

Stock Code : 4979

**LuxNet Corporation**  
**Handbook for**  
**2016 Annual Shareholders' Meeting**  
(Translation)

Meeting time : 9:00 a.m., May 25, 2016

Place : Hotel Kuva Chateau

( 3F Grand Ball Room )

No. 398 Minguan Road, Zhongli District,

Taoyuan City, Taiwan

The English version is a translation based on the original Chinese version.  
Where any discrepancy arises between the two versions, the Chinese version shall prevail.

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# **LuxNet Corporation**

## **2016 Annual Shareholders' Meeting Procedure**

**I. Call Meeting to Order**

**II. Meeting Agenda**

# LuxNet Corporation

## 2016 Annual Shareholders' Meeting Agenda

( Translation )

Meeting time : 9:00 a.m., May 25, 2016

Place : Hotel Kuva Chateau ( 3F Grand Ball Room )  
No. 398 Minguan Road, Zhongli District, Taoyuan City, Taiwan

Attendants : All shareholders or their Proxy holders

Chairman : Dr. Hsing Kung, Chairman of the Board of Directors

1. Call the meeting to order.
2. Chairman' s Address.
3. Proposed Resolution :
  - (1) To approve revisions to the Articles of Incorporation.
4. Report Items :
  - (1) The 2015 Business Report.
  - (2) The 2015 Audit Committee Report.
  - (3) To report 2015 employees' profit sharing bonus and directors' compensation.
  - (4) To report the implementation of Share Buyback Program.
  - (5) To report the status of First Convertible Bonds Transferring.
5. Adoption Matters :
  - (1) To accept the 2015 Business Report and Financial Statements.
  - (2) To approve the proposal for the distribution of the 2015 retained earnings.
6. Discussion Matters :
  - (1) Proposal for a cash offering by private placement.
  - (2) Discussion on the proposal of new restricted employee shares.
  - (3) To approve revisions to the rules of Procedure for Shareholder Meetings.
  - (4) To approve revisions to the rules for Director Elections.
7. Questions and Motions :
8. Meeting Adjourned

## Proposed resolution

### 1. To approve revisions to the Articles of Incorporation.

Explanatory Notes : In compliance with The R.O.C. rule, the company's articles of Incorporations should be amended. Please see " Attachment I " for the amended version of the clauses.

## Report Items

### 1. To report the Business of 2015

Explanatory Notes : Please refer to Attachment 2.

### 2. Audit Committee' s review report

Explanatory Notes : Please refer to Attachment 3.

### 3. 2015 employees' profit sharing bonus and directors' compensation

Explanatory Notes :

- (1) Compensation of directors and supervisors NT\$20,397,000 and employee bonuses NT\$61,470,000 have been deducted (unallocated) from the consolidated statement of comprehensive income.
- (2) The unallocated amounts will be paid by cash.

### 4. To report the implementation of Share Buyback Program

Explanatory Notes :

#### Implementation of Share Buyback Program

Phase of Buyback	2015 First
Purpose of the Buyback	Transferred stocks to employee
Buyback Period	2015/9/1 ~ 2015/10/31
Range of buyback price per share	45.00 ~ 85.00
Number of shares bought back	0 shares
Number of write-down/transferred shares	0 share
Number of repurchased shares as a percentage of total outstanding shares	0
Reason for the implementation yet to complete	The stock price goes up progressively during the share buyback period. We decide to return to the stock market mechanism, instead of implement.

5. **To report the status of First Non-guaranteed Convertible Bonds Transferring**

Explanatory Notes : To repayment bank loan, the Board had proceed the issue of convertible bonds for NT\$800 million. It traded over the counter on December 22, 2015. The issuing period is 3 years and transferring price is NT\$79.

## **Adoption Matters**

1. **To accept the 2015 Business Report and Financial Statements ( Proposed by the Board of Directors )**

Explanatory Notes :

(1)LuxNet's 2015 financial statement and comprehensive financial statements (which includes balance sheets, income statements, statement of changes in shareholders' equity, cash flow statement) have been audited by Mr. Cheng-Chian Chen and Ms. May Huang from KPMG, and an unqualified opinion has been issued. The report was passed by the Board on March 2, 2016 and has undergone review by the Audit Committee.

(2)Please see "Attachments 2" for the 2015 Business Report, please see "Attachments 5" for the audit report and financial statement.

2. **To approve the proposal for the distribution of the 2015 retained earnings( Proposed by the Board of Directors )**

Explanatory Notes :

(1)LuxNet's net income after the 2015 audit is NT\$542,341,193. Please see "Attachment 6" for the company's profit distribution table for profit distribution according to the company's policy on distributing profits and dividends after filing income tax and special reserves.

(2)Distributing cash dividends employs the method of "rounding down to the nearest NT dollar." Amounts that are smaller than NT\$1 will be left to the full discretion of an individual appointed by the Chairman.

(3)Subsequently, if the total number of outstanding shares is affected due to repurchase of restricted stock for employees or other decrees and any shareholder needs to adjust allocation of shares and interests, the shareholders authorize the Board to handle the matter.

(4)After this item has been approved by the shareholders, the Board will decide on dividend dates and other relevant matters.

## Discussion Matters

### 1. Proposal for a cash offering by private placement ( Proposed by the Board of Directors )

#### Explanatory Notes :

(1) This private offering of Common Stocks is subject to a maximum of issuing 13,500,000 shares, which will be handled by the board of directors authorized by the shareholders meeting based on LuxNet' s funding needs or financial market conditions.

(2) Basis and reasonableness of private offering price :

The issue price for the private offering of Common Stocks is set to be not lower than 80% of the formula price referred to in the Directions for Public Companies Conducting Private Placements of Securities. For the actual issue price, the shareholders meeting will be requested to grant the board of directors authority to set the price according to the law and not below the range approved by the shareholders meeting and depending on current market.

(3) Offeree selection method and its purpose, necessity, and expected benefits :

The offeree selection procedure shall follow the rules under Article 43-6 of the Securities and Exchange Act and the previous order(91) Tai-Cai-Zheng-1 No.0910003455 from Financial Supervisory Commission. The purpose for selecting offerees is to introduce strategic investors. The purpose, necessity, and expected benefits are to meet the demands of LuxNet' s operations by having private offering investors provide LuxNet with assistance in enhancing LuxNet competitiveness, improving operational efficiency and long term development.

(4) Reasons of a private offering :

(a) Reasons against a public offering :

The choice of a private offering is in support of LuxNet' s future business development and plans to introduce strategic investors and in consideration of convenience and issue cost. In addition, privately offered securities are restricted from free transfer within 3 years under the Securities and Exchange Act, and this rule will ensure a long-term partnership between LuxNet and its strategic investors.

(b) Maximum amount of private offering :

The total shares of privately offered Common Stocks are limited to 13,500,000 shares. The private offering may be embarked on by the Board of Directors within a year from the date the resolution is reached during a shareholders' meeting.

(c) Use of funds and expected benefits :

The raised capital is expected to be used for improving LuxNet competitiveness, enhancing working capital, and enhancing long term development.

The expected benefits include a positive impact on shareholder right, enhanced long term competitiveness, improved financial structure.

(5) The private offering plan includes primarily actual private offering price, private offering shares, amounts, plan items, scheduled progress and expected benefits and other matters potentially related to the issue plan. The shareholders meeting will be requested to authorize the board of directors to make adjustments at its full discretion according to LuxNet' s operation needs and

financial market condition. The shareholders meeting will also be requested to authorize the board of directors to make modification or correction at its full discretion in response to future changes in legal regulations, order from the competent authority, or changes in market conditions, business assessment, or objective environmental conditions.

(6) In order to complete the private offering of Common Stocks, the shareholders meeting will also be represent to authorize the chairman of the board or a designated person to represent LuxNet in the signing of all relevant contracts and documents and complete all subsequent procedures for LuxNet.

(7) For matters that are not covered herein, the shareholders meeting will be requested to authorize the chairman of the board to, in accordance with law, proceed at its own discretion.

## 2. To approve the proposal of new restricted employee shares ( Proposed by the Board of Directors )

### Explanatory Notes :

Executed according to Article 267 of Company Law and 「 Issuer Guidelines to Collecting and Issuing Securities 」 .

I. Total shares issued: Total value NT\$6,130,000. Par value is NT\$10. Total number of shares issued is 613,000.

II. Conditions for issuance:

(1) Price of issuance: Shares will be issued at a charge. Issuance price is NT\$20 per share.

(2) Vesting conditions: From the day employees are allocated restrictive stock; if they are still employed at the times listed below and have not violated their labor contract, employee management regulations, or work regulations, etc., they are eligible for the shares ration listed below:

Worked for 1 year after shares are allocated: receive 50% of allocated shares.

Worked for 2 years after shares are allocated: receive 50% of allocated shares.

(3) Type of share to be issued: new ordinary shares.

(4) What to do if employees do not meet vesting conditions:

Before meeting vesting conditions, apart from inheritance, employees may not sell, pledge, transfer, gift, set up, or dispose of in any other manner, the restrictive new stock they have been allocated according to company regulations. Rights attached to these shares, such as attending shareholder meetings, submitting proposals, speaking up, voting, participating in elections, are the same rights attached to the company's ordinary shares. And these rights will be executed according to the trust deed. Rights attached to distribution of other profits, (including but not limited to: dividends, bonuses, and capital reserve allocation rights) and share options for capital increases are the same as the rights attached to ordinary shares. And these rights will be executed according to the trust deed. If employees who receive restrictive stock do not meet vesting conditions, then the shares they have already purchased will be repurchased by the company with the original purchase price of NT\$20, or at the lowest price at the which the market closed that day. The employee's cash dividends, dividends, and



allocated capital reserve (shares) will be canceled. Unless there are other stipulations in these Guidelines, the cash will be revoked and the shares will be canceled by the company.

### III. Qualifications and number of allocated shares:

- (1) Employee qualifications: Full-time employees who have already reported for duty on the day of new restrictive stock allocation; or any actions to be taken after the regulations have been amended or as required by the authorities. Actual allocation is dependent on the number of eligible employees and the number of new restrictive stocks. Number of years at the company, rank, performance, overall contribution, special achievements and other factors will be taken into consideration. The company's operation needs and business development strategic needs will also be considered. Allocation numbers will be submitted to the Board after the Chairman's approval. Employees with manager status or Directors who are also employees should notify the Compensation Committee and receive approval from the Board before issuance of stocks.
- (2) Number of allocated shares: the sum of a single employee's accumulated restrictive stocks and the number of subscription shares from employee stock options that were available to them as required in Article 56 Section 1 of the "Issuer Guidelines to Collecting and Issuing Securities" cannot surpass 0.3% of total shares issued by the company. Total number of subscription shares from employee stock options that were available to them as required in Article 56 Section 1 of the "Issuer Guidelines to Collecting and Issuing Securities" cannot surpass 1% of total shares issued by the company. Number of a single employee's accumulated restrictive stocks, mentioned above, will follow new regulations if there are any changes to said regulations.

### IV. Reasons for implementing new restrictive stocks for employees

In order to attract and keep the necessary professionals for the company's needs, we have to increase the company's solidarity and sense of belonging, in order to create profits for the company and its shareholders.

### V. Effects that possible expenditure may have on the company's diluted profit per share situation and shareholders' interests: Restrictive stock to be issued at NT\$20 per share is estimated to be 0.82% of total shares (74,371,851 shares as of March 2, 2016) issued by the company. If we use the weighted average value on March 1, 2016 of NT\$79.72 per share, possible expenditure for each share is around NT\$59.72. If we calculate the vesting period of two years and the total number of shares in circulation, expenditure of the two year period is estimated to be NT\$36,608,000. Yearly expenditure for diluted profits per share would be an estimated NT\$0.2461; this would not be too detrimental to shareholders' interests.

### VI. In the event that regulations are amended or changes are approved by authorities, the chairman has authorization to handle the matter. Once this item is approved by the shareholders, it will be submitted to the authorities for approval. Shareholders authorize the Board to then set another date for issuance.

3. To approve revisions to the rules of Procedure for Shareholder Meetings ( Proposed by the Board of Directors )

Explanatory Notes : In compliance with The R.O.C. rule, the rules of Procedure for Shareholder Meetings should be amended. Please see " Attachment 7" for the amended version of the clauses.

4. To approve revisions to the rules for Director Elections (Proposed by the Board of Directors)

Explanation Notes : In compliance with The R.O.C. rule, the rules for Director Elections should be amended. Please see " Attachment 8 " for the amended version of the clauses.

## Questions and Motions

## Meeting Adjourned

The English version is a translation based on the original Chinese version.  
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## LuxNet Corporation 2015 Business Report (Translation)

In 2015, LuxNet achieved record revenue and net profit again. Also, we still continue to pursue stability and growth in the face of market changes.

2015 Business Report is as below:

1. Company's operation direction and overall development situation:

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

To solve undersupply, we continue to increase our investment in capacity and R&D in 2015, as we firmly believe these will sow the seeds for furthwr harvests to come.

2. Operation Performance:

Consolidated revenue totaled NT\$4.181 billion, a 39 percent increase over NT\$3.015 billion in 2014. Net income was NT\$542 million and diluted earnings per share was NT\$7.24. Both increased over 147 percent from the 2014 level of NT\$217 million net income and NT\$2.93 diluted EPS. The 2015 summary report of operation results is as below:

		Unit: NT\$M		
Item \ Year	2015	2014	difference (%)	
Net sales	4,181	3,015	39	
Gross margin	1,025	527	95	
Operating income	618	249	148	
Current pre-tax profit	659	269	145	
Current period net income	542	217	150	
Diluted EPS (NT\$)	7.24	2.93	147	

Source: 2014–2015 consolidated financial reports after audit.

3. Analysis of significant financial figures:

In 2015, Luxnet increased net cash inflow by mean of the big growth of revenue. We still continue to increase our investments in capacity and also need more capital expenditure to repay bank loan 、to increase working capital and to improve finance , so we issued our First Convertible Bonds in December 2015. The sum of short-term loan and long-term loan is

NT\$22 million in 2015, less than the figure in 2014. Gross margin was NT\$,1,025 million, an increase of 95 percent over NT\$527 million in 2014. For an overview of other financial situations, please see the attached financial statements.

#### 4. Overview of R&D:

The company total invested amount in R&D is NT\$132 million in 2014, an increase of 50% from \$88 million in 2014. The reasons of increase are that the increasing of new product evaluation and the project fees in cloud computing.

Important R&D projects are below:

- a. Development of 10G DFB& APD.
- b. Development of 10G FP & 25G DFB.
- c. Development of 100G SR4 optical engine & 100G PSM4 mini TOSA and optical engine to meet the needs for high-speed fiber optic communication and cloud computing.

LuxNet will continue to reap the benefits of correct strategic choices, improvement of core competence and all employee efforts. We hope you continue to give us your support and confidence. Here, on behalf, of the management team and the entire company, we offer our deepest thanks to all shareholders.

**Chairman :** Hsing Kung

**President :** James Ni

**Head of Accounting :** Jim Sheu

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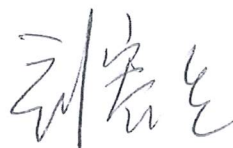
## Audit Committee's Review Report

The Board of Directors has prepared and submitted the company's 2015 business report, financial statement (including the comprehensive financial statement), and profit distribution proposals. The financial statement has been audited by KPMG and an audit report has been submitted. The aforementioned business report, financial statement, and profit distribution table has been reviewed by our Audit Committee. No discrepancies were found according to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Law.

LuxNet Corporation

審計委員會召集人

劉容生



Chairman of the Audit Committee

Yungs Liu

April 11, 2016

## Independent Auditors' Report

LuxNet Corporation Board of Directors

We have audited the accompanying balance sheets of LuxNet Corporation and subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of comprehensive income, changes in stockholders' equity and cash flows of 2015 and January 1, 2014 to December 31, 2014. The preparation of the above consolidated financial statements was the responsibility of management; our duties as auditors were to express an opinion based on our audit.

We conducted our audits in accordance with accepted auditing standards in the Republic of China and Guidelines for Certified Public Accountants' Examination and Reporting on Financial Statements. Our audit includes examining, on a random basis, evidence supporting the amounts and disclosures made by management, and the accounting principles and estimates used in preparation of the consolidated financial statements, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

According to the opinion of this accountant, the comprehensive financial statement in the first section has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and the Standing Interpretations Committee as recognized by Financial Supervisory Commission. This adequately reflects the consolidated financial situation of LuxNet Corporation and its subsidiaries as of 2015, December 31, 2014, and January 1, 2014. It also reflects the consolidated financial performance and consolidated cash flow of 2015, January 1 to December 31, 2014.

LuxNet Corporation Ltd. has already prepared individual financial statements for 2015 and 2014 and has issued audit reports with this accountant's unqualified opinion for future reference.

KPMG ( Taipei, Taiwan, the Republic of China )

Accountant: May Huang

Cheng-chien Chen

Securities Authorities Approval Number :

Taiwan-Finance-Securities-VI-0940129108

Financial-Supervisory-Securities-Review-1010004977

March 2, 2016

LuxNet Corporation and its Subsidiaries  
Consolidated Balance Sheets (Translation)  
December 31, 2014 and 2015

Unit : NT\$1,000

	2015.12.31		2014.12.31			2015.12.31		2014.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and equity</b>				
<b>Current assets :</b>					<b>Current Liabilities :</b>				
1100	\$ 612,901	16	96,074	3	2100	\$ 22,000	1	382,240	14
1170	1,224,716	31	777,239	28	2170	767,042	19	555,681	20
1180	95,503	2	93,202	3	2180	2,306	-	7,292	-
130X	621,430	16	634,184	23	2200	377,438	10	180,658	7
1410	4,973	-	3,815	-	2300	22,205	1	12,609	-
1470	36,926	1	49,423	2		1,190,991	31	1,138,480	41
	<u>2,596,449</u>	<u>66</u>	<u>1,653,937</u>	<u>59</u>					
<b>Noncurrent assets :</b>					<b>Non-current liabilities :</b>				
1600	1,231,564	31	1,035,614	37	2530	758,124	19	-	-
1780	25,034	1	34,874	1	2540	-	-	180,000	7
1900	99,448	2	69,385	3	2600	14,010	-	11,341	-
	<u>1,356,046</u>	<u>34</u>	<u>1,139,873</u>	<u>41</u>		<u>772,134</u>	<u>19</u>	<u>191,341</u>	<u>7</u>
						<u>1,963,125</u>	<u>50</u>	<u>1,329,821</u>	<u>48</u>
					<b>Equities</b>				
					3100	743,719	19	672,709	24
					3200	457,209	11	399,789	14
					3300	803,149	20	395,324	14
					3400	(14,707)	-	(3,833)	-
						<u>1,989,370</u>	<u>50</u>	<u>1,463,989</u>	<u>52</u>
						<u>3,952,495</u>	<u>100</u>	<u>2,793,810</u>	<u>100</u>
<b>Total assets</b>	<b>\$ <u>3,952,495</u></b>	<b><u>100</u></b>	<b><u>2,793,810</u></b>	<b><u>100</u></b>	<b>Total liabilities and equity</b>	<b>\$ <u>3,952,495</u></b>	<b><u>100</u></b>	<b><u>2,793,810</u></b>	<b><u>100</u></b>

Chairman : Hsing Kung

President : James Ni

Head of Accounting : Jim Sheu

LuxNet Corporation and its Subsidiaries  
Consolidated Statement of Comprehensive Income (Translation)  
2015 and January 1, 2014 to December 31, 2014

Unit : NT\$1,000

	2015		2014	
	Amount	%	Amount	%
4000 Operating revenue	\$ 4,181,307	100	3,015,222	100
5000 Operating costs	3,156,749	75	2,488,055	83
5910 Gross profit	1,024,558	25	527,167	17
<b>Operating expenses</b>				
6100 Selling expenses	55,774	2	48,555	1
6200 Management expenses	218,199	5	141,344	5
6300 R&D Expenses	132,352	3	88,387	3
Total operating expenses	406,325	10	278,286	9
Operating income	618,233	15	248,881	8
<b>Non-operating income and expense</b>				
7020 Other profits and losses	49,916	1	25,494	1
7050 Financial costs	(9,905)	-	(7,525)	-
7100 Interest income	338	-	1,713	-
7900 Pre-tax profit	658,582	16	268,563	9
7950 Less : Income tax expense	116,241	3	51,687	2
Current period net income	542,341	13	216,876	7
<b>Other comprehensive profits and losses</b>				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Remeasurement of defined benefit obligation	(88)	-	-	-
8349 Income tax benefit (expense) related to items will not be reclassified subsequently	-	-	-	-
	(88)	-	-	-
8360 Items that may be reclassified subsequently to profit or loss				
8370 Share of other comprehensive loss of associates	(472)	-	1,150	-
8399 Minus : Income tax related to other comprehensive income and losses	80	-	(196)	-
	(392)	-	954	-
8300 Other comprehensive income/losses (net,after-tax)	(480)	-	954	-
8500 Total comprehensive income-current	\$ 541,861	13	217,830	7
<b>Earnings per share</b>				
9750 Basic EPS (NT\$)	\$ 7.36		2.96	
9850 Diluted EPS (NT\$)	\$ 7.24		2.93	

Chairman : Hsing Kung

President : James Ni

Head of Accounting : Jim Sheu



LuxNet Corporation and its Subsidiaries  
Consolidated Cash Flow Statement (Translation)  
2015 and January 1, 2014 to December 31, 2014

Unit : NT\$1,000

	2,015	2,014
Cash flow from operating activities :		
Pre-tax profit	\$ 658,582	268,563
Adjustments :		
Income and expense items that do not effect cash flow		
Depreciation and amortization	163,201	120,724
Provisions for losses of bad dept, depreciation of inventory, and obsolescence	64,173	34,296
Cost of share-based payment	8,474	3,911
Loss from financial liability at fair value	(1,408)	4,159
Interest expense	9,905	7,525
Interest income	(338)	(1,713)
Other	(15)	-
<b>Total gain and losses without cash flow effects</b>	<b>243,992</b>	<b>168,902</b>
Changes in operating assets and liabilities :		
Net changes of assets related to operating activities :		
Notes and accounts receivable	(451,323)	(223,675)
Inventory	(49,870)	(221,782)
Prepayments and other current assets	11,339	(17,220)
<b>Total of net changes of assets related to operating activities</b>	<b>(489,854)</b>	<b>(462,677)</b>
Net changes of debts related to operating activities :		
Notes and accounts payable	206,375	230,500
Accrued expenses and other payables	141,780	65,944
Other	11,700	3,428
<b>Total of net changes of debts related to operating activities</b>	<b>359,855</b>	<b>299,872</b>
<b>Total of net changes of assets and debts related to operating activities</b>	<b>(129,999)</b>	<b>(162,805)</b>
Adjustments	113,993	6,097
Cash inflow from operating activities	772,575	274,660
Interest received	338	1,713
Interest paid	(9,731)	(7,761)
Income tax paid	(68,994)	(22,210)
<b>Net cash inflow from operating activities</b>	<b>694,188</b>	<b>246,402</b>
Cash flow from investing activities :		
Acquire property, factories, and equipment	(273,376)	(109,269)
Prepayments for additional equipment	(55,290)	(50,201)
Acquire other noncurrent assets	(49,236)	(18,880)
Other	294	-
<b>Net cash outflow from investing activities</b>	<b>(377,608)</b>	<b>(178,350)</b>
Cash flow from financing activities :		
Repayment of short-term loan	(360,240)	(251,014)
Borrow from long-term loan	(180,000)	175,250
Issuing restricted stocks for employees	9,240	3,620
Distribution of cash dividends	(67,247)	(30,395)
Issuing convertible bonds	800,000	-
Other	(1,602)	(200)
<b>Net cash inflow from financing activities</b>	<b>200,151</b>	<b>(102,739)</b>
Effect of exchange rate changes on cash and cash equivalent	96	277
Increase (decrease) in cash and cash equivalents	516,827	(34,410)
Cash and cash equivalents on consolidated balance sheet, beginning of year	96,074	130,484
Cash and cash equivalents, end of year	<b>\$ 612,901</b>	<b>96,074</b>

Chairman : Hsing Kung

President : James Ni

Head of Accounting : Jim Sheu

LuxNet Corporation and its Subsidiaries  
Consolidated statement of changes in equity (Translation)  
2015 and January 1, 2014 to December 31, 2014

Unit : NT\$1,000

	Retained earnings					Other equity items		Total equity
	Paid-in capital	Capital reserves	Legal reserve	Undistributed earnings	Total	other comprehensive profits/losses of Subsidiaries	Compensation not earned by employees	
<b>Balance as of January 1, 2014</b>	\$ 608,009	386,465	32,695	236,939	269,634	2,022	(6,072)	1,260,058
Current period net income	-	-	-	216,876	216,876	-	-	216,876
Other comprehensive income - current	-	-	-	-	-	954	-	954
Total comprehensive income - current	-	-	-	216,876	216,876	954	-	217,830
Appropriation and distribution								
Statutory reserves	-	-	12,273	(12,273)	-	-	-	0
Stock and cash dividends	60,791	-	-	(91,186)	(91,186)	-	-	(30,395)
Employee stock bonuses	2,199	6,966	-	-	-	-	-	9,165
New restricted employee shares	1,810	6,671	-	-	-	-	(950)	7,531
Cancellation of restricted employee shares	(100)	(313)	-	-	-	-	213	(200)
<b>Balance as of December 31, 2014</b>	<u>672,709</u>	<u>399,789</u>	<u>44,968</u>	<u>350,356</u>	<u>395,324</u>	<u>2,976</u>	<u>(6,809)</u>	<u>1,463,989</u>
Current period net income	-	-	-	542,341	542,341	-	-	542,341
Other comprehensive income - current	-	-	-	(88)	(88)	(392)	-	480
Total comprehensive income - current	-	-	-	542,253	542,253	(392)	-	541,861
Appropriation and distribution								
Statutory reserves	-	-	21,687	(21,687)	-	-	-	-
Stock and cash dividends	67,247	-	-	(134,494)	(134,494)	-	-	(67,247)
New restricted employee shares	4,620	25,021	-	-	-	-	(11,927)	17,714
Cancellation of restricted employee shares	(857)	(2,257)	-	66	66	-	1,445	(1,603)
Convertible Bond	-	34,656	-	-	-	-	-	34,656
<b>Balance as of December 31, 2015</b>	<u>\$ 743,719</u>	<u>457,209</u>	<u>66,655</u>	<u>736,494</u>	<u>803,149</u>	<u>2,584</u>	<u>(17,291)</u>	<u>1,989,370</u>

Chairman : Hsing Kung

President : James Ni

Head of Accounting : Jim Sheu

LuxNet Corporation  
2015 Profit Distribution Table

Unit: NTS

Item	Amount	
	Subtotal	Total
<b>Beginning retained earnings</b>		194,174,788
Less: Re-measurement of Defined Benefit Plans adjustment amount	(88,000)	
Plus: Cash dividend cancellation of Restrict Employee rights shares adjustment amount	66,206	
Plus: 2015 net profit after tax	542,341,193	
<b>Distributable earnings</b>		736,494,187
Less:		
10% Legal reserve	(54,234,119)	
Distribution Items:		
-Shares Dividends to common share holder	0	
-Cash Dividends to common share holder	(223,076,478)	
<b>Undistributed earnings at the end of the period</b>		<b>459,183,590</b>
Note: none		

Chairman : Hsing Kung

President : James Ni

Head of Accounting : Jim Sheu

## LuxNet Corporation

### Shareholdings Of All Directors

- 一、 Total shares issued as of 3/25/2016 : 74,371,851 Common Shares.
- 二、 The minimum shareholding requirements for directors : 5,949,748 shares.

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Record date : March 25, 2016

Title	Name	Current Shareholding (shares)	Current Shareholding (%)
Chairman	HSING KUNG	1,697,212	2.28%
Director	Gains Investment Corporation Representative : BILL HUANG	3,381,895	4.55%
Director	WUFU CHAN	0	0
Director	CHIHPIING KUO	435,890	0.59%
Director	JIM SHEU	567,359	0.76%
Director	JAMES NI	42,898	0.06%
Independent Director	YUNGS LIU	0	0
Independent Director	DONNY KAO	0	0
Independent Director	TH HSU	0	0
Total		6,125,254	8.24%