



## Management Report for Second Fiscal Quarter 2021

Hsinchu, Taiwan, August 11<sup>th</sup>, 2021 – eMemory Technology Inc. (TPE: 3529) reported financial results for its fiscal quarter, which ended 30<sup>th</sup> June 2021.

### Executive Summary

- Q2 2021 revenue was NT\$ 541.42 million, down 9.3% sequentially, but up 27.9% year-over-year. Operating income decreased 16.3% sequentially, but increased 44.3% year-over-year. EPS was NT\$ 3.27, and ROE at 50.2%.
- Licensing revenue will grow due to the continued strong demand for NeoFuse, PUF-based solutions, and MTP-related IPs.
- 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, especially from 28/22nm process node and below.

### Financial Results

(Amounts in thousands of NT\$)

	Q2 2021	Q1 2021	Change (QoQ)	Q2 2020	Change (YoY)	Q1-Q2 2021	Q1-Q2 2020	Change (YoY)
Revenue	541,415	596,734	-9.3%	423,276	27.9%	1,138,149	838,712	35.7%
Gross Margin	100%	100%	-	100%	-	100%	100%	-
Operating Expenses	258,701	259,023	-0.1%	227,364	13.8%	517,724	448,827	15.4%
Operating Income	282,714	337,711	-16.3%	195,912	44.3%	620,425	389,885	59.1%
Operating Margin	52.2%	56.6%	-4.4ppts	46.3%	5.9ppts	54.5%	46.5%	8.0ppts
*Net Income	243,731	292,982	-16.8%	169,317	43.9%	536,713	346,075	55.1%
Net Margin	44.7%	48.8%	-4.1ppts	40.0%	4.7ppts	46.9%	41.3%	5.6ppts
EPS	3.27	3.93	-16.8%	2.28	43.4%	7.20	4.66	54.5%
ROE	50.2%	54.6%	-4.4ppts	41.9%	8.3ppts	55.3%	42.8%	12.5ppts

\*Net income attributable to shareholders of the company

### Revenue Analysis

(Amounts in thousands of NT\$)

	Q2 2021	Q1 2021	Change (QoQ)	Q2 2020	Change (YoY)	Q1-Q2 2021	Q1-Q2 2020	Change (YoY)
Licensing	174,559	176,993	-1.4%	118,062	47.9%	351,552	224,508	56.6%
Royalty	366,856	419,741	-12.6%	305,214	20.2%	786,597	614,204	28.1%
Total	541,415	596,734	-9.3%	423,276	27.9%	1,138,149	838,712	35.7%



(Amounts in thousands of US\$)

	Q2 2021	Q1 2021	Change (QoQ)	Q2 2020	Change (YoY)	Q1-Q2 2021	Q1-Q2 2020	Change (YoY)
<b>Licensing</b>	6,218	6,241	-0.4%	3,953	57.3%	12,459	7,495	66.2%
<b>Royalty</b>	13,013	14,788	-12.0%	10,196	27.6%	27,801	20,532	35.4%
<b>Total</b>	19,231	21,029	-8.6%	14,149	35.9%	40,260	28,027	43.6%

### Revenue analysis by technology

Technology	Q2 2021								
	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)
<b>NeoBit</b>	41.1%	-7.6%	0.8%	28.6%	82.9%	145.7%	47.0%	-19.1%	-13.9%
<b>NeoFuse</b>	52.5%	-0.8%	58.1%	58.6%	12.7%	22.1%	49.6%	-7.1%	89.6%
<b>PUF-Based</b>	0.4%	-62.4%	-26.1%	1.2%	-62.4%	-26.1%	0.0%	0.0%	0.0%
<b>MTP</b>	6.0%	-49.0%	62.7%	11.6%	-62.2%	82.0%	3.4%	17.5%	38.7%

\*NeoBit royalty decreased due to some customer products (PMIC, DDI, and Fingerprint) moving into 12-inch for productions and adopting NeoFuse IP instead. New customer products (legacy PMIC, IoT, and Automotive-related) will contribute to NeoBit royalty in the future.

\*NeoFuse QoQ decreased due to smartphone seasonality, but YoY increased due to continued strength on new application production.

\*PUF-based revenue recognition will be scheduled for 2H21.

Technology	Q1-Q2 2021					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of Q1-Q2 Revenue	Change (YoY)	% of Q1-Q2 Licensing	Change (YoY)	% of Q1-Q2 Royalty	Change (YoY)
<b>NeoBit</b>	40.7%	4.3%	22.0%	74.0%	49.1%	-3.4%
<b>NeoFuse</b>	50.1%	61.9%	54.9%	21.8%	48.0%	94.5%
<b>PUF-Based</b>	0.7%	122.4%	2.2%	122.4%	0.0%	0.0%
<b>MTP</b>	8.5%	150.0%	20.9%	304.4%	2.9%	12.3%

- NeoBit : OTP technology covers from 0.25um to 55nm.
- NeoFuse : OTP technology covers mainly from 0.18um to 5nm.
- PUF-Based : OTP technology covers mainly from 65nm to 5nm.
- MTP : MTP technology covers from 0.18um to 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	Q2 2021			Q1-Q2 2021	
	% of Q2	Change (QoQ)	Change (YoY)	% of Q1-Q2	Change (YoY)
8-inch	51.8%	-16.7%	3.3%	53.4%	12.9%
12-inch	48.2%	-6.3%	71.1%	46.6%	75.6%

\*8-inch revenue decreased mainly due to seasonality of smartphone customers. Other products (legacy PMIC, Sensors, and Automotive-related) will contribute to 8-inch royalty in the future.

\*12-inch decreased QoQ due to smartphone seasonality but up YoY due to continuous strength of new application productions.

## Key Business Developments

### Licensing

- Technology License
  - ✓ 9 licensing contracts were signed during this quarter.
  - ✓ As of June 30<sup>th</sup>, 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	0.18um	0.25um	Total
Qualified	0	2	5	34	17	27	18	18	1	0	122
Developing	4	1	5	15	4	15	14	18	26	1	103

- Design License
  - ✓ A total of 154 product tape-outs occurred in the second quarter of 2021, remaining at a record-high level.
    - 1 tape-out at 7nm for HPC application.
    - 4 tape-outs at 14nm/16nm for ISP, STB, and SSD Controller.
    - 23 tape-outs at 22nm/28nm for CIS, ISP, MCU, OLED Driver, Ethernet, WiFi, STB, etc.
    - 2 tape-outs at 25nm for DRAM.
    - 11 tape-outs at 40nm for MCU, OLED Driver, LCD Driver, Base Band, HDMI, and Touch Panel Controller.
    - 19 tape-outs at 55nm/63nm/65nm for PMIC, CIS, MCU, OLED Driver, LCD Driver, TDDI, Bluetooth, and HDMI.
    - 6 tape-outs at 80nm/90nm for LCD Driver, and TDDI.
    - 25 tape-outs at 0.13um for PMIC, Ambient Light Sensor, Fingerprint Sensor, MCU, OLED Driver, LCD Driver, RFID, Clock, LED Driver, etc.
    - 59 tape-outs at 0.18um for PMIC, Ambient Light Sensor, Controller, Gyroscope,



Magnetics, Temperature Sensor, Fingerprint Sensor, MCU, LCD Driver, RF-2.4GHz, HDMI, Clock, Oscillator, etc.

- 4 tape-outs at 0.25um for PMIC, Ambient Light Sensor, Fingerprint Sensor, and MCU.
- ✓ As of June 30<sup>th</sup>, 2021, eMemory's cumulative number of design licenses has increased to 5,577—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 from NeoFuse, PUF-based solutions, and MTP-related will drive licensing revenue growth for the second half of 2021 and beyond.

### 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, Bluetooth, Ethernet, Switch, TWS, DRAM, and others.
- Royalty contribution from the FinFET process is expected in the second half of this year.
- Several major foundries have expanded 28/22nm production capacity and we have accumulated more than 140 new tape-outs at this process node, driving momentum to the growth of royalties in the future.

### New Business Development

- NeoFuse in advanced processes is being adopted for secure key storage and is seeking to replace the conventional e-Fuse. 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 and PUFiot have been adopted by several customers across various applications.
- Customer adoption cases with ARM-based cores have been very successful and we will expand the cooperation on the security architecture in the future.
- Together with PUFsecurity, we have joined DARPA Toolbox Initiative to provide IP solutions for accelerated technology innovation.

### New IP Technology Development

- 6nm OTP has passed the qualification test and already has customer adoption.



- 5nm plus (N5P) has completed characterization works and will move forward for further qualification tests.
- We have announced the cooperation of PUFsecurity and Andes to integrate crypto coprocessor PUFiot into the RISC-V AIoT security platform.
- We will continue to develop our PUF-based solution to implement Hardware Security Module (HSM), which can be embedded in the chip to provide security functions for network applications.

## **Financial Review**

### Gross margin

The gross margin remained at 100%.

### Operating expenses

- The total operating expenses in Q2 2021 were NT\$ 258.70 million and represented 47.8% of the total revenue, which increased 13.8% from the prior year. The annual increase was mainly attributable to expenditure increases such as human resources, rewards and bonuses, and the compensation of employees and directors.

### Non-operating items and income tax expense

- Non-operating items for the quarter were NT\$ 0.44 million, which decreased 93.4% sequentially and 84.5% year-over-year. The decreases were due to the exchange losses caused by the appreciation of the Taiwan dollar.
- H1 2021 effective tax rate was 15.0%.

### Net Income and EPS

- Net income attributable to shareholders of the company for the quarter was NT\$ 243.73 million, a decrease of 16.8% sequentially, but an increase of 43.9% year-over-year.
- Earnings per share were NT\$ 3.27 in Q2 2021. ROE was 50.2%.

### Current assets and current liabilities

- As of June 30<sup>th</sup>, 2021, cash increased by NT\$ 637.03 million from June 30<sup>th</sup>, 2020 to NT\$ 2,356.70 million.
- Total current assets including cash were NT\$ 2,535.24 million, with an increase of NT\$ 661.30 million from June 30<sup>th</sup>, 2020. The increase was due to revenue growth.
- Total current liabilities increased by NT\$ 280.06 million from June 30<sup>th</sup>, 2020 to NT\$ 1,176.30 million.
- The net working capital was NT\$ 1,358.94 million and the current ratio was 2.2x.

### Cash flows

- As of June 30<sup>th</sup>, 2021, net cash generated from operating activities totaled NT\$ 588.05



million, including NT\$ 627.49 million from income before income tax, NT\$ 29.49 million from depreciation, and amortization, and NT\$ 68.93 million used in other operating activities, which included tax payment of NT\$ 114.10 million.

- Net cash generated from investing activities was NT\$ 10.29 million at the end of June 30<sup>th</sup>, 2021, primarily related to the decrease of capital expenditures during the reporting period.
- Net cash generated from financing activities was NT\$ 5.49 million at the end of June 30<sup>th</sup>, 2021, mainly attributable to the increase of exercising of employee share options.
- As a result, cash increased from NT\$ 637.03 million to NT\$ 2,356.70 million from June 30<sup>th</sup>, 2020 to June 30<sup>th</sup>, 2021.

### Employee

- As of June 30<sup>th</sup>, 2021, eMemory has 269 full-time employees, including 185 R&D engineers. Our subsidiary, PUFsecurity has 27 full-time employees, including 16 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)

	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)			June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>ASSETS</b>							<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash	\$2,356,696	76	\$1,754,111	71	\$1,719,667	70	Contract liabilities - current	\$ 71,332	2	\$ 50,802	2	\$ 53,311	2
Accounts receivable - net	113,656	4	117,449	5	91,715	4	Other payables	105,014	4	136,590	5	89,436	4
Other receivables	9,063	-	105	-	167	-	Other payables - related parties	90	-	-	-	-	-
Other receivables - related parties	390	-	277	-	409	-	Bonuses payable to employees and directors	252,381	8	164,397	7	176,013	7
Prepayments	52,397	2	23,711	1	58,528	2	Payables on equipment	6,656	-	5,134	-	1,549	-
Other current assets	3,038	-	3,262	-	3,450	-	Dividends payable	670,551	22	-	-	519,866	22
Total current assets	<u>2,535,240</u>	<u>82</u>	<u>1,898,915</u>	<u>77</u>	<u>1,873,936</u>	<u>76</u>	Current tax liabilities	66,700	2	87,696	4	51,220	2
							Lease liabilities - current	1,540	-	1,340	-	2,543	-
<b>NON-CURRENT ASSETS</b>							Other current liabilities	2,032	-	2,134	-	2,294	-
Financial assets at fair value through other comprehensive income - noncurrent	12,504	1	21,037	1	16,902	1	Total current liabilities	<u>1,176,296</u>	<u>38</u>	<u>448,093</u>	<u>18</u>	<u>896,232</u>	<u>37</u>
Financial assets at amortized cost - noncurrent	114	-	114	-	113	-							
Investment accounted for using the equity method	4,219	-	5,517	-	3,533	-	<b>NON-CURRENT LIABILITIES</b>						
Property, plant and equipment	458,526	15	467,393	19	474,360	20	Lease liabilities - noncurrent	3,442	-	2,073	-	3,306	-
Right-of-use assets	4,921	-	3,352	-	5,767	-	Net defined benefit liabilities - noncurrent	20,840	1	21,233	1	21,073	1
Intangible assets	74,083	2	76,814	3	74,147	3	Guarantee deposits received	530	-	530	-	530	-
Deferred tax assets	2,978	-	4,022	-	2,784	-	Total non-current liabilities	<u>24,812</u>	<u>1</u>	<u>23,836</u>	<u>1</u>	<u>24,909</u>	<u>1</u>
Prepayments for equipment	3,300	-	50	-	-	-	Total liabilities	<u>1,201,108</u>	<u>39</u>	<u>471,929</u>	<u>19</u>	<u>921,141</u>	<u>38</u>
Refundable deposits	429	-	358	-	356	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>						
Total non-current assets	<u>561,074</u>	<u>18</u>	<u>578,657</u>	<u>23</u>	<u>577,962</u>	<u>24</u>	Ordinary shares	760,798	25	760,592	31	758,336	31
							Capital surplus	286,574	9	391,907	16	294,165	12
							Retained earnings						
							Legal reserve	526,270	17	455,518	18	455,518	19
							Special reserve	60,101	2	65,586	3	65,586	3
							Unappropriated earnings	723,616	23	787,007	32	425,561	17
							Total retained earnings	<u>1,309,987</u>	<u>42</u>	<u>1,308,111</u>	<u>53</u>	<u>946,665</u>	<u>39</u>
							Other equity						
							Exchange differences on the translation of the financial statements of foreign operations	( 94)	-	( 26)	-	( 6)	-
							Unrealized gain (loss) on financial assets at fair value through other comprehensive income	( 64,000)	( 2)	( 60,075)	( 3)	( 64,210)	( 3)
							Total other equity	( 64,094)	( 2)	( 60,101)	( 3)	( 64,216)	( 3)
							Treasury shares	( 404,238)	( 13)	( 404,238)	( 16)	( 404,238)	( 17)
							Total equity attributable to shareholders of the Company	1,889,027	61	1,996,271	81	1,530,712	62
							<b>NON-CONTROLLING INTERESTS</b>						
							Total equity	<u>1,895,206</u>	<u>61</u>	<u>2,005,643</u>	<u>81</u>	<u>1,530,757</u>	<u>62</u>
<b>TOTAL</b>	<u>\$3,096,314</u>	<u>100</u>	<u>\$2,477,572</u>	<u>100</u>	<u>\$2,451,898</u>	<u>100</u>	<b>TOTAL</b>	<u>\$3,096,314</u>	<u>100</u>	<u>\$2,477,572</u>	<u>100</u>	<u>\$2,451,898</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			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$541,415	100	\$423,276	100	\$1,138,149	100	\$838,712	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>541,415</u>	<u>100</u>	<u>423,276</u>	<u>100</u>	<u>1,138,149</u>	<u>100</u>	<u>838,712</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	37,458	7	30,862	7	74,539	6	60,382	7
General and administrative expenses	59,349	11	47,920	12	122,652	11	96,263	11
Research and development expenses	165,351	31	143,985	34	331,346	29	289,678	35
Expected credit (gain) loss	(3,457)	(1)	4,597	1	(10,813)	(1)	2,504	-
Total operating expenses	<u>258,701</u>	<u>48</u>	<u>227,364</u>	<u>54</u>	<u>517,724</u>	<u>45</u>	<u>448,827</u>	<u>53</u>
OPERATING INCOME	<u>282,714</u>	<u>52</u>	<u>195,912</u>	<u>46</u>	<u>620,425</u>	<u>55</u>	<u>389,885</u>	<u>47</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	2,051	-	2,279	1	3,877	-	4,679	-
Other income	1,338	-	1,191	-	2,449	-	2,379	-
Other gains and losses	(2,390)	-	291	-	2,135	-	6,058	1
Finance costs	(27)	-	(30)	-	(49)	-	(64)	-
Share of loss of associates	(536)	-	(911)	-	(1,346)	-	(1,849)	-
Total non-operating income and expenses	<u>436</u>	<u>-</u>	<u>2,820</u>	<u>1</u>	<u>7,066</u>	<u>-</u>	<u>11,203</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	283,150	52	198,732	47	627,491	55	401,088	48
INCOME TAX EXPENSE	<u>41,240</u>	<u>7</u>	<u>29,415</u>	<u>7</u>	<u>94,147</u>	<u>8</u>	<u>55,013</u>	<u>7</u>
NET PROFIT	<u>241,910</u>	<u>45</u>	<u>169,317</u>	<u>40</u>	<u>533,344</u>	<u>47</u>	<u>346,075</u>	<u>41</u>

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# 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			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 19,610	3	\$ 954	-	\$ 20,030	2	\$ 1,372	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations	( 82)	-	-	-	( 74)	-	-	-
Share of the other comprehensive loss of associates accounted for using the equity method	-	-	( 1)	-	-	-	( 2)	-
Other comprehensive income (loss)	<u>19,528</u>	<u>3</u>	<u>953</u>	<u>-</u>	<u>19,956</u>	<u>2</u>	<u>1,370</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$261,438</u>	<u>48</u>	<u>\$170,270</u>	<u>40</u>	<u>\$553,300</u>	<u>49</u>	<u>\$347,445</u>	<u>41</u>
NET PROFIT ATTRIBUTABLE TO:								
Shareholders of the Company	\$243,731	45	\$169,317	40	\$536,713	47	\$346,075	41
Non-controlling interests	( 1,821)	-	-	-	( 3,369)	-	-	-
	<u>\$241,910</u>	<u>45</u>	<u>\$169,317</u>	<u>40</u>	<u>\$533,344</u>	<u>47</u>	<u>\$346,075</u>	<u>41</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the Company	\$263,266	48	\$170,270	40	\$556,675	49	\$347,445	41
Non-controlling interests	( 1,828)	-	-	-	( 3,375)	-	-	-
	<u>\$261,438</u>	<u>48</u>	<u>\$170,270</u>	<u>40</u>	<u>\$553,300</u>	<u>49</u>	<u>\$347,445</u>	<u>41</u>
EARNINGS PER SHARE								
Basic	<u>\$ 3.27</u>		<u>\$ 2.28</u>		<u>\$ 7.20</u>		<u>\$ 4.66</u>	
Diluted	<u>\$ 3.26</u>		<u>\$ 2.27</u>		<u>\$ 7.18</u>		<u>\$ 4.64</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 the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares			
	Number of Shares (In Thousands)	Amount			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	-	-	32	-	-	-	-	-	-	-	32	( 32 )	-
Change in capital surplus from investments in associates accounted for by using the 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 (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	-	( 2 )	1,372	-	1,370	-	1,370
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	346,075	346,075	( 2 )	1,372	-	347,445	-	347,445
Share-based payments	-	-	1,085	-	-	-	-	-	-	-	1,085	77	1,162
BALANCE, JUNE 30, 2020	75,834	\$ 758,336	\$ 294,165	\$ 455,518	\$ 65,586	\$ 425,561	\$ 946,665	(\$ 6)	(\$ 64,210)	(\$ 404,238)	\$1,530,712	\$ 45	\$1,530,757
BALANCE, JANUARY 1, 2021	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	-	-	17	-	-	-	-	-	-	-	17	( 17 )	-
Change in capital surplus from investments in associates accounted for by using the equity method	-	-	48	-	-	-	-	-	-	-	48	-	48
Issuance of cash dividends from capital surplus	-	-	( 111,759 )	-	-	-	-	-	-	-	( 111,759 )	-	( 111,759 )
Net profit for the six months ended June 30, 2021	-	-	-	-	-	536,713	536,713	-	-	-	536,713	( 3,369 )	533,344
Other comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	-	-	( 68 )	20,030	-	19,962	( 6 )	19,956
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	536,713	536,713	( 68 )	20,030	-	556,675	( 3,375 )	553,300
Issuance of ordinary shares under employee share options	20	206	6,361	-	-	-	-	-	-	-	6,567	-	6,567
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	33	33
Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	-	166	166
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	23,955	23,955	-	( 23,955 )	-	-	-	-
BALANCE, JUNE 30, 2021	76,080	\$ 760,798	\$ 286,574	\$ 526,270	\$ 60,101	\$ 723,616	\$1,309,987	(\$ 94)	(\$ 64,000)	(\$ 404,238)	\$1,889,027	\$ 6,179	\$1,895,206

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 627,491	\$ 401,088
Adjustments for:		
Depreciation expenses	20,456	20,750
Amortization expenses	9,034	7,773
Expected credit (gain) loss	( 10,813)	2,504
Finance costs	49	64
Interest income	( 3,877)	( 4,679)
Dividend income	( 226)	-
Share-based payments	33	1,162
Share of loss of associates	1,346	1,849
Loss on disposal of property, plant and equipment	-	35
Net loss on foreign currency exchange	3,505	2,873
Changes in operating assets and liabilities		
Accounts receivable	12,266	31,712
Other receivables	( 8,916)	1,691
Other receivables - related parties	( 113)	1
Prepayments	( 28,686)	( 24,651)
Other current assets	224	825
Contract liabilities	20,530	20,474
Other payables	( 31,568)	8,522
Other payables- related parties	90	-
Other current liabilities	( 102)	563
Net defined benefit liabilities	( 393)	( 311)
Bonuses payable to employees and directors	<u>87,984</u>	<u>50,893</u>
Cash generated from operations	698,314	523,138
Interest received	3,835	4,750
Income tax paid	( <u>114,099</u> )	( <u>74,124</u> )
Net cash generated from operating activities	<u>588,050</u>	<u>453,764</u>

(Continued)

## eMemory Technology Inc. and Subsidiary

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>For the Six Months Ended June 30</u>	
	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ 28,563	\$ -
Proceeds from disposal of financial assets at amortized cost	-	33,500
Acquisition of property, plant and equipment	( 8,875 )	( 19,712 )
Increase in refundable deposits	( 71 )	( 8 )
Acquisition of intangible assets	( 6,303 )	( 8,115 )
Increase in prepayments for equipment	( 3,250 )	-
Dividends received	<u>226</u>	<u>-</u>
Net cash generated from investing activities	<u>10,290</u>	<u>5,665</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	( 1,192 )	( 1,564 )
Exercise of employee share options	6,567	-
Interest paid	( 49 )	( 64 )
Increase in non-controlling interests	<u>166</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>5,492</u>	<u>( 1,628 )</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	( <u>1,247</u> )	( <u>1,992</u> )
<b>NET INCREASE IN CASH</b>	<b>602,585</b>	<b>455,809</b>
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u><b>1,754,111</b></u>	<u><b>1,263,858</b></u>
<b>CASH AT THE END OF THE PERIOD</b>	<u><b>\$ 2,356,696</b></u>	<u><b>\$ 1,719,667</b></u>

(Concluded)