

## Letter to Shareholders

Dear Shareholders ,

In 2014, LuxNet achieved record revenue and net profit. Besides employee efforts, I would like to thank all shareholders for that. We continued to harvest on the benefit of your long standing support and encouragement to LuxNet.

### 2014 Financial Performance :

Consolidated revenue totaled NT\$3.015 billion, a 40 percent increase over NT\$2.15 billion in 2013. Net income was NT\$217 million and diluted earnings per share was NT\$3.22. Both increased 76 percent from the 2013 level of NT\$123 million net income and NT\$1.84 diluted EPS. The 2014 summary report of operation results is as below:

Unit: NT\$M

<b>Item</b> <b>Year</b>	<b>2014</b>	<b>2013</b>	<b>Difference</b> <b>(%)</b>
Net sales	3,015	2,151	40
Gross profit	527	349	51
Operating income	249	141	77
Current pre-tax profit	269	155	74
Current period net income	217	123	76
Diluted EPS (NT\$)	3.22	1.84	75

Source: 2013–2014 consolidated financial reports after audit.

### 2015 Business Plan Summary :

#### 1. Business Plan :

LuxNet achieve continuous growth through the company principles of "innovation, teamwork, customers, and integrity." We also continuous enhance RD development and product quality improvement and the growth of profit.

#### 2. Business Forecast :

To meet high growth market demand, the company expands production capacity of wafer and chip in 2014. And new module equipments also arrived to meet capacity planning in the beginning of 2015.

2015 key products are EPON · GPON for FTTH applications · 10G ROSA/TOSA · and AOC(Active Optical Cable) for cloud computing applications.

LuxNet will continue to invest in R&D for high-end optical components, in production technology and efficiency, and to minimize manufacturing costs, to be more competitive in the market place.

3.Plans for Research and Development :

In 2015, we still aim to expand our range of products to 10G EPON · 40G and 100G component, add product lines, and enhance product value and quantities. We wants customers to affirm the LuxNet value and to achieve long term competitiveness of the company.

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

Due to the shortage of raw materials, the GPON suppliers are unable to meet the demand. Some companies are forced to slow down the system establishment, some companies continue to use EPON to meet the basic demand of FTTH application. The situation has stopped erosion of EPON pricing. Due to high growth of FTTx, 4G LTE, and data centers, LuxNet will benefit from these ongoing trends in the next few years.

LuxNet has always set its goals what to become one of leading global suppliers for optics communication components. 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