilities	20,474	(864)
Other payables	8,522	(21,698)
Other current liabilities	563	45
Net defined benefit liabilities	(311)	(276)
Bonuses payable to employees and directors	50,893	35,101
Cash generated from operations	<u>523,138</u>	<u>407,677</u>
Interest received	4,750	5,262
Income tax paid	(<u>74,124</u>)	(<u>92,562</u>)
Net cash generated from operating activities	<u>453,764</u>	<u>320,377</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at amortized cost	\$ 33,500	\$ -
Acquisition of property, plant and equipment	(19,712)	(18,193)
Increase in refundable deposits	(8)	(34)
Acquisition of intangible assets	(8,115)	(9,292)
Increase in prepayments for equipment	-	(709)
Net cash generated from (used in) investing activities	<u>5,665</u>	<u>(28,228)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(1,564)	(1,485)
Exercise of employee share options	-	4,725
Interest paid	(64)	(97)
Net cash (used in) generated from financing activities	<u>(1,628)</u>	<u>3,143</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,992)</u>	<u>885</u>
NET INCREASE IN CASH	455,809	296,177
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>\$ 1,719,667</u>	<u>\$ 1,598,180</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>