



Management Report for Second Quarter Fiscal 2019

Hsinchu, Taiwan, August 13th, 2019 – eMemory Technology Inc. (TPE : 3529) reported financial results for its fiscal quarter ended 30th June 2019.

Executive Summary

- Q2 2019 revenue was NT\$ 317 million, representing a decrease of 19.9% from the previous quarter but grew 4.8% year-over-year. Operating income decreased 33.7% sequentially and increased 8.7% year-over-year. EPS was NT\$ 1.55, demonstrating a decrease of 35.1% sequentially but an increase of 4.7% year-over-year.
- Licensing revenue decreased 1.0% compared to the previous quarter but increased 3.5% year-over-year.
- Royalty revenue down 26.8% sequentially but up 5.5% year-over-year. 8-inch royalty down 16.5% quarterly but up 5.1% year-over-year. 12-inch royalty down 47.1% sequentially but up 6.6% year-over-year.
- For the second half of 2019 and 2020, we expect 8-inch royalty to pick up momentum as US PMIC customers boost production. 12-inch royalty will grow further as accumulated 244 tape-outs are ready for production.

Financial Results

(Amounts in thousands of NT\$)

	Q2 2019	Q1 2019	Q2 2018	Change (QoQ)	Change (YoY)
Revenue	316,541	395,061	302,073	-19.9%	4.8%
Gross Margin	100%	100%	100%	-	-
Operating Expenses	187,889	201,088	183,706	-6.6%	2.3%
Operating Income	128,652	193,973	118,367	-33.7%	8.7%
Operating Margin	40.6%	49.1%	39.2%	-8.5ppts	1.4ppts
Net Income	115,098	177,151	112,193	-35.0%	2.6%
Net Margin	36.4%	44.8%	37.1%	-8.4ppts	-0.7ppts
EPS (Unit: NTD)	1.55	2.39	1.48	-35.1%	4.7%
ROE	29.0%	38.9%	23.2%	-9.9ppts	5.8ppts

	H1 2019	H1 2018	Change (YoY)
Revenue	711,602	676,539	5.2%
Gross Margin	100%	100%	-
Operating Expenses	388,977	376,907	3.2%
Operating Income	322,625	299,632	7.7%
Operating Margin	45.3%	44.3%	1.0ppts
Net Income	292,249	280,923	4.0%
Net Margin	41.1%	41.5%	-0.4ppts
EPS (Unit: NTD)	3.94	3.71	6.2%
ROE	36.9%	29.0%	7.9ppts



Revenue Analysis

(Amounts in thousands of NT\$)

	Q2 2019	Q1 2019	Q2 2018	Change (QoQ)	Change (YoY)
Licensing	104,806	105,824	101,283	-1.0%	3.5%
Royalty	211,735	289,237	200,790	-26.8%	5.5%
Total	316,541	395,061	302,073	-19.9%	4.8%

	H1 2019	H1 2018	Change (YoY)
Licensing	210,630	215,823	-2.4%
Royalty	500,972	460,716	8.7%
Total	711,602	676,539	5.2%

Royalty revenue analysis by wafer size (8-inch vs 12-inch)

Wafer Size	Q2 2019			H1 2019	
	% of Q2	Change (QoQ)	Change (YoY)	% of H1	Change (YoY)
8 inch	75.7%	-16.5%	5.1%	70.3%	5.9%
12 inch	24.3%	-47.1%	6.6%	29.7%	16.2%

- Royalty contribution of YoY from 12-inch increased mainly due to mass production of new applications. Its QoQ declined as a result of lacking of two foundries' royalty payments recognized in January and July.

Revenue analysis by technology

Technology	Q2 2019								
	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	57.1%	-31.0%	-5.1%	26.5%	38.6%	-16.5%	72.2%	-36.8%	-2.6%
NeoFuse	35.9%	14.7%	72.8%	62.7%	1.3%	53.1%	22.6%	40.3%	109.8%
NeoPUF	0.2%	100.0%	100.0%	0.6%	100.0%	100.0%	0.0%	0.0%	0.0%
NeoEE	5.5%	-35.0%	-45.7%	8.9%	-39.0%	-25.7%	3.8%	-29.5%	-58.8%
NeoMTP	1.3%	-41.3%	-69.3%	1.3%	-75.4%	-89.1%	1.4%	61.8%	88.0%

Technology	H1 2019					
	Total Revenue		Licensing Revenue		Royalty Revenue	
	% of H1 Revenue	Change (YoY)	% of H1 Licensing	Change (YoY)	% of H1 Royalty	Change (YoY)
NeoBit	62.2%	-2.5%	22.7%	-31.5%	78.8%	2.8%
NeoFuse	29.9%	62.3%	62.0%	37.3%	16.4%	128.5%
NeoPUF	0.1%	100.0%	0.3%	100.0%	0.0%	0.0%
NeoEE	6.2%	-27.9%	11.7%	2.0%	3.8%	-47.6%
NeoMTP	1.6%	-61.7%	3.3%	-74.2%	1.0%	24.3%

- NeoBit : OTP technology covers from 0.35um to 55nm. Applications : DDI, PMIC, fingerprint, sensors, MCU, and etc.
- NeoFuse : OTP technology covers mainly from 55nm to 7nm. Applications : DRAM, AP, game console, FPGA, DTV, OLED driver, set-top Box, surveillance, CIS, SSD controller, Connectivity IC, auto sensors, and etc.
- NeoPUF : OTP technology covers mainly from 0.11um to 7nm. Applications : FPGA, Security MCU, IoT, Catridge, and etc.
- NeoEE : MTP technology covers from 0.3um to 0.11um, allowing up to 100K rewritable times with zero additional masking layers. Applications : Fingerprint, MCU, P-gamma, OIS, RFID, and etc.
- NeoMTP : MTP technology covers from 0.18um to 55nm, offering high density memory with 1K rewritable times with zero additional masking layers. Applications : Wireless chargers, type c, smart PMIC, MCU, touch panel controller, gauge IC, and etc.

Key Business Developments

Licensing

- Technology License
 - 4 NeoFuse licensing contracts were signed with three different foundries during the quarter.
 - As of June 30th, 2019, we have technologies under development for adoption on 103 different process platforms, ranging from 0.25um to 5nm.

Development of Key Technology on 12-inch Nodes

	5/7/10nm	12/14/16nm	22/28nm	40nm	55/65nm	80/90nm	0.13/0.11um	0.18um	Total
Qualified	-	3	18	10	19	11	12	1	74
Developing	5	2	15	8	12	10	8	-	60

- Design License
 - A total of 109 product tape-outs in the second quarter of 2019.
 - 1 tape-out at 7nm for advanced SOC.
 - 9 tape-outs at 22nm/25nm/28nm for sensor-related, multi-media, network IC, OLED driver, and etc.



- 12 tape-outs at 40nm for LCD driver, MCU, sensor-related, OLED driver, and etc.
- 2 tape-outs at 55nm for MCU, and TDDI.
- 4 tape-outs at 80nm/90nm for LCD driver, OLED driver, and TDDI.
- 14 tape-outs at 0.11um/0.13um for PMIC, LCD driver, MCU, sensor-related, and OLED driver.
- 60 tape-outs at 0.15um/0.16um/0.18um for PMIC, LCD driver, MCU, sensor-related, network IC, fingerprint, motor driver, and etc.
- 1 tape-out at 0.25um for PMIC.
- 6 tape-outs at 0.35um for PMIC, MCU and sensor-related applications.
- As of June 30th, 2019, eMemory's cumulative number of design licenses had increased to 4,542—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

- Design license contracts have been signed with top tier IDMs and the largest Korean IDM in this quarter, which will drive the growth of license and royalty in the future.

Royalty

- Growth of 8-inch royalty will be driven as US PMIC customers boost production further in the second half of 2019 and 2020.
- Expect 12-inch royalty to grow further as accumulated 244 tape-outs in the pipeline ready for mass production. DRAM IDM licensee has started mass production one quarter ahead of schedule in Q3. Production of top-tier IDM, Korean IDM and 7nm FPGA customers will drive growth of royalty revenue for advance nodes in the future.

New Technology Development

- Development at 5nm process platform went smoothly and the first IP tape-out completed.
- Our emerging memory, ReRAM IP has completed preliminary verification.
- Two on-going Secured Processor projects referred from our partnership program with the largest processor IP company.
- Our PUF_{trng}, true random number generator, is proved to be the fastest, lowest power and close to ideal random number generator.

Financial Review

Gross margin

Gross margin remained at 100%.

Operating expenses and operating margin

- Total operating expenses in Q2 2019 were NT\$ 187.89 million and represented 59.4% of the total revenue, which decrease from 60.8% of the total revenue in the prior year.
- Operating expenses decreased 6.6% sequentially but increased 2.3% year-over-year.



The sequential decrease was mainly related to the reduction in employees' bonus and directors' compensation in the quarter, while the year-over-year increase was due to the raise of salary and an increase in number of employees.

- Operating margin for the quarter was 40.6%, down by 8.5 percentage points from the prior quarter but up 1.4 percentage points year-over-year.

Non-operating income and income tax expense

- Non-operating income for the quarter was NT\$ 4.60 million, which decreased 50.2% sequentially and 53.0% year-over-year. The sequential decrease was primarily due to PSMC's annual directors' bonus for the prior quarter.
- Q2 2019 effective tax rate of 13.6% was 1.1 percentage points higher than the prior year.

Net Income and EPS

- Net income for the quarter was NT\$ 115.10 million, a decrease of 35.0% sequentially but an increase of 2.6% year-on-year.
- Earnings per share was NT\$ 1.55 in Q2 2019.

Current assets and current liabilities

- As of June 30th, 2019, cash decreased by NT\$ 293.55 million from the June 30th, 2018 to NT\$ 1,598.18 million. The decrease was mostly due to the reduction in bank deposits caused by the company's repurchased of treasury stocks in H2 2018. Total current assets including cash were NT\$ 1,765.92 million.
- Total current liabilities increased by NT\$ 573.19 million from December 31st, 2018, mainly reflecting the accrual of NT\$ 593.79 million cash dividends.
- Net working capital was NT\$842.96 million and the current ratio was 1.9x.

Cash flows

- As of June 30th, 2019, net cash generated from operating activities totaled NT\$ 320.38 million, including NT\$ 336.46 million from income before income tax, NT\$ 27.24 million from depreciation and amortization, and NT\$ 43.32 million used in other operating activities, which included tax payment of NT\$ 92.56 million.
- The net cash used in investing activities was NT\$ 28.23 million at the end of June 30th, 2019, primarily related to capital expenditures and acquisition of intangible assets.
- The net cash generated from financing activities increased NT\$ 0.26 million year-over-year to NT\$ 3.14 million, mainly caused by the execution of share options by employees in Q2 2019.
- As a result, cash decreased by NT\$ 296.18 million to NT\$ 1,598.18 million from December 31st, 2018 to June 30th, 2019.

Employee

- As of June 30th, 2019, eMemory had 257 full-time employees, including 179 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 Statements To Follow-

eMemory Technology Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)			June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
ASSETS							LIABILITIES AND EQUITY						
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$1,598,180	67	\$1,302,003	62	\$1,891,730	70	Contract liabilities - current	\$ 36,958	2	\$ 37,822	2	\$ 38,703	2
Accounts receivable - net	102,718	4	158,335	8	127,030	5	Other payables	72,410	3	94,104	5	64,226	2
Other receivables	250	-	225	-	295	-	Bonuses payable to employees and directors	173,193	7	138,092	7	166,459	6
Other receivables - related parties	379	-	251	-	246	-	Payables on equipment	1,677	-	6,241	-	92	-
Prepayments	61,697	3	19,889	1	48,581	2	Dividends payable	593,790	25	-	-	568,367	21
Other current assets	2,692	-	2,902	-	2,023	-	Current tax liabilities	40,179	2	71,897	3	38,170	1
Total current assets	<u>1,765,916</u>	<u>74</u>	<u>1,483,605</u>	<u>71</u>	<u>2,069,905</u>	<u>77</u>	Lease liabilities - current	3,093	-	-	-	-	-
							Other current liabilities	1,661	-	1,616	-	2,598	-
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income - noncurrent	15,120	1	19,180	1	23,210	1	Lease liabilities - noncurrent	5,804	-	-	-	-	-
Financial assets at amortized cost - noncurrent	33,612	2	33,612	2	33,611	1	Net defined benefit liabilities - noncurrent	20,058	1	20,334	1	18,967	1
Investment accounted for using equity method	3,886	-	6,046	-	7,938	-	Guarantee deposits received	530	-	530	-	530	-
Property, plant and equipment	486,788	20	491,533	23	499,924	19	Total non-current liabilities	<u>26,392</u>	<u>1</u>	<u>20,864</u>	<u>1</u>	<u>19,497</u>	<u>1</u>
Right-of-use assets	8,852	-	-	-	-	-	Total liabilities	<u>949,353</u>	<u>40</u>	<u>370,636</u>	<u>18</u>	<u>898,112</u>	<u>33</u>
Intangible assets	69,121	3	67,162	3	63,297	2							
Deferred tax assets	2,480	-	2,708	-	1,801	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
Prepayments for equipment	709	-	-	-	1,971	-	Ordinary shares	758,050	32	757,908	36	757,908	28
Refundable deposits	365	-	331	-	331	-	Capital surplus	388,839	16	416,537	20	409,137	15
Total non-current assets	<u>620,933</u>	<u>26</u>	<u>620,572</u>	<u>29</u>	<u>632,083</u>	<u>23</u>	Retained earnings						
							Legal reserve	401,471	17	340,160	16	340,160	13
							Special reserve	61,932	3	926	-	926	-
							Unappropriated earnings	297,434	12	684,180	32	353,647	13
							Total retained earnings	<u>760,837</u>	<u>32</u>	<u>1,025,266</u>	<u>48</u>	<u>694,733</u>	<u>26</u>
							Other equity	(65,992)	(3)	(61,932)	(3)	(57,902)	(2)
							Treasury shares	(404,238)	(17)	(404,238)	(19)	-	-
							Total equity	<u>1,437,496</u>	<u>60</u>	<u>1,733,541</u>	<u>82</u>	<u>1,803,876</u>	<u>67</u>
TOTAL	<u>\$2,386,849</u>	<u>100</u>	<u>\$2,104,177</u>	<u>100</u>	<u>\$2,701,988</u>	<u>100</u>	TOTAL	<u>\$2,386,849</u>	<u>100</u>	<u>\$2,104,177</u>	<u>100</u>	<u>\$2,701,988</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			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$316,541	100	\$302,073	100	\$711,602	100	\$676,539	100
OPERATING COSTS	-	-	-	-	-	-	-	-
GROSS PROFIT	<u>316,541</u>	<u>100</u>	<u>302,073</u>	<u>100</u>	<u>711,602</u>	<u>100</u>	<u>676,539</u>	<u>100</u>
OPERATING EXPENSES								
Selling and marketing expenses	30,100	9	27,609	9	59,059	8	55,078	8
General and administrative expenses	39,298	12	38,184	13	83,406	12	80,277	12
Research and development expenses	125,301	40	116,161	38	252,874	36	240,943	36
Expected credit (gain) loss	(6,810)	(2)	1,752	1	(6,362)	(1)	609	-
Total operating expenses	<u>187,889</u>	<u>59</u>	<u>183,706</u>	<u>61</u>	<u>388,977</u>	<u>55</u>	<u>376,907</u>	<u>56</u>
OPERATING INCOME	<u>128,652</u>	<u>41</u>	<u>118,367</u>	<u>39</u>	<u>322,625</u>	<u>45</u>	<u>299,632</u>	<u>44</u>
NON-OPERATING INCOME AND EXPENSES								
Other income	4,072	1	3,714	1	12,760	2	17,648	3
Other gains and losses	1,625	-	7,197	2	3,335	-	4,435	-
Finance costs	(48)	-	-	-	(97)	-	-	-
Share of loss of associates	(1,049)	-	(1,124)	-	(2,165)	-	(2,459)	-
Total non-operating income and expenses	<u>4,600</u>	<u>1</u>	<u>9,787</u>	<u>3</u>	<u>13,833</u>	<u>2</u>	<u>19,624</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	133,252	42	128,154	42	336,458	47	319,256	47
INCOME TAX EXPENSE	<u>18,154</u>	<u>6</u>	<u>15,961</u>	<u>5</u>	<u>44,209</u>	<u>6</u>	<u>38,333</u>	<u>5</u>
NET PROFIT	115,098	36	112,193	37	292,249	41	280,923	42
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	(2,180)	-	4,513	2	(4,060)	-	5,090	-
TOTAL COMPREHENSIVE INCOME	<u>\$112,918</u>	<u>36</u>	<u>\$116,706</u>	<u>39</u>	<u>\$288,189</u>	<u>41</u>	<u>\$286,013</u>	<u>42</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$115,098	36	\$112,193	37	\$292,249	41	\$280,923	42
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$115,098</u>	<u>36</u>	<u>\$112,193</u>	<u>37</u>	<u>\$292,249</u>	<u>41</u>	<u>\$280,923</u>	<u>42</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$112,918	36	\$116,706	39	\$288,189	41	\$286,013	42
Non-controlling interests	-	-	-	-	-	-	-	-
	<u>\$112,918</u>	<u>36</u>	<u>\$116,706</u>	<u>39</u>	<u>\$288,189</u>	<u>41</u>	<u>\$286,013</u>	<u>42</u>
EARNINGS PER SHARE								
Basic	<u>\$ 1.55</u>		<u>\$ 1.48</u>		<u>\$ 3.94</u>		<u>\$ 3.71</u>	
Diluted	<u>\$ 1.55</u>		<u>\$ 1.48</u>		<u>\$ 3.92</u>		<u>\$ 3.69</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	Legal Reserve	Retained Earnings		Total	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2018	75,783	\$ 757,823	\$ 427,496	\$ 280,298	\$ 926	\$ 671,322	\$ 952,546	(\$ 62,992)	\$ -	\$ 2,074,873
Appropriation of 2017 earnings										
Legal reserve	-	-	-	59,862	-	(59,862)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(538,736)	(538,736)	-	-	(538,736)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	4	-	-	-	-	-	-	4
Issuance of cash dividends from capital surplus	-	-	(29,631)	-	-	-	-	-	-	(29,631)
Net profit for the six months ended June 30, 2018	-	-	-	-	-	280,923	280,923	-	-	280,923
Other comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	-	5,090	-	5,090
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	280,923	280,923	5,090	-	286,013
Issuance of ordinary shares under employee share options	8	85	2,794	-	-	-	-	-	-	2,879
Share-based payment	-	-	8,474	-	-	-	-	-	-	8,474
BALANCE, JUNE 30, 2018	<u>75,791</u>	<u>\$ 757,908</u>	<u>\$ 409,137</u>	<u>\$ 340,160</u>	<u>\$ 926</u>	<u>\$ 353,647</u>	<u>\$ 694,733</u>	<u>(\$ 57,902)</u>	<u>\$ -</u>	<u>\$ 1,803,876</u>
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
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)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	5	-	-	-	-	-	-	5
Issuance of cash dividends from capital surplus	-	-	(37,112)	-	-	-	-	-	-	(37,112)
Net profit for the six months ended June 30, 2019	-	-	-	-	-	292,249	292,249	-	-	292,249
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	(4,060)	-	(4,060)
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	292,249	292,249	(4,060)	-	288,189
Issuance of ordinary shares under employee share options	14	142	4,583	-	-	-	-	-	-	4,725
Share-based payment	-	-	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>(\$ 65,992)</u>	<u>(\$ 404,238)</u>	<u>\$ 1,437,496</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	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 336,458	\$ 319,256
Adjustments for:		
Depreciation expenses	19,904	18,855
Amortization expenses	7,333	6,402
Expected credit (gain) loss	(6,362)	609
Interest on lease liabilities	97	-
Interest income	(5,287)	(5,929)
Share-based payments	4,826	8,474
Share of loss of associates	2,165	2,459
Gain on disposal of investments	-	(5)
Net gain on foreign currency exchange	(1,591)	(3,379)
Changes in operating assets and liabilities		
Accounts receivable	62,689	(42,653)
Other receivables - related parties	(128)	331
Prepayments	(24,945)	(23,048)
Other current assets	210	-
Contract liabilities	(864)	5,232
Other payables	(21,698)	(16,691)
Other current liabilities	45	1,147
Net defined benefit liabilities	(276)	(275)
Bonuses payable to employees and directors	<u>35,101</u>	<u>32,834</u>
Cash generated from operations	407,677	303,619
Interest received	5,262	5,872
Income tax paid	(<u>92,562</u>)	(<u>68,867</u>)
Net cash generated from operating activities	<u>320,377</u>	<u>240,624</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>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	\$ -	(\$ 31,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	31,005
Acquisition of property, plant and equipment	(18,193)	(9,021)
Increase in refundable deposits	(34)	(16)
Acquisition of intangible assets	(9,292)	(7,269)
Increase in prepayments for equipment	(709)	-
Net cash used in investing activities	<u>(28,228)</u>	<u>(16,301)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liabilities	(1,485)	-
Exercise of employee share options	4,725	2,879
Interest paid	(97)	-
Net cash generated from financing activities	<u>3,143</u>	<u>2,879</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>885</u>	<u>844</u>
NET INCREASE IN CASH	296,177	228,046
CASH AT THE BEGINNING OF THE PERIOD	<u>1,302,003</u>	<u>1,663,684</u>
CASH AT THE END OF THE PERIOD	<u>\$ 1,598,180</u>	<u>\$ 1,891,730</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: <http://mops.twse.com.tw/mops/web/index>