Advanced Semiconductor Engineering, Inc.
3rd Quarter 2017 Earnings Conference & Conference Call
October 27, 2017
3:00p.m. Taiwan Time

Kenneth Hsiang, Head of IR of ASE Group:
Hello. I am Ken Hsiang, the Head of Investor Relations for ASE. Welcome to ASE Group's third quarter 2017 earnings release. All participants consent to having their voices and questions broadcast via participation of this event.

Please refer to page 1 of our presentation, which contains our safe harbor notice. I would like to remind everyone on this call that the presentation that follows may contain forward-looking statements. These forward-looking statements are subject to a high degree of risk and our actual results may differ materially from these forward-looking statements.

For the purposes of this presentation, dollar figures are generally stated in New Taiwan Dollars unless otherwise indicated.

For today's event, I will be going over the financial results. Joseph Tung, our CFO, will be answering questions during our Q&A session. Following the event, our VP in charge of public relations, Eddie Chang, will be available to address the media in Mandarin Chinese.

Page 2. First, let's go to our SPIL transaction status slide. This is the extent of additional information available at this time. Again, we apologize for any inconvenience this may cause but we will not be able to provide any additional information on the progress of this transaction during Q&A.

This third quarter has been particularly interesting for us. One positive development was that we were pleased for once to have at least a stable NT dollar. We were also pleased with the performance of our SiP-technology-related products during the quarter. We also saw strength in a newer class of specialized processing intensive devices. We also got to see a bit of the future as we work on newer generations of sensors and health-related devices, which will help improve people's lives on a daily basis.

From the business perspective, our communications market segment traditionally leads the way during the third quarter. This year, we saw a somewhat slower pick-up. We understand that much of these dynamics are driven by our customers' customers and the various end markets they serve. But, it does appear our seasonality has been somewhat smoothed out with lower peaks and potentially higher troughs.

And, through all of the differences from what we were expecting, we ended the quarter pretty much in the range of where we thought we would be.

With that, let's start the financial overview.

Page 3. On a fully consolidated basis, for the third quarter, the company delivered fully diluted EPS of $0.69 and basic EPS of $0.76. Our packaging, testing, direct materials and EMS businesses were up 8, 8, 2 and 17%, respectively. Total revenues for the consolidated Group increased by 12% to $73.9 billion. Gross profit increased from 12.1 billion to $13.8 billion with consolidated gross profit margin increasing to 18.7%.

Operating expenses decreased by 0.1 billion to 6.8 billion. Operating expenses, as a percentage of sales, decreased 1.2 percentage points from 10.4% to 9.2%. Operating profit for the third quarter improved 35% to 7.1 billion dollars. Operating margins improved 1.7 percentage points from 7.9% to 9.6%.

During the third quarter, we had a net non-operating gain of 0.7 billion dollars as versus a net non-operating gain of $6.2 billion the previous quarter. The majority of the fluctuation related to a non-recurring $5.7 billion real estate-related gain recognized during the second quarter.

The current quarter's non-operating gain includes the following: net gain related to foreign exchange and hedging activities of 0.4 billion dollars; net interest expense of 0.4 billion dollars; income from SPIL, net of purchase price accounting, of 0.4 billion dollars; and gain related to our ECB of 0.2 billion dollars.

Pretax profit for the third quarter was 7.8 billion dollars down from 11.4 billion. Income tax expense was 1.1 billion in the third quarter. This amount is down from 3.2 billion in the second quarter, which included our annual undistributed earnings tax and tax related to the second quarter real estate transaction. Net income for the third quarter was 6.3 billion dollars.

It is worth noting here that Taiwan currently has proposed tax legislation, which may impact our 2017 tax expense and future ongoing tax rate. Of course, we will not be able to fully quantify any impact until such legislation is completed.

Page 4. From a year-over-year perspective, NT dollar appreciation had a significant impact on a comparative basis with the NT dollar appreciating 5% during the year period.

Comparing the current quarter's results versus the same quarter last year, our packaging and testing businesses declined by 2% and 5%, respectively. While our direct materials and EMS businesses grew by 18% and 6%, respectively. Our Group-wide consolidated net revenues increased by 2%. Each of these revenue results would have increased approximately by 5 percentage points on a US dollar basis.

Our gross profit was down 2% to 13.8 billion while our gross profit margin declined 0.7 percentage points to 18.7% from the previous year. The decline is principally the result of NT dollar appreciation. Without NT dollar appreciation, Group gross profit margin would have improved 0.6 percentage points.

Operating profit was down 5% with our operating margin declining 0.6 percentage points. This decline was caused primarily by NT dollar appreciation that flowed through from gross profit and revenue mix shift.

Page 5, IC ATM P&L. During the third quarter, our IC ATM net revenues increased 7% to 41.9 billion dollars. Revenues for our IC packaging, testing and direct materials businesses increased 7%, 8% and 9%, respectively. Gross profit improved 16% to 10.5 billion dollars from 9 billion dollars. Gross margin improved 2 percentage points from 23.1% to 25.1%. The gross margin improvement was fundamentally the result of higher loading manifesting in relatively lower labor and D&A costs. Operating expenses declined 0.1 billion to 4.8 billion from 4.9 billion dollars. Our operating expense percentage declined to 11.4% from 12.6%. Operating profit improved 1.6 billion dollars, or 40%, to $5.7 billion from $4.1 billion. Operating margin for the third quarter was up 3.2 percentage points to 13.7%.

Page 6, IC ATM year-over-year. Our packaging and test businesses were down 3% and 5%, respectively, while our direct materials business was up 14%. Our total IC ATM revenues declined 3%. On a US dollar basis, IC ATM revenue would have grown by 2% year-over-year. Gross profit was down 4% with our gross margin declining 0.4 percentage points. Without the effect of NT dollar appreciation, our IC ATM gross margin would have improved 1.6 percentage points year-over-year. Operating income was down 0.5 billion dollars with operating margin down 0.7 percentage points. Our operating margin decline was again attributable to NT dollar appreciation.

Page 7, Packaging. During the third quarter, our packaging revenue improved 7% sequentially and was down 3% year-over-year to 33.9 billion dollars. On a US dollar basis, packaging revenue grew 7% sequentially and was up 2% year-over-year. Our packaging gross margin improved by 1.7 percentage points, sequentially, and 0.1 percentage points year-over-year. Sequential margin improvement was mostly attributable to higher loading manifesting in relatively lower raw material, labor and D&A costs, offset in part by higher summer utility expenses and higher factory supplies. A small year-over-year margin improvement was achieved despite significant NT dollar appreciation. During the quarter, capital expenditures were $84million US dollars, composed of wafer bump, fanout and copper pillar equipment of $30 million US dollars and common, SiP and wirebond equipment of $54million US dollars.

We exited the quarter with a total of 16,083 wirebonders in operation. 8-inch wafer processing capacity increased to 104,000 wafers per month. 12-inch wafer processing capacity including bumping, fanout and copper pillar remained at 128,000 wafers per month.

Page 8, Test. Test revenues were sequentially up 0.5 billion dollars to 6.9 billion. On a year-over-year basis, test revenues were down 5% and would have been flat on a US dollar basis. Test gross profit margin of 37.8% was up 3.6 percentage points sequentially and down 1.1 percentage points year-over-year. Gross margins were up sequentially principally as a result of increased loading during the seasonally up quarter in a semi-fixed cost structure. Outside NT dollar appreciation, our test gross margins would have, instead, improved 1.1 percentage points year-over-year.

Overall, cost of services for test inched up 0.1 billion dollars to 4.3 billion sequentially and decreasing 0.1 billion year-over-year. Our test utilization rate on a percentage basis increased into the high seventies. Capital expenditures for the test business were 29 million US dollars in the third quarter. During the quarter, we added 47 and disposed of 104 testers, ending with 3,739 testers.

Page 9, Materials. Revenues of 2.2 billion were sequentially up 2% and down 7% year-over-year. On a US dollar basis, our materials year-over-year revenue decline would have been down 2%. Most of the decline is attributable to this year’s softer communications market. During the quarter, 948 million was from sales to external customers. This amount is a 2% increase as compared to the second quarter. Our internal self-sufficiency rate declined slightly to 25%. Gross margins were sequentially down by 1.3 percentage points to 13.1% as a result of higher manufacturing-cost-oriented product mix.

Page 10, IC ATM revenue by application or market segment. Our market segment movements were not dramatic with communications increasing 1 percentage point and computing down 1 percentage point. However, this results in relative context of it being the third quarter shows the extent that our communications segment had weaker seasonal momentum.

Page 11, EMS Operations. Here you can see the results from our EMS business. During the third quarter, revenues for our EMS business unit were 33.1 billion dollars, sequentially up 17% and up 6% year-over-year. Our gross profit improved 9%, or 0.3 billion, sequentially and year-over-year to 3.4 billion dollars. As we expected, some of our higher volume / lower margin product initiated their seasonal ramp during the third quarter. As such, EMS gross margin declined to 10.3% from 11.1% sequentially. Our EMS gross margin was up 0.3 percentage point year-over-year.

Page 12. Here you will note that our consumer segment delivered a stronger seasonal uptick than our computing and communications segments.

Page 13, Balance Sheet. At the end of the quarter, we had cash and cash equivalents, and current financial assets of 43 billion dollars. Our interest-bearing debt decreased from 91.6 billion to 82.5 billion at the end of the quarter. Total unused credit lines amounted to 165.6 billion dollars. Our EBITDA was 15.2 billion. Our EBITDA per share was 1 dollar 83.

During the quarter, we redeemed in its entirety our zero-coupon convertible bond due 2018. These bonds were redeemed on September 6, 2017 at 100% of the principal amount. 99.9% was converted to 424.3 million common shares. The remaining was called in exchange for 0.4 million US dollars.

Page 14, Capital Expenditures. Machinery and equipment capital expenditures for the third quarter totaled 130 million US dollars, of which, 84 million were used in packaging operations, 29 million used in testing operations, 13 million in EMS operations, and 4 million in interconnect materials operations. In US dollar terms, EBITDA for the quarter was 504 million US dollars. We remain committed to our capital expenditure discipline. We continue to see our capital expenditures for the year in the range of being below our depreciation and amortization expense but above 2016 levels, albeit most likely in the lower part of such range.

Looking out into the fourth quarter, we still see a lot moving pieces, which is unusual for this time of year. There are also lingering demand issues and potential upsides to consider. However, we believe the demand environment to be healthy with potential pent-up demand existing at the end markets. As such, we feel there is no need to be particularly optimistic or pessimistic at this point.

For our business we expect IC ATM fourth-quarter 2017 business and gross margin should both be similar with third-quarter 2017 levels. Our EMS fourth-quarter 2017 business should be similar with IC ATM fourth-quarter 2017 levels, and our EMS fourth-quarter 2017 gross margin should be above first-quarter 2016 levels.

Before we start the Q&A session, I would like to remind everyone that we cannot provide any further details in regards to our discussions, if any, with regulatory entities, as it relates to our ongoing transaction with SPIL.

Randy Abrams of Credit Suisse: Yes, thank you. I want to ask the first question just on the outlook statement—if you could just talk about whether there're any lingering demand issues and the potential upside, if you could give a bit more detail on maybe the downside risk and also the upside risk you could potentially be looking at?

Joseph Tung, CFO of ASE Group: I think the second half is a little bit different from the previous years. I think there are quite a bit of moving pieces as well as some of the industry dynamics that kind of muted the seasonality fluctuations particularly in the third and the fourth quarter. We believe that's due to a lot of the…some of the uncertainties in terms of product introduction as well as the sell-through going forward. So we think the fourth quarter seems to be, based on our forecast, looks will be very similar to what happened in the third quarter at this point.

Randy Abrams of Credit Suisse: Okay. I guess from upside risk, is it tied to bottlenecks in the supply chain? Or…I mean where do you kind of see the potential might come through?

Joseph Tung: No, I don't think we will want to comment on that. I think basically there's a lot of things going on in the industry. We were just, you know, providing some of the information based on our own forecast to see how things will shape up in the fourth quarter.

Randy Abrams of Credit Suisse: Okay. The CAPEX now looks like it's a little bit at lower end of what you were originally guiding here. Maybe the area you're…kind of…versus your original expectation, you're pulling back—if there's an initial kind of base case for the next year, for CAPEX?

Joseph Tung: I think the CAPEX for the year is still pretty much within what we were expecting, and although it could be at the lower end of the number that we expected for the year.

Randy Abrams of Credit Suisse: If you can give an update on the SiP. The EMS business is still up year-over-year. Maybe your view into next year on SiP sustaining? If you see any potential new projects coming in? And any offsetting projects that might be going sunset to offset that?

Joseph Tung: Yeah, I think overall we're pretty happy with what we have achieved in terms of our SiP business this year. I think it has…it will have some pretty decent growth. I think we remain confident in the coming year given the fact that we have multiple engagement with different customers, and some of them are with mass-production potential going forward. And of course, we will be…we are building a pipeline so some of the projects may be closer to its end-of-life, but some of them are upcoming, so overall I think SiP is still one of our main focuses going forward, and we still believe it has pretty good potential. And our focus right now is really to pick and choose the projects that make economical sense as well as fully leverage on our technology capability. So we will be selective in terms of these projects, and we are seeing both the expansion as well as the structural improvement in terms of our pipeline.

Randy Abrams of Credit Suisse: Okay, maybe last final up on that. What's that percentage of revenue now for SiP within ATM and consolidated?

Joseph Tung: In third quarter, I think, in terms of IC ATM, it's about 2.5%. In terms of the overall, it's about 17…17%.

Randy Abrams of Credit Suisse: Okay. Thank you.

Rick Hsu of Daiwa Securities: Yeah, hi. Thank you for taking my questions. I'm Rick from Daiwa Securities. The first question, again, is house-keeping…so…your utilization rate across the board for your wirebond, testing, and bumping for Q3, and what's the outlook for Q4?

Joseph Tung: Okay**.** I think, in terms of wirebond, it's high seventies—I'm sorry, low seventies. And then flip chip bumping…hold on…I do have it somewhere here…

Rick Hsu of Daiwa Securities: I think testing is like high seventies right?…as Ken mentioned?

Joseph Tung: Yes. Okay, wirebond is low eighties. Non-wirebonding is mid-eighties. Test is about high seventies, whereas materials is about mid-seventies. And fourth quarter, it will be very, very similar.

Rick Hsu of Daiwa Securities: Alright. Sorry, I missed one word. It seems non-wirebond is high...mid…

Joseph Tung: Mid-eighties.

Rick Hsu of Daiwa Securities: Mid-eighties. Okay. Good. Now, second question, regarding your SiP project for 2018, do you anticipate any new project for your existing major customer?

Joseph Tung: We won't be able to comment on that.

Rick Hsu of Daiwa Securities: Okay. Thank you. The final question is, what about the inventory levels industry-wide, and at your customers' end? How do you see inventory...I guess, TSMC said the inventory would likely normalize by the end of this year, so, what's your view on that, and what's your view on the seasonality in Q1 next year?

Joseph Tung: Right now we see, you know, kind of a healthy pipeline, and I think being at the tail-end of the food chain, I think, TSMC will definitely have a much better sense on the inventory situation. So, I think whatever TSMC claimed, they should have better credibility than what we're saying here.

Rick Hsu of Daiwa Securities: What about Q1 next year? Do you anticipate any...

Joseph Tung: I think, as Ken mentioned, I think this time around the seasonality fluctuation seems to be a bit more muted than before. So, with that, I think there is a possibility that we will have a smaller seasonality impact in the first quarter as well.

Rick Hsu of Daiwa Securities: Alright. Thank you so much.

Roland Shu of CitiGroup: Hi Ken, can I take a look again for your 4Q EMS revenue guidance?

Kenneth Hsiang: Make sure you...Name and company first.

Roland Shu of CitiGroup: Roland Shu, from CitiGroup. So, first question is on your, just on your...I'd just like to talk about, see, again, for your 4Q EMS revenue guidance. Is it similar as 4Q IC ATM revenue, or IC packaging?

Joseph Tung: The overall revenue mix between IC ATM and EMS in the fourth quarter will be 50-50.

Roland Shu of CitiGroup: Okay, and your EMS gross margin forecast in 4Q is similar as the first quarter last year, so that was very low, at, somewhere at around 8.1%. So, does that mean you still have this high-volume but low-margin product in your EMS business in 4Q?

Kenneth Hsiang: We'll have a different product mix in the fourth quarter.

Roland Shu of CitiGroup: And, so, what kind of the product—is it for the communication, or for the other projects?

Joseph Tung: We have a wide range of different profitability among different products. I think in the fourth quarter, that kind of reflect that the higher-margin product mix will be lower.

Roland Shu of CitiGroup: Okay, and this product will be continued into first quarter, or first half of next year? Will it? Will this product continue in first half of next year?

Joseph Tung: Well, it depends on how the quarter shapes up**.** We don't have a real picture on that.

Roland Shu of CitiGroup: Okay, thank you. This is for—more general question, I think TSMC expects overall semi to grow above 4.5%-5.5% for the next 10 years, and we know ASE, in past 10 years, your revenue just grew double over semiconductor in the past 10 years. So, can we just take your past growth to be maybe the forecast for next 10 years? Can we say that this 10% revenue growth in CAGR would be a good target for you for the next 10 years?

Joseph Tung: For the next 10 years?

Roland Shu of CitiGroup: Yes.

Joseph Tung: CAGR of 10% for the next 10 years?

Roland Shu of CitiGroup: Yes. I think, in the past 10 years, you said, your revenue grew twice over semiconductor, in the past 10 years.

Joseph Tung: Well, in a perfect world, yes. I certainly want to have that, but, you know, market changes, industry changes, there's a lot of uncertainties involved. So, you know, if we have 10—CAGR of 10% for 10 years, good.

Kenneth Hsiang: Industry growth is rarely linear, so it would be a very difficult statement to make.

Roland Shu of CitiGroup: I think, TSMC, I think, earlier this week, they said that they expect overall semiconductor growth to be about 4.5% to 5.5%. I think this is a number from TSMC, so just wondering what's your number in mind.

Joseph Tung: Well, if you look at this year, you know, the currency fluctuation does have a huge impact on our revenue growth, and you know, things like that can happen. So, you know, if, if everything is in a perfect-world situation, yes, we're supposed to grow twice the industry's growth, and hopefully that is the case.

Roland Shu of CitiGroup: Okay, thank you. The last question - this is also related to foundry, is taking some value away from OSAT by InFO and CoWoS. And also we know that China OSAT, even Powertech, are more aggressive—you know, try to do revenue or business in the flip chip or wafer-level packaging. So, going forward, for what kind of segment or applications you think you can continue grow your revenue?

Joseph Tung: I think we have a full portfolio of all different technology or packaging types that we can offer to our customers, and I think the main focus for us is really to find—not to find—to offer the ones that has the cost-effectiveness to our customers. I think, you know, the foundries are doing, may not be the ideal market for us to get involved with. I think whatever we do, it needs to have justifiable return as well as a justifiable economics involved in there. So, in that regard, we don't really see that particular business as something that we want to be focusing on, and whether that is competition from foundry, I think that's debatable. As far as the other Chinese players coming into it, I think competition is given—with or without the Chinese—there's always competition. So, I think what we're trying to do is really to continue to stay ahead in terms of technology, in terms of cost-effectiveness, and that's what we're good at, and hopefully we can maintain that.

Sebastian Hou of CLSA: Hello, Sebastian from CLSA. First question is, can I ask about your margin, gross margin of IC ATM for third quarter. If you used the same FX rate as a year ago, what would that be?

Joseph Tung: I think to give you a reference, if we used the same currency—same exchange rate—in the same period of last year, then the margin on the Group basis should have 1.25% improvement; on IC ATM, should have about 2%; and in terms of EMS, it should have about 60 basis points improvement.

Sebastian Hou of CLSA: Okay, thank you. So, IC ATM is 2 percentage points above. So I guess that's also mean that the packaging and testing is all around 2 percentage points above what it is.

Joseph Tung: Yes.

Sebastian Hou of CLSA: So, basically if you compare your third quarter this year versus third quarter last year, the revenue base is quite similar, actually it's slightly lower—I look at IC ATM. But the gross margin on the same FX rate should be 27%, and last year, it's 25.5%. So, is there a structural margin improvement, and can you elaborate on what kind of the things you have done, or what kind of things you think that could cause this kind of margin to improve even if the revenue is similar or even lower?

Joseph Tung: Well, I think it's a combination of a lot of things. One is, of course, we continue to improve our efficiency, in terms of manufacturing. We are...you know, I think the rebalancing or restructuring, so-called, in our SiP business does pay off. We are seeing positive results coming from that as well. And, you know, we are also...kind of...try to, in some selective business, try to streamline, or bring in more linearity into that business stream, so that we can avoid some of the fluctuations involved from different quarters, which gives us a better, I think, a better management of our capacity. So we don't have too much waste that's created through low utilization. Those are the things that we have been working very hard in the past year.

Sebastian Hou of CLSA: Okay. Thank you. Apart from...it seems to me, a lot of execution and management and your balance, your product mix and improved manufacturing efficiency. Apart from all this, it seems a lot of efforts. Do you see...if all without—if you exclude all this, all your efforts—do you see your competitiveness in the market, or pricing environment will also be a factor, a positive factor to your structural gross margin?

Joseph Tung: We certainly hope so, and I think that's what we're working on. I think the...there are some changes, so to speak, in the competition landscape. I think, as you know some of the non-Chinese are being acquired by the Chinese, and there’s a lot of activities going on, I think some of our competitors may need to go through either a learning curve or through some integration stage, that could create some more challenges for them. And, you know, we have been quite focusing on what we do best, and I think that gives us a better opportunity to stay ahead.

Sebastian Hou of CLSA: So looking into next year, if based on the same FX rate, do you see possibility to further improve this kind of margin?

Joseph Tung: I think the focus now is really to maintain whatever we have achieved. I think, in a nutshell, we achieved quite a bit in terms of protecting our margin, given the such unfavorable currency situation. So I think, for next year, I think the main focus, we need to try to sustain our, the margin, that we achieved.

Sebastian Hou of CLSA: Okay. And second question is on the material cost that Ken earlier mentioned about, the packaging gross profit margin improved quarter-on-quarter partly due to relatively lower material cost. Can I ask about what material costs? And would that be also a favorable factor into next quarter?

Kenneth Hsiang: Could you repeat that question one more time?

Sebastian Hou of CLSA: The IC ATM, inside ATM, when you said that packaging gross margin improved sequentially in third quarter...was many reasons, and partly due to relatively a lower material cost.

Kenneth Hsiang: Correct.

Sebastian Hou of CLSA: And, what type of the material, is that cost lower? And also what do you see that factor into next quarter?

Kenneth Hsiang: Usually the material costs are related to the product type and product mix. So, it really depends on what type of product we're running during that time frame. So that is not, that is not a trend item. But generally speaking, the better the loading that we have, the better efficiency we have in our operations, which leads to better margins.

Sebastian Hou of CLSA: Thank you. The third question is on the 2.5D or 3D advanced technology packaging. I think-in recent earnings call, TSMC talked about they see very strong growth, or almost double their CoWoS this year and see substantial growth next year on their CoWoS. So I wonder what ASE is seeing on your 2.5D packaging business this year and next year, in terms of the pipeline.

Kenneth Hsiang: We can't comment for them.

Sebastian Hou of CLSA: No, I'm not asking for them, I'm asking for you.

Kenneth Hsiang: Right. But the total market on the 2.5D in CoWoS, and for us, it's “FOCoS”. That market is actually relatively small. So we would see...we do see demand for such, but that's not something we really want to comment on that much, right? I don't see it being a big number mover for us. But it is an exciting area. So definitely the ability connect multiple chips together, that's...that's very promising.

Sebastian Hou of CLSA: Which means that compared to SiP, this won't be a growth driver in the foreseeable future? Am I right?

Kenneth Hsiang: With these types of technology developments, you really never know how rapidly they take form. It just takes one product that has a lot of mass-market potential with that type of connecting...or those types of connections to take shape, then it really takes off, right? You really can never tell. But from our perspective, we provide what the mass market demands. So if the mass market needs 2.5D interposers, focus...that, we will provide it. We will grow with it.

Joseph Tung: I think from that standpoint we do...we do see some encouraging development with some of these advanced technology being applied to a wider market arena, going more into the so-called mass market. For this, I think we're offering both high- and low-end or mid-end type of technologies solutions to address these markets. We're seeing these markets being developed, but I think how fast and how big that market will shape up, it depends.

Sebastian Hou of CLSA: Okay. Can I ask, just a follow-up on this one, from another perspective to ask this question is that it seems to me, you don't see—you see a lot of the probably some engagement already, but you haven't seen the real take-off time of this technology. But in terms of yourself, do you see yourself doing this, need to carry higher business risk because you need to get a lot of things and the yield rate is low, and if you fail it, basically you need to...your cost is higher. Do you see that kind of higher business risk as a setback factor for you not really wanted to be very aggressive in this business?

Kenneth Hsiang: We announced 2.5D SiP product a number of years back, actually. That was made very well. We're not hesitant. I don't want you to think that we're being hesitant about it for yield purposes. We believe that we will address the mass market, right? So, if there is volume to be had, we'll take it on. Is that...?

Sebastian Hou of CLSA: Yeah, thank you. Last question from me is how do you see the pricing environment nowadays? Stable? Or fierce? Or...?

Joseph Tung: I think it's normal. There's gonna be price negotiation at every year end, and that's what we're being through now. And we don't see anything that's abnormal now.

Sebastian Hou of CLSA: Thank you.

Kenneth Hsiang: I have no questions on the, online. Are there any additional questions on the floor?

Operator: Over the phone, speakers have no question.

Sunny Lin of UBS Securities: Hi, I'm Sunny from UBS. So I just have one question. Can we have some update on the JV in Brazil with Qualcomm? That's it.

Joseph Tung: That’s still...on the drawing board. I think, we're not making that much progress at this point. I think in any event, it's gonna be a 2018-beyond...event.

Kenneth Hsiang: Yeah, we really believe that JV is more in the court of our partner, not...we're just going with them. So they're definitely driving.

Okay? Thank you for attending the earnings release. See you next quarter.

<End of Conference>