

# **RICHWAVE TECHNOLOGY CORPORATION AND SUBSIDIARIES**

## **CONSOLIDATED BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$ 646,108	35	\$ 475,071	25	\$ 372,224	20
Financial assets at fair value through other comprehensive income - current	9	-	11	-	16	-
Financial assets at amortized cost - current	-	-	200,000	11	200,000	11
Trade receivables, net	620,406	34	567,732	30	649,709	35
Other receivables	2,601	-	6,042	-	5,993	-
Inventories	374,589	20	463,239	25	452,247	25
Prepayments	7,167	1	8,938	1	8,243	1
Other current assets	5,587	-	4,101	-	4,466	-
Total current assets	1,656,467	90	1,725,134	92	1,692,898	92
<b>NON-CURRENT ASSETS</b>						
Financial assets at amortized cost - non-current	4,127	-	4,127	-	4,115	-
Property, plant and equipment	83,694	5	85,761	5	78,416	4
Right-of-use assets	31,071	2	-	-	-	-
Other intangible assets	22,278	1	21,229	1	27,037	2
Deferred tax assets	35,559	2	39,790	2	36,588	2
Prepayments for equipment	1,086	-	483	-	4,677	-
Refundable deposits	7,616	-	6,399	-	6,066	-
Net defined benefit assets - non-current	1,033	-	723	-	-	-
Total non-current assets	186,464	10	158,512	8	156,899	8
<b>TOTAL</b>	<u>\$ 1,842,931</u>	<u>100</u>	<u>\$ 1,883,646</u>	<u>100</u>	<u>\$ 1,849,797</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term bank loans	\$ -	-	\$ 92,145	5	\$ -	-
Trade payables	352,775	19	356,294	19	481,907	26
Accrued profit sharing to employees and bonus to directors and supervisors	27,835	2	21,175	1	26,647	2
Cash dividends payable	90,564	5	-	-	34,579	2
Other payables	78,068	4	78,824	4	87,358	5
Current tax liabilities	12,936	1	53,062	3	34,890	2
Lease liabilities - current	20,538	1	-	-	-	-
Refund liabilities - current	77,544	4	93,375	5	99,973	5
Other current liabilities	8,794	-	7,321	-	3,307	-
Total current liabilities	669,054	36	702,196	37	768,661	42
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities	64	-	-	-	-	-
Lease liabilities - non-current	10,578	1	-	-	-	-
Guarantee deposits	6,964	-	6,886	1	4,087	-
Total non-current liabilities	17,606	1	6,886	1	4,087	-
Total liabilities	686,660	37	709,082	38	772,748	42
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>						
Share capital						
Ordinary shares	603,761	33	603,761	32	548,874	29
Capital collected in advance	3,230	-	-	-	-	-
Shares dividend to be distributed	-	-	-	-	54,887	3
Total share capital	606,991	33	603,761	32	603,761	32
Capital surplus	296,107	16	276,847	15	272,525	15
Retained earnings						
Legal reserve	55,024	3	37,305	2	37,305	2
Special reserve	74	-	22	-	22	-
Unappropriated earnings	197,965	11	256,703	13	163,459	9
Total retained earnings	253,063	14	294,030	15	200,786	11
Other equity	110	-	(74)	-	(23)	-
Total equity	1,156,271	63	1,174,564	62	1,077,049	58
<b>TOTAL</b>	<u>\$ 1,842,931</u>	<u>100</u>	<u>\$ 1,883,646</u>	<u>100</u>	<u>\$ 1,849,797</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.  
( With Deloitte & Touche review report dated August 1, 2019 )

# RICHWAVE TECHNOLOGY CORPORATION AND SUBSIDIARIES

## 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	%
NET OPERATING REVENUE	\$ 666,322	100	\$ 712,365	100	\$ 1,091,641	100	\$ 1,374,636	100
OPERATING COSTS	<u>409,154</u>	<u>61</u>	<u>483,572</u>	<u>68</u>	<u>673,348</u>	<u>62</u>	<u>940,468</u>	<u>69</u>
GROSS PROFIT	<u>257,168</u>	<u>39</u>	<u>228,793</u>	<u>32</u>	<u>418,293</u>	<u>38</u>	<u>434,168</u>	<u>31</u>
OPERATING EXPENSES								
Selling and marketing expenses	44,534	7	49,136	7	95,075	8	92,900	7
General and administrative expenses	36,674	6	40,348	5	73,329	7	69,863	5
Research and development expenses	<u>96,576</u>	<u>14</u>	<u>90,721</u>	<u>13</u>	<u>184,361</u>	<u>17</u>	<u>172,457</u>	<u>12</u>
Total operating expenses	<u>177,784</u>	<u>27</u>	<u>180,205</u>	<u>25</u>	<u>352,765</u>	<u>32</u>	<u>335,220</u>	<u>24</u>
PROFIT FROM OPERATIONS	<u>79,384</u>	<u>12</u>	<u>48,588</u>	<u>7</u>	<u>65,528</u>	<u>6</u>	<u>98,948</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES								
Other income	548	-	453	-	1,056	-	669	-
Other gains and losses	1,150	-	12,120	2	1,570	-	6,120	1
Finance costs	( 126 )	-	-	-	( 814 )	-	( 239 )	-
Total non-operating income and expenses	<u>1,572</u>	<u>-</u>	<u>12,573</u>	<u>2</u>	<u>1,812</u>	<u>-</u>	<u>6,550</u>	<u>1</u>
INCOME BEFORE INCOME TAX	80,956	12	61,161	9	67,340	6	105,498	8
INCOME TAX EXPENSE	<u>20,323</u>	<u>3</u>	<u>13,687</u>	<u>2</u>	<u>17,743</u>	<u>1</u>	<u>21,924</u>	<u>2</u>
NET INCOME	<u>60,633</u>	<u>9</u>	<u>47,474</u>	<u>7</u>	<u>49,597</u>	<u>5</u>	<u>83,574</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	( 4 )	-	1	-	( 1 )	-	( 1 )	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive loss for the period, net of income tax	<u>106</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>184</u>	<u>-</u>	<u>( 1 )</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 60,739</u>	<u>9</u>	<u>\$ 47,475</u>	<u>7</u>	<u>\$ 49,781</u>	<u>5</u>	<u>\$ 83,573</u>	<u>6</u>
EARNINGS PER SHARE								
From continuing and discontinued operations								
Basic	<u>\$ 1.00</u>		<u>\$ 0.79</u>		<u>\$ 0.82</u>		<u>\$ 1.38</u>	
Diluted	<u>\$ 1.00</u>		<u>\$ 0.78</u>		<u>\$ 0.82</u>		<u>\$ 1.37</u>	

The accompanying notes are an integral part of the consolidated financial statements.

( With Deloitte & Touche review report dated August 1, 2019 )

# **RICHWAVE TECHNOLOGY CORPORATION AND SUBSIDIARIES**

## **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)  
(Reviewed, Not Audited)

	Capital Stock					Retained Earnings			Other Equity				
	Share (Thousands)	Share Capital	Capital Collected in Advance	Shares Dividend to be Distributed	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Loss on Financial Assets	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Foreign Currency Translation Reserve	Total	Total Equity
BALANCE AT JANUARY 1, 2018	54,887	\$ 548,874	\$ -	\$ -	-\$ 260,971	\$ 23,088	\$ 23	\$ 183,567	(\$ 22)	\$ -	\$ -	(\$ 22)	\$1,016,501
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	22	( 22 )	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	54,887	548,874	\$ -	\$ -	260,971	23,088	23	183,567	-	( 22 )	-	( 22 )	1,016,501
Appropriation of 2017 earnings													
Legal reserve	-	-	-	-	-	14,217	-	( 14,217)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	( 1)	1	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	( 34,579)	-	-	-	-	( 34,579)
Share dividends distributed by the Company	-	-	-	54,887	-	-	-	( 54,887)	-	-	-	-	-
Net profit for the six months ended June 30, 2018	-	-	-	-	-	-	-	83,574	-	-	-	-	83,574
Other comprehensive income for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	-	-	-	-	( 1)	-	( 1)	( 1)
Compensation cost of employee stock options	-	-	-	-	11,554	-	-	-	-	-	-	-	11,554
BALANCE AT JUNE 30, 2018	54,887	\$ 548,874	\$ -	\$ 54,887	\$ 272,525	\$ 37,305	\$ 22	\$ 163,459	\$ -	(\$ 23)	\$ -	(\$ 23)	\$ 1,077,049
BALANCE AT JANUARY 1, 2019	60,376	\$ 603,761	\$ -	\$ -	-\$ 276,847	\$ 37,305	\$ 22	\$ 256,703	\$ -	(\$ 28)	(\$ 46)	(\$ 74)	\$1,174,564
Appropriation of 2018 earnings													
Legal reserve	-	-	-	-	-	17,719	-	( 17,719)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	52	( 52)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	( 90,564)	-	-	-	-	( 90,564)
Issuance of stock on exercised stock options	-	-	3,230	-	15,407	-	-	-	-	-	-	-	18,637
Net profit for the six months ended June 30, 2019	-	-	-	-	-	-	-	49,597	-	-	-	-	49,597
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	-	-	-	( 1)	185	184	184
Compensation cost of employee stock options	-	-	-	-	3,853	-	-	-	-	-	-	-	3,853
BALANCE AT JUNE 30, 2019	60,376	\$ 603,761	\$ 3,230	\$ -	\$ 296,107	\$ 55,024	\$ 74	\$ 197,965	\$ -	(\$ 29)	\$ 139	\$ 110	\$ 1,156,271

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( With Deloitte & Touche review report dated August 1, 2019 )

# RICHWAVE TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 67,340	\$ 105,498
Adjustments for:		
Depreciation expense	27,571	17,863
Amortization expense	10,358	9,289
Finance costs	814	239
Interest income	( 815 )	( 665 )
Compensation cost of employee stock options	3,853	11,554
Write-down (Reversal) of inventories	( 8,000 )	24,075
Net loss (gain) on foreign currency exchange	390	( 6,800 )
Changes in operating assets and liabilities		
Trade receivables	( 53,200 )	58,850
Other receivables	3,297	( 704 )
Inventories	96,650	( 17,586 )
Prepaid pension	( 309 )	-
Prepayments	1,771	( 1,574 )
Other current assets	( 1,486 )	( 1,021 )
Trade payables	( 3,043 )	41,101
Other payables	( 4,483 )	2,095
Refund liabilities	( 16,202 )	97,196
Contract liabilities	1,851	-
Provisions	-	( 58,505 )
Accrued profit sharing to employees and bonus to directors and supervisors	6,660	10,613
Other current liabilities	( 378 )	325
Net defined benefit liabilities	-	( 901 )
Cash generated from operations	132,639	290,942
Interest received	959	742
Interest paid	( 1,309 )	( 239 )
Income tax paid	( 53,574 )	( 30,503 )
Net cash generated from operating activities	<u>78,715</u>	<u>260,942</u>

(Continued)

# RICHWAVE TECHNOLOGY CORPORATION AND SUBSIDIARIES

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	\$ -	(\$ 20,000)
Proceeds from disposal of financial assets at amortized cost	200,000	-
Payments for property, plant and equipment	( 11,672 )	( 32,745 )
Increase in refundable deposits	( 1,218 )	( 523 )
Payments for intangible assets	( 11,211 )	( 16,483 )
Net cash generated from (used in) investing activities	<u>175,899</u>	<u>( 69,751 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	( 92,200 )	-
Proceeds from guarantee deposits received	1	1,792
Repayments of Lease principal	( 10,182 )	-
Proceeds from exercise of employee stock options	<u>18,637</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>( 83,744 )</u>	<u>1,792</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>167</u>	<u>4,195</u>
<b>NET INCREASE IN CASH</b>	171,037	197,178
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u>475,071</u>	<u>175,046</u>
<b>CASH AT THE END OF THE PERIOD</b>	<u>\$ 646,108</u>	<u>\$ 372,224</u>

The accompanying notes are an integral part of the consolidated financial statements.

( With Deloitte & Touche review report dated August 1, 2019 )

(Concluded)