Advanced Semiconductor Engineering, Inc.
1st Quarter 2018 Earnings Conference & Conference Call
April 27, 2018
3:00 p.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 first quarter 2018 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. Afterwards, we will have a Q&A session with Joseph Tung, our CFO. Following the event, our VP in charge of public relations, Eddie Chang, will be available to address the media in Mandarin Chinese.

If you would go to page 2. So before we get into our results, I would like to spend just a bit of time to show the NTD / USD exchange rate impact.

There are two charts here. For the chart on the left, you can see our year-over-year Group and IC ATM revenues on a US dollar versus NT dollar basis. Given our purchase orders are predominantly received on a US dollar basis, we believe the 4% Group and the 3% IC ATM revenue growth figures more accurately reflect our true business performance.

The chart on the right shows the impact of the NT dollar fluctuation on Group & IC ATM margins. Please note the following point. It may be useful for clarifying our guidance towards the end of the presentation: we approximate that for every 1 percentage point the NT dollar appreciates, there is a corresponding 0.4 percentage point impact to IC ATM gross profit margins. And, similarly, we approximate for every percentage point the NT dollar appreciates there is a corresponding 0.3 percentage point impact to Group gross profit margins.

So, here, given the year-over-year 6% NT dollar appreciation, group gross margins received a 1.7 percentage point impact while IC ATM gross margins received a 2.6 percentage point impact.

Thus, in a flat NT dollar environment, we approximate Group and IC ATM gross margins would have been 17.7% and 23.4%, respectively. This represents a decrease of 0.3 percentage points for the Group gross margins and an increase of 0.4 percentage points IC ATM gross margins.

Q1 was a fairly typical quarter for us. Of course, there was a lot of noise during the quarter. Some upward revisions of forecasts and some downward revisions. We saw supply chain bottlenecks including MLCC shortages on our customers' supply chains. We evaluated the trade challenges between sovereign nations. There really were quite a lot of noise during the quarter. We believe these items may have some potential impact on us, but for the first quarter, we believe the impact is just that, just noise. The first quarter was business as usual. Overall, business remains good and we continue to see a seasonal cycle starting to build up.

For the financial overview, we will again try to focus less on reciting the displayed results which you can all read. And, instead, focus on whether we can add any color to the information presented. For this year, we are looking to make a number of simplifications that will help focus our message.

So page 3. Group P&L Quarterly. As our results reflect, the first quarter reflected a typically seasonally soft first quarter. Our IC ATM results were in line with our expectations. However, our EMS results were slightly behind where we thought they would be. On a fully consolidated basis, for the first quarter, the company delivered fully diluted EPS of 24 cents and basic EPS of 25 cents. Total revenues for the consolidated Group declined by 23% quarter-over-quarter and 2% year-over-year to 65 billion dollars.

Our packaging, testing and EMS businesses were down quarter-over-quarter 11, 13 and 34%, and year-over-year 1, 11 and 2%, respectively. The sequential declines are seasonal while the year-over-year decline is principally the result of NT dollar appreciation. Gross profit for the Group declined to 10.4 billion dollars, down with consolidated gross profit margin declining to 16%. Gross profit margin decline was in line with seasonality from a quarter-over-quarter perspective. From a year-over-year perspective, gross profit margin decline was driven principally by NT dollar appreciation. As mentioned earlier, outside of NTD appreciation, gross profit margin would have declined 0.3% year-over-year, principally the result of lower gross margins from our EMS business.

Operating expenses were 6.1 billion dollars during the quarter, down 14% quarter-over-quarter and 10% year-over-year. Our operating expense percentage was 9.3%, increasing 0.9 percentage points from the fourth quarter and down 0.8 percentage points year-over-year. Operating profit for the first quarter declined to 4.3 billion dollars, with operating margins declining to 6.6%. During the first quarter, we had a net non-operating loss of 0.5 billion as versus a net non-operating gain of 0.2 billion the previous quarter.

The current quarter's non-operating gain includes the following: Net gain related to foreign exchange and hedging activities of 0.1 billion. Net interest expense of 0.4 billion, and loss from SPIL, net of purchase price accounting, of 0.3 billion. Pretax profit for the first quarter was 3.8 billion. Income tax expense was 1.4 billion in the first quarter. During January of 2018, Taiwan passed legislation which increased corporate tax rates by 3 percentage points. As a result, we recognized a 0.7 billion dollar impact for the revaluation of our net deferred tax liability position in the first quarter of 2018. Net income for the first quarter ended at 2.1 billion.

Page 4, IC ATM P&L. Our first quarter IC ATM net revenues were 37.1 billion dollars. From a sequential perspective, revenues were seasonally down 11%. From a year-over-year perspective, IC ATM revenues were down 3%. However, as mentioned earlier, on a USD dollar basis, year-over-year revenues would have been up 3%. Revenues for our IC packaging and testing businesses were sequentially down 11% and 13% while declining 2% and 11% year-over-year, respectively. Revenues for our direct materials business increased 6% sequentially and 12% on a year-over-year basis. From a year-over-year perspective, our test business declined 11% principally because of NT dollar appreciation and increased consigned tester business. We ended the quarter with gross profit of 7.7 billion dollar, declining 29% sequentially and 13% year-over-year. Gross margins declined 5.2 percentage points sequentially and 2.2 percentage points year-over-year. Sequentially, the first quarter gross margin decline was the result of typically soft seasonal loading. From a year-over-year perspective, the gross margin decline was principally the result of NT dollar appreciation. As mentioned in the earlier slide, we estimate that on a constant currency perspective, year-over-year gross margin for our IC ATM business would have improved 0.4 percentage points to 23.4%. Operating expenses of 4.3 billion dollars declined 0.6 billion, both sequentially and year-over-year. Operating margins declined 5.2 percentage points sequentially and 1.2 percentage points year-over-year. The annual decline in operating margins is again attributable to NT dollar appreciation.

Page 5, Packaging. During the first quarter, our packaging revenue declined 11% sequentially and was down 2% year-over-year to 30.3 billion dollars. On a US dollar basis, packaging revenue was up 4% year-over-year. Our packaging gross margin declined by 5.1 percentage points, sequentially, and was down 1.9 percentage points year-over-year. The sequential margin decline was the result of lower seasonal loading. The year-over-year decline is primarily attributable to NT dollar appreciation and a higher raw material product mix.

During the quarter, capital expenditures were 146 million US dollars. Wafer bump, fan out and copper pillar equipment was at 81 million US dollars, and common, SiP and wirebond equipment, at 65 million US dollars.

We exited the quarter with a total of 16,015 wirebonders in operation, adding 66 and disposing 127. Eight-inch wafer processing capacity increased 10,000 wafers to 114,000 wafers per month and 12-inch wafer processing capacity, including bump, fan out and copper pillar, remained at 128,000 wafers per month.

Page 6. During the first quarter, test revenues were sequentially down 13% to 5.7 billion dollars. Year-over-year, test revenues were down 11%. On a US dollar basis, year-over-year test revenues were down 5.1%. On a sequential basis, the revenue decline was principally the result of seasonal loading. On a year-over-year basis, the revenue decline was principally the result of a large customer converting into a consigned tester business model. Under a consigned tester business model, our customer owns the tester and bears substantially more asset and business risk; however, the results in lower—this results in lower revenues for our test business. Test gross profit declined 0.7 billion dollar sequentially. Test gross margin was down 5.9 percentage points sequentially and 2.7 percentage points year-over-year. Gross margins were sequentially principally—were down sequentially principally as a result of seasonal decline during the quarter in a semi-fixed cost structure. Test gross margin declined year-over-year principally as a result of NT dollar appreciation. Outside of NT dollar appreciation, our test gross margins would have, instead been, improving 2.9 percentage points year-over-year. Overall, cost of services for test declined 0.2 billion sequentially and 0.3 billion year-over-year to 3.9 billion dollars. Our blended test utilization rate on a percentage basis decreased into the low 70's. Capital expenditures for the test business was 54 million US dollars in the first quarter. During the quarter, we also added 156 and disposed 115 testers, ending with 3,801 testers.

Page 7. Sequentially for the first quarter, our market segment movements had our communications segment in its seasonally soft quarter, decreasing to 46%. Our automotive, consumer and other segment increased 2 percentage points to 41%. Our computer segment stayed unchanged at 13%. Directionally speaking, there's really not anything particularly surprising here.

Page 8. Here you can see the results from our EMS business. During the first quarter, we had revenues for our EMS business unit of 28.7 billion dollars. This is sequentially down 33% and down 2% year-over-year. Even though the first quarter is the start of our traditional slow season, our EMS revenues came in somewhat behind where we expected. The revenue decline is tied to typically seasonal products we serve; however, the magnitude of the decline was somewhat unexpected. We believe that this, at least in some part, is caused by end market issues. Our gross profit declined 33% sequentially and 13% year-over-year to 2.7 billion dollars. EMS gross margin edged up to 9.4% from 9.2% sequentially. The increase is primarily the result of product mix differences.

Page 9. Here you will note that our product segments within our EMS business. Our consumer segment declined 8 percentage points, made up by gains in computing, industrial and automotive. Our communications segment remained flat.

Page 10. Balance sheet. At the end of the quarter, we had cash and cash equivalents and current financial assets of 53.7 billion dollars. Our interest-bearing debt decreased from 76.9 billion to 74.5 billion at the end of the quarter. Total unused credit lines amounted to 154.3 billion dollars. Our EBITDA for the quarter was 11.9 billion dollars.

Page 11, capital expenditures. Machinery and equipment capital expenditures for the first quarter totaled 209 million US dollars, of which, 146 million were used for packaging operations, 54 million for testing operations, 7 million for EMS operations, and 2 million for interconnect materials and other uses. As we mentioned during our last earnings release, a sizable portion of CAPEX, in excess of 100 million US dollars, originally scheduled for 2017, was deferred into 2018. With that said, from a standalone entity perspective, we still continue to expect our 2018 capital expenditures to continue our pattern of being above previous years' CAPEX, but being below depreciation and amortization, albeit in the higher end of that range. This is, of course, speaking is about the standalone entity. In US dollar terms, EBITDA for the quarter was 405 million US dollars.

Before we get into the guidance, just a few logistical matters.

This earnings release will be the last one done as ASE Group, a standalone entity. Next quarter, our results, along with the results of SPIL, will be combined into ASE Industrial Holdings Company, Taiwan ticker 3711, ASE Holdings for short. For every 2 old shares of 2311, our common shareholders will receive 1 new share of 3711. From a Taiwan legal entity perspective, we will be part of a new legal entity without a contiguous history. As such, the ASE Holdings entity will have only existed for 2 months when it makes its second quarter earnings release at the end of July.

As you may know, we also have an American Depository Receipt in the US. Our ADR will continue to trade on the NYSE under the ticker ASX. Each ADR share originally represented 5 common shares of 2311. On April 30, each ADR will split to become 1.25 shares while simultaneously each ADR share will become to represent 2 common shares of 3711, ASE Holdings. This split is necessary to accommodate fractional share issues. From the US legal entity perspective, the US SEC considers the ADR as an ongoing entity and thus will retain our historical financial information and, as of May, become the ASE Industrial Holding Company.

This development may inconvenience our shareholders. However, ASE Holdings will provide to the best of its ability a pro-forma set of results at the IC ATM level. However, it may be limited in its ability to provide pro-forma information at the detailed business unit level—packaging and testing, for example. Please bear in mind that recreating pro-forma sets of consistent financial information between two separately functioning legal entities as required by MOFCOM can be a large task which will require significant material estimation and time while providing significant safeguards.

From the reporting perspective, in June, by legal requirement, ASE Holdings, SPIL, and ASE standalone will each release their May monthly sales. On July 27, ASE Holdings expects to host its first earnings conference. ASE Holdings does not expect to release any other financial information during this time.

Now, onto guidance for the standalone company—not ASE Holdings.

Looking out into the second quarter, we still see a lot of moving pieces. However, from our perspective, we see a typical second quarter uptick. Each segment has its own opportunities and challenges. But, by and large, we still see broad-based strength across all segments. We continue to be positive on the overall impact of high performance computing, including cryptocurrency, on our business. We do believe that we can achieve healthy year-over-year growth in the second quarter.

The geo-political environment still appears to be creating volatility in foreign currencies around the world. The NT dollar is continuing to be impacted. We don't believe we can properly forecast the impact of such movements. And, as such, we have provided our business guidance outside of such potential impacts.

So for our guidance here. IC ATM, in USD terms. IC ATM second quarter business should be above second quarter 2017 levels, but below fourth quarter 2017 levels. Excluding foreign exchange impact, IC ATM first quarter gross margins—2018 gross margins—should be similar to second quarter 2017 levels.

EMS second quarter 2018 business should be between second quarter 2017 and third quarter 2017 levels. And EMS second quarter 2018 gross margin should improve slightly from first quarter 2018. Yeah, that's second quarter gross margin, not first quarter margin, so...I think you guys read that..so, questions?

Operator: First question came from the line, Mr. Randy Abrams, from Credit Suisse. The line is now open.

Randy Abrams of Credit Suisse: Okay. Yes, thank you. My first question, just wanna get a profile for, first, just the ASE business. I guess the demand outlook. How you're viewing, like, any changes. Like if you took the communications space, and then the other end markets. Like if you see any kind of movements within that. And for the EMS business, I guess, with a slower start to the year, if you could give an outlook for how EMS is shaping up. And I guess for the SiP business, in particular, how you're viewing this year now versus last year, if it's still, could stay stable or if that outlook has changed. And if you can give an update maybe on projects within that, and, if any new projects could start to contribute?

Joseph Tung, CFO of ASE Group: I think in terms of IC ATM in second quarter, we are seeing again a broad-based type of growth, except with various strengths. I think in the second quarter, we will be seeing computing, as well as industrial, consumer, will be relatively stronger than the other segments. As far as the EMS business is concerned, we're still confident that we will have some growth this year. And in terms of margin, we will, uh, our goal is continue to maintain our gross, uh, margin level at last year's level. In terms of SiP business, I think right now what we're seeing is a stable year, although the eventual results will have to depend on the, the end market sell-through situation.

Randy Abrams of Credit Suisse: Okay, great. And could you talk on the cost side? There's been a headwind of currency the past year, if you are seeing any changes on cost pressure for things like materials and substrates? And if, is there any ability to firm up pricing to pass on some of the costs? And then also, on the bottlenecks, will there still be some passive components and a little bit of equipment I guess, if you're seeing those bottlenecks and any tightness you're seeing in business right now?

Joseph Tung: In terms of passive components, we do see some negative impacts on our overall business, although it's not a gating item for the year. Right now I think, so as far as IC ATM is concerned, I think the impact is minor. For EMS it's a little bit larger, but then it's still at the manageable level. I think being a, you know, in terms of company size, I think we, relatively speaking, still can obtain a more stable type of supply situation. So yes, there will be some negative impact, particularly small impact on our margin, but in terms of the magnitude of the impact is still, both manageable as well as, in terms of IC ATM, is really minor.

Randy Abrams of Credit Suisse: Okay. And with the, from the ASE perspective, with SPIL coming in, and you'll have the access to their facilities and also their teams, do you have a view yet on the core ASE expense, um, growth, and how you're viewing CAPEX? If you already see, um, whether maybe slow those down, not bring in all those resources?

Joseph Tung: We're still being required to maintain two separate operations without too much integration at least for the next 18 months before the restriction is expired. Therefore I think, I don't, I think at the operating level, there is not going to be too much integration to... in the foreseeable future, at least for the next 18 months. But in terms of R&D, some of the…with legitimate business reasons, there is some flexibility in terms of aligning our capacity, so I think some of the savings or synergies can be created in those areas.

Kenneth Hsiang: We can now take questions from the floor. Rick? Name and company please. No? (Someone chuckles.)

Rick Hsu of Daiwa Securities: Hello? Alright, it's better. Rick, from Daiwa Securities. I'm kind of getting to be…be too old to…can you go through your previous housekeeping update in terms of the number of wirebonders? How many you had at the end of first quarter? And testers as well.

Joseph Tung: We have altogether 16,000 wirebonders. We added 66 and exceeded 127 bonders in the quarter. Tester-wise, we have altogether 3,801 testers.

Rick Hsu of Daiwa Securities: Okay. So wirebonders are 16,000.

Joseph Tung: 16,000. Yes.

Rick Hsu of Daiwa Securities: Even. Okay. And what's your utilization rate for, uh, for wirebonding?

Joseph Tung: For wirebonding, in second quarter, was about mid-70's. Advanced packaging at mid 70's as well. Testing at low 70's, and substrates at mid 70's.

Rick Hsu of Daiwa Securities: Substrates at mid 70's. This is for the Q1, right?

Joseph Tung: That's for Q1.

Rick Hsu of Daiwa Securities: Alright, and what about, what about the number of wirebond and tester for Q2, based on your plans? And also the loadings?

Joseph Tung: We will be adding very few bonders for the year, I think we can count in hundreds, maybe. In terms of utilization in second quarter, because of the overall growth in our revenue, in terms of wirebonding, utilization it will be around 80's.

Rick Hsu of Daiwa Securities: Okay. And tester?

Joseph Tung: For advanced packaging, it will also grow to about low 80's, and testing to high 70's.

Rick Hsu of Daiwa Securities: Alright. Thank you so much. And the second question is, uh, when I look at your, uh, IC ATM growth margin decline, Q1 about five pp roughly, it looks to me it's like, it's kind of more in seasonal. Can you sort of break it down into the component of impact? How much from loading, how much from the currency change, how much from material costs, and how much from some, any kind of critical components?

Joseph Tung: I'm sorry? I think, about, mostly it's from loading, I guess, about 0.5% maybe coming from the, uh, from the currency.

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

Joseph Tung: Thank you**.**

Bill Lu of UBS Securities: Hi, Bill Lu from UBS. Thanks very much for taking the questions. You know, I should know this but I can't remember, it's been a while. When customers do consignment testers, what's the impact to revenues and margins?

Joseph Tung: What's, ah, we don't own the machines, and we don't carry the depreciation of such machines, and then our price will be based on the cost without the depreciation cost. It will still be on the cost-plus type of arrangement, but just the cost doesn't include depreciation. So, if you take that part of the cost out, then the overall revenue from a particular machine would be lower.

Bill Lu of UBS Securities: But, shouldn't that make the gross margin percentage higher?

Joseph Tung: It depends on how much lower your price is. Theoretically it shouldn't have that much of an impact on the margin itself.

Bill Lu of UBS Securities: I guess I'm just thinking if the value that you're adding, right?—the gross profit is the same—but the ASP is lower, that means the percentage will be higher.

Joseph Tung: Not necessarily, because the...a lot of the overhead, or the operating expenses still remains and some of the...although the machine is down, the revenue is lower, but then the, that part of the cost remains the same, overhead.

Bill Lu of UBS Securities: Okay. Can you tell me what the cryptocurrency was as a percentage of sales?

Joseph Tung: It will be in the low single digit.

Bill Lu of UBS Securities: Still low single digit? What's the outlook for the rest of the year?

Joseph Tung: Huh, I'm sorry?

Bill Lu of UBS Securities: What's the outlook for the rest of the year?

Joseph Tung: It could be mid.

Bill Lu of UBS Securities: Okay. So, it sounds to me like TSMC's strategy in crypto is, you know—if they have any excess capacity to give to the crypto guys, but not really aggressively building for the crypto guys. Is that the same as your strategy?

Joseph Tung: That's the same, that's the same theory. I think the overall business is kind of opportunistic, and the packages that require is still typical flip chip-type of packages. So we can use, leverage our existing capacity without adding too much.

Bill Lu of UBS Securities: Okay. Last question. TSMC last week said that their long-term growth outlook is the same, but the portion for communications is smaller, the portion from HPC is bigger, right? How does that impact your business? And, a lot of these HPC customers are using, you know, advanced packaging—2.5D. Can you give us an update there as well?

Joseph Tung: I think the business composition is a bit different, and I think business characteristic is also a little bit different. But it really depends on the second-half end demand or the product sell-through. So

I think communication will continue to be the largest portion of our overall business. But in terms of the actual percentage changes, it really depends on the second-half performance of the segment.

Bill Lu of UBS Securities: Maybe a quick update on advanced packaging—2.5D packaging?

Joseph Tung: Anything we wanna add?

Ken Hsiang: Our definition of advanced encompasses a little bit more than just 2.5D packaging.

Joseph Tung: You're referring to fanout?

Bill Lu of UBS Securities: Well, I mean, however you wanna define it. Just advanced packaging in general would be great.

Joseph Tung: For us, it's flip chip bumping, wafer-level packaging, and SiP.

Ken Hsiang: Also fanout.

Bill Lu of UBS Securities: Yes, sorry. Maybe I would be a little bit more specific. If you look at these, you know, GPUs and such, they do use a lot of—you know, for TSMC—CoWoS, right? How are you gonna capture that opportunity?

Ken Hsiang: We've, we've offered...this is our 2.5D solution. We've offered 2.5D for a significant period of time. I think our AMD SiP project was well, well talked about. That was a 2.5D-type solution. I think we will, we'll continue to offer that. I think, but, you know, just talking about it as a standalone entity at this point, may not just be proper. But we're definitely focused on.

Do we have the line working? Any more questions from the floor?

Sebastian Hou of CLSA: Thank you. Sebastian from CL**.** First question is follow-up on Bill's questions on the crypto. Is that—just wanna clarify—is that percentage contribution is for IC ATM or...

Joseph Tung: IC ATM.

Sebastian Hou of CLSA: IC ATM, okay. Second question is the, earlier, Ken talked about the broad-based trend seen in the second quarter. But the guidance on IC ATM, if I calculate it right, it seems to be flat quarter-on-quarter...No? I calculate it wrong?

Ken Hsiang: No.

Joseph Tung: There'll be some growth, yes, (**Ken Hsiang:** Ya.) in second quarter.

Sebastian Hou of CLSA: Above second-quarter 17, below 4Q 17, in US dollar's terms. Okay. I'll calculate again. So, you talk about the strengths in the computing, consumer, industrial, but didn't talk about communications. So the communication is the weakest?

Joseph Tung: It's...compared to the other two, yes, it's, compared to the...(**Sebastian Hou of CLSA:** So...) second quarter, although there's still growth.

Sebastian Hou of CLSA: Okay. So, even the weakest is still growing. So, everything is growing.

Joseph Tung: It's growing. Its profit, its growth, with various strengths.

Sebastian Hou of CLSA: Okay. And when you look at, I think last quarter, last conference, I think, I remember the company was, sounds pretty upbeat about full-year this year. Talked about the higher CAPEX, talked about the opportunity sees for this year. And, how do you—what's the difference now, or is there any difference, or still feel the same thing, um, three months past?

Ken Hsiang: No. We're still very excited about the year. Growth prospects are still fairly promising.

Sebastian Hou of CLSA: The excitement is mainly come from...which application, particularly?

Ken Hsiang: I don't know if we've singled that out at this time. Uh, you're asking beyond the coming quarter, and**...**

Sebastian Hou of CLSA: No, full-year.

Ken Hsiang: I understand, but we're...I don't know how you're gonna get back to that later on because this is the last one that we're doing, as a standalone entity.

Sebastian Hou of CLSA: Yeah, I'm asking about ASE standalone.

Ken Hsiang: Actually, fairly broad-based. Actually, for us, across the board.

Joseph Tung: I think, first of all, we're still confident that this year we're gonna experience some healthy growth, that growth can just really be broad-based, although as I said, it's really same as second quarter. There will be various strengths among different sectors. At this point, I think at least for second quarter, we're seeing that the communication is not as strong as the other sectors. But going into second half, it really depends on the end product sell-through and how the products being launched, to see whether the relative strength will be different from—the strength profile—will be different from the first half of the year. For overall, we're still pretty optimistic about the whole year.

Sebastian Hou of CLSA: Okay. Another follow-up on the crypto question is that, the, earlier, Joseph, you mentioned that right now, is about single digit percent for IC ATM. Full year is mid-single?

Joseph Tung: Um, like I said, this thing is really opportunistic. I think even now, the overall situation that we're seeing is less than what we were expecting in the beginning of the year, so it fluctuates quite a bit. So, it's very difficult to make any hard predictions on where this business exactly is gonna go. All we can say is that even with more conservative view on this business, we're still seeing quite a bit of growth in this area.

Sebastian Hou of CLSA: Okay. The reason I'm asking is that if full year is about mid-single digit, and usually you have a stronger second half from the first half. (**Joseph Tung:** Um.) So, which mean the second half, it gonna to be the high single digit to make it like mid-single digit for full year.

Joseph Tung: That seems to be the case at this, what we're seeing it now. Ya.

Sebastian Hou of CLSA: Okay, so you see the stronger growth in second half than first half? And, this is just for ASIC, not including GPU?

Joseph Tung: Yes.

Sebastian Hou of CLSA: Okay, thank you.

Ken Hsiang: Any other questions from the floor? We have a line, no?

Joseph Tung: I hope this is recorded.

Ken Hsiang: Yes. It’s recorded. The line’s working? No, no questions from the line. Alright, thank you very much.

Joseph Tung: We'll see you next quarter with a different...presentation. (Someone chuckles.)

<End of Conference>