

# Letter to Shareholders

**Dear Shareholders,**

On behalf of all employees at LuxNet, I would like to thank all shareholders for your long standing support and encouragement to LuxNet.

## **Highlights of 2013:**

Due to the effect of policies to implement 4G LTE fiber optics delay, we were unable to meet forecasted growth for 2013. The main reason for the profit decrease in 2013 was the significantly lowered revenue for Fiber to the x (FTTx) products, as well as their continuous price erosion. The 2013 summary report of operation results is as below:

Unit: NT\$M

<b>Item</b>	<b>Year</b>	<b>2013</b>	<b>2012</b>	<b>Difference (%)</b>
Net sales		2,151	2,154	0
Gross profit		350	432	-19
Operating income		141	211	-33
Current pre-tax profit		155	214	-28
Current period net income		123	175	-30
Diluted EPS (NT\$)		2.02	3.28	-38

Source: 2012–2013 consolidated financial reports as approved by accountants after audit.

## **2014 Business Plan Summary:**

### **1. Business Plan:**

We guide all employee continuous growth through the company operation principles of "innovation, teamwork, customer, integrity." We also continuous enhance RD and product quality and the growth of profit .

### **2. Business Forecast:**

Due to the clear of high speed fiber optic policies and infrastructure extension, the market of FTTx products came back to normal in the fourth quarter of 2013. It creates high demand for these kind of high-end products. The cloud computing products will be finished in

development and then go to mass production. Now it accounts for a rising proportion of revenue streams. To strive for and create new product revenue, the company increase production lines and use the electronic automation equipments. We also aim to improve yield and train employee because all of they are the key areas for increasing profit growth and enhancing technology in the future.

The company had integrated all of its plants into one new plant for manufacturing and operations in the Chungli Industrial Zone.

2014 key products:

- (a) EPON & GPON TO/BOSA's use in Fiber to the x (FTTx),
- (b) 850nm 10Gbps ROSA /TOSA's use in cloud computing data centers,
- (c) 40G parallel optical engine and the use of its modules in cloud computing data centers,
- (d) AOC's (Active Optical Cable) use in cloud computing data centers,
- (e) use of 3G/4G LTE towers in mobile products.

The company will continue to invest in R&D for high-end optical components, increase production technology and efficiency, and maintain advantages in manufacturing costs, all to allow for the overall production and marketing system to be more competitive.

### 3. Plans for Research and Development:

10G APD chip & 10G BOSA & 25G 850/1310nm Pin ROSA & 25G 1310nm & 850nm TOSA & Optical Engine & QSFP TRx.

We aim to expand our range of products, add product lines, and enhance product value and quantities. We want customers to affirm the LuxNet value and to enhance the long-term industry competitiveness of the company.

### **Impact from external competition, regulatory environment, and overall economic environment:**

The rise of global demand for technology and the fiber optic infrastructure extension in

countries all over the world, the company with the technology to transmit large amounts of data through high-speed broadband will be more competitive in fiber optic component Market. The future growing market will be in the Asia-Pacific region and the United States, especially the growth of FTTx and 4G LTE towers in China and the rapid growth in cloud computing data centers in the United States. We will actively develop FTTx and data center products and will benefit from these ongoing trends in the next few years.

LuxNet has always set its goals on becoming the leading global supplier for optics communication components. We will create long-term profits for all shareholders by leading in R&D and manufacturing capabilities and creating more efficient management. We hope you continue to give us your support and suggestions. Here, on behalf, of the management team and the entire company, we offer our deepest thanks to all shareholders.

**May you have a prosperous year and good health!**

Hsing Kung  
Chairman