

**LUXNET CORPORATION AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2021 and 2020**

Address: No. 6, Hejiang Road, Zhongli, Taoyuan  
Telephone: (03)452-5188

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

## Table of contents

| Contents  | Page  |
|---|-------|
| 1. Cover Page   | 1     |
| 2. Table of Contents  | 2     |
| 3. Independent Auditors' Review Report  | 3     |
| 4. Consolidated Balance Sheets  | 4     |
| 5. Consolidated Statement of Comprehensive Income   | 5     |
| 6. Consolidated Statement of Changes in Equity  | 6     |
| 7. Consolidated Statement of Cash Flows   | 7     |
| 8. Notes to the Consolidated Financial Statements   |       |
| (1) Company history   | 8     |
| (2) Approval date and procedures of the consolidated financial statements                         | 8     |
| (3) New standards, amendments and interpretations adopted   | 8~10  |
| (4) Summary of significant accounting policies  | 10~11 |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 11    |
| (6) Explanation of significant accounts   | 11~35 |
| (7) Related-party transactions  | 35~36 |
| (8) Pledged assets  | 37    |
| (9) Commitments and contingencies   | 37    |
| (10) Losses Due to Major Disasters  | 37    |
| (11) Subsequent Events  | 37    |
| (12) Other  | 38    |
| (13) Other disclosures  |       |
| (a) Information on significant transactions   | 39~40 |
| (b) Information on investees  | 40    |
| (c) Information on investment in mainland China   | 40    |
| (d) Major shareholders  | 40    |
| (14) Segment information  | 40    |



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666

Fax 傳真 + 886 2 8101 6667

Internet 網址 home.kpmg/tw

## Independent Auditors' Review Report

To the Board of Directors of LuxNet Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of LuxNet Corporation and its subsidiaries as of June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2021 and 2020, as well as the changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of LuxNet Corporation and its subsidiaries as of June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, as well as its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Mei-Pin Wu and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)

August 5, 2021

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2021 and 2020**

**LUXNET CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30,  
2021, December 31, 2020, and June 30, 2020**

(Expressed in Thousands of New Taiwan Dollars)

| Assets                     |  | June 30, 2021       |            | December 31, 2020 |            | June 30, 2020    |            | Liabilities and Equity                          |   | June 30, 2021       |            | December 31, 2020 |            | June 30, 2020    |            |
|----------------------------|--|---------------------|------------|-------------------|------------|------------------|------------|---|---|---------------------|------------|-------------------|------------|------------------|------------|
|                            |  | Amount              | %          | Amount            | %          | Amount           | %          |   |   | Amount              | %          | Amount            | %          | Amount           | %          |
| <b>Current assets:</b>     |  |                     |            |                   |            |                  |            |   |   |                     |            |                   |            |                  |            |
| 1100                       | Cash and cash equivalents (note 6(a))  | \$ 502,091          | 22         | 292,319           | 13         | 397,275          | 19         | 2100  | Short-term borrowings (note 6(h))                   | \$ 239,326          | 11         | 235,352           | 11         | 282,867          | 13         |
| 1170                       | Notes and accounts receivable, net (notes 6(d) and (q))  | 143,051             | 6          | 144,072           | 7          | 158,051          | 7          | 2130  | Current contract liabilities (note 6(q))            | 2,660               | -          | 100               | -          | 1,984            | -          |
| 130X                       | Inventories (note 6(e))  | 305,412             | 14         | 311,365           | 15         | 353,711          | 16         | 2170  | Accounts payable                                    | 124,412             | 6          | 110,297           | 5          | 170,082          | 8          |
| 1410                       | Prepaid expenses   | 7,392               | -          | 10,138            | -          | 8,025            | 1          | 2200  | Accrued expenses and other payables                 | 79,123              | 3          | 90,580            | 4          | 97,163           | 4          |
| 1470                       | Other current assets (notes 6(b) and (j))  | 9,915               | -          | 8,865             | -          | 7,707            | -          | 2321  | Bonds payable, current portion (note 6(j))          | -                   | -          | 12,259            | 1          | 12,134           | 1          |
|                            |  | <u>967,861</u>      | <u>42</u>  | <u>766,759</u>    | <u>35</u>  | <u>924,769</u>   | <u>43</u>  | 2300  | Other current liabilities                           | <u>6,022</u>        | <u>-</u>   | <u>11,261</u>     | <u>-</u>   | <u>6,362</u>     | <u>-</u>   |
|                            |  |                     |            |                   |            |                  |            |   |   | <u>451,543</u>      | <u>20</u>  | <u>459,849</u>    | <u>21</u>  | <u>570,592</u>   | <u>26</u>  |
| <b>Non-current assets:</b> |  |                     |            |                   |            |                  |            |   |   |                     |            |                   |            |                  |            |
| 1517                       | Non-current financial assets at fair value through other comprehensive income (notes 6(c) and (f)) | 339,934             | 15         | 354,569           | 16         | 149,774          | 7          | 2540  | Long-term borrowings (notes 6(i) and 8)             | 320,000             | 14         | 320,000           | 15         | 320,000          | 15         |
| 1600                       | Property, plant and equipment (notes 6(g) and 8)   | 952,732             | 41         | 1,021,021         | 47         | 1,067,778        | 49         | 2600  | Other non-current liabilities                       | <u>278</u>          | <u>-</u>   | <u>283</u>        | <u>-</u>   | <u>1,008</u>     | <u>-</u>   |
| 1780                       | Intangible assets  | 1,708               | -          | 513               | -          | 2,020            | -          |   | <b>Total liabilities</b>                            | <u>771,821</u>      | <u>34</u>  | <u>780,132</u>    | <u>36</u>  | <u>891,600</u>   | <u>41</u>  |
| 1900                       | Other non-current assets (note 8)  | <u>36,530</u>       | <u>2</u>   | <u>27,629</u>     | <u>2</u>   | <u>25,120</u>    | <u>1</u>   | <b>Equity attributable to owners of parent:</b> |   |                     |            |                   |            |                  |            |
|                            |  | <u>1,330,904</u>    | <u>58</u>  | <u>1,403,732</u>  | <u>65</u>  | <u>1,244,692</u> | <u>57</u>  | 3100  | Ordinary shares (note 6(n))                         | 1,329,303           | 58         | 1,201,243         | 55         | 1,202,613        | 55         |
|                            |  |                     |            |                   |            |                  |            | 3200  | Capital surplus (notes 6(f), (j) and (n))           | 216,687             | 9          | 85,809            | 4          | 87,895           | 4          |
|                            |  |                     |            |                   |            |                  |            | 3350  | Retained earnings (accumulated deficit) (note 6(n)) | (203,968)           | (9)        | (87,453)          | (4)        | 12,785           | 1          |
|                            |  |                     |            |                   |            |                  |            | 3400  | Other equity interest (notes 6(f) and (o))          | <u>184,922</u>      | <u>8</u>   | <u>190,760</u>    | <u>9</u>   | <u>(25,432)</u>  | <u>(1)</u> |
|                            |  |                     |            |                   |            |                  |            |   | <b>Total equity</b>                                 | <u>1,526,944</u>    | <u>66</u>  | <u>1,390,359</u>  | <u>64</u>  | <u>1,277,861</u> | <u>59</u>  |
| <b>Total assets</b>        |  | <u>\$ 2,298,765</u> | <u>100</u> | <u>2,170,491</u>  | <u>100</u> | <u>2,169,461</u> | <u>100</u> | <b>Total liabilities and equity</b>             |   | <u>\$ 2,298,765</u> | <u>100</u> | <u>2,170,491</u>  | <u>100</u> | <u>2,169,461</u> | <u>100</u> |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards**

**LUXNET CORPORATION AND SUBSIDIARIES**

**Consolidated Statement of Comprehensive Income**

**For the six months ended June 30, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

|      | For the three months ended   |            |        |          | For the six months ended |           |        |          |      |
|------|--|------------|--------|----------|--------------------------|-----------|--------|----------|------|
|      | June 30  |            |        |          | June 30                  |           |        |          |      |
|      | 2021   |            | 2020   |          | 2021                     |           | 2020   |          |      |
|      | Amount   | %          | Amount | %        | Amount                   | %         | Amount | %        |      |
| 4000 | <b>Operating revenue (notes 6(q) and 7)</b>  | \$ 267,626 | 100    | 346,540  | 100                      | 451,232   | 100    | 602,611  | 100  |
| 5000 | <b>Operating costs (notes 6(e), (k), (l), (o) and 12)</b>  | 259,245    | 97     | 297,812  | 86                       | 467,373   | 104    | 557,373  | 92   |
|      | <b>Gross profit (loss)</b>   | 8,381      | 3      | 48,728   | 14                       | (16,141)  | (4)    | 45,238   | 8    |
|      | <b>Operating expenses (notes 6(d), (k), (l), (o) and 12):</b>  |            |        |          |                          |           |        |          |      |
| 6100 | Selling expenses   | 6,851      | 3      | 3,938    | 1                        | 12,229    | 3      | 7,907    | 1    |
| 6200 | Administrative expenses  | 22,877     | 9      | 29,050   | 8                        | 48,433    | 10     | 52,649   | 9    |
| 6300 | Research and development expenses  | 19,806     | 7      | 23,538   | 7                        | 41,291    | 9      | 49,067   | 8    |
| 6450 | Expected credit losses (reversal of expected credit losses)  | 10         | -      | (57)     | -                        | (17)      | -      | 8        | -    |
|      |  | 49,544     | 19     | 56,469   | 16                       | 101,936   | 22     | 109,631  | 18   |
|      | <b>Net operating loss</b>  | (41,163)   | (16)   | (7,741)  | (2)                      | (118,077) | (26)   | (64,393) | (10) |
|      | <b>Non-operating income and expenses:</b>  |            |        |          |                          |           |        |          |      |
| 7020 | Other gains and losses, net (notes 6(b), (j) and (s))  | (1,268)    | -      | 23,068   | 7                        | 2,873     | 1      | 18,348   | 3    |
| 7050 | Finance costs (note 6(j))  | (1,934)    | -      | (2,140)  | (1)                      | (3,913)   | (1)    | (4,545)  | (1)  |
| 7055 | Reversal of expected credit losses (note 7)  | 1,258      | -      | 925      | -                        | 2,576     | -      | 1,823    | -    |
| 7070 | Shares of loss of associates accounted for using equity method (note 6(f))   | -          | -      | (1,586)  | -                        | -         | -      | (6,362)  | (1)  |
| 7100 | Interest income  | 26         | -      | 54       | -                        | 26        | -      | 54       | -    |
| 7225 | Gains on disposal of investments (note 6(f))   | -          | -      | 128,479  | 37                       | -         | -      | 128,479  | 21   |
| 7673 | Impairment losses on property, plant and equipment (note 6(g))   | -          | -      | (60,619) | (18)                     | -         | -      | (60,619) | (10) |
|      |  | (1,918)    | -      | 88,181   | 25                       | 1,562     | -      | 77,178   | 12   |
| 7900 | <b>Profit (loss) before income tax</b>   | (43,081)   | (16)   | 80,440   | 23                       | (116,515) | (26)   | 12,785   | 2    |
| 7950 | Less: income tax expenses (note 6(m))  | -          | -      | -        | -                        | -         | -      | -        | -    |
|      | <b>Profit (loss)</b>   | (43,081)   | (16)   | 80,440   | 23                       | (116,515) | (26)   | 12,785   | 2    |
| 8300 | <b>Other comprehensive income (loss):</b>  |            |        |          |                          |           |        |          |      |
| 8310 | <b>Items that may not be reclassified subsequently to profit or loss</b>   |            |        |          |                          |           |        |          |      |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 41,374     | 16     | 6,291    | 2                        | (14,635)  | (3)    | 6,291    | 1    |
|      | Components of other comprehensive income that will not be reclassified to profit or loss                                   | 41,374     | 16     | 6,291    | 2                        | (14,635)  | (3)    | 6,291    | 1    |
| 8360 | <b>Items that may be reclassified subsequently to profit or loss</b>   |            |        |          |                          |           |        |          |      |
| 8361 | Exchange differences on translation of foreign operation's financial statements  | -          | -      | 6,416    | 2                        | -         | -      | 5,569    | 1    |
|      | Components of other comprehensive income that will be reclassified to profit or loss                                       | -          | -      | 6,416    | 2                        | -         | -      | 5,569    | 1    |
| 8300 | <b>Other comprehensive income (loss), net</b>  | 41,374     | 16     | 12,707   | 4                        | (14,635)  | (3)    | 11,860   | 2    |
| 8500 | <b>Comprehensive income (loss)</b>   | \$ (1,707) | -      | 93,147   | 27                       | (131,150) | (29)   | 24,645   | 4    |
|      | <b>Earnings (losses) per share (note 6(p))</b>   |            |        |          |                          |           |        |          |      |
| 9750 | <b>Basic earnings (losses) per share (NT dollars)</b>  | \$ (0.33)  |        | 0.68     |                          | (0.93)    |        | 0.11     |      |
| 9850 | <b>Diluted earnings per share (NT dollars)</b>   |            |        | 0.68     |                          |           |        | 0.11     |      |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
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**LUXNET CORPORATION AND SUBSIDIARIES**

**Consolidated Statement of Changes in Equity**

**For the six months ended June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

|   | Ordinary<br>shares  | Capital surplus | Retained<br>earnings<br>Accumulated<br>deficit | Exchange<br>differences on<br>translation of<br>foreign financial<br>statements | Total other equity interest  |                                      | Total equity     |
|---|---------------------|-----------------|--|---|--|--------------------------------------|------------------|
|   |                     |                 |  |   | Unrealized gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Unearned<br>employee<br>compensation |                  |
| <b>Balance at January 1, 2020</b>   | \$ 1,202,263        | 350,154         | (206,428)                                      | (5,569)   | (2,951)  | (36,551)                             | 1,300,918        |
| Gain for the six months ended June 30, 2020                                     | -                   | -               | 12,785   | -   | -  | -                                    | 12,785           |
| Other comprehensive income for the six months ended June 30, 2020               | -                   | -               | -  | 5,569   | 6,291  | -                                    | 11,860           |
| Total comprehensive income for the six months ended June 30, 2020               | -                   | -               | 12,785   | 5,569   | 6,291  | -                                    | 24,645           |
| Capital surplus used to offset accumulated deficits                             | -                   | (206,428)       | 206,428  | -   | -  | -                                    | -                |
| Issuance of restricted stock  | 3,540               | 5,097           | -  | -   | -  | (8,637)                              | -                |
| Amortization of restricted stock  | -                   | -               | -  | -   | -  | 14,620                               | 14,620           |
| Retirement of restricted stock  | (3,190)             | 1,394           | -  | -   | -  | 1,796                                | -                |
| Changes in ownership interests of investments accounted for using equity method | -                   | (7,100)         | -  | -   | -  | -                                    | (7,100)          |
| Disposal of subsidiaries or investments accounted for using equity method       | -                   | (55,222)        | -  | -   | -  | -                                    | (55,222)         |
| <b>Balance at June 30, 2020</b>   | <b>\$ 1,202,613</b> | <b>87,895</b>   | <b>12,785</b>                                  | <b>-</b>  | <b>3,340</b>   | <b>(28,772)</b>                      | <b>1,277,861</b> |
| <b>Balance at January 1, 2021</b>   | \$ 1,201,243        | 85,809          | (87,453)                                       | -   | 208,135  | (17,375)                             | 1,390,359        |
| Loss for the six months ended June 30, 2021                                     | -                   | -               | (116,515)                                      | -   | -  | -                                    | (116,515)        |
| Other comprehensive loss for the six months ended June 30, 2021                 | -                   | -               | -  | -   | (14,635)   | -                                    | (14,635)         |
| Total comprehensive loss for the six months ended June 30, 2021                 | -                   | -               | (116,515)                                      | -   | (14,635)   | -                                    | (131,150)        |
| Issuance of ordinary shares   | 130,000             | 134,550         | -  | -   | -  | -                                    | 264,550          |
| Amortization of restricted stock  | -                   | -               | -  | -   | -  | 3,185                                | 3,185            |
| Retirement of restricted stock  | (1,940)             | (3,672)         | -  | -   | -  | 5,612                                | -                |
| <b>Balance at June 30, 2021</b>   | <b>\$ 1,329,303</b> | <b>216,687</b>  | <b>(203,968)</b>                               | <b>-</b>  | <b>193,500</b>   | <b>(8,578)</b>                       | <b>1,526,944</b> |

See accompanying notes to consolidated financial statements.

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**LUXNET CORPORATION AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows**

**For the six months ended June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

|   | <b>For the six months ended June 30</b> |                       |
|---|---|-----------------------|
|   | <b>2021</b>                             | <b>2020</b>           |
| <b>Cash flows from (used in) operating activities:</b>              |   |                       |
| Profit (loss) before tax  | \$ (116,515)                            | 12,785                |
| <b>Adjustments:</b>   |   |                       |
| <b>Adjustments to reconcile profit (loss):</b>                      |   |                       |
| Depreciation and amortization expenses                              | 73,538                                  | 90,224                |
| Losses related to inventories                                       | 25,306                                  | 32,909                |
| Reversal of expected credit losses                                  | (2,593)                                 | (1,815)               |
| Net losses on financial assets at fair value through profit or loss | -                                       | 566                   |
| Shares of loss of associates accounted for using equity method      | -                                       | 6,362                 |
| Interest expenses   | 3,913                                   | 4,545                 |
| Interest income   | (26)                                    | (54)                  |
| Share-based compensation  | 3,185                                   | 14,620                |
| Gains on disposal of property, plant and equipment                  | (3,779)                                 | (3,941)               |
| Gains on disposal of investments                                    | -                                       | (128,479)             |
| Losses on redemption of bonds                                       | -                                       | 7,995                 |
| Impairment losses on property, plant and equipment                  | -                                       | 60,619                |
| <b>Total adjustments to reconcile profit</b>                        | <u>99,544</u>                           | <u>83,551</u>         |
| <b>Changes in operating assets and liabilities:</b>                 |   |                       |
| Notes and accounts receivable                                       | 1,038                                   | 13,981                |
| Inventories   | (19,353)                                | (76,870)              |
| Prepaid and other current assets                                    | 4,272                                   | 7,906                 |
| <b>Total changes in operating assets</b>                            | <u>(14,043)</u>                         | <u>(54,983)</u>       |
| Notes and accounts payable  | 14,115                                  | (14,841)              |
| Contract liabilities-current  | 2,560                                   | 1,881                 |
| Accrued expenses and other payables                                 | (10,063)                                | (1,158)               |
| Other current liabilities   | (545)                                   | 530                   |
| Other operating liabilities   | (5)                                     | (39)                  |
| <b>Total changes in operating liabilities</b>                       | <u>6,062</u>                            | <u>(13,627)</u>       |
| <b>Total changes in operating assets and liabilities</b>            | <u>(7,981)</u>                          | <u>(68,610)</u>       |
| <b>Total adjustments</b>  | <u>91,563</u>                           | <u>14,941</u>         |
| Cash inflow (outflow) generated from operations                     | (24,952)                                | 27,726                |
| Interest received   | 26                                      | 54                    |
| Interest paid   | (3,948)                                 | (3,308)               |
| Tax refund received   | -                                       | 56                    |
| <b>Net cash flows from (used in) operating activities</b>           | <u>(28,874)</u>                         | <u>24,528</u>         |
| <b>Cash flows from (used in) investing activities:</b>              |   |                       |
| Acquisition of property, plant and equipment                        | (5,624)                                 | (39,968)              |
| Proceeds from disposal of property, plant and equipment             | 817                                     | 7,094                 |
| Increase in other non-current assets                                | (6,371)                                 | (1,975)               |
| Increase in prepayments for equipment                               | (6,400)                                 | -                     |
| <b>Net cash flows used in investing activities</b>                  | <u>(17,578)</u>                         | <u>(34,849)</u>       |
| <b>Cash flows from (used in) financing activities:</b>              |   |                       |
| Proceeds from issuance of ordinary shares                           | 264,550                                 | -                     |
| Increase in short-term borrowings                                   | 3,974                                   | 152,867               |
| Redemption of bonds   | (12,300)                                | (289,776)             |
| <b>Net cash flows from (used in) financing activities</b>           | <u>256,224</u>                          | <u>(136,909)</u>      |
| <b>Net increase (decrease) in cash and cash equivalents</b>         | <u>209,772</u>                          | <u>(147,230)</u>      |
| <b>Cash and cash equivalents at beginning of period</b>             | <u>292,319</u>                          | <u>544,505</u>        |
| <b>Cash and cash equivalents at end of period</b>                   | <u>\$ <u>502,091</u></u>                | <u><u>397,275</u></u> |

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards

**LUXNET CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

LuxNet Corporation (“the Company”) was incorporated on November 15, 2001, and registered under the Ministry of Economic Affairs, ROC. The address of the Company’s registered office is No. 6, Hejiang Road, Zhongli, Taoyuan.

The major business activities of the Company and subsidiaries (together referred to as “the Group”) were the manufacturing, processing and sale of electronic components and active components for optical communication and the retail sale of electronic materials. Please refer to note 14 for further information.

The Company’s common shares were listed on the Taipei Exchange (“TPEX”) on December 12, 2011.

**(2) Approval date and procedures of the consolidated financial statements:**

These consolidated financial statements were reported for issue by the Board of Directors and issued on August 5, 2021 .

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective.

The Group’s adoption of the new amendments, effective for annual period beginning on January 1, 2022, are expected to have the following impacts:

- (i) Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”

The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to ensure if it is functioning properly). The proceeds from selling such samples, together with the costs of producing them, shall be recognized in profit or loss.

(Continued)

## LUXNET CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after January 1, 2021. The Group will continue to assess the impacts of this amendment on its consolidated financial position and financial performance.

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(c) The impact of IFRS issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by IASB, but have yet to be endorsed by the FSC:

| <b>Standards or Interpretations</b>  | <b>Content of amendment</b>   | <b>Effective date per IASB</b> |
|--|---|--------------------------------|
| Amendments to IAS 1<br>“Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023                |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

## LUXNET CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

#### (4) Summary of significant accounting policies:

##### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers (“ the Regulation” ) and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

##### (b) Basis of consolidation

The details of the subsidiaries included in the consolidated financial statements are as follows:

| Name of investor | Name of subsidiary                      | Principal activities | Percentage of shareholding |                   |               |
|------------------|---|----------------------|----------------------------|-------------------|---------------|
|                  |   |                      | June 30, 2021              | December 31, 2020 | June 30, 2020 |
| The Company      | Toplight Corporation (Toplight)         | Holding company      | 100 %                      | 100 %             | 100 %         |
| Toplight         | Toptrans Corporation Limited (Toptrans) | Holding company      | 100 %                      | 100 %             | 100 %         |

##### (c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34 “Interim Financial Reporting”.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

**(6) Explanation of significant accounts:**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

|  | <b>June 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|--|--------------------------|------------------------------|--------------------------|
| Cash on hand   | \$ 79                    | 74                           | 110                      |
| Demand deposits  | <u>502,012</u>           | <u>292,245</u>               | <u>397,165</u>           |
| Cash and cash equivalents in consolidated statements of cash flows | <u><u>\$ 502,091</u></u> | <u><u>292,319</u></u>        | <u><u>397,275</u></u>    |

Please refer to note 6(t) for the interest rate risk, exchange rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets reported at fair value through profit or loss

|                   | <b>June 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|-------------------|--------------------------|------------------------------|--------------------------|
| Bonds (note 6(j)) | <u><u>\$ -</u></u>       | <u><u>-</u></u>              | <u><u>4</u></u>          |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the three months and the six months ended June 30, 2020, the gains (losses) on valuation of financial assets due to change in fair value amounted to \$4 thousand and \$(566) thousand, respectively, which were recognized in other gains and losses for the periods. Please refer to note 6(s).

- (c) Financial assets at fair value through other comprehensive income

|  | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>June 30,<br/>2020</u> |
|--|--------------------------|------------------------------|--------------------------|
| <b>Equity investments at fair value through other comprehensive income</b> |                          |                              |                          |
| Equities unlisted in foreign markets-                                      |                          |                              |                          |
| Toptrans (Suzhou) Corporation Limited                                      | \$ <u>339,934</u>        | <u>354,569</u>               | <u>149,774</u>           |

- (i) The Group designated the investments above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes and not for sale.
- (ii) The Group lost its significant influence over Toptrans (Suzhou) Corporation Limited (Toptrans Suzhou) on May 6, 2020. Thereafter, the investment of Toptrans Suzhou was reclassified from investment accounted for using the equity method to financial assets at fair value through other comprehensive income. Please refer to note 6(f).
- (iii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as for the six months ended June 30, 2021 and 2020.
- (iv) The Group did not provide any of the aforementioned financial assets as collateral.

- (d) Notes and accounts receivable

|                                | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>June 30,<br/>2020</u> |
|--------------------------------|--------------------------|------------------------------|--------------------------|
| Notes receivable               | \$ 23                    | -                            | 24                       |
| Accounts receivable            | 195,124                  | 196,185                      | 210,171                  |
| Less: allowance for impairment | <u>(52,096)</u>          | <u>(52,113)</u>              | <u>(52,144)</u>          |
|                                | <u>\$ 143,051</u>        | <u>144,072</u>               | <u>158,051</u>           |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) The Group applies the simplified approach to provide for its expected credit losses (ECL), the use of lifetime ECL provision for all notes and accounts receivable. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer's ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis was as follows:

|                             | <b>June 30, 2021</b>   |  |   |
|-----------------------------|--|--|---|
|                             | <b>Carrying<br/>amounts of notes<br/>and accounts<br/>receivable</b> | <b>Lifetime<br/>weighted-<br/>average<br/>ECL rate</b> | <b>Loss allowance<br/>provision of<br/>lifetime ECL</b> |
| Current                     | \$ 142,438   | 0.01%~3%   | 20  |
| Overdue 1 to 120 days       | 633  | 0.01%~3%   | -   |
| Overdue 121 to 365 days     | -  | 30.00%   | -   |
| More than 365 days past due | 52,076   | 100.00%  | 52,076  |
|                             | <b><u>\$ 195,147</u></b>   |  | <b><u>52,096</u></b>                                    |
|                             | <b>December 31, 2020</b>   |  |   |
|                             | <b>Carrying<br/>amounts of notes<br/>and accounts<br/>receivable</b> | <b>Lifetime<br/>weighted-<br/>average<br/>ECL rate</b> | <b>Loss allowance<br/>provision of<br/>lifetime ECL</b> |
| Current                     | \$ 123,950   | 0.01%~3%   | 35  |
| Overdue 1 to 120 days       | 20,159   | 0.01%~3%   | 2   |
| Overdue 121 to 365 days     | -  | 30.00%   | -   |
| More than 365 days past due | 52,076   | 100.00%  | 52,076  |
|                             | <b><u>\$ 196,185</u></b>   |  | <b><u>52,113</u></b>                                    |
|                             | <b>June 30, 2020</b>   |  |   |
|                             | <b>Carrying<br/>amounts of notes<br/>and accounts<br/>receivable</b> | <b>Lifetime<br/>weighted-<br/>average<br/>ECL rate</b> | <b>Loss allowance<br/>provision of<br/>lifetime ECL</b> |
| Current                     | \$ 152,122   | 0.01%~3%   | 61  |
| Overdue 1 to 120 days       | 5,997  | 0.01%~3%   | 7   |
| Overdue 121 to 365 days     | -  | 30.00%   | -   |
| More than 365 days past due | 52,076   | 100.00%  | 52,076  |
|                             | <b><u>\$ 210,195</u></b>   |  | <b><u>52,144</u></b>                                    |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) The movements in the allowance for notes and accounts receivable were as follows:

|   | <b>For the six months<br/>ended June 30</b> |               |
|---|---|---------------|
|   | <b>2021</b>                                 | <b>2020</b>   |
| Balance on January 1, 2021 and 2020     | \$ 52,113                                   | 52,136        |
| Impairment losses recognized (reversed) | (17)  | 8             |
| Balance on June 30, 2021 and 2020       | <b>\$ 52,096</b>                            | <b>52,144</b> |

(iii) The Group did not provide any of the aforementioned financial assets as collateral.

(e) Inventories

|                 | <b>June 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|-----------------|--------------------------|------------------------------|--------------------------|
| Raw materials   | \$ 102,832               | 101,826                      | 69,766                   |
| Work in process | 60,568                   | 51,633                       | 110,713                  |
| Finished goods  | 142,012                  | 157,906                      | 173,232                  |
|                 | <b>\$ 305,412</b>        | <b>311,365</b>               | <b>353,711</b>           |

The Group recognized the following items as cost of goods sold:

|  | <b>For the three months<br/>ended June 30</b> |               | <b>For the six months<br/>ended June 30</b> |               |
|--|---|---------------|---|---------------|
|  | <b>2021</b>                                   | <b>2020</b>   | <b>2021</b>                                 | <b>2020</b>   |
| Losses (gains) on inventory valuation and<br>obsolete inventories  | \$ (127,608)                                  | 18,805        | (108,759)                                   | 32,909        |
| Losses on disposal of inventories  | 134,065                                       | -             | 134,065                                     | -             |
| Gains on sale of scrap   | (1,202)                                       | (2,214)       | (3,410)                                     | (2,214)       |
| Unallocated manufacturing overhead<br>resulting from the actual production<br>being lower than the normal capacity | 25,182  | 31,880        | 55,841                                      | 69,076        |
|  | <b>\$ 30,437</b>                              | <b>48,471</b> | <b>77,737</b>                               | <b>99,771</b> |

As of June 30, 2021, December 31 and June 30, 2020, the Group did not provide any of the aforementioned inventory as collateral.

(f) Investments accounted for using equity method

Investments in associated companies accounted for using the equity method at the reporting date were as follows:

|            | <b>June 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|------------|--------------------------|------------------------------|--------------------------|
| Associates | \$ -                     | -                            | -                        |
|            | <b>\$ -</b>              | <b>-</b>                     | <b>-</b>                 |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group's share of the net income of associates was as follows:

|                            | <b>For the three months<br/>ended June 30</b> |                | <b>For the six months<br/>ended June 30</b> |                |
|----------------------------|---|----------------|---|----------------|
|                            | <b>2021</b>                                   | <b>2020</b>    | <b>2021</b>                                 | <b>2020</b>    |
| Attributable to the Group: |   |                |   |                |
| Loss                       | \$ -  | (1,586)        | -   | (6,362)        |
| Other comprehensive loss   | -   | (687)          | -   | (1,534)        |
| Comprehensive loss         | <u>\$ -</u>                                   | <u>(2,273)</u> | <u>-</u>                                    | <u>(7,896)</u> |

On May 6, 2020, the Board of Director resolved to amend the shareholding structure in the articles of the Toptrans Suzhou. Thereafter, the Group's ownership interest in Toptrans Suzhou decreased from 16.92% to 15.21%, resulting in the capital surplus of the Group to decrease by \$7,100 thousand due to the decrease of the Group's proportionate interest in the net assets. Also, Toptrans Suzhou re-elected its directors at the same day, without the Group appointing any directors to participate in its operational management due to the adjustment made in the investment strategy of the Group. Hence, the Group lost its significant influence over Toptrans Suzhou, resulting in its investment of \$143,483 thousand at fair value to be reclassified to financial assets at fair value through other comprehensive income, which incurred a revaluation gain of \$80,360 thousand. Additionally, the Group reclassified the exchange differences on translation of foreign operation's financial statements of \$(7,103) thousand and capital surplus of \$55,222 thousand to other income. The Group recorded the net gain of its disposals amounting to \$128,479 thousand under gain on disposal of investments.

(g) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the six months ended June 30, 2021 and 2020 were as follows:

|                             | <b>Land</b>       | <b>Buildings<br/>and<br/>construction</b> | <b>Machinery<br/>and<br/>equipment</b> | <b>Office and<br/>other<br/>equipment</b> | <b>Equipment<br/>under<br/>acceptance</b> | <b>Total</b>     |
|-----------------------------|-------------------|---|--|---|---|------------------|
| <b>Cost or deemed cost:</b> |                   |   |  |   |   |                  |
| Balance on January 1, 2021  | \$ 247,696        | 361,779                                   | 1,457,109                              | 5,239                                     | 41,940                                    | 2,113,763        |
| Additions                   | -                 | -   | -                                      | -   | 3,507                                     | 3,507            |
| Reclassifications           | -                 | -   | 15,112                                 | -   | (14,312)                                  | 800              |
| Disposals                   | -                 | -   | (31,681)                               | -   | -   | (31,681)         |
| Balance on June 30, 2021    | <u>\$ 247,696</u> | <u>361,779</u>                            | <u>1,440,540</u>                       | <u>5,239</u>                              | <u>31,135</u>                             | <u>2,086,389</u> |
| Balance on January 1, 2020  | \$ 247,696        | 361,779                                   | 1,502,702                              | 5,239                                     | 20,735                                    | 2,138,151        |
| Additions                   | -                 | -   | -                                      | -   | 38,085                                    | 38,085           |
| Reclassifications           | -                 | -   | 25,253                                 | -   | (25,253)                                  | -                |
| Disposals                   | -                 | -   | (42,849)                               | -   | -   | (42,849)         |
| Balance on June 30, 2020    | <u>\$ 247,696</u> | <u>361,779</u>                            | <u>1,485,106</u>                       | <u>5,239</u>                              | <u>33,567</u>                             | <u>2,133,387</u> |

(Continued)



**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                                     | <u>Land</u>       | <u>Buildings<br/>and<br/>construction</u> | <u>Machinery<br/>and<br/>equipment</u> | <u>Office and<br/>other<br/>equipment</u> | <u>Equipment<br/>under<br/>acceptance</u> | <u>Total</u>     |
|-------------------------------------|-------------------|---|--|---|---|------------------|
| <b>Depreciation and impairment:</b> |                   |   |  |   |   |                  |
| Balance on January 1, 2021          | \$ -              | 99,374                                    | 989,481                                | 3,887                                     | -   | 1,092,742        |
| Depreciation                        | -                 | 5,685                                     | 64,870                                 | 310                                       | -   | 70,865           |
| Disposals                           | -                 | -   | (29,950)                               | -   | -   | (29,950)         |
| Balance on June 30, 2021            | <u>\$ -</u>       | <u>105,059</u>                            | <u>1,024,401</u>                       | <u>4,197</u>                              | <u>-</u>                                  | <u>1,133,657</u> |
| Balance on January 1, 2020          | \$ -              | 87,353                                    | 867,898                                | 3,267                                     | -   | 958,518          |
| Depreciation                        | -                 | 6,169                                     | 79,689                                 | 310                                       | -   | 86,168           |
| Impairment loss                     | -                 | -   | 60,619                                 | -   | -   | 60,619           |
| Disposals                           | -                 | -   | (39,696)                               | -   | -   | (39,696)         |
| Balance on June 30, 2020            | <u>\$ -</u>       | <u>93,522</u>                             | <u>968,510</u>                         | <u>3,577</u>                              | <u>-</u>                                  | <u>1,065,609</u> |
| <b>Carrying amounts:</b>            |                   |   |  |   |   |                  |
| Balance on January 1, 2021          | <u>\$ 247,696</u> | <u>262,405</u>                            | <u>467,628</u>                         | <u>1,352</u>                              | <u>41,940</u>                             | <u>1,021,021</u> |
| Balance on June 30, 2021            | <u>\$ 247,696</u> | <u>256,720</u>                            | <u>416,139</u>                         | <u>1,042</u>                              | <u>31,135</u>                             | <u>952,732</u>   |
| Balance on January 1, 2020          | <u>\$ 247,696</u> | <u>274,426</u>                            | <u>634,804</u>                         | <u>1,972</u>                              | <u>20,735</u>                             | <u>1,179,633</u> |
| Balance on June 30, 2020            | <u>\$ 247,696</u> | <u>268,257</u>                            | <u>516,596</u>                         | <u>1,662</u>                              | <u>33,567</u>                             | <u>1,067,778</u> |

- (i) Because the Group adjusted its production lines, some of its equipment became idle. According to the external appraisal report, the Group recognized an impairment loss incurred from those equipment amounting to \$60,619 thousand, which was accounted for as impairment losses on property, plant and equipment, for the six months ended June 30, 2020.
- (ii) As of June 30, 2021, December 31 and June 30, 2020, property, plant and equipment of the Group had been pledged as collateral for long-term borrowings and credit lines; please refer to note 8.

(h) Short-term borrowings

The details were as follows:

|                       | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>June 30,<br/>2020</u> |
|-----------------------|--------------------------|------------------------------|--------------------------|
| Unsecured bank loans  | <u>\$ 239,326</u>        | <u>235,352</u>               | <u>282,867</u>           |
| Unused credit lines   | <u>\$ 263,321</u>        | <u>203,902</u>               | <u>63,909</u>            |
| Annual interest rates | <u>0.88%~1.36%</u>       | <u>0.99%~1.42%</u>           | <u>1.21%~2.75%</u>       |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Long-term borrowings

The details were as follows:

| <b>June 30, 2021</b>     |                                 |                          |                   |
|--------------------------|---------------------------------|--------------------------|-------------------|
| <b>Currency</b>          | <b>Annual<br/>interest rate</b> | <b>Maturity<br/>year</b> | <b>Amount</b>     |
| Secured bank loans       | TWD                             | 1.43%                    | 2023              |
|                          |                                 |                          | \$ 320,000        |
| Less: current portion    |                                 |                          | -                 |
| Total                    |                                 |                          | \$ <b>320,000</b> |
| Unused credit lines      |                                 |                          | \$ -              |
| <b>December 31, 2020</b> |                                 |                          |                   |
| <b>Currency</b>          | <b>Annual<br/>interest rate</b> | <b>Maturity<br/>year</b> | <b>Amount</b>     |
| Secured bank loans       | TWD                             | 1.47%                    | 2022              |
|                          |                                 |                          | \$ 320,000        |
| Less: current portion    |                                 |                          | -                 |
| Total                    |                                 |                          | \$ <b>320,000</b> |
| Unused credit lines      |                                 |                          | \$ -              |
| <b>June 30, 2020</b>     |                                 |                          |                   |
| <b>Currency</b>          | <b>Annual<br/>interest rate</b> | <b>Maturity<br/>year</b> | <b>Amount</b>     |
| Secured bank loans       | TWD                             | 1.47%                    | 2022              |
|                          |                                 |                          | \$ 320,000        |
| Less: current portion    |                                 |                          | -                 |
| Total                    |                                 |                          | \$ <b>320,000</b> |
| Unused credit lines      |                                 |                          | \$ -              |

- (i) The Group signed a long-term loan contract with CTBC Bank in July 2018, with the credit line of \$320,000 thousand. The contract period of the loan expires two years after its first application. The principal is to be repaid on the expiration date.

The Group re-signed a long-term loan contract with CTBC Bank on July 2, 2019, to extend the original due date of credit line to June 30, 2021, the revised restrictions of financial ratios were as follows: (1) a current ratio of not less than 110%; (2) stockholders' equity of not less than \$1,000,000 thousand; and (3) a self-owned capital ratio of not less than 45%.

In January 2020, the Group repaid, in advance, its long-term loans due in December 2020. In addition, in February and March of 2020, the Group used the revolving credit line of \$320,000 thousand in accordance with the above loan condition.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On August 6, 2020, the Group obtained the notice from CTBC Bank for changing the terms of the credit line, the revised restrictions of financial ratios were as follows: (1) a current ratio of not less than 110%; (2) stockholders' equity of not less than \$1,100,000 thousand; (3) a self-owned capital ratio of not less than 50%; (4) according to the contract, the Group should transfer its business transaction cash flow to the CTBC Bank account every half-year, and the cash flow was at least \$250,000 thousand. CTBC Bank would review the cash flow quarterly.

The Group re-signed a long-term loan contract with CTBC Bank on March 12, 2021, to extend the original maturity year of long-term loan from 2022 to 2023.

On June 30, 2021, the Group obtained the notice of credit line from CTBC Bank to extend the original due date of credit line to June 30, 2022. The credit lines were \$420,000 thousand for long-term borrowings, \$165,000 thousand for short-term borrowings, and the total credit limit is up to \$450,000 thousand. Furthermore, all of the restrictions of financial ratios under the original contract were canceled.

(ii) Please refer to note 8 for further information on assets pledged as collateral.

(j) Convertible bonds payable

|   | <b>June 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|---|--------------------------|------------------------------|--------------------------|
| Aggregate principal amount  | \$ 1,100,000             | 1,100,000                    | 1,100,000                |
| Accumulated redeemed amount   | (1,099,200)              | (1,086,900)                  | (1,086,900)              |
| Accumulated converted amount  | (800)                    | (800)                        | (800)                    |
| Unamortized discount  | -                        | (41)                         | (166)                    |
| Ending balance of bonds payable   | -                        | 12,259                       | 12,134                   |
| Less: Bonds payable – current   | -                        | (12,259)                     | (12,134)                 |
| Ending balance of bonds payable – non-current   | <u>\$ -</u>              | <u>-</u>                     | <u>-</u>                 |
| Embedded derivative component – the value of redemption at the option of the Company/bondholders (recorded as other current assets) | <u>\$ -</u>              | <u>-</u>                     | <u>4</u>                 |
| Equity component (recorded as capital surplus – stock option)   | <u>\$ -</u>              | <u>581</u>                   | <u>581</u>               |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <b>For the three months<br/>ended June 30</b> |             | <b>For the six months<br/>ended June 30</b> |              |
|--|---|-------------|---|--------------|
|  | <b>2021</b>                                   | <b>2020</b> | <b>2021</b>                                 | <b>2020</b>  |
| Embedded derivative component –  |   |             |   |              |
| revaluation gain (loss) on redemption at<br>the option of the Company/bond holders<br>(recorded as other gains and losses) | \$ <u>-</u>                                   | <u>4</u>    | <u>-</u>                                    | <u>(566)</u> |
| Interest expense (recorded as finance<br>costs)  | \$ <u>-</u>                                   | <u>61</u>   | <u>41</u>                                   | <u>1,058</u> |

The first domestic unsecured convertible bonds issued by the Group were matured on December 22, 2018. The residual bonds at par value \$2,600 thousand were redeemed to the holders at par value in January 2019.

On March 17, 2020, as the holders of the second domestic unsecured convertible bonds issued by the Group exercised the redemption rights, the Group redeemed the bonds at a par value of \$286,900 thousand, with an interest amounting to \$2,876 thousand.

The second domestic unsecured convertible bonds issued by the Group were matured on March 12, 2021. The residual bonds at par value \$12,300 thousand were redeemed to the holders at par value in March 2021.

The offering information on the unsecured convertible bonds was as follows:

|                    | <b>1st domestic unsecured<br/>convertible bonds</b> | <b>2nd domestic unsecured<br/>convertible bonds</b> |
|--------------------|---|---|
| Offering amount    | NT\$800,000 thousand                                | NT\$300,000 thousand                                |
| Issue date         | December 22, 2015                                   | March 12, 2018                                      |
| Issuance price     | At par value  | At par value  |
| Face interest rate | 0%  | 0%  |
| Issue period       | December 22, 2015, to December<br>22, 2018          | March 12, 2018, to March 12,<br>2021                |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | <u>1st domestic unsecured<br/>convertible bonds</u>   | <u>2nd domestic unsecured<br/>convertible bonds</u>   |
|---|---|---|
| Redemption at the option of the Company | The Group may redeem the bonds within 5 trading days after the bonds' recovery reference date with cash at a 1.5% yield rate at any time from January 22, 2016, to November 12, 2018, if the closing price of the common shares on the TPEX on each trading day during a period of 30 consecutive trading days exceeds 30% of the conversion price or if the amount of unconvertible bonds is less than 10% of the offering amount. | The Group may redeem the bonds within 5 trading days after the bonds' recovery reference date with cash at par value at any time from June 12, 2018, to February 2, 2021, if the closing price of the common shares on the TPEX on each trading day during a period of 30 consecutive trading days exceeds 30% of the conversion price or if the amount of unconvertible bonds is less than 10% of the offering amount. |
| Redemption at the option of the Holder  | Each Holder has the right to require the Group to redeem the Holder's bonds on December 22, 2017, at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum. (note)   | Each Holder has the right to require the Group to redeem the Holder's bonds on March 12, 2020, at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum. (note)  |
| Conversion period                       | Each Holder of the bonds has the right at any time during the period from January 22, 2016, to the maturity date of the bond, to convert their bonds.   | Each Holder of the bonds has the right at any time during the period from June 12, 2018, to the maturity date of the bond, to convert their bonds.  |

Note: Due to the conditions listed above, the Group reclassified its long-term bonds to current portion. The bond holders have the optional rights to require the Group to redeem the bonds.

(k) Lease liabilities

The Group leases vehicles, employees' dormitories and warehouses. The leases typically run for a period of one year. These leases are short-term or leases of low-value items. The Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

The amounts recognized in profit or loss were as follows:

|  | <u>For the three months<br/>ended June 30</u> |             | <u>For the six months<br/>ended June 30</u> |              |
|--|---|-------------|---|--------------|
|  | <u>2021</u>                                   | <u>2020</u> | <u>2021</u>                                 | <u>2020</u>  |
| Expenses relating to short-term leases and leases of low-value items | <u>\$ 397</u>                                 | <u>615</u>  | <u>798</u>                                  | <u>1,250</u> |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in the statement of cash flows for the Group were as follows:

|                                     | <b>For the six months ended June 30</b> |              |
|-------------------------------------|---|--------------|
|                                     | <b>2021</b>                             | <b>2020</b>  |
| Rental paid in operating activities | <b>\$ 798</b>                           | <b>1,250</b> |

(l) Employee benefits

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

The Group did not report any pension expense for the six months ended June 30, 2021 and 2020.

(ii) Defined contribution plans

The pension costs under defined contribution plans were as follows:

|                                   | <b>For the three months<br/>ended June 30</b> |              | <b>For the six months<br/>ended June 30</b> |              |
|-----------------------------------|---|--------------|---|--------------|
|                                   | <b>2021</b>                                   | <b>2020</b>  | <b>2021</b>                                 | <b>2020</b>  |
| Operating cost                    | \$ 2,633                                      | 2,739        | 5,488                                       | 5,427        |
| Selling expenses                  | 156   | 119          | 326   | 238          |
| Administration expenses           | 707   | 782          | 1,402                                       | 1,515        |
| Research and development expenses | 474   | 437          | 952   | 862          |
|                                   | <b>\$ 3,970</b>                               | <b>4,077</b> | <b>8,168</b>                                | <b>8,042</b> |

(m) Income taxes

- (i) For the six months ended June 30, 2021 and 2020, there were no current and deferred tax expenses.
- (ii) For the six months ended June 30, 2021 and 2020, there was no income tax recognized in equity.
- (iii) For the six months ended June 30, 2021 and 2020, there was no income tax recognized in other comprehensive income.
- (iv) The Company's income tax returns have been examined by the tax authority through the years up to 2018.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Capital and other equity

Except for the following paragraph, there were no significant changes on the capital and other equity for the periods from January 1 to June 30, 2021 and 2020. For related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2020.

As of June 30, 2021, December 31 and June 30, 2020, the nominal common stock all amounted to \$1,500,000 thousand. Par value of each share is \$10 (dollars). The number of shares includes employee stock options for 8,000 thousand shares. The issued amounts were \$1,329,303 thousand, \$1,201,243 thousand and \$1,202,613 thousand, respectively.

Reconciliation of shares outstanding for the six months ended June 30, 2021 and 2020 was as follows:

|  | <b>Ordinary shares</b>                  |                |
|--|---|----------------|
|  | <b>(in thousands of shares)</b>         |                |
|  | <b>For the six months ended June 30</b> |                |
|  | <b>2021</b>                             | <b>2020</b>    |
| Balance on January 1                       | 120,125                                 | 120,227        |
| Issuance of ordinary shares                | 13,000                                  | -              |
| Issuance of restricted stock               | -                                       | 354            |
| Retirement of restricted stock (note 6(o)) | (194)                                   | (319)          |
| Balance on June 30                         | <b>132,931</b>                          | <b>120,262</b> |

(i) Common stock

Based on the resolution approved in the stockholders' meeting held on June 16, 2020, the Board of Directors was authorized to undertake cash offering through private placement within one year, with less than 13,000 thousand stocks to be issued. On April 12, 2021, the Board of Directors resolved to issue 13,000 thousand new common stocks amounting to \$264,550 thousand at \$20.35 per share, with a par value of \$10 per share and April 14, 2021 was set as the date of capital increase. The relevant statutory registration procedures had been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to the requirements stated under section 43(8) of the Securities and Exchange Act. The Company can only apply for these shares, to be traded on the TPEx, after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering from the Financial Supervisory Commission.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

The balances of capital surplus were as follows:

|   | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>June 30,<br/>2020</u> |
|---|--------------------------|------------------------------|--------------------------|
| Additional paid-in capital              | \$ 152,200               | 16,757                       | 9,247                    |
| Employee stock options                  | 1,456                    | 1,456                        | 1,456                    |
| Conversion options of convertible bonds | -                        | 581                          | 581                      |
| Restricted employee stock options       | 14,230                   | 18,795                       | 28,391                   |
| Other                                   | <u>48,801</u>            | <u>48,220</u>                | <u>48,220</u>            |
|   | <u>\$ 216,687</u>        | <u>85,809</u>                | <u>87,895</u>            |

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

(iii) Retained earnings

According to the articles of the Company, 10 percent of its annual net income after settling all outstanding tax payables and accumulated deficit, if any, is to be set aside as legal reserve, until the accumulated legal capital reserve has equaled the total capital of the Company. Also, a special reserve should be retained or reversed under related regulations and the Company's operating demands. The remainder, if any, shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals according to the resolution adopted at the stockholders' meeting.

The Company is at its growth stage and it considers its future cash demand and long-term financial plans. Dividends distributed each year shall range from 10 to 70 percent of undistributed earnings. To satisfy stockholders' demand for cash, when allocating the earnings for each year, the cash dividend shall not be less than 10 percent of the total dividends.

- 1) Based on the resolution approved in the stockholders' meeting held on July 7, 2021, the Company offset accumulated deficits by capital surplus of \$85,809 thousand.
- 2) Based on the resolution approved in the stockholders' meeting held on June 16, 2020, the Company offset accumulated deficits by capital surplus of \$206,428 thousand.

(Continued)



**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Earnings distribution

Based on the resolution approved in the stockholders' meeting held on July 7, 2021, the Company would not distribute earnings because of the loss for the year ended December 31, 2020.

Based on the resolution approved in the stockholders' meeting held on June 16, 2020, the Company would not distribute earnings because of the loss for the year ended December 31, 2019.

(o) Share-based payment

Except for the following paragraph, there were no significant changes in share-based payment for the six months ended June 30, 2021 and 2020. Please refer to note 6(p) to the consolidated financial statement for the year ended December 31, 2020, for further information.

- (i) Based on the resolution approved in the Board of Directors meeting held on January 10, 2020, the number of shares was reduced by 246 thousand shares due to the retirement of restricted stock, with January 10, 2020 as the date of capital reduction. The relevant statutory registration procedures were completed.
- (ii) Based on the resolution approved in the Board of Directors meeting held on May 5, 2020, the Company resolved to issue 354 thousand new shares of restricted stock. The actual numbers of shares issued were same as those approved during the board meeting.
- (iii) Based on the resolution approved in the Board of Directors meeting held on May 5, 2020, the number of shares was reduced by 73 thousand shares due to the retirement of restricted stock, with May 25, 2020 as the date of capital reduction. The relevant statutory registration procedures were completed.
- (iv) Based on the resolution approved in the Board of Directors meeting held on January 21, 2021, the number of shares was reduced by 88 thousand shares due to the retirement of restricted stock, with January 22, 2021 as the date of capital reduction. The relevant statutory registration procedures were completed.
- (v) Based on the resolution approved in the Board of Directors meeting held on May 6, 2021, the number of shares was reduced by 106 thousand shares due to the retirement of restricted stock, with May 7, 2021 as the date of capital reduction. The relevant statutory registration procedures were completed.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) The related information on restricted stock of the Company was as follows:

|                           | <b>For the six months ended June 30</b> |              |
|---------------------------|---|--------------|
|                           | <b>2021</b>                             | <b>2020</b>  |
| Outstanding at January 1  | 1,716                                   | 2,400        |
| Granted during the year   | -                                       | 354          |
| Vested during the year    | (62)                                    | -            |
| Expired during the period | (304)                                   | (105)        |
| Outstanding at June 30    | <b>1,350</b>                            | <b>2,649</b> |

Compensation costs attributable to share-based payment for the three months and the six months ended June 30, 2021 and 2020 were \$(749) thousand, \$7,178 thousand, \$3,185 thousand and \$14,620 thousand, respectively.

(p) Earnings (losses) per share

The calculation of basic earnings (losses) and diluted earnings per share was as follows:

(i) Basic earnings (losses) per share

|  | <b>For the three months ended June 30</b> |                | <b>For the six months ended June 30</b> |                |
|--|---|----------------|---|----------------|
|  | <b>2021</b>                               | <b>2020</b>    | <b>2021</b>                             | <b>2020</b>    |
| Profit (loss) attributable to common stockholders          | \$ <b>(43,081)</b>                        | <b>80,440</b>  | <b>(116,515)</b>                        | <b>12,785</b>  |
| Weighted-average number of common shares (thousand shares) | <b>131,341</b>                            | <b>117,580</b> | <b>124,831</b>                          | <b>117,580</b> |
| Basic earnings (losses) per share (NT dollars)             | \$ <b>(0.33)</b>                          | <b>0.68</b>    | <b>(0.93)</b>                           | <b>0.11</b>    |

(ii) Diluted earnings per share

|  | <b>For the three months ended June 30 2020</b> | <b>For the six months ended June 30 2020</b> |
|--|--|--|
| Profit attributable to common stockholders (basic)                   | \$ 80,440                                      | 12,785                                       |
| Interest expense of convertible bonds payable                        | 61   | -  |
| Profit attributable to common stockholders (diluted)                 | \$ <b>80,501</b>                               | <b>12,785</b>                                |
| Weighted-average number of common shares (basic) (thousand shares)   | 117,580  | 117,580                                      |
| Effect of restricted stock   | 631  | 709  |
| Effect of convertible bonds payable                                  | 209  | -  |
| Weighted-average number of common shares (diluted) (thousand shares) | <b>118,420</b>                                 | <b>118,289</b>                               |
| Diluted earnings per share (NT dollars)                              | \$ <b>0.68</b>                                 | <b>0.11</b>                                  |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Since the potential common shares have no dilutive effect, the Company needs only disclose the calculation on basic losses per share for the three months and the six months ended June 30, 2021.

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

|   | <b>For the three months<br/>ended June 30</b> |                       | <b>For the six months<br/>ended June 30</b> |                       |
|---|---|-----------------------|---|-----------------------|
|   | <b>2021</b>                                   | <b>2020</b>           | <b>2021</b>                                 | <b>2020</b>           |
| Primary geographical markets                            |   |                       |   |                       |
| Taiwan  | \$ 20,661                                     | 64,353                | 44,375                                      | 83,023                |
| China   | 84,703  | 76,640                | 142,552                                     | 136,963               |
| America   | 156,386                                       | 156,527               | 255,191                                     | 333,224               |
| Other   | <u>5,876</u>                                  | <u>49,020</u>         | <u>9,114</u>                                | <u>49,401</u>         |
|   | <b><u>\$ 267,626</u></b>                      | <b><u>346,540</u></b> | <b><u>451,232</u></b>                       | <b><u>602,611</u></b> |
| Major products  |   |                       |   |                       |
| Active components for optical communication and modules | \$ 233,670                                    | 277,416               | 386,800                                     | 495,946               |
| Chips   | 9,472   | 48,358                | 16,964                                      | 68,989                |
| Other   | <u>24,484</u>                                 | <u>20,766</u>         | <u>47,468</u>                               | <u>37,676</u>         |
|   | <b><u>\$ 267,626</u></b>                      | <b><u>346,540</u></b> | <b><u>451,232</u></b>                       | <b><u>602,611</u></b> |

(ii) Contract balances

|                                | <b>June 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>June 30,<br/>2020</b> |
|--------------------------------|--------------------------|------------------------------|--------------------------|
| Notes and accounts receivable  | \$ 195,147               | 196,185                      | 210,195                  |
| Less: allowance for impairment | <u>(52,096)</u>          | <u>(52,113)</u>              | <u>(52,144)</u>          |
|                                | <b><u>\$ 143,051</u></b> | <b><u>144,072</u></b>        | <b><u>158,051</u></b>    |
| Contract liabilities           | <b><u>\$ 2,660</u></b>   | <b><u>100</u></b>            | <b><u>1,984</u></b>      |

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

The contract liabilities primarily relate to the advance consideration received from customers, for the sales contracts whose revenue is recognized when products are delivered to customers. The amount of revenue recognized for the three months and the six months ended June 30, 2021 and 2020, that was included in the contract liability balance at the beginning of the years was \$0 thousand, \$0 thousand, \$2 thousand and \$100 thousand, respectively.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Remuneration to employees, directors and supervisors

According to the articles of the Company, once the Company has annual profit, it should appropriate 5%~15% of the profit to its employees and 5% or less to its directors and supervisors as remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via shares or cash includes the employees of the Company's subsidiaries or affiliated companies under certain requirements.

The Company did not estimate any remuneration to employees, directors and supervisors for the six months ended June 30, 2021 and 2020. If there are any subsequent adjustments to the actual remuneration amounts, the adjustments will be regarded as changes in accounting estimates and will be reflected in profit or loss in the next year.

The Company did not estimate any remuneration to employees, and directors and supervisors due to its loss in 2020 and 2019. The amounts, as stated in the consolidated financial statements, are identical with those of the actual distributions for 2020 and 2019. Related information would be available at the Market Observation Post System website.

(s) Non-operating income and expenses

Other gains and losses were as follows:

|  | <b>For the three months<br/>ended June 30</b> |               | <b>For the six months<br/>ended June 30</b> |               |
|--|---|---------------|---|---------------|
|  | <b>2021</b>                                   | <b>2020</b>   | <b>2021</b>                                 | <b>2020</b>   |
| Foreign currency exchange gains (losses)   | \$ (1,553)                                    | (1,991)       | (1,448)                                     | 191           |
| Net gains (losses) on financial assets and liabilities measured at fair value through profit or loss | -   | 4             | -   | (566)         |
| Gains on disposal of property, plant and equipment   | 114   | 2,402         | 3,779                                       | 3,941         |
| Loss on redemption of bonds  | -   | -             | -   | (7,995)       |
| Government grants  | 63  | 22,500        | 346   | 22,500        |
| Other  | 108   | 153           | 196   | 277           |
|  | <b>\$ (1,268)</b>                             | <b>23,068</b> | <b>2,873</b>                                | <b>18,348</b> |

(t) Financial instruments

Except for the following paragraph, there were no significant changes in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2020, for further information.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including interest but excluding the effect of any netting agreement:

|                                       | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flows</u> | <u>Within 1<br/>year</u> | <u>1~2 years</u>      | <u>2~5 years</u> |
|---------------------------------------|----------------------------|-----------------------------------|--------------------------|-----------------------|------------------|
| <b>June 30, 2021</b>                  |                            |                                   |                          |                       |                  |
| Non-derivative financial liabilities: |                            |                                   |                          |                       |                  |
| Short-term borrowings                 | \$ 239,326                 | 239,911                           | 239,911                  | -                     | -                |
| Accounts payable                      | 124,412                    | 124,412                           | 124,412                  | -                     | -                |
| Accrued expenses and other payables   | 74,945                     | 74,945                            | 74,945                   | -                     | -                |
| Long-term borrowings                  | <u>320,000</u>             | <u>327,665</u>                    | <u>4,576</u>             | <u>323,089</u>        | <u>-</u>         |
|                                       | <u><b>\$ 758,683</b></u>   | <u><b>766,933</b></u>             | <u><b>443,844</b></u>    | <u><b>323,089</b></u> | <u><b>-</b></u>  |
| <b>December 31, 2020</b>              |                            |                                   |                          |                       |                  |
| Non-derivative financial liabilities: |                            |                                   |                          |                       |                  |
| Short-term borrowings                 | \$ 235,352                 | 236,001                           | 236,001                  | -                     | -                |
| Convertible bonds                     | 12,259                     | 12,300                            | 12,300                   | -                     | -                |
| Accounts payable                      | 110,297                    | 110,297                           | 110,297                  | -                     | -                |
| Accrued expenses and other payables   | 85,681                     | 85,681                            | 85,681                   | -                     | -                |
| Long-term borrowings                  | <u>320,000</u>             | <u>325,516</u>                    | <u>4,704</u>             | <u>320,812</u>        | <u>-</u>         |
|                                       | <u><b>\$ 763,589</b></u>   | <u><b>769,795</b></u>             | <u><b>448,983</b></u>    | <u><b>320,812</b></u> | <u><b>-</b></u>  |
| <b>June 30, 2020</b>                  |                            |                                   |                          |                       |                  |
| Non-derivative financial liabilities: |                            |                                   |                          |                       |                  |
| Short-term borrowings                 | \$ 282,867                 | 283,552                           | 283,552                  | -                     | -                |
| Convertible bonds                     | 12,134                     | 12,300                            | 12,300                   | -                     | -                |
| Accounts payable                      | 170,082                    | 170,082                           | 170,082                  | -                     | -                |
| Accrued expenses and other payables   | 92,521                     | 92,521                            | 92,521                   | -                     | -                |
| Long-term borrowings                  | <u>320,000</u>             | <u>327,887</u>                    | <u>4,704</u>             | <u>323,183</u>        | <u>-</u>         |
|                                       | <u><b>\$ 877,604</b></u>   | <u><b>886,342</b></u>             | <u><b>563,159</b></u>    | <u><b>323,183</b></u> | <u><b>-</b></u>  |

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

|                              | June 30, 2021       |                  |         | December 31, 2020   |                  |         | June 30, 2020       |                  |         |
|------------------------------|---------------------|------------------|---------|---------------------|------------------|---------|---------------------|------------------|---------|
|                              | Foreign<br>currency | Exchange<br>rate | NTD     | Foreign<br>currency | Exchange<br>rate | NTD     | Foreign<br>currency | Exchange<br>rate | NTD     |
| <b>Financial assets</b>      |                     |                  |         |                     |                  |         |                     |                  |         |
| <b>Monetary items</b>        |                     |                  |         |                     |                  |         |                     |                  |         |
| USD:NTD                      | \$ 6,300            | 27.84            | 175,392 | 5,657               | 28.09            | 158,905 | 7,829               | 29.63            | 231,973 |
| <b>Financial liabilities</b> |                     |                  |         |                     |                  |         |                     |                  |         |
| <b>Monetary items</b>        |                     |                  |         |                     |                  |         |                     |                  |         |
| USD:NTD                      | 3,726               | 27.84            | 103,732 | 3,135               | 28.09            | 88,062  | 3,004               | 29.63            | 89,009  |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, short-term and long-term borrowings, accounts payable, and accrued expenses and other payables that are denominated in foreign currency.

A strengthening (weakening) of 5% of the NTD against the USD as of June 30, 2021 and 2020, would have increased or decreased the net loss before tax by \$3,583 thousand and decreased or increased the net profit before tax by \$7,148 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain or loss on monetary items

The information on the amount of the Group's foreign exchange gain or loss on monetary items (including realized and unrealized) translated to the functional currency, and on the exchange rate translated to the functional currency of the parent company (the presentation currency), NTD, was as follows:

|     | For the three months ended June 30 |                             |         |                             | For the six months ended June 30 |                             |      |                             |
|-----|------------------------------------|-----------------------------|---------|-----------------------------|----------------------------------|-----------------------------|------|-----------------------------|
|     | 2021                               | Average<br>exchange<br>rate | 2020    | Average<br>exchange<br>rate | 2021                             | Average<br>exchange<br>rate | 2020 | Average<br>exchange<br>rate |
| NTD | \$ (1,553)                         | 1.000                       | (1,991) | 1.000                       | (1,448)                          | 1.000                       | 191  | 1.000                       |

(iii) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note on liquidity risk management.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The following sensitivity analysis is based on the exposure to interest rate risk of non-derivative financial instruments on the reporting date. For variable-rate liabilities, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. An increase or decrease of 25 basis points is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had increased or decreased by 25 basis points, the net loss before tax would have increased or decreased by the amount of \$72 thousand and the net profit before tax would have decreased or increase by the amount of \$257 thousand for the six months ended June 30, 2021 and 2020 respectively, which would have mainly resulted from bank savings and borrowings with variable interest rates.

Financial instruments with fixed interest rates held or issued by the Group are valued at amortized cost. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

(iv) Fair value

1) Kinds of financial instruments and fair value

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required:

|  | June 30, 2021     |            |         |         |         |
|--|-------------------|------------|---------|---------|---------|
|  | Book value        | Fair Value |         |         | Total   |
|  | Level 1           | Level 2    | Level 3 |         |         |
| <b>Financial assets measured at amortized cost</b>                                   |                   |            |         |         |         |
| Cash and cash equivalents  | \$ 502,091        |            |         |         |         |
| Notes and accounts receivable  | 143,051           |            |         |         |         |
| Refundable deposits  | <u>21,860</u>     |            |         |         |         |
| Total  | <u>\$ 667,002</u> |            |         |         |         |
| <b>Financial assets at fair value through other comprehensive income—non-current</b> | <u>\$ 339,934</u> | -          | -       | 339,934 | 339,934 |
| <b>Financial liabilities measured at amortized cost</b>                              |                   |            |         |         |         |
| Long-term and short-term borrowings  | \$ 559,326        |            |         |         |         |
| Accounts payable   | 124,412           |            |         |         |         |
| Other financial liabilities  | <u>74,945</u>     |            |         |         |         |
| Total  | <u>\$ 758,683</u> |            |         |         |         |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  |                   | December 31, 2020 |         |         |         |  |
|--|-------------------|-------------------|---------|---------|---------|--|
|  |                   | Fair Value        |         |         |         |  |
|  | Book value        | Level 1           | Level 2 | Level 3 | Total   |  |
| <b>Financial assets measured at amortized cost</b>                                   |                   |                   |         |         |         |  |
| Cash and cash equivalents  | \$ 292,319        |                   |         |         |         |  |
| Accounts receivable  | 144,072           |                   |         |         |         |  |
| Refundable deposits  | <u>21,860</u>     |                   |         |         |         |  |
| Total  | <u>\$ 458,251</u> |                   |         |         |         |  |
| <b>Financial assets at fair value through other comprehensive income—non-current</b> |                   |                   |         |         |         |  |
|  | <u>\$ 354,569</u> | -                 | -       | 354,569 | 354,569 |  |
| <b>Financial liabilities measured at amortized cost</b>                              |                   |                   |         |         |         |  |
| Long-term and short-term borrowings  | \$ 555,352        |                   |         |         |         |  |
| Accounts payable   | 110,297           |                   |         |         |         |  |
| Convertible bonds  | 12,259            | -                 | 12,267  | -       | 12,267  |  |
| Other financial liabilities  | <u>85,681</u>     |                   |         |         |         |  |
| Total  | <u>\$ 763,589</u> |                   |         |         |         |  |
|  |                   | June 30, 2020     |         |         |         |  |
|  |                   | Fair Value        |         |         |         |  |
|  | Book value        | Level 1           | Level 2 | Level 3 | Total   |  |
| <b>Financial assets measured at amortized cost</b>                                   |                   |                   |         |         |         |  |
| Cash and cash equivalents  | \$ 397,275        |                   |         |         |         |  |
| Notes and accounts receivable  | 158,051           |                   |         |         |         |  |
| Refundable deposits  | <u>21,860</u>     |                   |         |         |         |  |
| Total  | <u>\$ 577,186</u> |                   |         |         |         |  |
| <b>Financial assets at fair value through profit or loss-current</b>                 |                   |                   |         |         |         |  |
|  | <u>\$ 4</u>       | -                 | -       | 4       | 4       |  |
| <b>Financial assets at fair value through other comprehensive income-non current</b> |                   |                   |         |         |         |  |
|  | <u>\$ 149,774</u> | -                 | -       | 149,774 | 149,774 |  |
| <b>Financial liabilities measured at amortized cost</b>                              |                   |                   |         |         |         |  |
| Long-term and short-term borrowings  | 602,867           |                   |         |         |         |  |
| Accounts payable   | 170,082           |                   |         |         |         |  |
| Convertible bonds  | 12,134            | -                 | 12,128  | -       | 12,128  |  |
| Other financial liabilities  | <u>92,521</u>     |                   |         |         |         |  |
| Total  | <u>\$ 877,604</u> |                   |         |         |         |  |

(Continued)



**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) Valuation techniques to measure fair value of financial instruments not measured at fair value

Financial instruments of the Group not measured at fair value are financial assets and liabilities valued at amortized cost. Measurement of fair value of these financial instruments is based on recent transaction prices. When market price are unavailable, valuation is based on discounted cash flow.

- 3) Fair value valuation technique of financial instruments measured at fair value

- a) Non-derivative financial instruments

Financial instruments of the Group are equity instruments without an active market. The measurements of fair value of equity instruments without an active market are based on the market comparable listed company approach, which assumes that the fair value is measured by the book value per share of the investee and the price-book ratio of market comparable listed companies. The estimation of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of marketability.

- b) Derivative financial instruments

Valuation of derivative financial instruments of the Group is based on a valuation model widely used by market participants, such as the discounted cash flow method and the Black-Scholes Option Pricing Model.

- 4) Changes in Level 3

|  | <b>Financial assets at<br/>fair value through<br/>profit or loss</b> | <b>Financial assets at<br/>fair value through<br/>other<br/>comprehensive<br/>income</b> |
|--|--|--|
| <b>Balance on January 1, 2021</b>        | \$ -   | 354,569  |
| Recognized in other comprehensive income | -  | (14,635)   |
| <b>Balance on June 30, 2021</b>          | <u>\$ -</u>  | <u>339,934</u>   |
| <b>Balance on January 1, 2020</b>        | \$ (89)  | -  |
| Recognized in profit or loss             | (566)  | -  |
| Recognized in other comprehensive income | -  | 6,291  |
| Disposal / pay-off                       | 659  | -  |
| Reclassification                         | -  | 143,483  |
| <b>Balance on June 30, 2020</b>          | <u>\$ 4</u>  | <u>149,774</u>   |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Fair value measurements using significant unobservable inputs (Level 3)

The fair value measurements of the Group which are categorized into Level 3 are classified as financial assets and liabilities at fair value through profit or loss – derivative financial instruments and financial assets at fair value through other comprehensive income – equity securities. The derivative financial instruments are redemption rights of embedded convertible bonds which use the Binomial Tree Model to decide the fair value. After evaluation, these derivative financial instruments have no significant influence on the Group’s financial report. Therefore, the quantify information and sensitivity analysis related to fair value measurements using significant unobservable inputs are not disclosed.

Significant quantitative information about unobservable inputs was as follows:

| <u>Item</u>  | <u>Valuation technique</u>                | <u>Significant unobservable inputs</u>  | <u>Inter-relationships between significant unobservable inputs and fair value</u>  |
|--|---|---|--|
| Financial assets at fair value through other comprehensive income – equity investments in inactive markets | Market comparable listed company approach | <ul style="list-style-type: none"> <li>• Multiplier of price-to-book ratio (3.84 on June 30, 2021)</li> <li>• Discount for lack of marketability (27.78% on June 30, 2021)</li> </ul> | <ul style="list-style-type: none"> <li>• The fair value would increase if the multiplier was higher</li> <li>• The fair value would decrease if the discount for lack of marketability was higher</li> </ul> |

6) Fair value measured in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group’s measurement of fair value of financial instruments is reasonable, but using different evaluation models or parameters will cause different results. For financial instruments in Level 3, if the evaluation parameters had changed, the effects on other comprehensive income and loss would have been as follows:

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <u>Inputs</u>                      | <u>Increase or decrease</u> | <u>Effects of changes in fair value on other comprehensive income and loss</u> |                 |
|--|------------------------------------|-----------------------------|--|-----------------|
| <b>June 30, 2021</b>   |                                    |                             |  |                 |
| Financial assets at fair value through other comprehensive income—equity investments in inactive markets | Multiplier of price-to-book ratio  | ±10%                        | \$ <u>33,994</u>   | <u>(33,994)</u> |
|  | Discount for lack of marketability | ±10%                        | \$ <u>33,994</u>   | <u>(33,994)</u> |
| <b>June 30, 2020</b>   |                                    |                             |  |                 |
| Financial assets at fair value through other comprehensive income—equity investments in inactive markets | Multiplier of price-to-book ratio  | ±10%                        | \$ <u>14,977</u>   | <u>(14,977)</u> |
|  | Discount for lack of marketability | ±10%                        | \$ <u>14,977</u>   | <u>(14,977)</u> |

7) In the six months ended June 30, 2021 and 2020, there were no transfers between levels.

(u) Financial risk management

The Group's objectives and policies on financial risk management are consistent with note 6(v) to the consolidated financial statements for the year ended December 31, 2020.

(v) Capital management

The Group's objectives, policies and process of managing capital are consistent with the consolidated financial statements for the year ended December 31, 2020. The information on capital management items has no significant difference from that of the consolidated financial statements for the year ended December 31, 2020. Please refer to note 6(w) to the consolidated financial statements for the year ended December 31, 2020, for further information.

(w) Supplementary information of cash flow

(i) The Group's cash outflow from acquisition of property, plant and equipment amounted to \$5,624 thousand and \$39,968 thousand, wherein cash payment for payables on equipment amounted to \$2,117 thousand and \$1,883 thousand for the six months ended June 30, 2021 and 2020, respectively. Please refer to note 6(g).

(ii) For retirement of restricted stock, please refer to note 6(o).

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Change in liabilities from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

|   | <b>January 1,<br/>2021</b> | <b>Cash flows</b> | <b>Non-cash<br/>changes</b> | <b>June 30,<br/>2021</b> |
|---|----------------------------|-------------------|-----------------------------|--------------------------|
| Short-term borrowings                       | \$ 235,352                 | 3,974             | -                           | 239,326                  |
| Long-term borrowings                        | 320,000                    | -                 | -                           | 320,000                  |
| Bonds payables                              | <u>12,259</u>              | <u>(12,300)</u>   | <u>41</u>                   | <u>-</u>                 |
| Total liabilities from financing activities | <u>\$ 567,611</u>          | <u>(8,326)</u>    | <u>41</u>                   | <u>559,326</u>           |

|   | <b>January 1,<br/>2020</b> | <b>Cash flows</b> | <b>Non-cash<br/>changes</b> | <b>June 30,<br/>2020</b> |
|---|----------------------------|-------------------|-----------------------------|--------------------------|
| Short-term borrowings                       | \$ 130,000                 | 152,867           | -                           | 282,867                  |
| Long-term borrowings                        | 320,000                    | -                 | -                           | 320,000                  |
| Bonds payables                              | <u>292,197</u>             | <u>(289,776)</u>  | <u>9,713</u>                | <u>12,134</u>            |
| Total liabilities from financing activities | <u>\$ 742,197</u>          | <u>(136,909)</u>  | <u>9,713</u>                | <u>615,001</u>           |

**(7) Related-party transactions:**

(a) Name and relationship with related parties

The followings are entities that have had transactions with the related party during the periods covered in the consolidated financial statements.

| <u>Name of related party</u>                            | <u>Relationship with the Group</u>                   |
|---|--|
| Toptrans (Suzhou) Corporation Limited (Toptrans Suzhou) | An associate of the Group (note)                     |
| Optoway Technology Incorporation                        | The entity with significant influence over the Group |

Note: The Group lost its significant influence over Toptrans Suzhou on May 6, 2020. Therefore, its transactions related to Toptrans Suzhou need not be disclosed thereafter.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of sales by the Group to related parties and the outstanding balances were as follows:

|   | Sales  |  | Notes and<br>accounts<br>receivable |
|---|--|--|-------------------------------------|
|   | For the three<br>months ended<br>June 30, 2021 | For the six<br>months ended<br>June 30, 2021 | June 30,<br>2021                    |
| The entity with significant influence<br>over the Group | \$ <u>11</u>                                   | <u>11</u>                                    | <u>-</u>                            |

There were no significant differences in the selling prices and trading terms between related parties and other customers. The transaction terms with related parties were about 30 days, whereas the terms with other customers were 30 to 105 days except for payments received in advance.

(ii) Loans to related parties

The loans to Toptran Suzhou were derived from the accounts receivable of selling goods to Toptran Suzhou. However, Toptran Suzhou failed to settle its debt due the difficulties its business is facing, resulting in the Group to reclassify its accounts receivable to loans.

From April 1, 2020 to May 6, 2020 and January 1, 2020 to May 6, 2020, the Group recognized expected credit gains of \$300 thousand and \$1,198 thousand, respectively, as other gains and losses due to collections from the loans. Since May 6, 2020, Toptrans Suzhou was no longer a related party of the Group. Therefore, all loans related to Toptrans Suzhou need not be disclosed thereafter.

(c) Key management personnel compensation

|                              | For the three months<br>ended June 30 |              | For the six months<br>ended June 30 |               |
|------------------------------|---------------------------------------|--------------|-------------------------------------|---------------|
|                              | 2021                                  | 2020         | 2021                                | 2020          |
| Short-term employee benefits | \$ 5,206                              | 5,641        | 10,793                              | 10,867        |
| Post-employment benefits     | 1,372                                 | 173          | 1,534                               | 335           |
| Termination benefits         | -                                     | -            | -                                   | -             |
| Other long-term benefits     | -                                     | -            | -                                   | -             |
| Share-based payments         | <u>1,080</u>                          | <u>1,408</u> | <u>2,524</u>                        | <u>2,692</u>  |
|                              | <u>\$ 7,658</u>                       | <u>7,222</u> | <u>14,851</u>                       | <u>13,894</u> |

Please refer to note 6(o) for further explanations related to the share-based payment transactions.

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

The Group's assets pledged as collateral were as follows:

| <u>Pledged assets</u>                     | <u>Pledged to secure</u>                        | <u>Book value of pledged assets</u> |                              |                          |
|---|---|-------------------------------------|------------------------------|--------------------------|
|   |   | <u>June 30,<br/>2021</u>            | <u>December<br/>31, 2020</u> | <u>June 30,<br/>2020</u> |
| Fixed assets – land                       | Long-term borrowings and credit line collateral | \$ 247,696                          | 247,696                      | 247,696                  |
| Fixed assets – buildings and construction | Long-term borrowings and credit line collateral | 256,720                             | 262,405                      | 268,257                  |
| Refundable deposits                       | Collateral for court proceedings                | 21,740                              | 21,740                       | 21,740                   |
|   |   | <u>\$ 526,156</u>                   | <u>531,841</u>               | <u>537,693</u>           |

**(9) Commitments and contingencies:**

(a) The Group's unused letters of credit for purchasing machinery and equipment were as follow:

|   | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>June 30,<br/>2020</u> |
|---|--------------------------|------------------------------|--------------------------|
| Unused letters of credit for purchasing machinery and equipment | \$ <u>2,353</u>          | <u>3,837</u>                 | <u>25,859</u>            |

(b) The amounts of guarantee notes issued as collateral for bank loans were as follows:

|                        |       | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>June 30,<br/>2020</u> |
|------------------------|-------|--------------------------|------------------------------|--------------------------|
| Guarantee notes issued | US \$ | <u>5,500</u>             | <u>5,500</u>                 | <u>5,500</u>             |
| Guarantee notes issued | NT \$ | <u>990,000</u>           | <u>990,000</u>               | <u>990,000</u>           |

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None**

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other:**

The following was a summary statement of current-period employee benefit, depreciation, and amortization expenses by function:

| By function                | For the three months ended June 30 |                    |        |                |                    |        |
|----------------------------|------------------------------------|--------------------|--------|----------------|--------------------|--------|
|                            | 2021                               |                    |        | 2020           |                    |        |
|                            | Operating cost                     | Operating expenses | Total  | Operating cost | Operating expenses | Total  |
| <b>By item</b>             |                                    |                    |        |                |                    |        |
| Employee benefit expenses  |                                    |                    |        |                |                    |        |
| Salaries                   | 49,553                             | 27,585             | 77,138 | 61,241         | 29,161             | 90,402 |
| Labor and health insurance | 5,677                              | 2,385              | 8,062  | 5,536          | 2,307              | 7,843  |
| Pension                    | 2,633                              | 1,337              | 3,970  | 2,739          | 1,338              | 4,077  |
| Remuneration of directors  | -                                  | 627                | 627    | -              | 758                | 758    |
| Others                     | 3,246                              | 1,098              | 4,344  | 3,526          | 1,659              | 5,185  |
| Depreciation               | 30,138                             | 4,864              | 35,002 | 36,735         | 5,577              | 42,312 |
| Amortization               | 498                                | 732                | 1,230  | 1,023          | 1,054              | 2,077  |

| By function                | For the six months ended June 30 |                    |         |                |                    |         |
|----------------------------|----------------------------------|--------------------|---------|----------------|--------------------|---------|
|                            | 2021                             |                    |         | 2020           |                    |         |
|                            | Operating cost                   | Operating expenses | Total   | Operating cost | Operating expenses | Total   |
| <b>By item</b>             |                                  |                    |         |                |                    |         |
| Employee benefit expenses  |                                  |                    |         |                |                    |         |
| Salaries                   | 101,286                          | 57,356             | 158,642 | 114,928        | 57,631             | 172,559 |
| Labor and health insurance | 11,823                           | 4,787              | 16,610  | 10,953         | 4,538              | 15,491  |
| Pension                    | 5,488                            | 2,680              | 8,168   | 5,427          | 2,615              | 8,042   |
| Remuneration of directors  | -                                | 1,338              | 1,338   | -              | 1,278              | 1,278   |
| Others                     | 6,680                            | 2,665              | 9,345   | 6,992          | 2,645              | 9,637   |
| Depreciation               | 60,733                           | 10,132             | 70,865  | 74,851         | 11,317             | 86,168  |
| Amortization               | 1,077                            | 1,596              | 2,673   | 2,082          | 1,974              | 4,056   |

(Continued)

**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2021:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender | Name of borrower | Account name      | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits | Maximum limit of fund financing |
|--------|----------------|------------------|-------------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|
|        |                |                  |                   |   |                |                                       |   |   |   |                                  |                        | Item       | Value |                                |                                 |
| 0      | The Company    | Toptrans Suzhou  | Other receivables | 8,155   | 18,156         | 5,579                                 | 2%  | Required loans to other parties             | -   | Operating capital                | 5,579                  | None       | -     | (Note 1)                       | (Note 1)                        |

Note 1: The amounts loaned to a company from the Company or subsidiaries shall not exceed 10% of the entity's net worth, \$152,694 thousand, in the latest financial statements. The total amounts loaned to all companies shall not exceed 40% of the Company's net worth, \$610,778 thousand.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of June 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

| Name of holder               | Category and name of security | Relationship with company | Account title                                  | June 30, 2021            |                |                             |            | Note |
|------------------------------|-------------------------------|---------------------------|--|--------------------------|----------------|-----------------------------|------------|------|
|                              |                               |                           |  | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |      |
| The Company                  | BANDWIDTH10, INC.             | -                         | Financial assets measured at FVOCI-Non-current | 220                      | -              | 4.43 %                      | -          |      |
| Toptrans Corporation Limited | Toptrans Suzhou               | -                         | "  | -                        | 339,934        | 9.90 %                      | 339,934    |      |

(iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with an amount exceeding the lower of \$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with an amount exceeding the lower of \$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: None.

(Continued)



**LUXNET CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions: None.

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2021:

| Name of investor             | Name of investee             | Location   | Main and Businesses products | Original investment amount |                   | Ending balance     |                             |                | Investee recognize as of June 30, 2021 |                            | Note   |
|------------------------------|------------------------------|------------|------------------------------|----------------------------|-------------------|--------------------|-----------------------------|----------------|--|----------------------------|--------|
|                              |                              |            |                              | June 30, 2021              | December 31, 2020 | Shares (thousands) | Percentage of ownership (%) | Carrying value | Net income (losses)                    | Investment income (losses) |        |
| The Company                  | Toplight Corporation Limited | Seychelles | Holding company              | 122,980                    | 122,980           | 4,000              | 100 %                       | 339,934        | -                                      | -                          | (Note) |
| Toplight Corporation Limited | Toptrans Corporation Limited | Hong Kong  | Holding company              | 122,980                    | 122,980           | 4,000              | 100 %                       | 339,934        | -                                      | -                          | (Note) |

Note: The long-term equity investments were eliminated in the preparation of the consolidated financial statements.

(c) Information on investment in mainland China: None.

(d) Major shareholders:

| Shareholder's Name               | Shareholding | Shares     | Percentage |
|----------------------------------|--------------|------------|------------|
| OPTOWAY TECHNOLOGY INCORPORATION |              | 16,878,000 | 12.69 %    |
| TriKnight Capital Corporation    |              | 14,680,990 | 11.04 %    |

**(14) Segment information:**

The Group's revenues are mainly from active components for optical communication. The chief operating decision maker (CODM) of the Group used overall operating results as the basis for evaluating performance and considered the Group a single segment. The segment information for the six months ended June 30, 2021 and 2020 was the same as the Group's consolidated financial statements.