

Company Registration No. SC622646 (Scotland)

BROADEX TECHNOLOGIES UK LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

PAGES FOR FILING WITH REGISTRAR

BROADEX TECHNOLOGIES UK LIMITED

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BROADEX TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the period ended 31 December 2019.

Principal activities

The principal activity of the company was the manufacture of optical precision instruments.

Business Review

Broadex Technologies UK Limited was incorporated on 27 February 2019 with the aim of becoming a premier supplier of optical components for the telecommunications industry. In 2019, this first period of trading, the company purchased out of administration a Wafer Fabrication facility with associated land, buildings, equipment and intellectual property for the purpose of designing and manufacturing Panar Light Circuit devices. This manufacturing line in Livingston, Scotland, was successfully started in Q2 2019 through the hiring of key staff with the know-how and experience in producing these Silica-on-Silicon based products. The output of the facility was ramped through second half of 2019, with wafer output being driven to 2/3 capacity with the introduction of new products into the plant. Revenue increased monthly over the same period, reducing operational and start-up losses, predominantly supplying components to parent company Broadex Technologies Co., Ltd.

Future Outlook

Broadex Technologies UK Limited looks to build on the long-standing reputation for optical component design and manufacture in the Livingston site, and establish itself as a quality and competitive supplier to the telecommunications infrastructure market. Penetration into the booming 5G infrastructure market is a key goal for the company by promoting the competitive advantages of the company's products and providing innovative solutions to customers across the world.

This shall be achieved through the continued investment into Research and Development of the company's core technologies and the establishment of a global Sales and Marketing team, located in the Livingston facility. The sales team shall also offer the wider Broadex group's portfolio of active and passive optical products, providing new sales channels for the group into new territories. Broadex Technologies UK's target for 2020 is to become a profitable business, becoming cash-flow positive in Q3. The directors believe the risks to the business of market competition, product performance, product development, sales penetration and cost control are understood and that the correct measures are being taken to mitigate those risk conditions.

Other risks and uncertainties

In preparing the financial statements on a going concern basis, the directors have considered the impact of the Global COVID-19 pandemic. A key consideration has been over the robustness of the supply chain and the risk of payment default by customers as a result of the restrictions on movement of people that are being implemented. The directors and management team will continue to closely monitor the restrictions on the movement of people and the potential impact this will have on the business in the short term. The directors are confident that they can manage the short term operational challenges presented by the pandemic and combined with the continued support of the parent entity have prepared the financial statements on a going concern basis.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Dr Y Ding

(Appointed 27 February 2019)

Dr W Zhu

(Appointed 27 February 2019)

Auditor

The auditor, Johnston Carmichael LLP, was appointed during the current period and is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

BROADEX TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Dr W Zhu

Director

26 March 2020

BROADEX TECHNOLOGIES UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BROADDEX TECHNOLOGIES UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£
Fixed assets			
Intangible assets	3		98,877
Tangible assets	4		3,903,774
			<u>4,002,651</u>
Current assets			
Stocks		433,664	
Debtors	5	776,797	
Cash at bank and in hand		138,515	
		<u>1,348,976</u>	
Creditors: amounts falling due within one year	6	(343,770)	
		<u></u>	
Net current assets			1,005,206
			<u></u>
Total assets less current liabilities			5,007,857
			<u></u>
Creditors: amounts falling due after more than one year	7		(3,923,400)
			<u></u>
Net assets			<u><u>1,084,457</u></u>
			<u></u>
Capital and reserves			
Called up share capital	8	2,920,001	
Share premium account		1,395	
Capital contribution reserve		338,402	
Profit and loss reserves		(2,175,341)	
		<u></u>	
Total equity			<u><u>1,084,457</u></u>
			<u></u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 26 March 2020 and are signed on its behalf by:

Dr W Zhu
Director

Company Registration No. SC622646

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Broadex Technologies UK Limited is a private company limited by shares incorporated in Scotland. The registered office is Starlaw Business Park, Starlaw Road, Livingston, United Kingdom, EH54 8SF.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. In forming this assessment, the directors have considered forecast trading performance as well as confirmations received from its parent undertaking that it will continue to provide the support necessary to allow the company to meet its obligations as they fall due for at least twelve months from the date of approval of the financial statements.

The directors have also considered the impact of the Global COVID-19 pandemic. A key consideration has been over the robustness of the supply chain and the risk of payment default by customers as a result of the restrictions on movement of people that are being implemented. The directors and management team will continue to closely monitor the restrictions on the movement of people and the potential impact this will have on the business in the short term. The directors are confident that they can manage the short term operational challenges presented by the pandemic and combined with the continued support of the parent entity have prepared the financial statements on a going concern basis.

1.3 Reporting period

The current reporting period covers the period from incorporation on 27 February 2019 to 31 December 2019.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Patents	20 years straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	30 years straight line
Plant and equipment	2.5 to 5 years straight line
Fixtures and fittings	7 years straight line
Office and computer equipment	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the profit and loss account.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks are calculated on a standard cost basis.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the profit and loss account. Reversals of impairment losses are also recognised in the profit and loss account.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include certain debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including certain creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Employees

The average monthly number of persons employed by the company during the period was 54.

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

3 Intangible fixed assets

	Patents £
Cost	
At 27 February 2019	-
Additions	133,589
	<hr/>
At 31 December 2019	133,589
	<hr/>
Amortisation and impairment	
At 27 February 2019	-
Amortisation charged for the period	34,712
	<hr/>
At 31 December 2019	34,712
	<hr/>
Carrying amount	
At 31 December 2019	98,877
	<hr/> <hr/>

4 Tangible fixed assets

	Land and buildings £	Plant and machinery etc £	Total £
Cost			
At 27 February 2019	-	-	-
Additions	2,277,232	1,993,030	4,270,262
	<hr/>	<hr/>	<hr/>
At 31 December 2019	2,277,232	1,993,030	4,270,262
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
At 27 February 2019	-	-	-
Depreciation charged in the period	51,979	314,509	366,488
	<hr/>	<hr/>	<hr/>
At 31 December 2019	51,979	314,509	366,488
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2019	2,225,253	1,678,521	3,903,774
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

5 Debtors

	2019 £
Amounts falling due within one year:	
Trade debtors	408,578
Other debtors	368,219
	<hr/>
	776,797
	<hr/> <hr/>

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

6 Creditors: amounts falling due within one year

	2019
	£
Trade creditors	161,147
Taxation and social security	49,640
Other creditors	132,983
	<u>343,770</u>

7 Creditors: amounts falling due after more than one year

	2019
	£
Amounts owed to group undertakings	3,923,400
	<u>3,923,400</u>

8 Called up share capital

	2019
	£
Ordinary share capital	
Issued and fully paid	
2,920,001 Ordinary shares of £1 each	2,920,001
	<u>2,920,001</u>

The company issued 1 Ordinary share of £1 at par value on incorporation. On 30 December 2019, the company issued a further 2,920,000 Ordinary shares of £1 each for a total consideration of £2,921,395.

9 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.
The senior statutory auditor was James Hamilton.
The auditor was Johnston Carmichael LLP.

10 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2019
	£
	7,890
	<u>7,890</u>

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

11 Related party transactions

The company has taken advantage of the exemption available in FRS 102 1A whereby it has not disclosed transactions with the immediate parent or any wholly owned subsidiary undertaking of the group.

12 Parent company

The parent company of Broadex Technologies UK Limited is Broadex Technologies Co., Ltd, a company registered in China, whose registered address is 306 Yatai Road, Nanhu District, Jiaxing, Zhejiang Province, China, 314006.

Broadex Technologies Co., Ltd is the largest and smallest company which prepares consolidated financial statements.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.