Stock Code：4979

LuxNet Corporation
Handbook for
2018 Annual Shareholders' Meeting

(Translation)

Meeting time：9:00 a.m., June 29, 2018

Place：3F Hotel Kuva Chateau

No. 398 Minquan 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

2018 Annual Shareholders' Meeting Agenda

(Translation)

II. Meeting Agenda

Meeting time：9:00 a.m., June 29, 2018

Place：Hotel Kuva Chateau 3F

No. 398 Minquan Road, Zhongli District, Taoyuan City, Taiwan

Attend：All shareholders and shares represented.

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

1. To call the meeting to order

2. Chairman's address

3.Report Items：

(1). The 2017 Business Report.

(2). The 2017 Audit Committee Report.

(3). To report the status of Cash Offering by Private Placement. Approved by 2017 annual shareholders' meeting.

(4). To report the status of Second Convertible Bonds Transferring.

4.Adoption Matters：

(1). To accept the 2017 Business Report and Financial Statements.

(2). Adoption of the Proposal for 2017 Deficit Compensation.

5.Discussion Matters：

(1). To revise the Articles of Incorporation.

(2). Proposal for a cash offering by private placement.

(3). Discussion on the proposal of new restricted employee shares.

6.Directors Election:

(1). To elect Directors.

8.Questions and Motions：

9. Meeting Adjourned

Report Items

1. **To report the Business of 2017**

   Explanatory Notes： Please refer to Attachment 1.

2. **2017 Audit Committee's review report**

   Explanatory Notes： Please refer to Attachment 2.

3. **To report the implementation of Cash Offering by Private Placement approved by 2017 annual shareholders' meeting.**

   Explanatory Notes：

   (1) This private offering of Common Stocks is subject to a maximum of issuing 27,000,000 shares, which will be handled by the board of directors authorized by the shareholders meeting on May 26,2017 based on LuxNet's funding needs or financial market conditions.

   Implementation of Cash Offering by Private Placement, Please see below table：

Items		First 2017 Issued date：July 25,2017	Second 2017 Issued date：March 12,2018
Types of Private placement		Common Stocks 17 million shares	Common Stocks 1.95 million shares
Maximum amount of Private offering		27,000,000 shares	
Offeree selection method		Follow the rules under Article 43-6 of the Securities and Exchange Act.	
Payment date finished		June 16,2017	January 24,2018
The placee data	the targets of the private placement	TriKnight Capital Corporation	Inphi Corporation
	the subscription volume	17 million shares	1.95 million shares
	Relationship	Major shareholder	shareholder
	Management participation	Director	None
The actual private placement price		NT$30	NT$30
Difference between the actual private placement price and the private placement reference price		The actual private placement price NT$30 equal 92.28% of reference price NT$32.51.	The actual private placement price NT$30 equal 86.58% of reference price NT$34.65.
Impact to Equity		Increase Capital Surplus NT$340,000,000	Increase Capital Surplus NT$39,000,000
Implementation		Enhancing working capital Finished in fourth quarter 2017	Enhancing working capital Finished in first quarter 2018

Benefits	Enhanced operating strength 、improved financial structure、reduced cost of interest	Enhanced operating strength、improved financial structure、reduced cost of interest

(2) Since LuxNet already has two private fund-raises and the expiration date is approaching, it has been decided by the board of directors on March 15th, 2018, not to proceed with the fund raise.

4. To report the status of Second Convertible Bonds Transferring.

Explanatory Notes：

(1) In order to pay back bank loan, the company plans to issue second convertible bonds transferring, raise NT$300,000,000. The implementation of the convertible bonds transferring had completed March 12,2018.

(2) The implementation of the convertible bonds transferring, please see below table：

Bond Type	Second Convertible Bonds Transferring
Issue date	March 12, 2018
Denomination	NT$100,000
Total amount	NT$300,000,000
Coupon rate	0.00%
Tenor	3 years Maturity：March 12, 2021
Reason for raise	Payback of bank loan
Convertible price	NT$30
Repayment methods	Issuing of new stocks for conversion or redemption in lump sum upon maturity.
Outstanding principal	NT$300,000,000
Terms of redemption or advance repayment	Please refer to Article 17 of the Second Convertible Bonds Transferring regulations issued by the company.
Convertible methods	Issuing of new stocks
Convertible status	None
Implementation	The raised capital NT$300,000,000 is used for payback of bank loan and had paid by first quarter 2018.

Adoption Matters

1. To accept the 2017 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes：

(1)LuxNet's 2017 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 Ms. Mei-Pin Wu and Ms. Yung-Hua Huang from KPMG, and an unqualified opinion has been issued. The report was passed by the Board on March 15, 2018 and has undergone review by the Audit Committee.

(2)Please see "Attachments 1" for the 2017 Business Report, please see "Attachments 3" for the audit report and financial statement.

2. Adoption of the Proposal for 2017 Deficit Compensation. (Proposed by the Board of Directors)

Explanatory Notes：

(1)LuxNet's net loss after the 2017 audit is NT$658,826,144. Please see "Attachment 4" for the company's deficit compensation table.

(2)The figures of 2017 deficit compensation has undergone review by the Audit Committee.

Discussion Matters

1. To revise the Articles of Incorporation. Please proceed to discuss. (Proposed by the Board of Directors)

Explanatory Notes：

In order to conform to the needs of future capital, the company hereby proposes to amend the Articles of Incorporation. Please see "Attachment 5" for details.

2. Proposal for a cash offering by private placement. Please proceed to discuss. (Proposed by the Board of Directors)

Explanatory Notes：

(1)This private offering of Common Stocks is subject to a maximum of issuing 12,000,000 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：

①The offeree selection procedure shall follow the rules under Article 43-6 of the Securities and Exchange Act. The offerees selection will be handled by the board of directors authorized by the shareholders meeting.

②List of Private offerees name:

Name of Private offerees	Relationship with Luxnet
Hsing Hung	Luxnet Chairman
GAINS Investment Corporation	Legal entity as Luxnet director
WuFu Chen	Luxnet Director
TriKnight Capital Corporation	Legal entity as Luxnet director
James Ni	Luxnet Director
Chihping Kuo	Luxnet Director
YSI Investment Corporation	The related party of TriKnight Capital Corporation

Major shareholder of the Company's Private institutional offerees：

Name of legal entity as Private offerees	Major Shareholders	Shareholding rate	Relationship with Luxnet
GAINS Investment Corporation	CHINA STEEL Corporation	100%	NA
TriKnight Capital Corporation	UMC Corporation	40%	NA
	Taiwan Life Insurance CO., LTD.	15%	NA
	Mercuries Life Insurance	7.5%	NA
	WIN CHANNEL LIMITED	6%	NA
	Sunplus Technology CO., LTD.	5%	NA
	Simplo Technology CO., LTD.	5%	NA
	USI Corporation	5%	NA
	ITE Tech. Inc.	5%	NA
	Novatek Microelectronics Corp.	4.67%	NA
	Pixort Imaging Inc.,	2.5%	NA
YSI Investment Corporation	TriKnight Capital Corporation	100%	The related party of TriKnight Capital Corporation as

			Luxnet director

③If Offeree is strategic investors, its selection method and purpose, necessity, and expected benefits：

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 12,000,000 shares. The private offing may be embarked on by the Board of Directors 3 times 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 directions 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.

3. Discussion on the proposal of new restricted employee shares. Please proceed to discuss. (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 units are 600,000. Each unit is equal to 1 share. Total number of shares issued is 600,000.

II. Conditions for issuance:

(1) Price of issuance: Shares will be issued at NT$0 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 1/3 of allocated shares.

Worked for 2 years after shares are allocated: receive 1/3 of allocated shares.

Worked for 3 years after shares are allocated: receive 1/3 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. 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 approve 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$0 per share is estimated to be 0.58% of total shares (102,921,613 shares as of May 9, 2018) issued by the company. If we use the weighted average value on May 9, 2018 of NT$24.82 per share, possible expenditure for each share is around NT$24.82. If we calculate the vesting period of three years and the total number of shares in circulation, expenditure of the three year period is estimated to be NT$14,892,000. Yearly expenditure for diluted profits per share would be an estimated NT$0.0482; 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.

Directors Election:

1.To elect nine Directors. (Proposed by the Board of Directors)

Explanatory Notes：

(1)Upon the expiration of terms of all LuxNet Directors, The Board of Directors resolved that nine Directors (including three Independent Directors) will be elected at this Annual Shareholders's Meeting. The tenure of newly elected directors shall be 3 years, commencing on June 29, 2018 and expiring on June 28, 2021.

(2)The Board election proposal has been approved by the meeting of the Board of the company on May 10, 2018. The Board election will be conducted by the rules for Director Elections.

Questions and Motions

Meeting Adjourned

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.

Attachment 3

Stock Code:4979

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LUXNET CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

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

The auditors' 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of LuxNet Corporation as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, LuxNet Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: LuxNet Corporation
Chairman: Hsing-Hsien Kung
Date: March 15, 2018

安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of LuxNet Corporation:

Opinion

We have audited the consolidated financial statements of LuxNet Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our professional judgments, the key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

   Please refer to note 4(h) for accounting policy, note 5 for assumptions and estimation uncertainty, and note 6(c) for details on inventories .

   Description of key audit matter:

   The Group's inventories are measured at the lower of cost and net realizable value. Since economic environment changes rapidly, new products and techniques may have an influence on market demands, which could result in the cost of inventories to be higher than the net realizable value. Therefore, evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories and assessing whether existing inventory policies are applied; understanding the difference in allowance provided on inventory valuation between estimated amounts and real amounts; understanding the sales price which the management adopted, and sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

2. Impairment assessment of non-financial assets

   Please refer to note 4(l) for accounting policy, note 5 for assumptions and estimation uncertainty, and note 6(d) for details on non-financial assets.

   Description of key audit matter:

   The Group is involved in a high capital expenditure industry, wherein, purchasing a certain volume of facilities is required. In this period, the price of products constantly drops due to decline in market demands. Therefore, the assessment of impairment for non-financial assets is important. The assessment for impairment included identifying the Cash Generating Unit (CGU), deciding the model for evaluating, establishing significant assumption, and calculating the recoverable amount; all of which depend on the management's subjective judgment. Therefore, impairment assessment on non-financial assets is one of the key audit matters for our audit.

   How the matter was addressed in our audit.

   Our principal audit procedures included: evaluating the CGU, and external and internal impairment indications identified by the management, and ensuring all assets which needed annual impairment test are covered in the assessment made by the management; acquiring the valuation report from external expert engaged by the management; and understanding whether any significant matters occured after the reporting date that may have an impact on the impairment test.

Other Matter

LuxNet Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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 with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei-Pin Wu and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LUXNET CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 301,625	10	539,171	16
1170	Notes and accounts receivable, net (note 6(b))	380,643	13	340,594	10
1180	Accounts receivable from related parties, net (notes 6(b) and 7)	-	-	66,603	2
130X	Inventories, net (note 6(c))	745,375	25	783,877	23
1410	Prepaid expenses	6,757	-	6,106	-
1470	Other current assets (note 6(b))	35,576	1	37,580	1
		1,469,976	49	1,773,931	52
	Non-current assets:				
1600	Property, plant and equipment (notes 6(d) and 8)	1,442,474	49	1,500,694	44
1780	Intangible assets	6,384	-	15,960	1
1900	Other non-current assets (notes 6(k) and 8)	48,961	2	93,103	3
		1,497,819	51	1,609,757	48
	Total assets	$ 2,967,795	100	3,383,688	100

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(f))	$ 620,000	21	356,000	11
2170	Notes and accounts payable	277,451	9	252,391	7
2180	Accounts payable to related parties (note 7)	-	-	157	-
2200	Accrued expenses and other payables	82,500	3	96,155	3
2321	Bonds payable, current portion (note 6(h))	2,555	-	772,119	23
2322	Long-term borrowings, current portion (notes 6(g) and 8)	291,332	10	-	-
2300	Other current liabilities (notes 6(e) & (h))	3,439	-	22,992	1
		1,277,277	43	1,499,814	45
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(g) and 8)	198,668	7	250,000	7
2600	Other non-current liabilities (notes 6(j) & (k))	5,100	-	10,858	-
		203,768	7	260,858	7
	Total liabilities	1,481,045	50	1,760,672	52
	Equity attributable to owners of parent:				
3100	Ordinary shares (notes 6(l) & (m))	909,716	31	738,577	22
3200	Capital surplus (notes 6(h) & (l))	801,515	27	460,559	13
3310	Legal reserve (note 6(l))	120,889	4	120,889	4
3350	Total unappropriated retained earnings (accumulated deficit) (note 6(l))	(341,377)	(12)	314,405	9
3400	Other equity interest (note 6(l))	(3,993)	-	(11,414)	-
	Total equity	1,486,750	50	1,623,016	48
	Total liabilities and equity	$ 2,967,795	100	3,383,688	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LUXNET CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(o) and 7)	$ 1,666,793	100	2,518,184	100
5000	Operating costs (notes 6(c), (i), (j) & (m), 7 and 12)	1,894,555	114	2,233,848	89
	Gross profit (loss)	(227,762)	(14)	284,336	11
	Operating expenses (notes 6(b), (i), (j) & (m), 7 and 12):				
6100	Selling expenses	88,390	5	40,473	1
6200	Administrative expenses	136,419	8	146,801	6
6300	Research and development expenses	132,027	8	165,173	7
		356,836	21	352,447	14
	Net operating income (loss)	(584,598)	(35)	(68,111)	(3)
	Non-operating income and expenses:				
7020	Other gains and losses, net (notes 6(e), (h), (q) & (r))	(40,920)	(3)	(23,425)	(1)
7050	Finance costs (note 6(h))	(22,461)	(1)	(17,154)	(1)
7100	Interest revenue	1,721	-	654	-
		(61,660)	(4)	(39,925)	(2)
7900	Loss before income tax	(646,258)	(39)	(108,036)	(5)
7950	Less: income tax expenses (note 6(k))	12,568	1	6,748	-
	Loss	(658,826)	(40)	(114,784)	(5)
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Acturial losses on defined benefit plans (note 6(j))	2,905	-	(1,248)	-
8349	Income tax expense related to items that may not be relassified subsequently to profit or loss	-	-	-	-
		2,905	-	(1,248)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations' financial statements	(1,025)	-	(3,997)	-
8399	Income tax expense related to items that may be reclassified subsequently to profit or loss	174	-	679	-
		(851)	-	(3,318)	-
8300	Other comprehensive loss, net (after tax)	2,054	-	(4,566)	-
	Comprehensive income (loss)	$ (656,772)	(40)	(119,350)	(5)
	Earnings per share (note 6(n))				
9750	Basic earnings per share (NT dollars)	$	(8.05)		(1.56)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)

LUXNET CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained (Accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unearned employee compensation	Treasury shares	Total equity
Balance at January 1, 2016	$ 743,719	457,209	66,655	736,494	803,149	2,584	(17,291)	-	1,989,370
Loss for the year ended December 31, 2016	-	-	-	(114,784)	(114,784)	-	-	-	(114,784)
Other comprehensive loss for the year ended December 31, 2016	-	-	-	(1,248)	(1,248)	(3,318)	-	-	(4,566)
Comprehensive income for the year ended December 31, 2016	-	-	-	(116,032)	(116,032)	(3,318)	-	-	(119,350)
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	54,234	(54,234)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(223,076)	(223,076)	-	-	-	(223,076)
Issuance of restricted stock	3,690	10,184	-	-	-	-	(6,494)	-	7,380
Amortization of restricted stock	-	-	-	-	-	-	11,445	-	11,445
Retirement of restricted stock	(232)	(2,080)	-	103	103	-	1,660	-	(549)
Acquisition of treasury shares	-	-	-	-	-	-	-	(42,204)	(42,204)
Retirement of treasury share	(8,600)	(4,754)	-	(28,850)	(28,850)	-	-	42,204	-
Balance at December 31, 2016	738,577	460,559	120,889	314,405	435,294	(734)	(10,680)	-	1,623,016
Loss for the year ended December 31, 2017	-	-	-	(658,826)	(658,826)	-	-	-	(658,826)
Other comprehensive loss for the year ended December 31, 2017	-	-	-	2,905	2,905	(851)	-	-	2,054
Comprehensive income for the year ended December 31, 2017	-	-	-	(655,921)	(655,921)	(851)	-	-	(656,772)
Issuance of ordinary shares	170,000	340,000	-	-	-	-	-	-	510,000
Issuance of restricted stock	2,080	4,378	-	-	-	-	(2,298)	-	4,160
Amortization of restricted stock	-	-	-	-	-	-	7,873	-	7,873
Retirement of restricted stock	(941)	(3,422)	-	139	139	-	2,697	-	(1,527)
Balance at December 31, 2017	$ 909,716	801,515	120,889	(341,377)	(220,488)	(1,585)	(2,408)	-	1,486,750

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)

LUXNET CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) operating activities:			
Loss before tax	$	(646,258)	(108,036)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation and amortization expense		234,849	220,176
Provisions for bad debt expense		62,298	4,489
Losses on inventory valuation and obsolete inventories		8,674	44,404
Losses on disposal of inventories		96,122	40,818
Losses on redemption of bonds		4,273	-
Compensation cost of share based payment		7,873	11,445
Losses on financial liabilities at fair value through profit or loss		3,684	11,600
Losses on disposal of property, plant and equipment		21	106
Interest expense		22,461	17,154
Interest revenue		(1,721)	(654)
Total adjustments to reconcile profit (loss)		438,534	349,538
Changes in operating assets and liabilities:			
Notes and accounts receivable		(35,763)	907,961
Inventories		(66,720)	(249,832)
Prepaid expenses and other current assets		3,027	30,799
Total changes in operating assets		(99,456)	688,928
Notes and accounts payable		24,903	(516,800)
Accrued expenses and other payables		(10,770)	(203,255)
Others		(6,593)	(14,325)
Total changes in operating liabilities		7,540	(734,380)
Total changes in operating assets and liabilities		(91,916)	(45,452)
Total adjustments		346,618	304,086
Cash inflow generated from (used in) operations		(299,640)	196,050
Interest received		1,722	653
Interest paid		(8,160)	(2,951)
Income taxes paid		(1)	(126,819)
Net cash flows from (used in) operating activities		(306,079)	66,933
Cash flows from (used in) investing activities:			
Acquisition of property, plant and equipment		(95,543)	(288,188)
Proceeds from disposal of property, plant and equipment		72	60
Increase in prepayments for equipments		(19,356)	(158,963)
Acquisition of other non-current assets		(13,686)	(19,941)
Net cash flows from used in investing activities		(128,513)	(467,032)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		264,000	334,000
Increase in long-term borrowings		240,000	250,000
Issuance of restricted stock		4,160	7,380
Cash dividends paid		-	(223,076)
Proceeds from issuing ordinary shares		510,000	-
Cost of acquisition of treasury shares		-	(42,204)
Cost of redemption of bonds		(805,394)	-
Other		(15,527)	(549)
Net cash flows from financing activities		197,239	325,551
Effect of exchange rate changes on cash and cash equivalents		(193)	818
Net decrease in cash and cash equivalents		(237,546)	(73,730)
Cash and cash equivalents at beginning of year		539,171	612,901
Cash and cash equivalents at end of year	$	301,625	539,171

See accompanying notes to consolidated financial statements.

Attachment 4

LuxNet Corporation
2017 Deficit Compensation Table

Unit: NT$

Item	Amount	
	Subtotal	Total
Beginning retained earnings		314,404,042
Plus: Re-measurement of Defined Benefit Plans adjustment amount	2,905,000	
Plus: Cancellation of Restrict Employee rights shares adjustment amount	138,559	
Plus: 2017 net loss	(658,826,144)	
Items for compensating deficit：		
Statutory reserves	120,889,349	
Capital surplus	220,489,194	
Deficit yet to be compensated		0
Note: Because of LuxNet's net loss, the company proposed not to distribute dividends.		

Chairman：Hsing Kung President：James Ni Head of Accounting：Jim Sheu

Appendix IV

LuxNet Corporation

Shareholdings of all Directors

Record date：May 1, 2018

Title	Name	Current Shareholding (shares)	Current Shareholding (%)
Chairman	HSING KUNG	1,843,339	1.79%
Director	Bill Huang (Representative of GAINS INVESTMENT CORPORATION)	3,229,731	3.14%
Director	WuFu CHEN	0	0%
Director	Chihping KUO	468,253	0.45%
Director	James Ni	970,304	0.94%
Director	Dingkung Hwu (Representative of TriKnight Capital Corporation)	17,000,000	16.52%
Independent director	Yung-Sheng Liu	0	0%
Independent director	Rui-Ming Zeng	0	0%
Independent director	Eldon Chen	0	0%
Total		23,511,627	22.84%

Note1: Total shares issued as of May 1, 2018：102,921,613 Common Shares.

Note2: Under the relevant regulation of the ROC, LuxNet Directors are required to hold in the aggregate not less than 8,000,000 shares.

Note3: As LuxNet has established the audit committee, the minimum shareholding requirements for supervisors do not apply.