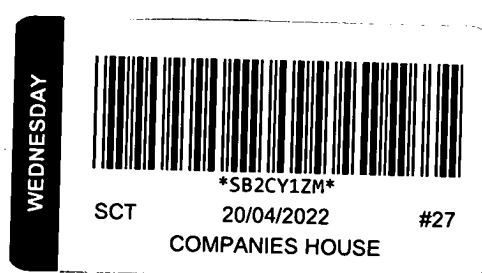


BROADEX TECHNOLOGIES UK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
PAGES FOR FILING WITH REGISTRAR



BROADEX TECHNOLOGIES UK LIMITED

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BROADEX TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

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

Business Review

Broadex Technologies UK Limited was established in Feb 2019 and is a designer and manufacturer of Opto-Electronic devices for the global telecoms market. In March that same year the company acquired a 1000m² class-100 cleanroom Wafer Fabrication facility with associated land, buildings, equipment and intellectual property for the purpose of design and manufacture of Planar Light Circuit (PLC) devices using silica-on-silicon technology. Broadex Technologies UK Limited is wholly owned by Broadex Technologies Co. Ltd., China.

In 2021, sales to external customer grew by 182% and represented 59% of the year's turnover, up from 21% the previous year. These external sales come mainly from increased demand of Broadex UK's Athermal AWG product line and the fruits of continued customer and product development. In 2021, the operation achieved record numbers of monthly units shipped of this product line and as we move into 2022, backlog orders are secured for similar volumes. Direct costs increased for the year due to the associated costs of manufacture of this product line, but this represents the ability for the company to scale to the volumes demanded by using the parent company as a contract manufacturer, without the need to increase operations locally.

Broadex UK suffered a significant event in March of 2021 whereby one of the sole key pieces of manufacturing equipment was destroyed from a water leak. The event was covered by insurance and full payment for replacement equipment and costs was received from the insurer. The operational team took just eight weeks to source, qualify and install a replacement machine at a cost of £1.1m, with the parent company providing financial support to purchase the machine until the insurance monies were received. From this episode, there was no impact to customers as no deliveries were delayed arising from the team taking mitigating actions such as qualifying the process and manufacturing products on the replacement tool whilst it was still located on the vendor's site.

Broadex continued to pursue technical development of its products and processes, in line with current and future market demands. Improvements in product performance were achieved in 2021 from the investment made in 2020 in the form of new technology equipment. The company deployed the technology into one of its product lines and further exploitation shall continue into 2022. In 2021, Broadex committed to invest in new technology for the development of the company's laser trimming process capabilities, taking delivery of the 1st such system already in early 2022. It is anticipated that cost of ownership shall be reduced and improvements in throughput efficiency attained when compared to the incumbent equipment. Successful development and implementation of this hardware is a priority for the organisation in 2022, to realise the sizeable potential benefits it can bring.

COVID-19's influence was kept to a minimum for the business in 2021, with the operational team being able to tactically navigate personnel absences as they occurred, where improved functional cross-training of the manufacturing team has ensured output was not adversely affected from the facility. The main influence from COVID-19 has been the continued restraint on international travel and the cancellation of trade events normally attended by Broadex. But with the industry and Broadex moving online, we were still able to reach out and interact effectively, cultivating new opportunities for new customers resulting in products that are currently in development.

BROADEX TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future Outlook

In 2022, Broadex Technologies UK Limited shall look to expand its platform as a sales base within the larger Broadex Technologies Co. Ltd. group. Sales and Marketing activities from the UK team shall be to target the global telecoms and datacoms audiences to bring increased awareness of Broadex as a company and the products it offers to them. Importantly, not only this shall benefit sales of UK manufactured products but specifically aims to grow sales of products offered from all the Broadex companies. Increasing the presence and opportunities of all the Broadex companies in the global market is a key objective for 2022 for the UK team. The UK company shall also continue to develop its own product line-up to meet new customer demands. Development started in 2021 on a product line that Broadex believes has a distinct technical and cost advantage over competing technologies. This product development shall continue through 2022, with samples being sent to customers in Q1. This potentially high-volume offering is a key focus for the organisation to convert into sales. 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. The company benefits from the continued support of parent company Broadex Technologies Co. Ltd.

Other risks and uncertainties

As a result of the war in Ukraine supply chains which were starting to return to normal are now braced for renewed disruption. Russia is the world's largest exporter of natural gas and while the UK is historically less dependent on Russian gas supplies than other countries, the restrictions on trade with Russia has increased demand on gas supplies from other sources causing a significant spike in gas prices. The directors believe that Broadex Technologies UK Ltd will first see those effects in the second half of the financial year 2022.

The economic sanctions against Russia currently do not impact the company's existing operations however the directors will continue to monitor the situation as new sanctions are introduced.

The company has put in place robust plans which have been constantly under review and will be as we progress through 2022. The company applies best practice utilising the latest government advice. Regarding Brexit the company continues to make itself aware of potential issues that may come as legislation continues to evolve, and the impact that this, and Covid, may have on suppliers and customers who could default as a result.

The financial statements have been prepared on a going concern basis as the directors are confident that they can manage the operational challenges outlined above, combined with the continued support of the parent company.

Directors

Dr Y Ding

Dr W Zhu

Auditor

The auditor, Johnston Carmichael LLP, 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 YEAR ENDED 31 DECEMBER 2021

Small companies exemption

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

On behalf of the board

Wei Zhu

Dr W Zhu
Director

10 March 2022

BROADEX TECHNOLOGIES UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

BROADEX TECHNOLOGIES UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	4	45,948		64,629	
Tangible assets	5	5,029,480		4,827,290	
		<u>5,075,428</u>		<u>4,891,919</u>	
Current assets					
Stocks	6	894,104		632,509	
Debtors	7	1,643,907		1,127,736	
Cash at bank and in hand		368,050		299,629	
		<u>2,906,061</u>		<u>2,059,874</u>	
Creditors: amounts falling due within one year	8	<u>(4,190,173)</u>		<u>(785,951)</u>	
Net current (liabilities)/assets			<u>(1,284,112)</u>		<u>1,273,923</u>
Total assets less current liabilities			<u>3,791,316</u>		<u>6,165,842</u>
Creditors: amounts falling due after more than one year	9		-		<u>(3,978,541)</u>
Net assets			<u><u>3,791,316</u></u>		<u><u>2,187,301</u></u>
Capital and reserves					
Called up share capital	10	8,497,315		5,396,837	
Share premium account		1,396		1,395	
Capital contribution reserve		12,334		141,977	
Profit and loss reserves		<u>(4,719,729)</u>		<u>(3,352,908)</u>	
Total equity			<u><u>3,791,316</u></u>		<u><u>2,187,301</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 10 March 2022 and are signed on its behalf by:

Wei Zhu

Dr W Zhu
Director

Company Registration No. SC622646

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 notwithstanding the loss of approximately £1.3m generated in the financial year. In forming this assessment, the directors have considered forecast trading performance as well as confirmations received from its parent company 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. This support extends to ensuring that the company is able to meet any amounts owed to fellow group undertakings, with £3m owed to fellow subsidiaries included within creditors falling due within twelve months from the date of approval of the financial statements. On 26th January 2022 the loan due to fellow subsidiary Broadex Inc was extended for an additional 3 years, with the new maturity date being 20 February 2025.

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. The directors are confident that they can continue to manage any short term operational challenges presented by the pandemic and combined with the continued support of its parent company have prepared the financial statements on a going concern basis.

1.3 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 YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 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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1.5 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.

1.6 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 YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.7 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.

1.8 Cash and cash equivalents

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

1.9 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 YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.10 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 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.

1.12 Retirement benefits

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

1.13 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.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

R&D tax credits are also recognised at the fair value of the asset received or receivable when there is reasonable assurance that claims will be successful. R&D tax credits are recognised in other operating income.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

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.

1.16 Insurance income

Insurance proceeds are recognised at the point the claim is accepted by the insurer and a reasonable estimate of the proceeds can be made. Proceeds are recognised in other income.

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Employees

The average monthly number of persons employed by the company during the year was 62 (2020 - 59).

	2021 Number	2020 Number
Total	62	59

4 Intangible fixed assets

	Patents £
Cost	
At 1 January 2021 and 31 December 2021	133,589
Amortisation and impairment	
At 1 January 2021	68,960
Amortisation charged for the year	18,681
At 31 December 2021	87,641
Carrying amount	
At 31 December 2021	45,948
At 31 December 2020	64,629

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2021	2,277,232	3,448,552	5,725,784
Additions	-	1,235,985	1,235,985
Disposals	-	(232,539)	(232,539)
At 31 December 2021	2,277,232	4,451,998	6,729,230
Depreciation and impairment			
At 1 January 2021	114,353	784,141	898,494
Depreciation charged in the year	62,374	838,688	901,062
Impairment losses	-	85,360	85,360
Eliminated in respect of disposals	-	(185,166)	(185,166)
At 31 December 2021	176,727	1,523,023	1,699,750
Carrying amount			
At 31 December 2021	2,100,505	2,928,975	5,029,480
At 31 December 2020	2,162,879	2,664,411	4,827,290

6 Stocks

	2021 £	2020 £
Raw materials and consumables	401,049	287,999
Work in progress	299,685	133,746
Finished goods	193,370	210,764
	894,104	632,509

7 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	1,351,536	747,544
Other debtors	292,371	380,192
	1,643,907	1,127,736

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	737,464	482,304
Amounts owed to group undertakings	3,116,313	-
Taxation and social security	55,455	51,101
Other creditors	280,941	252,546
	<u>4,190,173</u>	<u>785,951</u>

9 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Amounts owed to group undertakings	-	3,978,541
	<u>-</u>	<u>3,978,541</u>

10 Called up share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>8,497,315</u>	<u>5,396,837</u>	<u>8,497,315</u>	<u>5,396,837</u>

On 31 December 2021, the company issued 3,100,478 Ordinary shares of £1 each for a total consideration of £3,100,478.

11 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.

12 Charges

The Royal Bank of Scotland PLC holds a charge over the company's cash Deposit of £10,000. The bank may retain the Deposit and, without prior notice, apply or set off the Deposit to reduce the Owner's Obligations.

BROADEX TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 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:

2021	2020
£	£
17,814	4,734

14 Events after the reporting date

On 26th January 2022 the loan due to Broadex Inc was extended for an additional 3 years, with the new maturity date being 20 February 2025.

15 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.

16 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.