

Letter to Shareholders

To our shareholders:

Thanks for all shareholders' support for the past year. It's a difficult year for K Laser Group in year 2005 as we not only kept growing but also confronted transforming. Among K Laser Group, "re-organization" and "re-engineering" were urged for K Laser Taiwan (KLTW) since the production line had been strategically moved out overseas and the transformation was needed. For the fast growing K Laser China Group (KLCN), we focused on building complete in house production line and simplified product lines to reach economy scale thereafter increase efficiency, lower manufacturing cost and in return to the ultimate goal of higher gross profit.

KLTW sales dropped 22 % in year 2005 compared to year 2004, however, as we drove for "re-engineering" internally, we had good results in return, i.e., profitable, the current ratio was up from 76% to 154% and the net profit ratio was up from 8% to 19%. With comparative rich resources of growing subsidiaries, KLTW should focus aggressively on leading in new technique and new product development. Selling strategies should only emphasize on the high-profit products sales, move out the low-profit products to China and practice in "receiving order in Taiwan and shipping out from China". For the manufacture aspect, KLTW will aim at satisfying Taiwan market and producing high-profit products, such as optical film.

KLCN consolidated sales remained in strong growth in year 2005, up 37% than year 2004. Paper production line expansion in K Laser Wuxi (KLWX) had been completed along with the performance of film production line expansion in K Laser Dong Gung (KLDG) in April 2006 will contribute to the massive sales growth. Income before income tax of year 2005 increased 49% compared to year 2004. KLCN was the main profit origin of K Laser Group. For the year 2006, under the effect of "resources integration", the consolidated sales will have the considerable room for growth, cost will be much lower and expense will be under controlled, KLCN will be expected to reap even large profits.

K Laser Group was facing the "resources integration" issue for the fast changing environment and the company expansion in recent years, and the efforts we made had gradually showed the resuscitation of group vitality in year 2005. The consolidated sales of K Laser Group was NT\$ 26.59 hundred million, up 32% than the year before; net income after tax was NT\$ 1.90 hundred million, up 97% than the year before. In 2006, "resources integration" will still be our focus, and the consolidated sales will continue to grow, though the growth rate, due to the decreasing market price and increasing base, doesn't seem to be as high as before, we still expect to make the sizeable profit growth.

Finally, we would like to thanks all the supports from our shareholders and the great efforts from our employees. We will continue the great spirit of teamwork and continue to lead K Laser successfully in future.

Again, thanks the supports from all of you.

Sincerely,



Alex Kuo
Chairman

Sincerely,



Daniel Kuo
CEO