Tel.: +45 39 15 52 00
koebenhavn@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
DK-1561 Copenhagen V
CVR no. 20 22 26 70

ACCELINK DENMARK A/S

BLOKKEN 84, 3460 BIRKERØD

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2019

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 2 April 2020

Xianghong Yu

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 28 28 50 35

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COMPANY DETAILS

Company	Accelink Denmark A/S Blokken 84 3460 Birkerød
	CVR No.: 28 28 50 35 Established: 29 November 2004 Registered Office: Birkerød Financial Year: 1 January - 31 December
Board of Directors	Xuanze HUANG, chairman Xianghong Yu, vice-chairman Weidong Ma Dan Anker Zauner, elected by employees Christian Ingemann Mikkelsen, elected by employees
Board of Executives	Yueqiang Shen
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
Bank	Nykredit Kalvebod Brygge 1-3 5 1780 Copenhagen V
Law Firm	Ursus Law Firm

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Accelink Denmark A/S for the financial year 1 January - 31 December 2019.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Birkerød, 2 April 2020

Board of Executives

Yueqiang Shen

Board of Directors

Xuanze HUANG Chairman	Xianghong Yu Vice-chairman	Weidong Ma
Dan Anker Zauner Elected by employees	Christian Ingemann Mikkelsen Elected by employees	

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Accelink Denmark A/S

Opinion
We have audited the Financial Statements of Accelink Denmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs and the additional requirements applicable in Denmark 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 Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 2 April 2020

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Ole C. K. Nielsen
State Authorised Public Accountant
MNE no. mne23299

MANAGEMENT'S REVIEW

Principal activities

Accelink Denmark A/S is wholly-owned by its parent company, Accelink Technologies Co., Ltd. The objective of Accelink Denmark A/S is to supply the parent company with PLC technology and products to help the parent company maintain its position as the leading global supplier of PLC-based optical components for the growing market for fiber optical technology, which is demanding significant bandwidth upgrading.

Thanks to its competitive PLC wafer production facilities, efficient production processes, patents and customer relations, Accelink Denmark A/S is a key player in the PLC components area.

The company continues to invest in product portfolio development and productivity measures in arder to align with the market demand.

Development in activities and financial position

In 2019, the Company's revenue amounted to DKK 74,065,710 against DKK 78,241,666 last year. The income statement for 2019 shows an operating profit of DKK 13,306,659 against an operating profit of DKK 21,961,232 last year, and the balance sheet at 31 December 2019 show equity of DKK 77,855,784.

Profit/loss for the year was influenced by increased maintenance costs in production as well as production volume, and by reduction of WIP stock.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

Future expectations

In 2020, the company's turnover is expected to increase as a result of increased demand from the market. Against this background, a positive result is expected.

To keep up with the increasing demand, substantial investments are planned in 2020 in order to increase the production capacity.

Covid-19 has changed our procedures here in the beginning of 2020, but we are producing, and we do not expect any material long-term effect on our business.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2019 DKK	2018 DKK
NET REVENUE		**74.065.710**	**78.241.666**
Production costs	1	-48.042.658	-43.657.856
GROSS PROFIT/LOSS		**26.023.052**	**34.583.810**
Administrative expenses	1	-12.769.793	-12.700.578
OPERATING PROFIT		**13.253.259**	**21.883.232**
Other operating income		53.400	78.000
OPERATING PROFIT		**13.306.659**	**21.961.232**
Financial income		399.035	445.611
Financial expenses		-726.362	-468.855
PROFIT BEFORE TAX		**12.979.332**	**21.937.988**
Tax on profit/loss for the year	2	2.418.290	-372.702
PROFIT FOR THE YEAR		**15.397.622**	**21.565.286**

PROPOSED DISTRIBUTION OF DIVIDEND

		2019	2018
Retained earnings		15.397.622	21.565.286
TOTAL		**15.397.622**	**21.565.286**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2019 DKK	2018 DKK
Intangible fixed assets acquired		48.599	73.699
Intangible fixed assets	3	**48.599**	**73.699**
Production plant and machinery		17.914.976	9.855.744
Other plants, machinery, tools and equipment		174.173	124.107
Tangible fixed assets in progress and prepayment		11.804.654	0
Tangible fixed assets	4	**29.893.803**	**9.979.851**
Rent deposit and other receivables		4.165.515	4.165.515
Fixed asset investments	5	**4.165.515**	**4.165.515**
FIXED ASSETS		**34.107.917**	**14.219.065**
Raw materials and consumables		1.473.440	315.497
Work in progress		7.483.241	6.101.080
Finished goods and goods for resale		1.271.841	817.917
Inventories		**10.228.522**	**7.234.494**
Trade receivables		458.319	158.426
Receivables from group enterprises		14.037.242	6.997.654
Deferred tax assets		2.418.290	0
Other receivables		1.676.772	1.780.388
Prepayments and accrued income		194.566	120.761
Receivables		**18.785.189**	**9.057.229**
Cash and cash equivalents		**35.435.142**	**40.401.958**
CURRENT ASSETS		**64.448.853**	**56.693.681**
ASSETS		**98.556.770**	**70.912.746**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2019 DKK	2018 DKK
Share capital	6	500.300	500.300
Retained earnings		77.355.484	61.957.859
EQUITY		**77.855.784**	**62.458.159**
Other liabilities		952.159	0
Lease liabilities		14.175.097	0
Long-term liabilities	7	**15.127.256**	**0**
Short-term portion of long-term liabilities	7	1.668.000	0
Trade payables		1.573.093	4.482.946
Corporation tax		0	372.702
Other liabilities		2.332.637	3.598.939
Current liabilities		**5.573.730**	**8.454.587**
LIABILITIES		**20.700.986**	**8.454.587**
EQUITY AND LIABILITIES		**98.556.770**	**70.912.746**

Contingencies etc.	8
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Staff costs	1

EQUITY

	Share capital	Retained earnings	Total
Equity at 1 January 2019	500.300	61.957.862	62.458.162
Proposed distribution of profit		15.397.622	15.397.622
Equity at 31 December 2019	**500.300**	**77.355.484**	**77.855.784**

NOTES

	2019 DKK	2018 DKK	Note

Staff costs 1

Average number of employees
53 (2018: 47)

Tax on profit/loss for the year 2

	2019 DKK	2018 DKK
Calculated tax on taxable income of the year	0	372.702
Adjustment of deferred tax	-2.418.290	0
	-2.418.290	**372.702**

Intangible fixed assets 3

	Intangible fixed assets acquired
Cost at 1 January 2019	35.376.275
Cost at 31 December 2019	**35.376.275**
Amortisation at 1 January 2019	35.302.720
Amortisation for the year	24.956
Amortisation at 31 December 2019	**35.327.676**
Carrying amount at 31 December 2019	**48.599**

Tangible fixed assets 4

	Production plant and machinery	Other plants, machinery, tools and equipment	Tangible fixed assets in progress and prepayment
Cost at 1 January 2019	44.694.569	799.041	0
Additions	11.644.899	95.067	11.804.654
Cost at 31 December 2019	**56.339.468**	**894.108**	**11.804.654**
Depreciation and impairment losses at 1 January 2019	34.838.824	674.935	
Depreciation for the year	3.585.668	45.000	
Depreciation and impairment losses at 31 December 2019	**38.424.492**	**719.935**	
Carrying amount at 31 December 2019	**17.914.976**	**174.173**	**11.804.654**
Finance lease assets	6.791.489		11.804.654

Fixed asset investments 5

	Rent deposit and other receivables
Cost at 1 January 2019	4.165.515
Cost at 31 December 2019	**4.165.515**
Carrying amount at 31 December 2019	**4.165.515**

NOTES

			Note
Fixed asset investments (continued)			5
	2019 DKK	**2018** DKK	
Share capital			6
Specification of the share capital:			
Aktier, 500 in the denomination of 1.000 DKK	500.000	500.000	
Aktier, 3 in the denomination of 100 DKK	300	300	
	500.300	**500.300**	

Long-term liabilities 7

	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Other liabilities	952.159	0	0	0	0
Lease liabilities	15.843.097	1.668.000	0	0	0
	16.795.256	**1.668.000**	**0**	**0**	**0**

Contingencies etc. 8

Contingent assets

The company has a deferred tax asset carried forward of DKK 34,2 mio of which DKK 2,4 mio has been taken to income. The remaining amount of DKK 31,8 mio has not been accounted for in the balance sheet due uncertainties on timing of utilization against future income.

Charges and securities 9

No assets have been pledged as collateral or otherwise charged at 31 December 2019.

ACCOUNTING POLICIES

The Annual Report of Accelink Denmark A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles used last year.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Where products with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the company.

Production costs

Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Impairment losses are recognised in connection with expected losses on project contracts.

Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration of the group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses etc and related amortisation.

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets
Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 8 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5-10 years.

Tangible fixed assets
Land and buildings, production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Production plant and machinery..	3-5 years	0 %
Other plant, fixtures and equipment...	3-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Lease contracts
Lease contracts relating to tangible fixed assets
where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability and the interest portion of the lease payment is recognised in the income statement over the term of the contract.

Fixed asset investments
Investments in associates are measured in the company's balance sheet under the equity method.

ACCOUNTING POLICIES

Investments in associates are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the associates' deficit.

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.