



Management Report for Second Quarter FY2017

Hsinchu, Taiwan, 8th August, 2017 – eMemory Technology Inc. (TPE:3529) announced its results for the second quarter ended 30th June 2017.

Results Summary

(Amounts are in thousands of NT dollars, except margins and EPS)

	Q2 2017	Q1 2017	Q2 2016	Change (QoQ)	Change (YoY)
Net Revenue	332,220	337,249	280,019	-1.5%	18.6%
Gross Margin	100%	100%	100%	-	-
Operating Expenses	188,562	193,603	163,276	-2.6%	15.5%
Operating Income	143,658	143,646	116,743	0%	23.1%
Operating Margin	43.2%	42.6%	41.7%	0.6ppts	1.5ppts
Net Income	135,610	151,378	106,245	-10.4%	27.6%
Net Margin	40.8%	44.9%	37.9%	-4.1ppts	2.9ppts
EPS (NT\$ per common share)	1.79	2.00	1.40	-10.5%	27.9%
ROE	29.6%	30.2%	24.5%	-0.6ppts	5.1ppts

Financial Highlights

- Net revenue was up 18.6% from a year ago and down 1.5% from the previous quarter.
- Operating expenses was 2.6% lower on a QoQ basis, and 15.5% higher on a YoY basis, mainly due to higher payroll expenses as a result of an increasing number of employees.
- Operating margin rose to 43.2% from 41.7% a year ago and 42.6% in the previous quarter.
- Net income was up 27.6% from a year ago, and fell 10.4% from the previous quarter. While operating income was slightly higher on a QoQ basis, Q2 non-operating income was 55.7% lower than Q1, when a disposal of financial assets by a subsidiary boosted non-operating income.
- Net margin rose to 40.8% from 37.9% a year ago, and down from 44.9% in the previous quarter.
- EPS increased to NT\$1.79 from NT\$1.40 in the same quarter last year, and down from NT\$2.00 in the first quarter.
- Return on Equity was 29.6%, higher than 24.5% a year earlier, and lower than 30.2% in the previous quarter.

Key Business Developments

Licensing

- Technology License
 - 8 licenses were signed with 4 customers on 4 products (NeoBit : 4; NeoFuse : 2; NeoMTP : 1; NeoEE : 1) in the second quarter. A total of 13 new licenses were signed in the first half of 2017.
 - At the end of the second quarter, technologies were being developed for 104 process nodes, ranging from 0.18um to 7nm.

Key Technology Roadmap

	7/10nm	12/14/16nm	28nm	40nm	55/65nm	80/90nm	Total
Qualified		2	8	8	14	6	38
Developing	3	3	8	3	11	5	33

- Design License
 - A total of 92 product tape-outs in the second quarter: 25 for PMIC, 15 for sensor-related applications, 13 for MCU, 12 for LCD driver, 8 for fingerprint, 3 for OLED driver, and 16 for other applications.
 - Q2 customer product tape-outs are summarized as follows :
 - 1 tape-out at 28nm for MCU.
 - 4 tape-outs at 40nm for OLED driver and LED driver.
 - 1 tape-out at 55nm for OLED driver.
 - 4 tape-outs at 80nm/90nm for sensor-related applications, LCD driver and LED driver.
 - 16 tape-outs at 0.11um/0.13um for PMIC, LCD driver and motor driver.
 - 58 tape-outs at 0.15um/0.18um for PMIC, sensor-related, MCU and fingerprint.
 - 8 tape-outs at 0.25um/0.5um for PMIC, sensor-related and fingerprint.
 - eMemory's cumulative number of design licenses has risen to 3,710 at the end of the second quarter, driven by the company's strategic expansion and diversification into a broad range of applications. The IP library is the growth engine of its royalty revenue.

Royalty

- Major contributors to Q2 royalty revenue :
 - DDI applications contributed 40.03% of total royalty in Q2 2017. Royalty from this market segment fell 13.51% YoY and down 40.44% QoQ. The decline was due to an inventory correction of iOS-based devices in the second quarter. Royalty from iOS DDI applications was down 56.66% YoY and down 46.05% QoQ.
 - PMIC applications contributed 22.78% of total royalty revenue in Q2 2017. Revenue of the segment fell by 29.79% YoY and down by 18.95% QoQ. The fall was mainly attributed to a 35.60% of drop (YoY) in the royalty from iOS-based PMIC.
 - The decline of DDI and PMIC royalty was partially offset by a strong growth of fingerprint applications. Fingerprint contributed 9.36% of total royalty in Q2 2017. Revenue from fingerprint in the second quarter was more than 28 times the amount a year ago, and up 3.03% QoQ.
 - Other applications, including STB, MCU, Network IC, and sensor-related, contributed 27.83% of total royalty in Q2. Revenue from those applications grew 20.64% on year and down 2.10% on quarter.
 - 78.82% of total royalty revenue came from 8-inch wafer production, and 21.18% from 12-inch. The 8-inch royalty grew 12.31%, and 12-inch fell 17.37%, both on a YoY basis.



Business Outlook

Based on our current visibility, we anticipate our revenue growth will accelerate in the second half of this year.

Key drivers to licensing revenue

- Our worldwide foundry partners keep developing advanced processes and MTP platforms, contributing to our technology licensing revenue.
- We are establishing partnerships with more foundries worldwide on various process nodes, which will also generate technology licensing revenue.
- Our growing IP library will boost design licensing revenue.

Key drivers to royalty revenue :

8-inch processes

- Fingerprint royalty is growing explosively, due to an expansion from high-end to mid-low-end smartphone markets, as well as our market share gains.
- PMIC royalty is to pick up strongly with content increase in new smartphones. Growths will be boosted with the ramp of new products by a US smartphone maker in the second half, as well as the change of business terms with US largest chipmaker from one-time fee to royalty-based.
- Our MTP IP series have started contributing to royalty with more design-wins.
- Autotronic applications have started generating royalty.

12-inch processes

- With display technology migrating toward TDDI and OLED, our customers continue volume production of high-end TDDI (55nm) and OLED (40nm) products.
- STB, Multimedia and Network related applications have been taped out subsequently in 28nm and below.

R&D developments

- Our IPs has been taped out at 12nm and 22nm SOI process. In addition, we completed a IP tape-out at 7nm process in April at one foundry, and one more tape-out expected in September at another foundry.
- NeoPUF, our security IP, has been taped out at a major foundry and is to be designed into products by the end of this year.
- Our automotive customers have started volume production beginning this year.

Management Comments

Looking ahead, we expect our revenue will continue to grow in the next few years as our growth momentum remains strong on the solid IP portfolios we have built over the years, and more importantly on our capabilities of expanding into new areas of applications. The company will persistently increase values to our customers with continuing innovation.

Results Review

Revenue Breakdown (NT\$ thousands)	Q2 2017	Q1 2017	Q2 2016	Change (QoQ)	Change (YoY)	H1 2017	H1 2016	YoY
Licensing	134,140	74,146	77,715	80.91%	72.61%	208,286	163,691	27.24%
Royalty	198,080	263,103	202,304	-24.71%	-2.09%	461,183	436,174	5.73%
Total	332,220	337,249	280,019	-1.49%	18.64%	669,469	599,865	11.60%

Revenue

- Total revenue
 - Total revenue rose 18.64% to NT\$ 332.22 million in Q2 2017 from a year ago, and fell 1.49% from the previous quarter.
 - Licensing contributed 40.38% of total revenue, while royalty contributed 59.62% in the second quarter.
- Licensing revenue
 - Licensing revenue was up 72.61% to NT\$ 134.14 million in Q2 2017 from a year ago, and increased 80.91% on a QoQ basis.
- Royalty revenue
 - Royalty revenue was down 2.09% to NT\$ 198.08 million in Q2 2017 from a year ago, and 24.71% lower than the previous quarter.
 - 8-inch wafers accounted for 78.82% of Q217 royalty revenue, while 12-inch contributed 21.18%.
 - Over 72% of Q217 royalty revenue come from DDI, PMIC and Fingerprint applications.

Gross margin

Gross margin remained unchanged at 100%.

Operating expenses and operating margin

- Operating expenses in Q2 2017 increased 15.5% to NT\$188.56 million from a year ago, and 2.6% lower than the previous quarter.
- Around 6 percentage points of the operating expenses increase (YoY) is attributed to higher payroll expenses as a result of an increasing number of employees and salary adjustments; 4 percentage points due to an higher employee and director compensation; Others attributed to higher amortization/depreciation expenses etc.
- Operating margin in Q2 2017 was 43.2%, higher than 41.7% in Q2 2016 and 42.6% in the Q1 2017.

Income tax expense and earnings

- Income tax expense was NT\$ 20.07 million in Q2 2017, up 31.7% YoY and 3.4% higher QoQ.
- Net income rose 27.6% to NT\$ 135.61 million in Q2 2017 from a year ago, and 10.4% lower than the previous quarter. On a QoQ basis, while operating income was slightly higher, non-operating income was 55.7% lower than the previous quarter, when a disposal of financial assets by a subsidiary boosted the non-operating number.



- Earnings per share was NT\$ 1.79 in Q2 2017, 27.9% higher than a year ago, while 10.5% lower than the previous quarter.

Balance sheet

- At the end of Q2 2017, the company held NT\$ 1,790.37 million in cash, an increase of NT\$ 87.53 million from the same quarter 2016. Total current assets was NT\$ 1,932.14 million
- Total current liabilities were NT\$ 785.85 million at the end of Q2 2017, an increase of NT\$ 53.55 million from a year earlier. The increase was mainly due to higher bonuses payable and dividend payable.
- Net working capital was NT\$ 1,146.29 million, NT\$ 78.97 million higher than the same period last year.

Cash flows

- Cash flows from operating activities was NT\$ 277.34 million in the first half of 2017, a decrease of NT\$ 39.62 million compared to the same period last year. While the ability to generate cash remained strong, a large proportion of income in H1 2017 was generated in June and treated as accounts receivable. Another reason for the reducing cash flows is that the company changed its payment schedule of employee compensation from annually to semi-annually and paid a proportion of compensation in H1 2017.
- Cash flows from investing activities was NT\$ 14.09 million in H1 2017, a decline of NT\$ 6.20 million compared to a year ago, when the company disposed more financial assets.
- At the end of June 2017, eMemory's cash balance was NT\$ 1,790.37 million, an increase of NT\$ 87.53 million from the same period 2016.

Employees

- At the end of Q2 2017, eMemory had 234 full-time employees, an increase of 0.4% from the previous quarter. Among them 161 are R&D engineers.

Cautionary Statement

This report contains forward-looking statements, which are subject to risk factors associated with semiconductor and intellectual property business. It is believed that the expectations reflected in these statements are reasonable. But 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 of 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. Except 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 Tables To Follow-

eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)			June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
ASSETS							LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$1,790,370	70	\$1,501,611	68	\$1,702,841	71	Other payables	\$ 78,541	3	\$ 97,315	4	\$ 80,648	3
Accounts receivable - net	93,582	4	64,820	3	57,397	2	Bonuses payable to employees, directors and supervisors	149,378	6	109,974	5	138,531	6
Accounts receivable - related parties	568	-	1,681	-	1,898	-	Payables on equipment	886	-	6,335	-	2,038	-
Other receivables	410	-	256	-	442	-	Dividends payable	492,585	19	-	-	454,693	19
Other receivables - related parties	-	-	44	-	48	-	Current tax liabilities	35,251	2	17,064	1	33,195	1
Prepayments	44,293	2	13,712	1	34,462	2	Other current liabilities	29,205	1	23,920	1	23,189	1
Other current assets	2,920	-	1,485	-	2,526	-	Total current liabilities	785,846	31	254,608	11	732,294	30
Total current assets	1,932,143	76	1,583,609	72	1,799,614	75							
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets measured at cost - noncurrent	9,939	-	11,472	1	12,786	1	Net defined benefit liability - noncurrent	19,252	1	19,523	1	17,389	1
Investments in debt instrument without active market - noncurrent	33,610	1	33,610	2	33,609	1	Guarantee deposits received	-	-	415	-	840	-
Investment accounted for using equity method	12,984	1	6,888	-	10,131	1	Total non-current liabilities	19,252	1	19,938	1	18,229	1
Property, plant and equipment	495,977	20	503,249	23	483,777	20	Total liabilities	805,098	32	274,546	12	750,523	31
Intangible assets	59,231	2	54,796	2	47,147	2							
Deferred tax assets	1,985	-	4,748	-	4,006	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Prepayments for equipment	-	-	-	-	9,762	-	Ordinary shares	757,823	30	757,823	35	757,823	32
Refundable deposits	300	-	300	-	296	-	Capital surplus	414,867	16	448,025	20	434,819	18
Total non-current assets	614,026	24	615,063	28	601,514	25	Retained earnings						
							Legal reserve	280,298	11	231,737	11	231,737	10
							Special reserve	926	-	926	-	926	-
							Unappropriated earnings	287,157	11	485,615	22	225,300	9
							Total retained earnings	568,381	22	718,278	33	457,963	19
							Total equity	1,741,071	68	1,924,126	88	1,650,605	69
TOTAL	\$2,546,169	100	\$2,198,672	100	\$2,401,128	100	TOTAL	\$2,546,169	100	\$2,198,672	100	\$2,401,128	100

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			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$332,220	100	\$280,019	100	\$669,469	100	\$599,865	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>332,220</u>	<u>100</u>	<u>280,019</u>	<u>100</u>	<u>669,469</u>	<u>100</u>	<u>599,865</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	32,782	10	23,798	8	60,420	9	55,190	9
General and administrative expenses	41,022	12	35,023	13	81,637	12	73,465	12
Research and development expenses	<u>114,758</u>	<u>35</u>	<u>104,455</u>	<u>37</u>	<u>240,108</u>	<u>36</u>	<u>211,709</u>	<u>36</u>
Total operating expenses	<u>188,562</u>	<u>57</u>	<u>163,276</u>	<u>58</u>	<u>382,165</u>	<u>57</u>	<u>340,364</u>	<u>57</u>
OPERATING REVENUE	<u>143,658</u>	<u>43</u>	<u>116,743</u>	<u>42</u>	<u>287,304</u>	<u>43</u>	<u>259,501</u>	<u>43</u>
NON-OPERATING INCOME AND EXPENSES								
Other income	12,469	4	6,214	2	15,234	2	10,487	2
Other gains and losses	1,430	-	(12)	-	27,767	4	40,526	7
Share of loss of associates	(1,878)	-	(1,466)	(1)	(3,833)	-	(3,440)	(1)
Total non-operating income and expenses	<u>12,021</u>	<u>4</u>	<u>4,736</u>	<u>1</u>	<u>39,168</u>	<u>6</u>	<u>47,573</u>	<u>8</u>
PROFIT BEFORE INCOME TAX	155,679	47	121,479	43	326,472	49	307,074	51
INCOME TAX EXPENSE	<u>20,069</u>	<u>6</u>	<u>15,234</u>	<u>5</u>	<u>39,484</u>	<u>6</u>	<u>34,817</u>	<u>6</u>
NET PROFIT	<u>135,610</u>	<u>41</u>	<u>106,245</u>	<u>38</u>	<u>286,988</u>	<u>43</u>	<u>272,257</u>	<u>45</u>
TOTAL COMPREHENSIVE INCOME	<u>\$135,610</u>	<u>41</u>	<u>\$106,245</u>	<u>38</u>	<u>\$286,988</u>	<u>43</u>	<u>\$272,257</u>	<u>45</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$135,610	41	\$106,245	38	\$286,988	43	\$272,257	45
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$135,610</u>	<u>41</u>	<u>\$106,245</u>	<u>38</u>	<u>\$286,988</u>	<u>43</u>	<u>\$272,257</u>	<u>45</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$135,610	41	\$106,245	38	\$286,988	43	\$272,257	45
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$135,610</u>	<u>41</u>	<u>\$106,245</u>	<u>38</u>	<u>\$286,988</u>	<u>43</u>	<u>\$272,257</u>	<u>45</u>
EARNINGS PER SHARE								
Basic	<u>\$ 1.79</u>		<u>\$ 1.40</u>		<u>\$ 3.79</u>		<u>\$ 3.59</u>	
Diluted	<u>\$ 1.78</u>		<u>\$ 1.40</u>		<u>\$ 3.77</u>		<u>\$ 3.58</u>	

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Ordinary Shares		Capital Surplus	Retained Earnings			Treasury Shares	Total Equity	
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			Total Retained Earnings
BALANCE, JANUARY 1, 2016	76,833	\$ 768,323	\$ 455,370	\$ 184,051	\$ 926	\$ 476,861	\$ 661,838	(\$ 68,749)	\$1,816,782
Appropriations of 2015 earnings									
Legal reserve	-	-	-	47,686	-	(47,686)	-	-	-
Cash dividends distributed by the Group	-	-	-	-	-	(428,927)	(428,927)	-	(428,927)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	6,926	-	-	-	-	-	6,926
Issue of cash dividends from capital surplus	-	-	(25,766)	-	-	-	-	-	(25,766)
Net profit for the six months ended June 30, 2016	-	-	-	-	-	272,257	272,257	-	272,257
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	272,257	272,257	-	272,257
Retirement of treasury share	(1,050)	(10,500)	(11,044)	-	-	(47,205)	(47,205)	68,749	-
Share-based payments	-	-	9,333	-	-	-	-	-	9,333
BALANCE, JUNE 30, 2016	<u>75,783</u>	<u>\$ 757,823</u>	<u>\$ 434,819</u>	<u>\$ 231,737</u>	<u>\$ 926</u>	<u>\$ 225,300</u>	<u>\$ 457,963</u>	<u>\$ -</u>	<u>\$1,650,605</u>
BALANCE, JANUARY 1, 2017	75,783	\$ 757,823	\$ 448,025	\$ 231,737	\$ 926	\$ 485,615	\$ 718,278	\$ -	\$1,924,126
Appropriations of 2016 earnings									
Legal reserve	-	-	-	48,561	-	(48,561)	-	-	-
Cash dividends distributed by the Group	-	-	-	-	-	(436,885)	(436,885)	-	(436,885)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	9,929	-	-	-	-	-	9,929
Issue of cash dividends from capital surplus	-	-	(55,700)	-	-	-	-	-	(55,700)
Net profit for the six months ended June 30, 2017	-	-	-	-	-	286,988	286,988	-	286,988
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	286,988	286,988	-	286,988
Share-based payments	-	-	12,613	-	-	-	-	-	12,613
BALANCE, JUNE 30, 2017	<u>75,783</u>	<u>\$ 757,823</u>	<u>\$ 414,867</u>	<u>\$ 280,298</u>	<u>\$ 926</u>	<u>\$ 287,157</u>	<u>\$ 568,381</u>	<u>\$ -</u>	<u>\$1,741,071</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	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 326,472	\$ 307,074
Adjustments for:		
Depreciation expenses	15,583	13,424
Amortization expenses	5,336	4,546
Reversal of bad debt expense on accounts receivable	(332)	(283)
Interest income	(4,900)	(6,823)
Dividend income	(1,050)	(2,000)
Share-based payments	12,613	9,333
Share of loss of associates	3,833	3,440
Loss on disposal of property, plant and equipment	-	6
Gain on disposal of investments	(35,038)	(44,616)
Impairment losses on financial assets	-	794
Net loss on foreign currency exchange	3,958	1,629
Changes in operating assets and liabilities		
Accounts receivable	(30,183)	(1,715)
Accounts receivable - related parties	1,115	(1,914)
Other receivables	-	130
Other receivables - related parties	44	9
Prepayments	(22,806)	(15,972)
Other current assets	(1,435)	1,846
Other payables	(18,727)	224
Other current liabilities	5,285	2,483
Net defined benefit liability	(271)	(202)
Bonuses payable to employees, directors and supervisors	<u>39,404</u>	<u>60,632</u>
Cash generated from operations	298,901	332,045
Interest received	4,746	6,882
Income tax paid	(26,309)	(21,968)
Net cash generated from operating activities	<u>277,338</u>	<u>316,959</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	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(\$ 10,000)	(\$ 100,000)
Proceeds from disposal of available-for-sale financial assets	10,001	100,023
Proceeds from disposal of financial assets measured at cost	36,570	46,513
Acquisition of property, plant and equipment	(13,763)	(9,653)
Increase in refundable deposits	-	(31)
Acquisition of intangible assets	(9,771)	(8,808)
Increase in prepayments for equipment	-	(9,762)
Dividend received	<u>1,050</u>	<u>2,000</u>
Net cash generated from investing activities	<u>14,087</u>	<u>20,282</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	(<u>415</u>)	<u>-</u>
Net cash used in financing activities	(<u>415</u>)	<u>-</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	(<u>2,251</u>)	(<u>1,419</u>)
NET INCREASE IN CASH	288,759	335,822
CASH AT THE BEGINNING OF THE PERIOD	<u>1,501,611</u>	<u>1,367,019</u>
CASH AT THE END OF THE PERIOD	<u>\$ 1,790,370</u>	<u>\$ 1,702,841</u>

(Concluded)

Notice to Readers

The above consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the previously mentioned consolidated 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 consolidated financial statements shall prevail. For the complete consolidated financial statements in Chinese version, please refer to MOPS: <http://mops.twse.com.tw/mops/web/index>