



Annual Report 2014

光群雷射科技股份有限公司
K LASER TECHNOLOGY INC.
中華民國一〇三年度年報

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名稱及查詢該海外有價證券資訊之

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Exchangeable Bond Exchange Marketplace

Marketable Security： None

Company Website Address： www.klasergroup.com

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To Shareholder

Summary

K Laser Group's consolidated annual sales in 2014 grew 3.4% than the previous year and reached 4.216 billion NT dollars. The gross profit margin was 26.3% which was 1.5% higher than in 2013. The operating income was 272 million NT dollars, growing 9.5% from 2013. However, given that we recognized bad debts expense, inventory loss and impairment loss, the net income for 2014 was 90 million NT dollars, and EPS was 0.56 NT dollars.

K Laser China Group's sales in 2014 grew 6.02% and gross profit margin increased 0.5% compared to 2013. The reasons that cause the net profit to slip 33% are:

1. We recognized RMB11 million bad debts and RMB4.3 million inventory loss.
2. We recognized RMB7.64 million impairment loss.

In the meantime, we also recognized an impairment loss of 30.37million NT dollars from K Laser Korea. Other impairment losses are recognized since we have decided to close off K Laser Mexico in 2015. Besides, our investment income from Yong-An Laser Material also decreased because of falling price and reduced demand for packaging materials following the destocking decision from Chinese tobacco companies.

Technology Development

There are several products and significant technology breakthrough that helped our sales in worldwide market. We will continue these product and technology developments to keep our competitive edge in the following year.

1. True seamless technology: This industry-leading technology has helped us successfully sell holographic PET film to American and European markets. It also helps us obtain large-quantity tooth paste package box orders in China. True seamless technology is a reliable process that improves our yield rate and reduces our production cost.
2. Fresnel lens: Lens film has been in fashion in Europe and China since 2014. The lens film that we developed has gained customer approval and will be used in their package design in 2015. We will continue to develop the technology and create more lens products for the market.
3. Cold Foil: Our cold foil sales grew 46% in 2014. We will continue to develop cold foil applications and holographic patterns to grow the sales.

Our Strategy and Global Situation

In 2015, we will keep on enhancing our true seamless technology, and converting as many orders as possible to the true-seamless production process. In addition, we will continue to develop deep-groove origination technology to create versatile Fresnel lenses which have higher entry barrier and yield better gross margin. We will also aggressively develop regular consumer market to reduce the sales percentage of cigarette packaging. Moreover, we have established an International Business Unit to integrate resources in the Group.

Of course we need to prepare ourselves for economic and political uncertainties looming globally and locally. First of all, while China is shifting to a consumer driven economy, we need to develop other markets to spread the risks arose from its economic slow-down and monetary control. In Europe, while the European Central Bank finally launched quantitative easing to revitalize the Eurozone economy, we will need to see if the weakening Euro following the QE will negatively affect our sales. In contrast, India is a market worth exploration and AHIN's net profit in 2014 increased 65% over 2013. AHDB's net profit also increased 17% in 2014 as it expands its businesses into North Africa and Mediterranean countries. Of course, those emerging markets are never short of political risks and uncertainties that could potentially disrupt our businesses. We will pay close attention to local and global situations and do our diligent management to control risks.

Finally, we would like to express our gratitude to our shareholders for your supports and our employees for their great efforts. We will keep the great spirit of teamwork and continue to lead K Laser successfully in the future.

Sincerely,



Alex Kuo
Chairman

Sincerely,



Howard Chen
General Manager

Corporate Overview

Corporate Profile

Date of Incorporation: April 29, 1988

Major Milestones

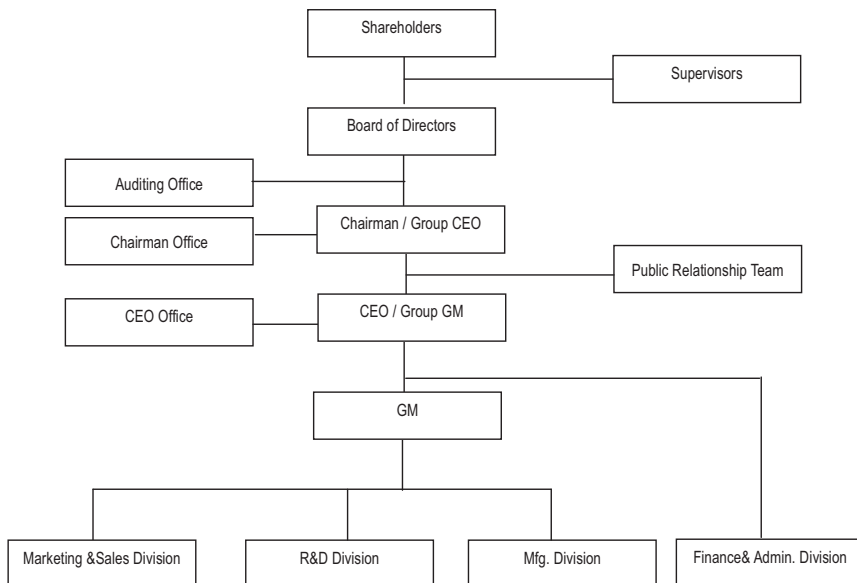
- 1988** In April, established at Hsin-Chu SBIP to manufacture Holographic security labels.
- 1989** Develop the recombination technology and the application of products to enlarge market share.
- 1990** Introduced 15 cm wide holographic film materials.
- 1991** Developed the 30 cm embossing machine, put the holographic PVC film and the hologram Self-Adhesive sticker on the market.
- 1992** (1) Introduced 60 cm and 80 cm wide holographic materials.
(2) Established In-House Mastering Capability.
- 1993** (1) US Subsidiary - AMAGIC Holographics, Inc. established. (2) Invested Univacco Technology, Inc.
- 1994** (1) China Subsidiary - Shanghai Amagic Laser Material Co., Ltd. established.
- 1995** (1) Launch the holographic box and the transparent hologram security film.
(2) Invested Hon Jann Aluminum Paper Products MFG. Ltd.
- 1996** (1) Matched the requirement of Public Company. (2) Opto- Electronics Business Unit Established.
(3) Received Award for SBIP Innovation Project. (4) Introduced Color-Laser OPPmaterials.
(5) Dubai & Thailand Subsidiaries established.
- 1997** (1) Received Outstanding OE Manufacturer Award.
(2) Established Subsidiary - Dong Guan Yat Mei Laser Printing Co.,Ltd.
- 1998** (1) Introduced 100 cm wide holographic materials. (2) ISO 9001 certified.
(3) Received Best OE Product Award for Phase-shift Fizeau Interferometer
- 1999** Public listed on OTC of Taiwan Stock Market.
- 2000** Received Small and Medium Enterprise Award, Ministry of Economic Affairs, ROC.
- 2001** (1) HQs grand opening. (2) Public listed on SFC of Taiwan Stock Market.
(3) Received National Award of Small and Medium Enterprises. (4) Established US RD center.
(5) China Subsidiaries – Wuxi K Laser and K Laser Dong Guan established.
(6) MEMS Subsidiary – Light Tuning Technology Inc. established.
(7) Electronics Subsidiary – Everest Display Inc. established.
- 2002** (1) Issued ECB. (2) K Laser Technology (Korea) Co., Ltd. Established.
- 2003** (1) K Laser Technology Japan Co., Ltd established.
(2) K Laser Technology Europe B.V. established.
- 2004** (1) Invested Optivision Technology Inc. (2) Issued Private Fund.
(3) Redeem all the outstanding ECB.
- 2005** (1) In July, K Laser China Group Co., Ltd. cash fund raised USD\$7.5 million.
(2) Syndicated loan NTD\$720 million.
- 2006** (1) In June, issued 6,500(thousand shares) Private Fund invested by OAK Capital Corporation NT\$ NTD\$12.03 million.
(2) For business strategy, issued Private Fund invested by Amcor Fibre Packaging-Asia Pte Ltd. NTD\$11.20 million in July.

- 2007** (1) In November, issued 500 Million 1st Unsecured Corporate Bonds.
(2) Private Fund 23,950(thousand shares) issued in 2004, went public in Jan.2008.
- 2008** (1) K Laser Technology (Korea) Co., Ltd. set up manufacture site to increase its local competitiveness.
(2) K Laser Technology (Thailand) Co., Ltd. purchased land and built new factory locally.
- 2009** (1) In 2006 supplemented the public issuance of the private placement of securities. Issued 13,089 (thousand shares) privately placed shares and the shares with the stock dividends distribution that were listing in August and November, 2009, respectively.
(2) In October, acquired ownership of 450,000 the private placement of common shares of Optivision Technology Inc.
(3) In December, paid off 1st Unsecured Corporate Bond.
- 2010** (1) In March, issued 15,000 (thousand shares) Private Placement of Securities subscribed by CHIMEI Corporation at a price of NTD\$ 277.5 million.
(2) Issued all of its stocks and bonds in dematerialized form
(3) Restructured K Laser China Group Co., Ltd. (KLCN). Now the Company holds 100% shares of KLCN and KLCN holds 67% shares of K Laser China Group Holding Co., Limited.
- 2011** In September, issued 300 Million 2nd Secured Convertible Bonds and 200 Million 3rd Unsecured Convertible Bonds.
- 2012** (1) Launch the true seamless hologram film.
(2) The clean room expansion.
(3) In November, acquired ownership of 4,200,000 the private placement of common shares of Optivision Technology Inc.
- 2013** In March, paid off 3rd Unsecured Corporate Bond.
- 2014** (1) In September, Complete the conversion of the 2nd Secured Convertible Bond.
(2) In October, issued 300 Million 4th Secured Convertible Bonds and 200 Million 5th Unsecured Convertible Bonds.
(3) In December, the subsidiary Optivision Tech. Inc. public listed on OTC of Taiwan Stock Market.

Corporate Governance

1. Organization System

1.1 Organization Chart



1.2 Functional Major Departments

| Major Departments | Functions |
|----------------------------|--|
| Chairman Office | <ul style="list-style-type: none"> • Business Development. • Public Relationship. |
| CEO Office | <ul style="list-style-type: none"> • Company management • Subsidiaries management |
| Auditing Office | <ul style="list-style-type: none"> • Internal auditing evaluation and suggestion. |
| Finance & Admin. Division | <ul style="list-style-type: none"> • Financial planning, accounting and stock affairs. • Subsidiaries supporting. • Human resource, training and general affairs. • IT development and ERP implementation. |
| Mfg. Division | <ul style="list-style-type: none"> • Manufacturing. |
| R&D Division | <ul style="list-style-type: none"> • R&D. |
| Marketing & Sales Division | <ul style="list-style-type: none"> • Marketing, sales and exporting |

2 Directors and Supervisors & Major Officers

2.1 Directors and Supervisors

| Title | Name | Elected Date | Term (Years) | First Elected Date | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding Entitled Other | | Experience and Education | Other Current Positions | Managers, Directors or Supervisors Who Are Spouses or Within 2 Degrees of Consanguinity to Each Other | | |
|----------------------|---------------------|--------------|--------------|--------------------|---------------------------|------|----------------------|------|-----------------------------|------|-----------------------------|----------|---|--|---|------------|-------------------------|
| | | | | | Shares | % | Shares | % | Shares | % | Name | Relation | | | Title | Name | Relation |
| Chairman | Alex Kuo | 2014.06.18 | 3 | 1988.03.16 | 10,187,756 | 6.01 | 10,187,756 | 5.85 | 752,980 | 0.43 | — | — | <ul style="list-style-type: none"> Ph.D. in EE, SUNY Stony Brook, NY | <ul style="list-style-type: none"> Chairman CEO, K Laser Group. | Director | Daniel Kuo | Second degree relatives |
| Director | Daniel Kuo | 2014.06.18 | 3 | 1992.06.21 | 1,342,254 | 0.79 | 1,342,254 | 0.77 | 4,572 | — | — | — | <ul style="list-style-type: none"> MS in Civil Engineering, NJIT, NJ. | <ul style="list-style-type: none"> Chairman, OTI. | Director | Lisa Hsu | Spouse |
| Director | Lisa Hsu | 2014.06.18 | 3 | 2011.06.17 | 752,980 | 0.44 | 752,980 | 0.43 | 10,187,756 | 5.85 | — | — | <ul style="list-style-type: none"> Computer Science, BS - New York Institute of Technology | <ul style="list-style-type: none"> Deputy Spokesman Supervisor, Eveready Display Inc. | Director | Daniel Kuo | Second degree relatives |
| Director | Howard Chen | 2014.06.18 | 3 | 2014.06.18 | 576,194 | 0.34 | 576,194 | 0.33 | 7,590 | — | — | — | <ul style="list-style-type: none"> MS in Electrical Engineering, University of Southern California | <ul style="list-style-type: none"> GM | Chairman | Alex Kuo | Spouse |
| Independent Director | Cheng Seng Huang | 2014.06.18 | 3 | 2002.05.17 | — | — | — | — | — | — | — | — | <ul style="list-style-type: none"> MS in Industrial Management, National Cheng Kung University President, Business Management Consultants Association of Republic of China GM, Sursino Ventures Group. Secretary General, MIT Enterprise Forum of Taiwan Director, Small Business Integrated Assistance Center | <ul style="list-style-type: none"> Supervisor, Niko semiconductor Co., Ltd | — | — | — |
| Independent Director | Gen-Sen Chang-Hsieh | 2014.06.18 | 3 | 2011.06.17 | — | — | — | — | 476 | — | — | — | <ul style="list-style-type: none"> MBA, Irvine University, California Financial account, AAA investment department of American Automobile Association Manager, Real estate and loan broker CPA, Wu, Liang, & Huang CPAs LLP | <ul style="list-style-type: none"> CPA, Bellercom-Adviser Co., Ltd. | — | — | — |
| Independent Director | Chi Chang Lu | 2014.06.18 | 3 | 2014.06.18 | — | — | — | — | — | — | — | — | <ul style="list-style-type: none"> Mechanical Engineering, National Taiwan University Passed the professional qualification examinations for CPA and CIA Mechanical engineer, Formosa Plastics Corp. A partner with Deloitte Taiwan | <ul style="list-style-type: none"> Independent Director and Audit Committee, Eagle Nice (International) Holdings Limited Member of Remuneration Committee, EverFocus Electronics Corp. Member of Remuneration Committee, Global Brands Manufacture Limited Member of Remuneration Committee, HamStar Board Corp. | — | — | — |
| Supervisor | Wei-Chung Hung | 2014.06.18 | 3 | 1999.05.29 | 1,059,692 | 0.63 | 1,059,692 | 0.61 | — | — | — | — | <ul style="list-style-type: none"> MBA, West Pacific Ocean University | <ul style="list-style-type: none"> Director, D.S. Paper Co., Ltd. General Manager of D.C. Paper | — | — | — |
| Supervisor | Ling Chiang Chao | 2014.06.18 | 3 | 2011.06.17 | 6,410 | — | 6,410 | — | 8,230 | — | — | — | <ul style="list-style-type: none"> Electrical Engineering, National Taiwan University EMBA, National Chiao Tung University | <ul style="list-style-type: none"> — | — | — | — |

Major Institutional Shareholders : None.

Major Shareholders of the Corporate Shareholders : None.

Directors and Supervisors Remuneration in 2014

Unit: NT\$ thousands

| Title | Name | Remuneration | | | | | | Employee Remuneration | | | | | | Amount as a % of 2014 Net Income (A+B+C+D) | | Amount as a % of 2014 Net Income (A+B+C+D+E+F+G) | | Compensation from other K Laser Invest Companies (J) | | | |
|----------------------|---|----------------|------|--------------------|------|---------------------------------------|------|------------------------------|------|------------------------------------|-------|--------------------|-------|--|------|---|------|--|-------|-----|--|
| | | Honorarium (A) | | Retirement pay (B) | | Honorarium from Earnings (C) (Note 1) | | Transportation Allowance (D) | | Bonus and Special Remuneration (E) | | Retirement pay (F) | | Employee Bonus From Earning (G) (Note 2) | | Number of Employee Stock Options (Thousands shares) (H) | | | | | |
| | | K Laser | Sub. | K Laser | Sub. | K Laser | Sub. | K Laser | Sub. | K Laser | Sub. | K Laser | Sub. | K Laser | Sub. | K Laser | Sub. | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| Chairman | Alex Kuo | — | — | — | — | 403 | 403 | 36 | 36 | 0.48% | 0.48% | 2,807 | 3,061 | 440 | — | 440 | — | 4.06% | 4.35% | 672 | |
| Director | Daniel Kuo | — | — | — | — | 242 | 242 | 36 | 78 | 0.31% | 0.35% | — | 4,534 | — | — | — | — | 0.31% | 5.35% | — | |
| Director | Lisa Hsu | | | | | | | | | | | | | | | | | | | | |
| Director | Howard Chen (Note 3) | | | | | | | | | | | | | | | | | | | | |
| Director | CDIB Venture Capital Corporation (Note 4) | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Cheng Sang Huang | — | — | — | — | 403 | 403 | 192 | 192 | 0.66% | 0.66% | 2,717 | 2,717 | 315 | — | 315 | — | 4.12% | 4.12% | — | |
| Independent Director | Gen-Sen Chang-Hsieh | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chi Chang Lu (Note 3) | — | — | — | — | 161 | 161 | 66 | 66 | 0.25% | 0.25% | — | — | — | — | — | — | 0.25% | 0.25% | — | |
| Supervisor | Wei-Chung Hung | | | | | | | | | | | | | | | | | | | | |
| Supervisor | Ling Chiang Chao | | | | | | | | | | | | | | | | | | | | |

Note 1 : The proposed remuneration scheme of directors and supervisors is based on the actual ratio of the 2013 profit distribution, which was approved by the Board, and furthermore, it was approved in 2015 annual general meeting.

Note 2 : The proposed employee bonus scheme is based on the actual ratio of the 2013 profit distribution, which was approved by the Board, and furthermore, it was approved in 2015 annual general meeting.

Note 3 : Elected in 2014/6.

Note 4 : Retired in 2014/6.

| Compensation Range of Director | Name of Director | | | |
|---------------------------------------|---|---|--|---|
| | Total Amount (A+B+C+D) | | Total Amount (A+B+C+D+E+F+G+J) | |
| | K Laser | Sub. | K Laser | Reinvestment Business |
| Below NT\$ 2,000,000 | Alex Kuo / Daniel Kuo / Lisa Hsu / Howard Chen / CDIB Venture Capital Corporation / Cheng-Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu | Alex Kuo / Daniel Kuo / Lisa Hsu / Howard Chen / CDIB Venture Capital Corporation / Cheng-Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu | Daniel Kuo / Lisa Hsu / CDIB Venture Capital Corporation / Cheng-Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu | Lisa Hsu / CDIB Venture Capital Corporation / Cheng-Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu |
| From NT\$ 2,000,000 ~ NT\$ 5,000,000 | — | — | Alex Kuo / Howard Chen | Alex Kuo / Daniel Kuo / Howard Chen |
| From NT\$ 5,000,000 ~ NT\$ 10,000,000 | — | — | — | — |
| Over NT\$ 10,000,000 | — | — | — | — |
| Total | 8 persons | 8 persons | 8 persons | 8 persons |

| Compensation Range of Supervisor | Name of Supervisor | |
|----------------------------------|-----------------------------------|-----------------------------------|
| | Total Amount (A+B+C+D) | |
| | K Laser | Sub. |
| Below NT\$ 2,000,000 | Wei-Chung Hung / Ling Chiang Chao | Wei-Chung Hung / Ling Chiang Chao |
| Over NT\$ 2,000,000 | — | — |
| Total | 2 persons | 2 persons |

Directors' and Supervisors' Professional Knowledge and Independence Information

| Name | Professional qualification requirements, together with at least five years work experience | | | Independence Status (Note 1) | | | | | | | | | | Holds a concurrent post of independence director of other public release company. |
|---------------------|--|--|---|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|---|
| | Qualification | An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company. | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | |
| Alex Kuo | — | — | ✓ | — | — | — | — | ✓ | ✓ | ✓ | — | ✓ | ✓ | — |
| Daniel Kuo | — | — | ✓ | — | — | ✓ | — | ✓ | ✓ | ✓ | — | ✓ | ✓ | — |
| Lisa Hsu | — | — | ✓ | — | — | — | — | ✓ | ✓ | ✓ | — | ✓ | ✓ | — |
| Howard Chen | — | — | ✓ | — | — | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | — |
| Cheng Sang Huang | — | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | — |
| Gen-Sen Chang-Hsieh | — | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | — |
| Chi Chang Lu | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Wei-Chung Hung | — | — | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | — |
| Ling Chiang Chao | — | — | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | — |

Note 1:

- (1) Not an employee of the company, or any affiliates.
- (2) Not a director, supervisor of the company, or any of its affiliates. (The person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
- (8) Not a spouse nor within 2 degrees of consanguinity relative to any directors.
- (9) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- (10) Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

2.2 Major Officers' Information

Apr.19, 2015

| Title | Name | Employed Date | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding Entitled Other Name | | Experience and Education | Other Current Positions | Managers Who Are Spouse or Within 2 Degrees of Consanguinity to Each Other | |
|--------------------------|--------------|---------------|----------------------|------|-----------------------------|------|----------------------------------|---|---|--|--|------|
| | | | Shares | % | Shares | % | Shares | % | | | Title | Name |
| CEO, K Laser Group. | Alex Kuo | 2002.08.21 | 10,187,756 | 5.85 | 752,980 | 0.43 | — | — | <ul style="list-style-type: none"> Ph.D. in EE, SUNY Stony Brook, NY Chairman, K Laser Group. | — | — | — |
| GM | Howard Chen | 2013.12.16 | 576,194 | 0.33 | 7,590 | — | — | — | <ul style="list-style-type: none"> MS in Electrical Engineering, University of Southern California Special Assistant of Chairman, K Laser Technology Inc. | — | — | — |
| Director, R&D Division | Bingo Lo | 2012.08.30 | — | — | — | — | — | — | <ul style="list-style-type: none"> Ph.D. in Mechanical Engineering, National Chiao Tung University V.P., Optivision Technology Inc. | — | — | — |
| Manager, Auditing Office | Vincent Tsai | 2013.06.20 | 750 | — | — | — | — | — | <ul style="list-style-type: none"> M.Acc. SUNY Special Assistant, Chairman office of K Laser Technology Inc. | — | — | — |
| Director, F&A Division | Teresa Huang | 2006.01.03 | 118,016 | 0.07 | — | — | — | — | <ul style="list-style-type: none"> M.Acc. Bentley U., U.S.A Finance Manager of K Laser | <ul style="list-style-type: none"> Supervisor, Rensheng Trading Co., Ltd. | — | — |
| Accounting officer | Serena Hung | 2013.08.13 | — | — | — | — | — | — | <ul style="list-style-type: none"> B.Acc. TKU Manager, K Laser Technology Inc. | — | — | — |
| Financial officer | Rich Yuan | 2013.08.13 | — | — | — | — | — | — | <ul style="list-style-type: none"> B. of Business Administration, Fu Jen Catholic U. Manager, K Laser Technology Inc. | — | — | — |

President Remuneration in 2014

| Title | Name | Salary(A) | | Retirement pay (B) | | Bonus and Special Remuneration (C) | | Employee Bonus from Earning(D) | | | Total Amount as a % of 2011 Net Income | | Number of Employee Stock Options (Thousands shares) | | Compensation from other K Laser Invest Companies (E) |
|---------------------|-------------|-----------|-------|--------------------|------|------------------------------------|------|--------------------------------|-------------|------|--|-------|---|------|--|
| | | K Laser | Sub. | K Laser | Sub. | K Laser | Sub. | Cash Bonus | Stock Bonus | Sub. | K Laser | Sub. | K Laser | Sub. | |
| CEO, K Laser Group. | Alex Kuo | 4,200 | 4,454 | 108 | 108 | 712 | 712 | — | 676 | — | 6.28% | 6.56% | — | — | 672 |
| GM | Howard Chen | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

Note1: The proposed employee bonus scheme is based on the actual ratio of the 2013 profit distribution, which was approved by the Board, and furthermore, it was approved in 2015 annual general meeting.

| Compensation Range of General Manager and Vice President | Number of General Manager and Vice President | |
|--|--|-----------------------------------|
| | K Laser (A+B+C+D) | Reinvestment Business (A+B+C+D+E) |
| Below NT\$ 2,000,000 | — | — |
| From NT\$ 2,000,000 ~ NT\$ 5,000,000 | Alex Kuo / Howard Chen | Alex Kuo / Howard Chen |
| From NT\$ 5,000,000 ~ NT\$ 10,000,000 | — | — |
| Total | 2 persons | 2 persons |

Major Officers' Bonus from Earning

Apr.19, 2015 / Unit : NT\$ Thousands

| | Title | Name | Stock Bonus | Cash Bonus | Total Amount | Total Amount as a % of 2011 Net Income |
|----------------|--------------------------|--------------|-------------|------------|--------------|--|
| Major Officers | CEO, K Laser Group. | Alex Kuo | — | 1,305 | 1,305 | 1.44 |
| | GM | Howard Chen | | | | |
| | Director, R&D Division | Bingo Lo | | | | |
| | Manager, Auditing Office | Vincent Tsai | | | | |
| | Director, F&A Division | Teresa Huang | | | | |
| | Accounting officer | Serena Hung | | | | |
| | Financial officer | Rich Yuan | | | | |

Note: The proposed employee bonus scheme is based on the actual ratio of the 2013 profit distribution, which was approved by the Board, and furthermore, it was approved in 2015 annual general meeting.

Proportion Analysis of net profit distributed to the directors, supervisors, general managers, and deputy managers in the Company and all the consolidated financial reports in the most recent 2 years. Remuneration paid policy, remuneration standards and structure, procedure for setting remuneration and the correlation between remuneration and operation performance are described here as below.

Unit : NT\$ Thousands

| Title | 2013 | | | | 2014 | | | |
|------------------|------------------------|---|--|------------|-------------|------------|--|------------|
| | The company | | Companies in the consolidated financial statements | | The company | | Companies in the consolidated financial statements | |
| | Remunerations (Item A) | Percent of Remunerations over net profit (%) (Item B) | Item A | Item B (%) | Item A | Item B (%) | Item A | Item B (%) |
| Director | 11,621 | 5.10% | 14,356 | 6.30% | 7,699 | 8.49% | 12,529 | 13.82% |
| Supervisor | 395 | 0.17% | 395 | 0.17% | 227 | 0.25% | 227 | 0.25% |
| GM and Deputy GM | 6,310 | 2.77% | 6,564 | 2.88% | 5,696 | 6.28% | 5,951 | 6.56% |

Note: (1) Remunerations for directors and supervisors are structured based on the Memorandum and Articles of the Company, participation level in operation, contributions level, and refer to the industry level in Taiwan.

(2) Salaries for general managers and deputy managers are structured based on the salary policy approved by all the board members and the review of employee performance for that year.

(3) Remunerations in 2013 have been paid. Part of earning distribution in 2014 will be planned for remunerations.

3. Corporate Governance

3.1 The Board Current Status Information

The Board was convened 6 times of meeting in 2014, the attendance status as follows :

| Title | Name | Actual attendance number of times | Agency attendance number of times | Actual attendance | Remarks |
|----------|------------|-----------------------------------|-----------------------------------|-------------------|---------|
| Chairman | Alex Kuo | 6 | 0 | 100% | — |
| Director | Daniel Kuo | 6 | 0 | 100% | — |
| Director | Lisa Hsu | 6 | 0 | 100% | — |

| | | | | | |
|----------------------|----------------------------------|---|---|------|--|
| Director | Howard Chen | 4 | 0 | 100% | Elected in 2014/6 and should be present at 4 times |
| Director | CDIB Venture Capital Corporation | 2 | 0 | 100% | Retired in 2014/6 and should be present at 2 times |
| Independent Director | Cheng-Seng Huang | 6 | 0 | 100% | — |
| Independent Director | Gen-Sen Chang-Hsieh | 6 | 0 | 100% | — |
| Independent Director | Chi Chang Lu | 4 | 0 | 100% | Elected in 2014/6 and should be present at 4 times |

Other necessary supplements

- (1) The matters listed in Securities and Exchange Act Article 14-3, when an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting: None.
- (2) If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:
 - Pursuant to Procedural Rules of Board Meeting of the Company, a Director may not participate in the discussion or vote in respect to any matter, in which such Director bears a personal interest which may conflict with and impair the interest of the Company; provided, however, that such Director may express his or her opinion and respond to inquiries. Such Director shall excuse him or herself during discussion and voting and may not exercise voting rights on behalf of other Directors.
 - The motions in conflict of interest: None.
- (3) Target to strengthen the functions of board for year and recent years (For example, establish an audit committee to enhance transparency of information, etc.) and assessment of implementation :
2014 General Shareholders' Meeting selected 7 directors of the board, included 3 independent directors, to enhance the function of supervision the operating of company and to achieve healthy corporate governance.

3.2 The Operation of the Audit Committee Work within the Board of Directors of the Company

Some of our directors and supervisors having accountant and financial background, therefore our company although has not set up audit committee currently, but still conforms with corporate governance necessary. In the future, depend on the necessary to decide whether set up audit committee.

3.3 Supervisors involved in the operation of the Board of Directors

The Board was convened 6 times of meeting in 2014, the attendance status as follows :

| Title | Name | Actual attendance number of times | Actual attendance | Remarks |
|------------|------------------|-----------------------------------|-------------------|---------|
| Supervisor | Wei - Chung Hung | 6 | 100% | — |
| Supervisor | Ling Chiang Chao | 5 | 83% | — |

Other necessary supplements

1. The composition and duties of supervisors:

(1) The communication among Supervisors, employees and shareholders:

The supervisors, in addition to attend the BOD meeting to oversee the meeting operation and also fully understand the structure of shareholders and the functions of departments of company. Contact with the manger with holding meeting or contact in phone. So has been established the appropriate channels of communication with employee and shareholders.

(2) The communication among Supervisors, internal auditors and CPA (such as the issue of finance, business and the methods, results, etc.):

Supervisors, internal auditors and CPA can discuss the issues of financial announce procedures, internal control system, the suggestions proposed by others and the performance of management. They have been established the appropriate channels of communication with internal auditors and CPA.

2. Supervisors attendance the BOD Meeting, if declare their opinions, should record the date and the results of BOD meeting that deal with the opinions : None

3.4 Corporate Governance Status in Compliance with the Corporate Governance Guidance Rules for Listed Companies

| Items | Implementation Status | | | Remark |
|---|-----------------------|---|--|--------|
| | Y | N | Description | |
| 1. The establishment and disclosure of Company's Own Corporate Governance Guidance. | | ✓ | For the status of K Laser's corporate governance, please refer to Corporate Governance of this Annual Report. | None |
| 2. Shareholding Structure & Shareholders' Rights (1) Method of handling shareholder suggestions or complaints (2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and "firewall" between the Company and its affiliates (4) Method of prohibiting the Company's insider to trade the Company's stock by using non-public information | ✓ | | (1) Our company has designated the spokesman、the deputy spokesman and responsible personnel to handle. (2) Our company has appointed responsible personnel to assist with inquires. (3) The obligations and rights between our company and its affiliated enterprises have been clearly defined. Any transaction between our company and its affiliated enterprises complies with related regulations. (4) The Company has established the method to prohibit the Company's insiders to trade the Company's stock by using non-public information. | None |
| 3. Composition and Responsibilities of the Board of Directors (1) The composition of the board of directors is determined by taking diversity into consideration (2) The establishment of functional committees such as the nomination or compensation committees by Company (3) The Company formulate rules and procedures for board of directors performance assessments (4) Regular evaluation of CPAs' independence | ✓ | | (1) Our composition of the board of directors is determined by taking diversity into consideration. (2) Our company has set up the compensation committee. (3) Pursuant to the by-law, Procedural Rules of Board Meeting, Our Company well establishes the mechanism of corporation governance and risk control and its operations are in compliance with the relevant laws and regulations. (4) Our company's auditor avoids conflicts of interests. | None |
| 4. Establishment of Communication Channels with Stakeholders | ✓ | | Our company has establishment of an official channel for suppliers、customers、banks and shareholders. | None |
| 5. The company engage a professional shareholder services agent to handle shareholders meeting matters | ✓ | | Our company has engaged a professional shareholder services agent to handle shareholders meeting matters. | None |
| 6. Information Disclosure (1) Establishment of a website where information on financial operations and corporate governance is disclosed. (2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference) | ✓ | | (1) Our company website at http://www.klasergroup.com is constantly updated to provide the latest information. (2) Our company has designated appropriate employees to disclose information and announce at http://newmops.tse.com.tw | None |
| 7. Any Other Information Regarding Corporate Governance | ✓ | | (1) Status of any Educational Programs for Directors and Supervisors: Our company provides information related to professional educational opportunities to all directors and supervisors. (2) Risk management policies and risk of the implementation of standards: Please refer to "Details of other important risks and response measures". (3) The implementation of the policy of the protection of consumers or customers: The Company has a staff responsible for handling passenger v. control issues or products. (4) The Company Purchase Liability Insurance for its Directors and Supervisors: Our company has purchased liability insurance USD 3 million for its directors and supervisors. The insurance period was from Nov.5 2014 to Nov.5 2015. | None |
| 8. Company Corporate Governance judgment or have authorized professional institute to referee | | ✓ | None. | None |

Remark: Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons.

3.5 The composition, duties, and operation of the compensation committee

3.5-1 The compensation committee members' Professional Knowledge and Independence Information

| Qualification | Professional qualification requirements, together with at least five years work experience | | | Independence Status (Note 1) | | | | | | | | Holds a concurrent post of compensation committee member of other public release company. |
|---------------------|---|---|--|------------------------------|-----|-----|-----|-----|-----|-----|-----|---|
| | An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company. | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | |
| Name | | | | | | | | | | | | |
| Gen-Sen Chang-Hsieh | — | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Cheng Sang Huang | — | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Chi Chang Lu | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 |

Note 1:

- (1) Not an employee of the company, or any affiliates.
- (2) Not a director, supervisor of the company, or any of its affiliates. (The person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
- (8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

3.5-2 Involved in the operation of the compensation committee

The committee was convened 2 times of meeting in 2014, the attendance status as follows :

| Name | Actual attendance number of times | Agency attendance number of times | Actual attendance | Remarks |
|---------------------|-----------------------------------|-----------------------------------|-------------------|---------|
| Gen-Sen Chang-Hsieh | 2 | 0 | 100% | — |
| Cheng Sang Huang | 2 | 0 | 100% | — |
| Chi Chang Lu | 2 | 0 | 100% | — |

3.6 Social responsibility

| Item | Implementation Status | | | Remark |
|---|-----------------------|---|---|--------|
| | Y | N | Description | |
| <p>1. Exercising Corporate Governance</p> <p>(1)The company declares its corporate social responsibility policy and examines the results of the implementation.</p> <p>(2)The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.</p> <p>(3)The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.</p> | ✓ | | <p>(1)Based on company operating ideal and prospect, to fulfill our social duty , the Board has approved the new by-law, Corporate Social Responsibility Policy . All of business operations follow up the by-laws and aggressively fulfill environment protection and energy saving.</p> <p>(2)Finance and Administration Division of the Company promotes the activities of Corporate Social Responsibility. It establishes the by-laws about corporate governance, takes part in social welfare activities, and sets up the guidelines about environment protection and energy saving. Besides, it fulfills the relevant energy saving programs set by the authorities.</p> <p>(3)The Company announces and declares the regulations for employees by education training and company website. It encourages employees to take part in those activities about social welfare and energy saving and also set up the employee's appraisal rules based on employee's performance and ethic.</p> | None |
| <p>2. Fostering a Sustainable Environment</p> <p>(1)The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.</p> <p>(2)The company establishes proper environmental management systems based on the characteristics of their industries.</p> <p>(3)The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.</p> | ✓ | | <p>(1)The Company purchases and periodically maintains the equipment such as water chiller and cooling tower. It improves water recycle and reduces carbon consumption.</p> <p>(2)Our manufacturing process does not cause the air pollution. We have been qualified and certified for water pollution control measure plans and have invested in equipment to handle the waste water in manufacturing.</p> <p>(3)The Company conducts several projects to reduce the impact on the environment from the daily operation, such as installation of LED light bulb, and paperless operation system.</p> | None |
| <p>3. Preserving Public Welfare</p> <p>(1)The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures.</p> <p>(2)The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.</p> <p>(3)The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(4)The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.</p> <p>(5)The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.</p> | ✓ | | <p>(1)Pursue to the Labor Standards Law, the Labor Health Insurance Act, the Employees' Welfare Funds Act, and the relevant laws, the Company regulates the by-laws about human resources and fulfills them.</p> <p>(2)We have fulfilled the scheduled fire safety inspection and maintained the equipment such as drinking fountains for employee's health. Employee must take part in labor insurance and health insurance and pay the insurance premium according to the relevant laws. Employees have the benefits such as regular health inspection and on-job training, which are compensated by the Company. Depending on the safe and healthy work environment, employees are subject to concentrate on work.</p> <p>(3)For customer protection, the Company set up a channel and can immediately deal with customer complaints.</p> <p>(4)The Company keeps good relationship with its suppliers. Their quality is stable and delivery date is on time. The Company does not have overdue payment. By building good interaction, both of us create a win-win business environment.</p> <p>(5)The Company encourages its employees to take part in those unscheduled social services and different kinds of donation programs to promote the humanitarian spirit.</p> | None |
| <p>4. Enhancing Information Disclosure</p> <p>(1) The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p> | ✓ | | The Company has published the relevant materials about CSR on its website, http://www.klasergroup.com , and, in compliance with the Laws, has announced and declared them to improve information transparency. | None |
| 5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: None | | | | |

| |
|--|
| 6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: None |
| 7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: None |

Remark: Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons.

3.7 The state of the company's performance in the area of good faith management and the adoption of related measures.

| Item | Implementation Status | | Description | Remark |
|--|-----------------------|---|--|--------|
| | Y | N | | |
| 1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) The company's guidelines on corporate conduct and ethics are provided in internal policies and disclosed publicly. The Board of Directors and the management team demonstrate their commitments to implement the policies. (2) The company establishes relevant policies for preventing any unethical conduct. The implementation of the relevant procedures, guidelines and training mechanism are provided in the policies. (3) The company establishes appropriate measures for preventing bribery and illegal political contribution for higher potential unethical conduct in the relevant policies. | ✓ | | Pursuant to the by-law, Ethical Corporate Management Best Practice Principles, the Company well establishes the mechanism of corporation governance and risk control and its operations are in compliance with the relevant laws and regulations: (1) The Company establishes the by-law, Procedures for Verification and Disclosure of Material Information, and regulates the mechanism of processing and disclosure of material information. It prevents information from improper disclosure and assures the consistence and correctness of information disclosure to the public. (2) Pursuant to Procedural Rules of Board Meeting of the Company, a Director may not participate in the discussion or vote in respect to any matter, in which such Director bears a personal interest which may conflict with and impair the interest of the Company; provided, however, that such Director may express his or her opinion and respond to inquiries. Such Director shall excuse him or herself during discussion and voting and may not exercise voting rights on behalf of other Directors. (3) The Company establishes Accounting System and Internal Auditing and fulfills them. | None |
| 2. Corporate Conduct and Ethics Compliance Practice (1) The company shall prevent doing business with whomever has unethical records and include business conduct and ethics related clauses in the business contracts. (2) The company sets up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics. The board of directors supervises such execution and compliance of the policies. (3) The company establishes policies to prevent conflicts of interest and provides appropriate communication and complaint channels. (4) The company establishes effective accounting and internal control systems for the implementation of policies, and the internal auditors audit such execution and compliance. (5) The Company organizes regular training on business ethic. | | | | |
| 3. The company establishes the channels for reporting any ethical irregularities and sets up punishment for violations of the policies. | ✓ | | The Company establishes the by-law, Work Rules, and regulates the related issues. | None |
| 4. Information Disclosure (1) To set up a corporate website or other information disclosure channel that publishes information relating to company's corporate conduct and ethics. | ✓ | | The Company has published the relevant materials about company's corporate conduct and ethics on its website, http://www.klasergroup.com . | None |
| 5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation : None | | | | |
| 6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy) : None | | | | |

Remark: Deviations from "corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles" and reasons.

3.8 To promote governance status understanding, we disclose the information on our website of company at: <http://www.klasergroup.com>

3.9 Execution of Internal Control System

3.9.1 Statement of Internal Control

Statement of Internal Control

Date: Mar. 20, 2015

Based on the findings of a self-assessment, K Laser Technology Inc states the following with regard to its internal control system during the period from January 1, 2014 to December 31, 2014:

- 1.KLT is fully aware the establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. KLT has established such a system aimed at providing reasonable assurance regarding the achievement of objectives to effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
- 2.An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of KLT contains self-monitoring mechanisms, and KLT takes corrective actions whenever a deficiency is identified.
- 3.KLT evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (here in below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
- 4.KLT has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- 5.Based on the findings of the evaluation mentioned in the preceding paragraph, KLT believes that, during the year 2014, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
- 6.The Statement will be an integral part of KLT's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20,32,171, and 174 of the Securities and Exchange Law.
- 7.This Statement has been passed by the Board of Directors in their meeting held on Mar. 20, 2015, with zero of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

K Laser Technology Inc.



Alex Kuo,
Chairman



Howard Chen,
General Manager

- 3.9.2 CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report : None.

3.10 Breach of Corporate Laws, Fines and Current Status : None

3.11 Major Decisions of Shareholder Meetings and Board Meetings

3.11.1 Board Meetings

(1) The 1st Meeting of the 10th Term of Board of Directors

Date: Jul. 9, 2014

1. Approved to capital reduction via buy back treasure stock, the 19th
2. Approved the exercise date of the 2nd secured convertible redeemable bonds that is convertible into common stock of Company
3. Approved the ex-dividend date and rate for distribution of cash dividends of 2014

(2) The 2nd Meeting of the 10th Term of Board of Directors

Date: Aug. 7, 2014

1. Approved the conversion status report of the 2nd secured convertible redeemable bonds that is convertible into common stock of Company
2. Approved 2014 Q2 Financial Statements
3. Approved the endorsement and guarantee of the Chinatrust Bank loan for the subsidiary, K Laser China Group Holding Co., Limited
4. Approved to issue domestic 4th secured and 5th unsecured convertible bonds, respectively

(3) The 3rd Meeting of the 10th Term of Board of Directors

Date: Nov. 11, 2014

1. Approved 2014 Q3 Financial Statements
2. Approved buy back 9,000 thousand shares of treasure stocks

(4) The 4th Meeting of the 10th Term of Board of Directors

Date: Mar. 20, 2015

1. To report the liquidation of subsidiary, K Laser Technology, Mexico, S.A. de C.V.
2. Approved to capital reduction via buy back treasure stocks, the 20th
3. Approved to capital reduction via buy back treasure stocks, the 17th
4. Approved the amendment of 2015 Audit Plan
5. Approved 2014 Audit Report and the Disclosure of Statement of Internal Control System
6. Approved Operating Report and 2014 Financial Statements
7. Approved the distribution proposal for 2014 dividend
8. Approved the convention of 2015 Annual General Meeting
9. Approved 2015 Business Operation and Budget Plan

(5) The 5th Meeting of the 10th Term of Board of Directors

Date: May. 14, 2015

1. Approved 2015 Q1 Financial Statements
2. Approved buy back 10,000 thousand shares of treasure stocks

(6) The 1st Extraordinary Meeting of the 10th Term of Board of Directors

Date: Jun. 18, 2014

1. Elected Alex Kuo to chairman of K Laser Technology Inc.
2. Approved the members of remuneration committee

3.11.2 Shareholder Meetings

The 2014 Annual General Meeting

Date: Jun. 18, 2014

- (1) Admitted Operating Report and 2013 Financial Statements
- (2) Admitted 2013 Earning Distribution

- (3) Approved the amendments of Regulations Governing the Acquisition and Disposal of Assets and Procedures for Engaging in Derivative Financial Product Transactions
- (4) Election of directors and supervisors
- (5) Approved the relief of directors from non-competition restrictions

3.12 Objections to Resolutions Set by Board Meetings : None

3.13 A summary of resignations and dismissals, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer : None

4. Information on CPA professional fees

4.1 Information on professional fees

| Name of CPA Firm | CPA | | Audit Period | Remark |
|-------------------|-------------|--------------|-----------------------|--------|
| Deloitte & Touche | Hung-Bin Yu | Ker-Chang Wu | 2014.01.01~2014.12.31 | — |

| Amount (In thousands of NTD) | Item | Audit fees | Non-audit fees | Total |
|---------------------------------|-----------------------|------------|----------------|-------|
| | 1 | <2,000 | V | \$0 |
| 2 | 2,000 ≤ amount <4,000 | | | |
| 3 | ≥4,000 | | | |

4.2 Non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more: None.

4.3 Changes the accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous year: None.

4.4 The audit fees paid for the current year are lower than those for the previous fiscal year by 15 percent or more: None.

5. Information on replacement of CPA: None

6. Chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

7. Information on Net Changes in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Managers and Shareholders of More Than 10% Shareholding

7.1 Change in Shareholding of Directors, Supervisors, Officers And Major Shareholders

Unit : Shares

| Title | Name | 2014 | | Mar. 31, 2015 | |
|--------------------------|----------------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Alex Kuo | - | - | - | - |
| Director | Daniel Kuo | - | - | - | - |
| Director | Lisa Hsu | - | - | - | - |
| Director | CDIB Venture Capital Corporation | - | - | - | - |
| | Representative: James Yin | - | - | - | - |
| Director | Howard Chen | - | - | - | - |
| Director | Cheng-Seng Huang | - | - | - | - |
| Director | Gen-Sen Chang-Hsieh | - | - | - | - |
| Director | Chi Chang Lu | - | - | - | - |
| Supervisor | Wei-Chung Hung | - | - | - | - |
| Supervisor | Ling Chiang Chao | - | - | - | - |
| Director, Mfg. Division | Andy Wen | - | - | - | - |
| Director, R&D Division | Bingo Lo | - | - | - | - |
| Manager, Auditing Office | Vincent Tsai | - | - | - | - |
| Director, F&A Division | Teresa Huang | - | - | - | - |
| Accounting officer | Serena Hung | - | - | - | - |
| Financial officer | Rich Yuan | - | - | - | - |

7.2 Status of Transfer of Shareholding to related person or Shareholding Pledge to related person : None.

8. The company's 10 largest shareholders and relationship

Apr.19, 2015

| Name | Holding shares | | Spouse & Minor Shareholding | | Shareholding Entitled Other Name | | Relationship | |
|--|----------------|------|-----------------------------|------|----------------------------------|---|--------------|--------------|
| | Shares | % | Shares | % | Shares | % | Name | Relationship |
| Treasury stock account of K Laser Tech. Inc. | 17,000,000 | 9.76 | - | - | - | - | - | - |
| Alex Kuo | 10,187,756 | 5.85 | 752,980 | 0.43 | - | - | - | - |
| Chao- Ching Kuo | 4,454,000 | 2.56 | - | - | - | - | - | - |
| Zi-Wei Kuo | 2,830,000 | 1.63 | - | - | - | - | - | - |
| Guei-Tang Shin | 2,401,196 | 1.38 | - | - | - | - | - | - |
| Mega International Commercial Bank | 2,354,674 | 1.35 | - | - | - | - | - | - |
| Representative: McKinney Tsai | - | - | - | - | - | - | - | - |
| 花旗(台灣)託管次元新興市場評估基金專戶 | 1,831,601 | 1.05 | - | - | - | - | - | - |
| Ching-Fu Jang | 1,800,000 | 1.03 | - | - | - | - | - | - |
| Mei-Ling Ho | 1,728,179 | 0.99 | - | - | - | - | - | - |
| Hung-Yuan Zhou | 1,726,000 | 0.99 | - | - | - | - | - | - |

9. Total Percentage of Ownership of Invitees

Unit : Shares/% Mar.31, 2015

| Re-invested Business (Long-Term Investment) | Direct Investment by the Company (1) | | Invested Business Directly or Indirectly Controlled by Director, Supervisor, and Manager (2) | | Total Investments (1)+(2) | |
|--|--|------|---|-----|---------------------------------|------|
| | Shares | % | Shares | % | Shares | % |
| K Laser China Group Co., Ltd. | 28,809,044 | 100% | — | — | 28,809,044 | 100% |
| K Laser International Co., Ltd. | 20,298,978 | 100% | — | — | 20,298,978 | 100% |
| Optivision Technology Inc. | 22,699,420 | 46% | 1,480,750 (Note 1) | 3% | 24,180,170 | 49% |
| iWin Technology Co., Ltd. | 98,745 | 49% | 102,775 | 51% | 201,520 | 100% |
| Vicome Corp. | 2,661,237 | 33% | — | — | 2,661,237 | 33% |
| Everest Display Inc. | 11,767,857 | 36% | 3,222,531 | 9% | 14,990,388 | 45% |

Note 1: Apr.17, 2015

Capital Raising Status

1. Capital and Shares

1.1 Source of Capital

1.1-1 Source of Capital

Apr 19,2015 / Unit : Thousand Shares : NT\$ Thousand (Except Issuance Price)

| Year Month | Price | Authorized Capital | | Issued Capital | | Remarks | | | |
|------------|-------|--------------------|-----------|----------------|-----------|--------------------|--|----------------------------------|-----------------|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increase by Assets Other than Cash | Other (Approval Document Number) | |
| 2013.01 | 10 | 200,000 | 2,000,000 | 150,694 | 1,506,941 | CB Convert | 22,934 | - | 園商字第1020002816號 |
| 2013.04 | 10 | 200,000 | 2,000,000 | 157,879 | 1,578,789 | CB Convert | 71,848 | - | 園商字第1020012319號 |
| 2013.09 | 10 | 200,000 | 2,000,000 | 163,335 | 1,633,350 | CB Convert | 54,560 | - | 園商字第1020026799號 |
| 2013.11 | 10 | 200,000 | 2,000,000 | 166,487 | 1,664,873 | CB Convert | 31,524 | - | 園商字第1020036501號 |
| 2014.05 | 10 | 200,000 | 2,000,000 | 169,373 | 1,693,730 | CB Convert | 28,857 | - | 竹商字第1030012573號 |
| 2014.08 | 10 | 200,000 | 2,000,000 | 162,992 | 1,629,921 | 庫藏股註銷 | 80,000 | - | 竹商字第1030022950號 |
| | | | | | | CB轉增資 | 16,191 | - | |
| 2014.12 | 10 | 200,000 | 2,000,000 | 174,166 | 1,741,665 | CB轉增資 | 111,744 | - | 竹商字第1030036214號 |

Unit : Shares, Apr 19,2015

| Share Type | Authorized Capital | | | | | Remarks |
|---------------|--------------------|------------|--------------|------------------|-------------|---------|
| | Issued Shares | | | Un-Issued Shares | Total | |
| | Listed | Non-Listed | Total (Note) | | | |
| Common Stocks | 174,166,494 | 0 | 174,166,494 | 25,833,506 | 200,000,000 | -- |

Note: Including of the 47,619 shares of CB that are excisable and have not applied for the modifications of registration.

1.1-2 Information of approval has been granted to offer : None.

1.2 Shareholder Structure

Apr 19,2015

| Structure \ Volume | Government Agencies | Financial Institution | Other Legal Entities | Domestic Individuals | Foreign Institutions & Individuals | Total |
|------------------------|---------------------|-----------------------|----------------------|----------------------|------------------------------------|-------------|
| Number of Shareholders | — | 3 | 30 | 16,345 | 51 | 16,429 |
| Shareholding (Shares) | — | 2,385,999 | 19,416,817 | 145,205,594 | 7,158,084 | 174,166,494 |
| Holding Percentage | — | 1.37% | 11.15% | 83.37% | 4.11% | 100.00% |

1.3 Distribution Profile of Shareholder Ownership

Apr 19,2015

| Levels of Shareholder Ownership | Number of Shareholders | Total Shares Owned | Ownership Percentage% |
|---------------------------------|------------------------|--------------------|-----------------------|
| 1 – 999 | 6,316 | 606,850 | 0.35 |
| 1,000 - 5,000 | 6,618 | 15,638,653 | 8.98 |
| 5,001 - 10,000 | 1,688 | 13,893,528 | 7.98 |
| 10,001 - 15,000 | 469 | 5,986,251 | 3.44 |
| 15,001 - 20,000 | 380 | 7,179,037 | 4.12 |
| 20,001 - 30,000 | 305 | 7,939,321 | 4.56 |
| 30,001 - 40,000 | 148 | 5,412,680 | 3.11 |
| 40,001 - 50,000 | 127 | 6,045,373 | 3.47 |
| 50,001 - 100,000 | 199 | 14,434,057 | 8.29 |
| 100,001 - 200,000 | 102 | 15,024,119 | 8.63 |

| | | | |
|---------------------|--------|-------------|--------|
| 200,001 - 400,000 | 36 | 10,645,350 | 6.11 |
| 400,001 - 600,000 | 13 | 6,477,926 | 3.72 |
| 600,001 - 800,000 | 5 | 3,615,868 | 2.07 |
| 800,001 - 1,000,000 | 4 | 3,571,459 | 2.05 |
| Over 1,000,001 | 19 | 57,696,022 | 33.12 |
| Total | 16,429 | 174,166,494 | 100.00 |

1.4 List of Major Shareholders

Apr 19,2015

| Major Shareholders | Shares | Total Shares Owned | Ownership Percentage% |
|--|--------|--------------------|-----------------------|
| Treasury stock account of K Laser Tech. Inc. | | 17,000,000 | 9.76 |
| Alex Kuo | | 10,187,756 | 5.85 |
| Chao- Ching Kuo | | 4,454,000 | 2.56 |
| Zi-Wei Kuo | | 2,830,000 | 1.63 |
| Guei-Tang Shin | | 2,401,196 | 1.38 |
| Mega International Commercial Bank | | 2,354,674 | 1.35 |
| 花旗(台灣)託管次元新興市場評估基金專戶 | | 1,831,601 | 1.05 |
| Ching-Fu Jang | | 1,800,000 | 1.03 |
| Mei-Ling Ho | | 1,728,179 | 0.99 |
| Hung-Yuan Zhou | | 1,726,000 | 0.99 |

1.5 Market Price, Net Worth, Earnings, Dividends Per Share and Other Data

Unit : NT\$; Thousand Shares

| Items | | Year | 2013 | 2014 | Mar 31,2015 |
|----------------------------------|--|-------------------|---------|---------|-------------|
| Market Price Per Share | Highest | | 22.35 | 20.65 | 17.30 |
| | Lowest | | 11.60 | 14.20 | 15.60 |
| | Average | | 16.46 | 17.06 | 16.36 |
| Net Worth Per Share | Before Distribution | | 17.59 | 19.16 | — |
| | After Distribution | | 16.93 | 18.79 | — |
| Earnings Per Share | Weighted Average Common Shares Outstanding | | 152,605 | 161,778 | 157,194 |
| | Earnings Per Share | | 1.49 | 0.56 | 0.16 |
| Dividends Per Share (Note) | Cash Dividends | | 0.65 | 0.35 | — |
| | Stock Dividends | Retained Earnings | — | — | — |
| | | Capital Surplus | — | — | — |
| | Accumulated unpaid dividend | | — | — | — |
| Analysis of Return on Investment | Price/Earnings Ratio | | 11.05 | 30.46 | — |
| | Price/Dividends Ratio | | 25.32 | 48.74 | — |
| | Cash Dividends Yield Rate | | 3.95% | 2.05% | — |

Note : The earning distribution for year 2014 has been approved by the Broad meeting, but it hasn't been approved by the General Shareholders' Meeting.

1.6 Dividend Policy and Status

1.6-1 Dividend Policy

Based on the cash demand of operating and striving the best benefit of stockholders' equity, our dividend policy will depend on the capital expense of the budget and demand of cash in the future.

1.6-2 Proposed Profit Distribution Plan for 2014

The board adopted the following for 2014 earning distribution at its meeting on Mar. 20, 2015. The proposed earning distribution will be presented for approval at the General Shareholders' Meeting on Jun. 18, 2015.

| Unit : NTD | |
|---|------------|
| Item | Amount |
| Cash dividends (NT\$0.35 per share) | 55,008,273 |
| Remuneration to directors and supervisors | 1,208,973 |
| Bonus to employees | 4,231,406 |

1.7 Impact of Stock Dividends on Operation Results and EPS : Not Applicable

1.8 Employee Bonus, Directors and Supervisors Remuneration

1.8-1 Company Policy

Pursuant to the Articles and Memorandum of Incorporation, after paying taxes and offsetting prior years' losses, the Company sets aside a legal reserve equivalent to 10% of its annual net income and sets aside or reverses, if necessary, special reserve. The remaining net earnings plus employee's bonus and directors and supervisors' fees, which have been set aside as the expenses in the annual report, shall be proposed and approved by the Board of Directors and shall be further approved in the general meeting. The Company should distribute directors and supervisors' fees at 2% and employee's bonus at no lower than 7% of the amount.

Employees who are entitled to receive share dividends as bonus should include those working in the subordinate companies.

1.8-2 If the difference between the proposed distribution and actual distribution on employee's bonus and shares and directors and supervisors' fees, the accounting will follow the principle described below :

Pursuant to the Company's Memorandum and Articles of Association and refer to the actual distribution of directors and supervisors' fees in the past, the Company estimates the proposed distribution of employees' bonus and remunerations for directors and supervisors. If there are the differences between the proposed and actual distribution, the difference will be estimated and listed in the coming income statement.

1.8-3 Information Regarding the Board of Directors Proposal for Appropriation of Employee Bonus etc :

| Unit : NT\$: Thousand | | | | |
|---|------------|---------------|---|---|
| Item \ Amount | Cash bonus | Remunerations | Difference between Proposed and Actual Distribution | Earnings per Share(NT\$) after Employees' Bonus and Remunerations for Directors and Supervisors |
| Employees' bonus | 4,231 | 0 | 0 | 0.56 |
| Remunerations for Directors and Supervisors | 0 | 1,209 | 0 | |

1.8-4 Status of Employee Bonus, and Directors' & Supervisors' Remuneration from 2012 Retained Earnings are as Follows:

In 2013 the proposed distribution of employees' bonus and remunerations for directors and supervisors are NT\$6,691K and 1,912K, respectively. However, the actual distribution for are employees' bonus and remunerations for directors and supervisors are NT\$8,071K and 2,306K, respectively. The difference of amounts is NT\$1,774K and has been listed as the adjusted item as expense in 2014.

1.9 Share Buy-Back : None.

2. Issuance of Corporate Bonds

2.1 Issuance of Corporate Bonds

Apr 19, 2015

| Type | Domestic 2nd Secured Convertible Bonds | Domestic 4th Secured Convertible Bonds | Domestic 5th Unsecured Convertible Bonds |
|--|---|---|---|
| Issue date | 2011.9.22 | 2014.10.17 | 2014.10.20 |
| Face amount | NT\$ 100,000 | | |
| Issue amount | NT\$ 100,000 | | |
| Issue size | NT\$ 300 million | NT\$ 300 million | NT\$ 200 million |
| Coupon rate | 0% | 0% | 0% |
| Maturity | 3 years; 2014.9.22 | 3 years; 2017.10.17 | 3 years; 2017.10.17 |
| Guarantor | Taipei Fubon Bank | Chinatrust Bank | - |
| Trustee | E.SUN Bank | E.SUN Bank | |
| Registrar, Principal paying, conversion and transfer agent | Fubon Securities Co., Ltd. | Chinatrust Securities | |
| Legal counsel | - | | |
| Auditor | - | | |
| Redemption | On the maturity date, the issuer will redeem the bonds at their principal amount, unless, (a) The issuer shall have redeemed the bonds at the option of the issuer, or the bonds shall have been redeemed at the option of the bondholders (b) The bondholders shall have exercised the conversion right before maturity; or (c) The bonds shall have been purchased by the issuer and cancelled. | | |
| Principal payable | NT\$0 | NT\$ 300 million | NT\$ 200 million |
| Redemption or early redemption clause | (a) Issuer may, at our option at any time after 2011/10/23 and prior to 2014/8/13, redeem the Bonds in whole at their principal amount for cash, if the Closing Price of the TSE-listed Shares, for a period of 30 consecutive Trading Days, is at least 30% of the Convertible Price. (b) Issuer may also, at our option at any time after 2011/10/23 and prior to 2014/8/13, redeem the Bonds in whole at their principal amount if at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled. | (a) Issuer may, at our option at any time after 2014/11/18 and prior to 2017/9/7, redeem the Bonds in whole at their principal amount for cash, if the Closing Price of the TSE-listed Shares, for a period of 30 consecutive Trading Days, is at least 30% of the Convertible Price. (b) Issuer may also, at our option at any time after 2014/11/18 and prior to 2017/9/7, redeem the Bonds in whole at their principal amount if at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled. | (a) Issuer may, at our option at any time after 2014/11/21 and prior to 2017/9/10, redeem the Bonds in whole at their principal amount for cash, if the Closing Price of the TSE-listed Shares, for a period of 30 consecutive Trading Days, is at least 30% of the Convertible Price. (b) Issuer may also, at our option at any time after 2014/11/21 and prior to 2017/9/10, redeem the Bonds in whole at their principal amount if at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled. |
| Covenant | - | | |

| | | | | |
|--|---------------------------------------|--|---|---|
| Rating | | - | | |
| Other obligation | Balance of amount Converted to shares | NT\$285,866,050 | - | - |
| | Policy of issuing or converting | Reference the Policy of issuing or converting | | |
| Effect on the current shareholders due to dilution | | Comparing funding management, issue Convertible Corporate Bonds could decrease the dilution of EPS, and raising the ratio of equity capital. | | |
| Name of custodian | | - | | |

2.2 Corporate Bonds information

Unit : NTD

| Items | Type Year | Domestic 2nd Secured Convertible Bonds | | | Domestic 4th Secured Convertible Bonds | | | Domestic 5th Unsecured Convertible Bonds | | |
|---|-----------|--|-----------|-----------|--|--------|-----------|--|--------|-----------|
| | | 2013 | 2014 | 2015.3.31 | 2013 | 2014 | 2015.3.31 | 2013 | 2014 | 2015.3.31 |
| Market Price | High | 201.00 | 195.00 | - | - | 108.95 | 111.00 | - | 108.00 | 108.10 |
| | Low | 111.10 | 159.00 | - | - | 107.00 | 107.05 | - | 100.00 | 105.40 |
| | Average | 149.44 | 163.78 | - | - | 107.21 | 108.85 | - | 103.13 | 107.12 |
| Convertible price | | 10.5 | 10.5:10.1 | - | - | 16.70 | 16.70 | - | 16.80 | 16.80 |
| Issue Date and Original Convertible price | | 2011.09.22 / NT\$ 10.7 | | | 2014.10.17 / NT\$ 16.7 | | | 2014.10.20 / NT\$ 16.8 | | |
| Source of Convertible Shares | | New Common Share | | | | | | | | |

Note: Paid off 2nd Secured Corporate Bond.in Sep, 2014.

3. Status of Preferred Shares : None.

4. Status of Overseas Depository Certificate : None.

5. Issuance of Employee Stock Option Plan (ESOP) : None.

6. Status of New Share Issuance in Connection with Mergers and Acquisitions : None.

7. Financing Plans and Implementation

7.1 Content of Corporate Bonds Scheme

7.1-1 Date and Number approved by the competent authority : 2014.10.7 金管證發字第 1030038901 號

7.1-2 Total Capital Required for Scheme : NT\$500,000 (thousands)

7.1-3 Capital Resource : Corporate Bonds NT\$ 500,000 (thousands)

7.1-4 Items of Scheme and Status of Planned Usage of Capital :

Unit : NTD in thousands

| Item | Planned Finnish Date | Total Capital Required | Status of Planned Usage of Capital | |
|------------------|----------------------|------------------------|------------------------------------|--------|
| | | | 2014Q4 | 2015Q1 |
| Redeem Bank Loan | 2015Q1 | 500,000 | 404,000 | 96,000 |
| Total | | 500,000 | 404,000 | 96,000 |

7.2 Progress Status of Corporate Bonds Scheme

7-2-1 Progress Status Unit :

Unit : NTD in thousands,%

| Item | Status | Mar. 31, 2015 | | Effectiveness Comparison between Now and Planned |
|------------------|---------|------------------|---------|--|
| | | Progress Summary | | |
| Redeem Bank Loan | Planned | 500,000 | 100.00% | 100.00% |
| | Actual | 500,000 | 100.00% | |
| Total | Planned | 500,000 | 100.00% | |
| | Actual | 500,000 | 100.00% | |

7-2-2 Comparison and Analysis on Financial Conditions

Unit : NTD in thousands,%

| Year Item | 2013 | 2014 | Difference Amount | % | Remark |
|-----------------------|-----------|-----------|-------------------|------|--------|
| Current Assets | 442,442 | 332,774 | -109,668 | -25% | Note 1 |
| Current Liabilities | 752,567 | 849,633 | 97,066 | 13% | Note 2 |
| Long-Term Liabilities | 748,897 | 793,007 | 44,110 | 6% | Note 3 |
| Total Liabilities | 1,501,464 | 1,642,640 | 141,176 | 9% | |
| Net Sales | 502,817 | 551,732 | 48,915 | 10% | |
| Interest Expense | 27,245 | 25,461 | -1,784 | -7% | Note 4 |
| Earning Per Share | 1.49 | 0.56 | -0.93 | -62% | Note 5 |

Analysis and Remarks of Proportional Change

Note 1 : Current Assets decreased, which were primarily due to the pay off of CB2 and decrease of current financial assets at fair value through profit or loss.

Note 2 : Current Liabilities increased, which was primarily due to increase short-term notes.

Note 3 : Long-Term Liabilities increased, which was primarily due to issuance CB.

Note 4 : Interest Expense decreased, which were primarily due to pay loan.

Note 5 : Earning Per Share decreased, which were primarily due to 29% decrease of Net Income.

Note 6 : Others please refer to Chapter 6 of this Annual Report.

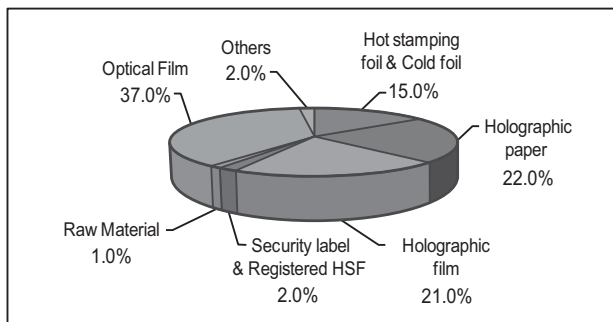
Operational Highlights

1. Business Activities

1.1 Business Scope

1.1-1 Operation Items : The company engages in the research and development, production and sales of holographic products. The major holographic products are included holographic film, hot stamping foil, cold foil, holographic paper, security label, optical films and etc.

1.1-2 Major Products and Percent Sales :



1.1-3 Current products:

- A. Hot Stamping Foil
- B. Cold Foil
- C. Register Hot Stamping Foil
- D. Holographic paper
- E. Holographic PET film
- F. Holographic PVC film
- G. Holographic OPP film
- H. Holographic Security Label
- I. Holographic Transfer Film
- J. Optical Film

1.1-4 New products in plan :

- A. True Seamless product in busy and customized pattern for PET, PVC, Hot stamping foil, Cold foil, HRI film, Holographic paper and etc.
- B. PET 50u film with positioning UV Lens
- C. PET 50u film with true seamless UV Lens
- D. Low price holographic hot stamping foil for aluminum cap
- E. Offset holographic cold foil

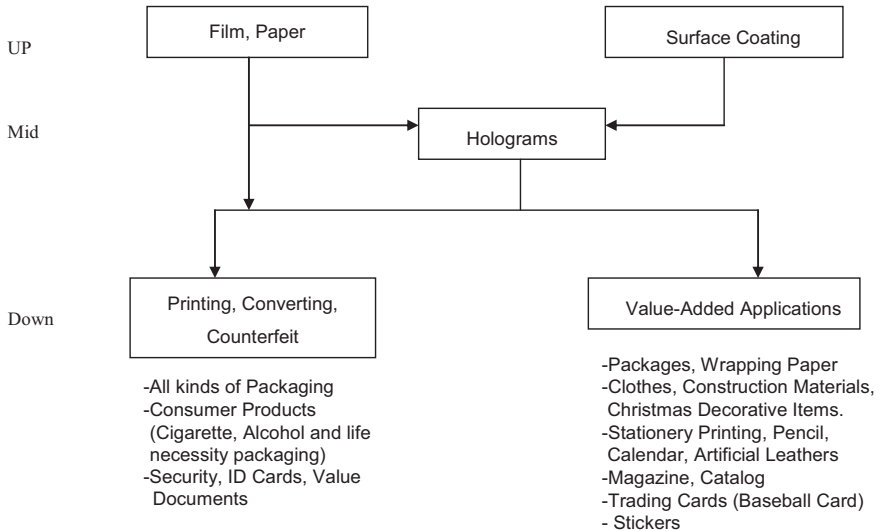
1.2. Industry Overview

1.2-1 Current Industry Products and Development

K Laser is the biggest holographic material supplier that has high tech holographic and embossing technology. More Specifically, K Laser is able to serve our clients from the world and offer them most appropriate products in time through our strong marketing and sale channel in the world.

Currently, China continues to be the major sales market, but the competition there is also intense. For European market, the demand for UV lens is increasing. It is expected to be the new and major sales growth territory. Southeast Asia market is still under observation and the earliest it is expecting to achieve drastic growth will be 2016.

1.2-2 The Relationship Between Up-, Mid-, and Down-Stream Supply Chain Services



PET, OPP, PVC films, and paper are the most common carriers of holograms. We have secured steady supplies of films from NanYa Plastics and Shinkong Synthetic Fibers Corporation, and papers from Yuen Foong Co., Ltd etc. The raw materials may affect the quality of hologram embossing. On the other hand, customers' requirements for material strength and temperature resistance as well as production speed are also crucial. In many cases, we have developed very close partnerships with customers and products of highly anti-counterfeiting and value-added packages.

Vertical integration will be a trend in the industry. Some hologram manufacturers begin investing in coating business to produce the materials for hologram embossing. At the same time, film suppliers are also developing materials that can be used for hologram embossing without coating. Some converters have also purchased embossing machines to produce holographic materials themselves.

1.2-3 Product Development Trends & Competition

1. Advanced Holography Technology

The underlying technology is highly complex and specific to the company but the end result is extremely simple as far as the untrained eye is concerned. And this is why the hologram industry needs to be looking at holographic origination techniques that deliver both complexity of the underlying technology with simplicity of the finished effect, and that at the same time cannot be acquired or copied by counterfeiters. Advances in hologram technology in recent years have centered on improving the quality and complexity of the images, as well as the methods of mastering, production and application, resulting in holograms that, are brighter, with more dynamic and complex visual effects, than ever before ; that can be turned around from specification to delivery of finished product in days and weeks rather than months ; that are available in a wide

range of materials compatible with substrates in regular use in user industries ; that can either include or be combined with covert and other security technologies, and shim lineless new technology to make it easy to recognize and clearly holographic effect.

2. Holographic true seamless product has been becoming a major trend in the market

The advantage of holographic seamless products can help to decrease the manufacturing loss and enhance the production efficiency. In today, all of holographic suppliers need to provide all of products (such as, holographic lamination film, hot stamping foil, cold foil, holographic paper...etc.) in seamless for customers' demand. K Laser has been successfully developed the suitable products for this trend.

3. Positioning UV Lens is expected to be the Star Product in 2015.

UV Lens gives strong visual effect and thus enhances eye catching packaging. By incorporating holographic effect with positioning lens effect, it will lead to high value added security products.

1.3 Technology and R&D Highlights

1.3-1 R&D Expenditures of K Laser from 2013 to 2014

Unit : NT\$ Thousands

| Year | 2013 | 2014 | 2015Q1 |
|------------------|---------|---------|--------|
| R&D Expenditures | 176,207 | 178,035 | 40,744 |

1.3-2 R&D Achievements and Plans for the Future

According to the market request, the Company develops high value-add product with aesthetic and high security features to achieve technology innovation, quality improvement and wide range of product application. The Company also integrates and develops the upstream and downstream process technology, and improves resolution and design ability.

The technique Road-Map, R&D release following new Tech. and new Product in 2014:

- A. Origination Technology:
 - (a) 1 Meter seamless rainbow origination technology (b) Combine the hologram with the deep grating drum origination technology (c) 3D Moire Film (d) 3D perspective hologram (e) C-Lens (f) T-Lens
- B. New Product:
 - (a) True Seamless products (b) Thin 3D Moire effect film (c) UV emboss related products (d) Holographic hot stamping foil for plastic (e) Holographic film for flexible packaging (f) LED sparkling film (g) Holographic high temperature resistant hot stamping foil for laser printer (h) PET UV casting film (i) anti-counterfeit holographic hot stamping material for aluminum closure (j) True Seamless KFL for Flexo Printing
- C. Equipment Development:
 - (a) 1 Meter seamless optical production machine (b) 1 Meter drum electroforming machine (c) UV drum process facilities (d) 3D depth facilities

R&D Strategy:

- A. Combine supplies' and customer's technology, develop more value and more tamper function products.
- B. Developing Seamless holographic origination technology and production process.
- C. Developing high precision coating technology, recipe and process, to promote products' application and control products' quality efficiently.
- D. Developing the optical effect origination for the electric products application.
- E. Developing UV embossing process combine deep grating and holographic effects.
- F. Developing aesthetic and high security technique to improve R&D ability.
- G. Developing holographic high temperature resistant hot stamping foil to enhance our competitiveness on paper anti-counterfeit market.

- H. Developing holographic cold foil for soft tube package to provide various color choices for soft packaging.

1.4. Long and Short Term Business Plan

1.4-1 Long Term Business Plan

The Company has established International Business Unit to integrate the Group resources and to plan for global sales and marketing activities (except China local sales). The Company also organizes K Laser Dongguan and K Laser Wuxi to be the production center for Group's standard products.

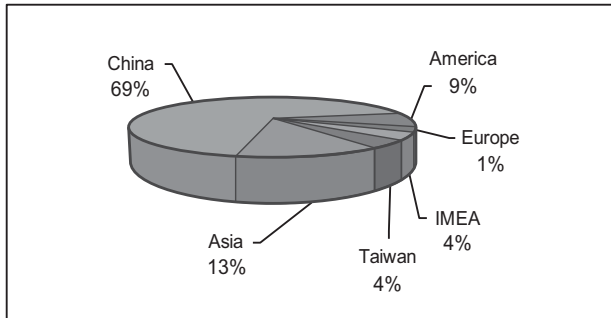
1.4-2 Short Term Business Plan

- A. Taiwan Market: The Company will target for branded product market and high value anti-counterfeiting projects.
- B. China Market: The Company will promote true-seamless products in order to provide the high added-on value to the customers and secure the existing customers.
- C. Asia Market: Hologram product is more mature in Northern Asia, therefore, the Company will promote busy and customized true-seamless pattern into the market. Whereas, for South East Asia, the Company will promote K Laser China's price competitive products.
- D. US Market: The Company will focus on the marketing of true seamless products and secure the cold foil market.
- E. Europe Market: The Company will target the customized projects on the products of well-known brand name and promote UV Lens products.

2. Marketing and Sales Conditions

2.1 Market Analysis

2.1-1 Major Sales Regions :



2.1-2 Future Market Supply, Demand and Growth Potential

1. Global hologram market and industry overview

Currently, China is the biggest market in Holographic industry in term of sales volume, and followed by America, Europe and Asia (excluding China). The inquiry for UV Lens in Europe has increased significantly and it is expecting to bring high revenue from this region. The major product in US market is cold foil, and the demand for PET50um has dropped. Japanese market requires high quality packaging material. In Southeast Asian, although the market is big, the quality is less concerned by the customer expect for the brand name company and customized projects.

2. Mainland China market

In China, holographic material is used majorly in cigarette and liqueur packaging. However, owing to the policy of fighting extravagance, this market does not have the high growth rate as previous years. The holographic material used in consumer products still has room to grow, but the required

price is lower than used in cigarette and liqueur packaging. There are more and more competitors in this market, so the Company will continuously develop advanced technology and reduce the cost to gain more momentum to stay in this market.

2.1-3 Factors Relating to Future Development of KLT

1. Favorable Factors (Competitive Niche)

- A. The Company has developed new seamless process to redefine the market specifications. By this new process, the Company reduces the production cost significantly and also increases the yield rate for the Customers.
- B. Owing to the keen competition, European competitors gradually leaving the market. The current market situation is in favor of the Company to implement market strategies.
- C. Through group integration, the Company adapts centralized/batch production strategy to reduce the production cost and keep market penetration without cutting margin.
- D. Developing new origination technology and equipment to increase keep market attention on holographic effect.

2. Threaten and Adaptive Strategy

- A. The rise of environmental consciousness
Response measure:
Reinforce the marketing resource in promoting transfer film, cold and hot stamping foil.
- B. Currency fluctuation
Response measure:
All the international trading will be in US Dollar. The current sales in Euro will be switched to US dollar.
- C. Price War
Response measure:
The Company has taken a number of steps by developing substitute materials, increasing product efficiency, and focusing on the new seamless processes to get rid of the threat of competitors.

2.2 Applications of Major Processes & Product Manufacturing Process

2.2-1 Applications of Major Processes

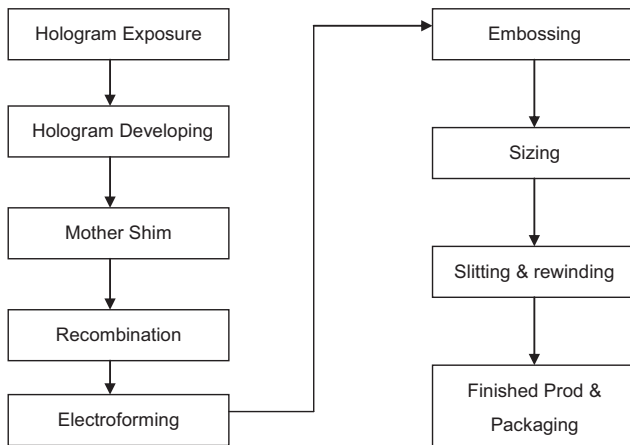
- A. Hot Stamping Foil target market
 - Cigarette Packaging market • Stationary market
 - Wine Label market • Greeting card market
 - Paper box market • ID Card market • Toy market
 - Cosmetic market
- B. Cold Foil target market:
 - Label market • Wine Label market • Beverage market
 - Soft tube market • Security market
- C. PET film target market
 - Decoration market • Glitter market • Yarn market
 - Security label market • Tape market
 - Artificial leather market • Demetalized market
 - Paper box market • Printing market
- D. OPP film target market
 - Shopping bag market • Paper box market
 - OPP lamination market • Festival couplets market
 - Tape market • Printing market • Demetalized market
- E. PVC film target market
 - Christmas market • Sticker market • Ribbon market
 - Festival couplets market

- Sequin market
- Printing market
- Credit Card market

F. Holographic paper target market

- Packaging market
- Paper folding box market
- Greeting card market
- Sticker market
- Wine label market
- Magazine market
- Stationery market
- Paper bag market.

2.2-2 Product Manufacturing Process (Hot Stamping Foil)



2.3 Major Raw Material & Status

The main raw materials used in hologram manufacturing are PVC, OPP and PET Films and papers. The Company maintains multiple suppliers, the majority of its' film come from Nan Ya Plastic Corporation and Shinkong Synthetic Fibers Corporation.

2.4 Major Customers and Suppliers Who Had Made Up Exceeding 10%
2.4-1 Major Suppliers

Unit : NT\$ Thousands

| Item | 2013 | | | | 2014 | | | | 2015 (As of March 31) | | | |
|------|----------------------|-----------|---------|---------------------------------|----------------------|-----------|---------|---------------------------------|-----------------------|---------|---------|---------------------------------|
| | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer | Company Name | Amount | Percent | Relation with Issuer |
| 1 | Jiang Yin Shin Guang | 279,340 | 9 | KLT indirect investment company | Jiang Yin Shin Guang | 277,857 | 9 | KLT indirect investment company | Jiang Yin Shin Guang | 64,690 | 9 | KLT indirect investment company |
| 2 | Others | 2,782,420 | 91 | - | Others | 2,815,651 | 91 | - | Others | 669,955 | 91 | - |
| | Net Total Supplies | 3,061,760 | 100 | | Net Total Supplies | 3,093,508 | 100 | | Net Total Supplies | 734,645 | 100 | |

Note: There is no change of major suppliers in 2014.

2.4-2 Major Customers: None of major customers who had made up exceeding 10%

2.5 Production Quantity / Value

Unit : NT\$ Thousands /KM²

| Production Product | 2013 | | 2014 | | | |
|---|----------|----------|-----------|----------|----------|-----------|
| | Capacity | Quantity | Value | Capacity | Quantity | Value |
| Holographic Film(included Security label) | 290,394 | 177,774 | 1,157,263 | 296,489 | 191,483 | 1,077,541 |
| Holographic Paper | 72,684 | 68,405 | 868,567 | 73,158 | 63,182 | 653,769 |
| Optical Film | 13,624 | 12,713 | 894,585 | 18,230 | 17,168 | 1,178,421 |
| Others | - | - | 84,689 | - | - | 37,281 |
| Total | 376,703 | 258,891 | 3,005,104 | 387,878 | 271,833 | 2,947,012 |

2.6 Sales Quantity / Value

Unit : NT\$ Thousands /KM²

| Sales Product | 2013 | | 2014 | | | | | |
|-------------------|----------|---------|----------|-----------|----------|---------|----------|-----------|
| | Domestic | | Export | | Domestic | | Export | |
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Holographic Film | 6,617 | 87,750 | 145,606 | 1,285,009 | 6,011 | 82,935 | 164,415 | 1,407,544 |
| Holographic Paper | 1,899 | 4,243 | 66,688 | 953,023 | 41 | 6,344 | 64,272 | 877,948 |
| Optical Film | 168 | 27,987 | 10,936 | 1,317,433 | 388 | 27,826 | 16,119 | 1,530,719 |
| Security label | 227 | 54,053 | 532 | 71,144 | 33 | 26,959 | 211 | 65,539 |
| Others | 2,432 | 6,770 | 25,167 | 271,489 | 560 | 6,698 | 14,598 | 183,068 |
| Total | 11,343 | 180,803 | 248,929 | 3,898,098 | 7,033 | 150,762 | 259,615 | 4,064,818 |

3. Employee Analysis

Employee Analysis from 2013 to Mar. 31, 2015

| Year | | 2013 | 2014 | Mar. 31, 2015 |
|-----------------------------|-----------------------------|-------|-------|---------------|
| Number of Employees | Administrators | 344 | 343 | 344 |
| | Technicians | 84 | 74 | 86 |
| | Engineers | 707 | 709 | 708 |
| | Total | 1,135 | 1126 | 1138 |
| Average Age | | 32.89 | 33.26 | 32.92 |
| Average Years of Employment | | 4.49 | 4.61 | 4.46 |
| Level of Education (%) | Ph.D. | 0.35 | 0.49 | 0.3 |
| | Masters Degree | 4.58 | 4.06 | 5.06 |
| | Bachelors/ Associate Degree | 31.10 | 29.7 | 31.59 |
| | Senior High School | 47.49 | 49.9 | 46.64 |
| | Under | 16.48 | 15.85 | 16.4 |

4. Environmental Protection Information

4.1 Over the Last Two Years the Company Has Suffered No Related to Fines or Measures Resulting from Environmental Pollution.

4.2 The related information of matching up the RoHS :

The product of K Laser is not involved in the rules of RoHS.

5. Labor Relations

5.1 Employee Benefits, Education Plan, Training Plan, Retirement Policy, and Agreement with Employees.

The Company established the employee benefit policy in accordance with the provisions in Labor Standards Law and Labor Pension Act and the related law. All of employee join the Labor insurance and National health insurance, and paid the subsidy of maternity benefits, suffered injuries benefitsby rules. The Company holds employee health examination each year and give the training courses to them to make the employee fully devote themselves to their job.

The Company also established Employee Benefit Committee. The Committee provides many kinds of allowance to the employees, and conduct domestic tourism activities for the employees.

The Company retirement policy is applied to all formal employees. The Company considers employee's retirement fund according the seniority and salary. From 1988, we monthly allot 2% of total employee's salary to retirement fund. Starting July 1st, 2005, the Company makes monthly contribution equal to 6% of each employee's monthly salary to employees' pension accounts for those employees who adopted the plan under the Labor Pension Act.

The Company values rational communication between the management level and subordinates and keep the harmonious working relationship. The Employee Benefit Committee also plays an important role on the labor relation. The Affiliated Companies follow the local rules.

5.2 The Company Had Suffered No Loss Related to Labor Disputes Over the Last Two Years and Management Believes Its Labor Relations to Be Good.

6. Important Contracts

| Nature of Agreement | Party | Start and End Date | Content | Restriction Clause |
|-----------------------------------|-----------------------------------|--------------------|---|---------------------------------------|
| Medium & Long-Term Loan Agreement | E.SUN Bank & Taipei Fubon Bank | 2012.08~2015.08 | Syndication Loan amount is NTD 720,000 (thousand) | Pledge factory premises as collateral |
| Medium & Long-Term Loan Agreement | Chinatrust Bank | 2014.09~2017.10 | Loan amount is NTD 306,030 (thousand) | - |
| Medium & Long-Term Loan Agreement | Taipei Fubon Bank | 2014.06~2016.06 | Loan amount is NTD 100,000 (thousand) | - |
| Medium & Long-Term Loan Agreement | China Development Industrial Bank | 2014.06~2016.06 | Loan amount is NTD 100,000 (thousand) | - |
| Medium & Long-Term Loan Agreement | JihSun Bank | 2014.02~2016.02 | Loan amount is NTD 100,000 (thousand) | - |

Financial Information

1. Condensed Financial Statements of the Past Five Years

1.1 Condensed Financial Statements of the Past Five Years (IFRS)

1.1.1 Condensed Consolidated Balance Sheet from 2012 to 2015Q1 (IFRS)

Unit : NT\$ Thousands

| Items | Year | Financial Statements from 2012 to 2014 (Note 1) | | | | Mar 31, 2015 (Note 2) |
|--|--------------------------------|---|-----------|-----------|--|--------------------------|
| | | 2012 | 2013 | 2014 | | |
| Current Assets | | 3,161,764 | 3,427,124 | 3,874,578 | | 3,861,260 |
| Property, Plant and Equipment | | 1,453,435 | 1,448,435 | 1,406,118 | | 1,376,334 |
| Intangible Assets | | 841 | 1,376 | 1,626 | | 3,822 |
| Other Assets | | 847,493 | 746,598 | 892,899 | | 911,344 |
| Total Assets | | 5,463,533 | 5,623,533 | 6,175,221 | | 6,152,760 |
| Current Liabilities | Before Distribution | 1,812,642 | 1,622,444 | 1,793,235 | | 1,785,041 |
| | After Distribution (Note 3) | 1,876,854 | 1,727,367 | 1,848,243 | | 1,785,041 |
| Non- Current Liabilities | | 978,295 | 747,987 | 842,065 | | 845,182 |
| Total Liabilities | Before Distribution | 2,790,937 | 2,370,431 | 2,635,300 | | 2,630,223 |
| | After Distribution (Note 3) | 2,855,149 | 2,475,354 | 2,690,308 | | 2,630,223 |
| Equity attributable to owners of the Company | | 2,352,459 | 2,804,592 | 2,842,192 | | 2,835,029 |
| Capital Stock | | 1,506,941 | 1,674,492 | 1,741,665 | | 1,741,665 |
| Capital Surplus | | 425,862 | 452,032 | 496,707 | | 496,707 |
| Retained Earnings | Before Distribution | 598,290 | 762,265 | 716,055 | | 741,228 |
| | After Distribution (Note 3) | 534,078 | 657,342 | 661,047 | | 741,228 |
| Other equity | | (86,112) | 8,325 | 131,780 | | 100,723 |
| Treasury Stock | | (92,522) | (92,522) | (244,015) | | (245,294) |
| Non-controlling interests | | 320,137 | 448,510 | 697,729 | | 687,508 |
| Total Equity | Before Distribution | 2,672,596 | 3,253,102 | 3,539,921 | | 3,522,537 |
| | After Distribution | 2,608,384 | 3,148,179 | 3,484,913 | | 3,522,537 |

Note : 1.The financial statements from 2012 to 2014 have been certified by CPA.

2.The financial statements of 2015 Q1 have been certified by CPA.

3.The earning distribution for year 2014 has been approved by the Broad meeting on Mar. 20, 2015, but it hasn't been approved by the General Shareholders' Meeting. (The shareholder's meeting will be held on June)

1.1.2 Condensed Consolidated Income Statement from 2012 to 2015Q1 (IFRS)

Unit : NT\$ Thousands (Except EPS)

| Items \ Year | Financial Statements from 2012 to 2015 (Note1) | | | | Mar 31,2015 |
|---|--|-----------|-----------|--|-------------|
| | 2012 | 2013 | 2014 | | (Note2) |
| Net Sales | 3,844,829 | 4,078,901 | 4,215,580 | | 942,435 |
| Gross Profit | 908,446 | 1,017,141 | 1,122,072 | | 197,913 |
| Operating Income | 204,166 | 248,526 | 272,182 | | 51,016 |
| Non-Operating Revenue& Expense | 28,207 | 97,061 | (42,873) | | (24,137) |
| Profit before tax | 232,373 | 345,587 | 229,309 | | 26,879 |
| Gain (Loss) from Continued Operations | 181,741 | 308,453 | 192,697 | | 16,281 |
| Gain (Loss) from Discontinued Operations | - | - | - | | - |
| Profit for the year | 181,741 | 308,453 | 192,697 | | 16,281 |
| Other comprehensive income ,net of income tax | (137,774) | 86,969 | 125,162 | | (32,386) |
| Total comprehensive income for the year | 43,967 | 395,422 | 317,859 | | (16,105) |
| Profit for the year attributable to owners of the company | 127,184 | 227,852 | 90,690 | | 25,173 |
| Profit for the year attributable to non-controlling interests | 54,557 | 80,601 | 102,007 | | (8,892) |
| Total comprehensive income for the year attributable to owners of the company | 36,872 | 322,624 | 211,663 | | (5,884) |
| Total comprehensive income for the year attributable to non-controlling interests | 7,095 | 72,798 | 106,196 | | (10,221) |
| Earnings Per Share (NT\$) Note3 | 0.87 | 1.49 | 0.56 | | 0.16 |

Note : 1. The financial statements from 2012 to 2014 have been certified by CPA.

2. The financial statements of 2015Q1 have been certified by CPA.

3. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.1.3 Condensed Balance Sheet from 2012 to 2014 (Individual) (IFRS)

Unit : NT\$ Thousands

| Items | | Year | Financial Statements from 2012 to 2014 (Note1) | | | |
|--|-----------------------------|-----------|--|-----------|--|--|
| | | 2012 | 2013 | 2014 | | |
| Current Assets | | 420,241 | 442,442 | 332,774 | | |
| Property, Plant and Equipment | | 189,836 | 205,398 | 183,466 | | |
| Intangible Assets | | 302 | 463 | 834 | | |
| Other Assets | | 3,422,395 | 3,657,753 | 3,967,758 | | |
| Total Assets | | 4,032,774 | 4,306,056 | 4,484,832 | | |
| Current Liabilities | Before Distribution | 701,189 | 752,567 | 849,633 | | |
| | After Distribution (Note 2) | 765,401 | 857,490 | 904,641 | | |
| Non- Current Liabilities | | 979,126 | 748,897 | 793,007 | | |
| Total Liabilities | Before Distribution | 1,680,315 | 1,501,464 | 1,642,640 | | |
| | After Distribution (Note 2) | 1,744,527 | 1,606,387 | 1,697,648 | | |
| Equity attributable to owners of the Company | | 2,352,459 | 2,804,592 | 2,842,192 | | |
| Capital Stock | | 1,506,941 | 1,674,492 | 1,741,665 | | |
| Capital Surplus | | 425,862 | 452,032 | 496,707 | | |
| Retained Earnings | Before Distribution | 598,290 | 762,265 | 716,055 | | |
| | After Distribution (Note 2) | 534,078 | 657,342 | 661,047 | | |
| Other equity | | (86,112) | 8,325 | 131,780 | | |
| Treasury Stock | | (92,522) | (92,522) | (244,015) | | |
| Total Equity | Before Distribution | 2,352,459 | 2,804,592 | 2,842,192 | | |
| | After Distribution | 2,288,247 | 2,699,669 | 2,787,184 | | |

Note : 1. The financial statements from 2012 to 2014 have been certified by CPA.

2. The earning distribution for year 2014 has been approved by the Broad meeting on Mar. 20, 2015, but it hasn't been approved by the General Shareholders' Meeting. (The shareholder's meeting will be held on June)

1.1.4 Condensed Income Statement from 2012 to 2014 (Individual) (IFRS)

Unit : NT\$ Thousands (Except EPS)

| Year \ Items | Financial Statements from 2012 to 2014 (Note1) | | | |
|---|--|----------|----------|--|
| | 2012 | 2013 | 2014 | |
| Net Sales | 547,675 | 502,187 | 551,732 | |
| Gross Profit | 132,931 | 117,602 | 120,276 | |
| Operating Income | 8,311 | (20,412) | (26,633) | |
| Non-Operating Revenue& Expense | 127,073 | 248,264 | 130,428 | |
| Profit before tax | 135,384 | 227,852 | 103,795 | |
| Gain (Loss) from Continued Operations | 127,184 | 227,852 | 90,690 | |
| Gain (Loss) from Discontinued Operations | - | - | - | |
| Profit for the year | 127,184 | 227,852 | 90,690 | |
| Other comprehensive income ,net of income tax | (90,312) | 94,772 | 120,973 | |
| Total comprehensive income for the year | 36,872 | 322,624 | 211,663 | |
| Earnings Per Share (NT\$) Note2 | 0.87 | 1.49 | 0.56 | |

Note : 1. The financial statements from 2012 to 2014 have been certified by CPA.

2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.2. Condensed Financial Statements of the Past Five Years (GAAP)

1.2.1 Condensed Consolidated Balance Sheet from 2010 to 2012 (GAAP)

Unit : NT\$ Thousands

| Items | | Year | Financial Statements from 2010 to 2012 (Note1) | | |
|--|---------------------|------|--|-----------|-----------|
| | | | 2010 | 2011 | 2012 |
| Current Assets | | | 2,445,533 | 2,871,217 | 3,164,121 |
| Fund & Investments | | | 495,286 | 494,635 | 537,502 |
| Fixed Assets | | | 1,453,491 | 1,386,770 | 1,408,286 |
| Other Assets (Including Intangible Assets) | | | 215,107 | 361,472 | 389,598 |
| Total Assets | | | 4,609,417 | 5,114,094 | 5,499,507 |
| Current Liabilities | Before Distribution | | 1,298,034 | 1,184,340 | 1,804,378 |
| | After Distribution | | 1,327,971 | 1,184,340 | 1,868,590 |
| Long-Term Liabilities | | | 201,858 | 626,364 | 955,000 |
| Other Liabilities | | | 25,840 | 25,676 | 23,311 |
| Total Liabilities | Before Distribution | | 1,525,732 | 1,836,380 | 2,782,689 |
| | After Distribution | | 1,555,669 | 1,836,380 | 2,846,901 |
| Capital Stock | | | 1,496,808 | 1,571,595 | 1,506,941 |
| Capital Surplus | | | 484,638 | 501,804 | 536,481 |
| Retained Earnings | Before Distribution | | 314,299 | 229,750 | 365,105 |
| | After Distribution | | 284,361 | 229,750 | 300,893 |
| Cumulative Transaction Adjustment | | | 33,861 | 167,011 | 79,445 |
| Treasury Stock | | | - | (82,795) | (92,522) |
| Minority Interest | | | 754,079 | 890,349 | 321,368 |
| Total Equity | Before Distribution | | 3,083,685 | 3,277,714 | 2,716,818 |
| | After Distribution | | 3,053,748 | 3,277,714 | 2,652,606 |

Note : 1. The financial statements from 2010 to 2012 have been certified by CPA.

1.2.2 Condensed Consolidated Income Statement from 2010 to 2012 (GAAP)

Unit : NT\$ Thousands (Except EPS)

| Items \ Year | Financial Statements from 2010 to 2012 (Note1) | | | |
|---|--|-----------|-----------|--|
| | 2010 | 2011 | 2012 | |
| Net Sales | 3,342,595 | 3,233,694 | 3,844,829 | |
| Gross Profit | 795,274 | 723,813 | 905,960 | |
| Operating Income | 156,164 | 92,759 | 200,725 | |
| Non-Operating Revenue | 98,999 | 80,050 | 109,118 | |
| Non-Operating Expense | 90,861 | 118,784 | 72,495 | |
| Gain(Loss) before Tax from Continued Operations | 164,302 | 54,025 | 237,348 | |
| Consolidated net income | 92,521 | (8,758) | 186,716 | |
| Net profit of the parent | 53,961 | (54,612) | 135,355 | |
| Minority Interest | 38,560 | 45,854 | 51,361 | |
| Earnings Per Share (NT\$) Note2 | 0.37 | (0.36) | 0.93 | |

Note : 1. The financial statements from 2010 to 2012 have been certified by CPA.

2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.2.3 Condensed Balance Sheet from 2010 to 2012(Individual) (GAAP)

Unit : NT\$ Thousands

| Items \ Year | Financial Statements from 2010 to 2012 (Note1) | | | |
|--|--|-----------|-----------|-----------|
| | 2010 | 2011 | 2012 | |
| Current Assets | 378,043 | 658,195 | 421,941 | |
| Fund & Investments | 2,363,797 | 2,490,811 | 3,255,122 | |
| Fixed Assets | 241,948 | 179,450 | 169,348 | |
| Other Assets (Including Intangible Assets) | 140,342 | 271,855 | 261,686 | |
| Total Assets | 3,124,130 | 3,600,311 | 4,108,097 | |
| Current Liabilities | Before Distribution | 510,129 | 512,825 | 697,027 |
| | After Distribution | 540,066 | 512,825 | 761,239 |
| Long-Term Liabilities | 200,000 | 626,364 | 955,000 | |
| Other Liabilities | 84,395 | 73,757 | 60,620 | |
| Total Liabilities | Before Distribution | 794,524 | 1,212,946 | 1,712,647 |
| | After Distribution | 824,461 | 1,212,946 | 1,776,859 |
| Capital Stock | 1,496,808 | 1,571,595 | 1,506,941 | |
| Capital Surplus | 484,638 | 501,804 | 536,481 | |
| Retained Earnings | Before Distribution | 314,298 | 229,750 | 365,105 |
| | After Distribution | 284,361 | 229,750 | 300,893 |
| Cumulative Transaction Adjustment | 33,862 | 167,011 | 79,445 | |
| Treasury Stock | - | (82,795) | (92,522) | |
| Total Equity | Before Distribution | 2,329,606 | 2,387,365 | 2,395,450 |
| | After Distribution | 2,299,669 | 2,387,365 | 2,331,238 |

Note : 1. The financial statements from 2010 to 2012 have been certified by CPA.

1.2.4 Condensed Income Statement from 2010 to 2012(Individual) (GAAP)

Unit : NT\$ Thousands (Except EPS)

| Items \ Year | Financial Statements from 2010 to 2012 (Note1) | | | | |
|---|--|----------|---------|--|--|
| | 2010 | 2011 | 2012 | | |
| Net Sales | 506,603 | 410,515 | 547,675 | | |
| Gross Profit | 126,318 | 72,292 | 123,183 | | |
| Operating Income | 8,351 | (52,805) | 8,001 | | |
| Non-Operating Revenue | 122,350 | 54,772 | 180,921 | | |
| Non-Operating Expense | 54,951 | 56,667 | 45,367 | | |
| Gain(Loss) before Tax from Continued Operations | 75,750 | (54,700) | 143,555 | | |
| Gain(Loss) from Continued Operations | 53,961 | (54,612) | 135,355 | | |
| Net Income(Loss) | 53,961 | (54,612) | 135,355 | | |
| Earnings Per Share (NT\$) Note2 | 0.37 | (0.36) | 0.93 | | |

Note : 1. The financial statements from 2010 to 2012 have been certified by CPA.

2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.3 CPA's Opinion of the Past Five Years

1.3-1 CPA's Opinion from 2010 to 2014

| Year | CPA | Auditors' Opinion |
|------|------------------------------|--|
| 2010 | Kenny Hong, Ming-Yu, Chiu | An Unqualified Opinion with an Explanatory Paragraph |
| 2011 | Ker-Chang, Wu, Ming-Yu, Chiu | An Unqualified Opinion with an Explanatory Paragraph |
| 2012 | Hung-bin Yu, Ker-Chang, Wu | An Unqualified Opinion with an Explanatory Paragraph |
| 2013 | Hung-bin Yu, Ker-Chang, Wu | An Unqualified Opinion with an Explanatory Paragraph |
| 2014 | Hung-bin Yu, Ker-Chang, Wu | An Unqualified Opinion with an Explanatory Paragraph |

2. Financial Analysis of the Past Years

2.1 Financial Analysis of the Past Years (IFRS)

2.1.1 Financial Analysis of the Past Years (IFRS) (Consolidated)

| Analysis Items | | Year | Financial Analysis from 2012 to 2014(Note1) | | | | Mar |
|-----------------------|--|--------|---|--------|--|--|--------------------|
| | | 2012 | 2013 | 2014 | | | 31,2015 (Note2) |
| Capital Structure (%) | Debt Ratio | 51.08 | 42.15 | 42.68 | | | 42.75 |
| | Long-Term Funds to Property, plant and equipment | 251.19 | 276.24 | 311.64 | | | 317.34 |
| Solvency (%) | Current Ratio | 174.43 | 211.23 | 216.07 | | | 216.31 |
| | Quick Ratio | 138.28 | 172.73 | 178.13 | | | 179.76 |
| | Interest Coverage (Times) | 7.36 | 10.12 | 7.98 | | | 4.21 |
| Operating Performance | Account Receivables Turnover (Times) | 2.86 | 2.68 | 2.64 | | | 2.25 |
| | Average AR Turnover Days | 127.85 | 136.26 | 138.53 | | | 162.61 |
| | Inventory Turnover (Times) | 5.71 | 5.56 | 5.39 | | | 4.91 |
| | Account Payable Turnover (Times) | 8.05 | 7.21 | 8.79 | | | 8.81 |
| | Average Inventory Turnovers Days | 63.92 | 65.62 | 67.76 | | | 74.39 |
| | Property, plant and equipment Turnover (Times) | 2.69 | 2.81 | 2.95 | | | 0.68 |
| | Total Assets Turnover (Times) | 0.73 | 0.74 | 0.71 | | | 0.61 |
| Profitability | Return on Total Assets (%) | 4.01 | 6.13 | 3.73 | | | 0.38 |
| | Return on Equity (%) | 6.12 | 10.41 | 5.67 | | | 0.46 |
| | Return on Capital Income Before Tax (%) | 15.42 | 20.64 | 13.17 | | | 1.54 |
| | Net Profit Ratio (%) | 4.73 | 7.56 | 4.57 | | | 1.73 |
| | Earnings Per Share (NT\$)(Note3) | 0.87 | 1.49 | 0.56 | | | 0.16 |
| Cash Flow | Cash Flow Ratio (%) | 28.09 | 23.21 | 12.51 | | | 5.17 |
| | Cash Flow Adequacy Ratio (%) | 151.19 | 153.15 | 115.73 | | | 132.30 |
| | Cash Reinvestment Ratio (%) | 9.14 | 5.12 | 1.82 | | | 1.43 |
| Leverage | Operating Leverage | 2.16 | 1.84 | 1.86 | | | 1.56 |
| | Financial Leverage | 1.22 | 1.18 | 1.14 | | | 1.20 |

Explanation for changes in financial ratios over 20% in past two years :

1. Times of Interest Coverage decreased 21% by the decreasing of net profit before income tax in 2014.
2. Account Payable Turnover increased 22% by the increase of cost of goods in 2014.
3. All Profitability Ratio decreased more than 20% in 2014. Although the Sales, Gross Margin %, increased in 2014, the Company recognized impairment loss on fixed assets and long-term investment on K Laser Mexico. Therefore, the net income decreased in 2014, which caused all Profitability Ratio decreased in comparison with 2013.
4. All Cash Flow Ratio decreased more than 20%. The cash flow from operating activities is decreased because of the increasing of account receivables and inventory. As a result, All Cash Flow Ratio decreased in comparison with 2013.

Note : 1. The financial statements from 2012 to 2014 have been certified by CPA.

2. The financial statements of 2015Q1 have been certified by CPA.

3. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

2.1.2 Financial Analysis of the Past Years (IFRS) (Individual)

| Analysis Items | | Year | Financial Analysis from 2012 to 2014(Note1) | | | |
|--|--|---------|---|---------|--|--|
| | | 2012 | 2013 | 2014 | | |
| Capital Structure (%) | Debt Ratio | 41.67 | 34.87 | 36.63 | | |
| | Long-Term Funds to Property, plant and equipment | 1754.98 | 1730.05 | 1981.40 | | |
| Solvency (%) | Current Ratio | 59.93 | 58.79 | 39.17 | | |
| | Quick Ratio | 57.70 | 55.56 | 35.39 | | |
| | Interest Coverage (Times) | 7.19 | 9.36 | 5.08 | | |
| Operating Performance | Account Receivables Turnover (Times) | 4.84 | 5.01 | 5.39 | | |
| | Average AR Turnover Days | 75.40 | 72.84 | 67.78 | | |
| | Inventory Turnover (Times) | 23.42 | 19.46 | 17.34 | | |
| | Account Payable Turnover (Times) | 6.61 | 6.77 | 6.82 | | |
| | Average Inventory Turnovers Days | 15.59 | 18.75 | 21.04 | | |
| | Property, plant and equipment Turnover (Times) | 2.79 | 2.54 | 2.84 | | |
| | Total Assets Turnover (Times) | 0.14 | 0.12 | 0.13 | | |
| Profitability | Return on Total Assets (%) | 3.84 | 6.01 | 2.54 | | |
| | Return on Equity (%) | 5.37 | 8.84 | 3.21 | | |
| | Return on Capital Income Before Tax (%) | 8.98 | 13.61 | 5.96 | | |
| | Net Profit Ratio (%) | 23.22 | 45.32 | 16.44 | | |
| | Earnings Per Share (NT\$)(Note2) | 0.87 | 1.49 | 0.56 | | |
| Cash Flow | Cash Flow Ratio (%) | 6.72 | 3.69 | - | | |
| | Cash Flow Adequacy Ratio (%) | 98.80 | 53.80 | 27.81 | | |
| | Cash Reinvestment Ratio (%) | 1.21 | -0.88 | -2.51 | | |
| Leverage | Operating Leverage | 3.86 | - | 0.24 | | |
| | Financial Leverage | -0.61 | - | 0.51 | | |
| Explanation for changes in financial ratios over 20% in past two years : | | | | | | |
| 1. Current ratio and quick ratio decreased 33% and 36% respectively. The reason for the change is owing to the syndication loan was expected to be due in 2015, and was reclassified to current liability accordingly. | | | | | | |
| 2. Times of Interest Coverage decreased 46%, which is caused by to the decrease of net profit before income tax in 2014. | | | | | | |
| 3. All profitability Ratio increased more than 20%. Although the Company's sales increased in 2014, the Company's net income decreased in 2014 because of the decrease of investment income. | | | | | | |
| 4. All cash flow ration decreased more than 20% in 2014 which is caused by the decrease of net cash in-flow from operating activities. The reason is that the Account Receivables from the related party increased and the pension paid in 2014. | | | | | | |

Note : 1.The financial statements from 2012 to 2014 have been certified by CPA.

2.Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

2.2 Financial Analysis of the Past Years (GAAP)

2.2.1 Financial Analysis of the Past Years (GAAP) (Consolidated)

| Analysis Items | | Year | | Financial Analysis from 2010 to 2012(Note1) | | | | |
|-----------------------|--------------------------------------|-------------------|--------|---|-------|--|--|--|
| | | 2010 | 2011 | 2012 | | | | |
| Capital Structure (%) | Debt Ratio | 33.10 | 35.91 | 50.60 | | | | |
| | Long-Term Funds to Fixed Assets | 226.04 | 281.52 | 260.73 | | | | |
| Solvency (%) | Current Ratio | 188.40 | 242.43 | 175.36 | | | | |
| | Quick Ratio | 152.25 | 203.78 | 143.66 | | | | |
| | Interest Coverage (Times) | 7.86 | 3.53 | 7.49 | | | | |
| Operating Performance | Account Receivables Turnover (Times) | 3.01 | 2.80 | 2.86 | | | | |
| | Average AR Turnover Days | 121.22 | 130.43 | 127.85 | | | | |
| | Inventory Turnover (Times) | 6.05 | 5.42 | 5.71 | | | | |
| | Account Payable Turnover (Times) | 6.03 | 7.27 | 8.05 | | | | |
| | Average Inventory Turnovers Days | 60.31 | 67.40 | 63.94 | | | | |
| | Fixed Assets Turnover (Times) | 2.23 | 2.28 | 2.75 | | | | |
| | Total Assets Turnover (Times) | 0.74 | 0.67 | 0.72 | | | | |
| Profitability | Return on Total Assets (%) | 2.48 | 0.19 | 4.09 | | | | |
| | Return on Equity (%) | 3.20 | -0.28 | 6.23 | | | | |
| | Return on Capital (%) | Operating Income | 10.43 | 5.90 | 13.32 | | | |
| | | Income Before Tax | 10.98 | 3.44 | 15.75 | | | |
| | Net Profit Ratio (%) | 2.77 | -0.27 | 4.86 | | | | |
| | Earnings Per Share (NT\$)(Note3) | 0.37 | -0.36 | 0.93 | | | | |
| Cash Flow | Cash Flow Ratio (%) | 22.44 | 9.95 | 28.76 | | | | |
| | Cash Flow Adequacy Ratio (%) | 75.50 | 81.20 | 152.14 | | | | |
| | Cash Reinvestment Ratio (%) | 5.37 | 1.66 | 9.56 | | | | |
| Leverage | Operating Leverage | 2.54 | 3.50 | 2.20 | | | | |
| | Financial Leverage | 1.18 | 1.30 | 1.22 | | | | |

Explanation for changes in financial ratios over 20% in last two years :

1. The Debt Ratio increase 41%, which is owing to the increase of long-term liability by increase of the syndication loan.
2. The Current Ratio and Quick Ratio decrease 28% and 30% respectively, because of the increase of current liability by reclassification of Bond Payable in 2012.
3. Interest Coverage increased from 3.53 in 2011 to 7.49 in 2012 because of the significant increase in net profit before income tax.
4. Fixed Assets Turn Over increased by 21% in 2012, because, in 2012, the increase of sales revenue, 19%, is greater than the increase of fixed assets, 2%.
5. All profitability Ratio increased more than 20%. The Company's profitability increased in 2012 because of increase of sales revenue and gross profit ratio, and increase of investment income.
6. All cash flow ratio increased more than 20% in 2012. The net cash in-flow from operating activities increased NTD 401,136, because the Company turned over from loss to profit in 2012.
7. Operating Leverage decreased from 3.5 in 2011 to 2.2 in 2012, because the operating income was NTD 107,966 increased in 2012.

Note : 1. The financial statements from 2010 to 2012 have been certified by CPA.

2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

2.2.2 Financial Analysis of the Past Years (GAAP) (Individual)

| Analysis Items | | Year | Financial Analysis from 2010 to 2012(Note1) | | | |
|-----------------------|--------------------------------------|-------------------|---|---------|---------|------|
| | | | 2010 | 2011 | 2012 | |
| Capital Structure (%) | Debt Ratio | | 25.43 | 33.69 | 41.69 | |
| | Long-Term Funds to Fixed Assets | | 1045.52 | 1679.43 | 1978.44 | |
| Solvency (%) | Current Ratio | | 74.11 | 128.35 | 60.53 | |
| | Quick Ratio | | 65.34 | 123.72 | 57.40 | |
| | Interest Coverage (Times) | | 6.62 | -2.75 | 7.57 | |
| Operating Performance | Account Receivables Turnover (Times) | | 5.12 | 3.947 | 4.841 | |
| | Average AR Turnover Days | | 71.25 | 92.49 | 75.40 | |
| | Inventory Turnover (Times) | | 11.71 | 11.53 | 23.36 | |
| | Account Payable Turnover (Times) | | 8.06 | 5.66 | 6.60 | |
| | Average Inventory Turnovers Days | | 31.18 | 31.64 | 15.62 | |
| | Fixed Assets Turnover (Times) | | 2.09 | 2.29 | 3.23 | |
| | Total Assets Turnover (Times) | | 0.16 | 0.11 | 0.13 | |
| Profitability | Return on Total Assets (%) | | 2.13 | -1.26 | 3.98 | |
| | Return on Equity (%) | | 2.44 | -2.32 | 5.66 | |
| | Return on Capital | Operating Income | | 0.56 | -3.36 | 0.53 |
| | (%) | Income Before Tax | | 5.06 | -3.48 | 9.53 |
| | Net Profit Ratio (%) | | 10.65 | -13.3 | 24.71 | |
| | Earnings Per Share (NT\$)(Note3) | | 0.37 | -0.36 | 0.93 | |
| Cash Flow | Cash Flow Ratio (%) | | 14.02 | 0 | 6.10 | |
| | Cash Flow Adequacy Ratio (%) | | 125.57 | 98.14 | 97.90 | |
| | Cash Reinvestment Ratio (%) | | 0.62 | -0.83 | 1.08 | |
| Leverage | Operating Leverage | | 11.54 | -1.88 | 28.71 | |
| | Financial Leverage | | -1.1 | 0.78 | -0.58 | |

Explanation for changes in financial ratios over 20% in last two years :

- (1) The 23.75% increase in debt ratio was due to the increase of long-term syndicated credits from banks.
- (2) Current ratio and quick ratio decreased 52.84% and 53.6% respectively because the bonds payable was reclassified under the long-term debt of current liabilities.
- (3) Interest coverage ratio increased from 2.75 in 2011 to 7.57 in 2012 because we turned from net loss before tax in 2011 to net profit before tax in 2012.
- (4) AR turnover rate increased 22.65% because total sales increased 33.41% over previous year.
- (5) Inventory turnover rate increased 102.6% and days to sell inventory decreased 50.63%. It was because the cost of goods increased 26% and is larger than the 9% decrease in the average inventory.
- (6) Fixed asset turnover rate increased 41.05%: It was because the net sales increased 33.41% over last period while the value of fixed asset decreased 6%.
- (7) Return on assets decreased 415.87% because we turned from net loss to net profit for the period and the average assets also increased. Return on equity decreased 343.97% because shareholders' equity increased.
- (8) The ratio of operating income to paid-in capital decreased 115.77% and the ratio of income before tax to paid-in capital decreased 373.85% because the operating income and net income for last period were negative while both were positive in this period.
- (9) Net profit margin and EPS increased 285.79% and 358.33% respectively. The net profit for this period increased caused by the increases in net sales, gross profit margin, and investment income recognized under equity method.
- (10) The cash flow ratio increased 100% compared to 2011 because cash flowed in NTD42,517 million in 2012 while cash flowed out NTD15.56 million in 2011.
- (11) The cash reinvestment ratio increased from 0.83% in 2011 to 1.08% in 2012 because we returned to profit and had cash inflow in of NTD 42,517 million.
- (12) The operating leverage increased from 1.88 in 2011 to 28.71 in 2012 because the operating income was NTD 8 million in 2012 while the operating loss in 2011 was NTD 52.09 million in 2011.

Note 1: The financial statements from 2010 to 2012 have been certified by CPA.

Note 2: Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

Note 3: Financial Analysis formulas show as the following:

- Capital Structure :
 - (1) Debt Ratio = $\frac{\text{Total liabilities}}{\text{Total Assets}}$
 - (2) Long-Term Funds to Fixed Assets = $\frac{(\text{Stockholders' Equity} + \text{Long-Term liabilities})}{\text{Property, plant and equipment, net}}$
- Solvency :
 - (1) Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
 - (2) Quick Ratio = $\frac{(\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses})}{\text{Current Liabilities}}$
 - (3) Interest Coverage(Times) = $\frac{\text{Income before tax and interest expenses}}{\text{interest expenses}}$
- Operating Performance :
 - (1) Account Receivables Turnover (Times) = $\frac{\text{Net Sales}}{\text{average of the period of AR}}$
 - (2) Average AR Turnover Days = $\frac{365}{\text{Account Receivables Turnover (Times)}}$
 - (3) Inventory Turnover(Times) = $\frac{\text{Cost of Sales}}{\text{average of inventories}}$
 - (4) Account Payable Turnover (Times) = $\frac{\text{Cost of Sales}}{\text{average of the period of AP}}$
 - (5) Average Inventory Turnovers Days = $\frac{365}{\text{Inventory Turnover (Times)}}$
 - (6) Fixed Assets Turnover (Times) = $\frac{\text{Net Sales}}{\text{Property, plant and equipment, net}}$
 - (7) Total Assets Turnover (Times) = $\frac{\text{Net Sales}}{\text{Total Assets}}$
- Profitability :
 - (1) Return on Total Assets (%) = $\frac{[\text{Net income after tax} + \text{interest expense} \times (1 - \text{ratio of tax})]}{\text{average of Total Assets}}$
 - (2) Return on Equity (%) = $\frac{\text{Net income after tax}}{\text{average of Stockholders' Equity}}$
 - (3) Net Profit Ratio (%) = $\frac{\text{Net income after tax}}{\text{Net Sales}}$
 - (4) Earnings Per Share (NT\$) = $\frac{(\text{Net income after tax} - \text{Stock Div.-Preferred})}{\text{weight average outstanding common stocks}}$
- Cash Flow :
 - (1) Cash Flow Ratio (%) = $\frac{\text{Net cash provided by operating activities}}{\text{Current Liabilities}}$
 - (2) Cash Flow Adequacy Ratio (%) = $\frac{\text{Net cash provided by operating activities in recently five year}}{\text{Recently five year of (capital expenses + Increase of inventories+ Cash dividend)}}$
 - (3) Cash Reinvestment Ratio (%) = $\frac{(\text{Net cash provided by operating activities} - \text{Cash dividend})}{(\text{Property, plant and equipment, gross} + \text{Long-Term Investment} + \text{other assets} + \text{Working Capital})}$
- Leverage :
 - (1) Operating Leverage = $\frac{(\text{Net Sales} - \text{changes of operating cost and expense})}{\text{operating income}}$
 - (2) Financial Leverage = $\frac{\text{operating income}}{(\text{operating income} - \text{interest expense})}$

3. Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2014 Business Report, Financial Statements, and proposal for allocating profit. The CPAs of Deloitte & Touche were retained to audit the Financial Statements and have submitted a report relating there too. The above Business Report, and Financial Statements and proposal have been further examined as being correct and accurate by the undersigned, the supervisors of the Company. According to the Article 219 of the Company Law, we hereby submit this report.

K Laser Technology Inc.

Supervisors :



Wei-Chung Hung



Ling-Chiang Chao

A handwritten signature in black ink, appearing to be '趙慶強' (Zhao Qingqiang).

Mar. 20, 2015

4. Consolidated Financial Statements

4.1 Consolidated Balance Sheet

Unit: NT\$ thousand

| Accounting Title | 2014/12/31 | 2013/12/31 |
|--|------------|------------|
| Balance Sheet | | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | | |
| Total cash and cash equivalents | 1,106,260 | 991,820 |
| Current financial assets at fair value through profit or loss | | |
| Total current financial assets at fair value through profit or loss | 133,323 | 50,729 |
| Notes receivable, net | | |
| Notes receivable, net | 298,302 | 252,072 |
| Accounts receivable, net | | |
| Accounts receivable, net | 1,373,781 | 1,212,918 |
| Accounts receivable due from related parties, net | | |
| Accounts receivable due from related parties, net | 24,088 | 38,745 |
| Other receivables | | |
| Other receivables, net | 170,376 | 149,224 |
| Inventories | | |
| Total inventories | 621,998 | 531,445 |
| Prepayments | | |
| Prepaid rents | 621 | 449 |
| Total prepayments | 621 | 449 |
| Non-current assets classified as held for sale, net | | |
| Non-current assets classified as held for sale, net | 70,731 | 0 |
| Other current assets | | |
| Total other current assets | 75,098 | 199,722 |
| Total current assets | 3,874,578 | 3,427,124 |
| Non-current assets | | |
| Non-current financial assets at cost | | |
| Non-current financial assets at cost, net | 45,055 | 30,055 |
| Investments accounted for using equity method | | |
| Investments accounted for using equity method, net | 601,926 | 561,319 |
| Property, plant and equipment | | |
| Total property, plant and equipment | 1,406,118 | 1,448,435 |
| Investment property, net | | |
| Investment property, net | 27,526 | 28,788 |
| Intangible assets | | |
| Total intangible assets | 1,626 | 1,376 |
| Deferred tax assets | 54,087 | 51,686 |
| Other non-current assets | | |
| Long-term prepaid rents | 23,729 | 23,481 |
| Other non-current assets, others | | |
| Total other non-current assets, others | 140,576 | 51,269 |
| Total other non-current assets | 164,305 | 74,750 |
| Total non-current assets | 2,300,643 | 2,196,409 |
| Total assets | 6,175,221 | 5,623,533 |
| Liabilities | | |
| Current liabilities | | |
| Short-term borrowings | | |
| Total short-term borrowings | 418,319 | 442,050 |
| Short-term notes and bills payable | | |
| Total short-term notes and bills payable | 99,973 | 0 |
| Notes payable | | |
| Total notes payable | 23,971 | 17,984 |
| Accounts payable | | |
| Total accounts payable | 234,830 | 244,705 |
| Accounts payable to related parties | | |
| Total accounts payable to related parties | 88,010 | 97,553 |
| Other payables | | |
| Total other payables | 288,924 | 265,124 |
| Current tax liabilities | 30,144 | 17,559 |
| Liabilities related to non-current assets classified as held for sale | 70,731 | 0 |
| Other current liabilities | | |
| Long-term liabilities, current portion | | |
| Bonds payable, current portion | 0 | 151,100 |
| Long-term borrowings, current portion | 523,836 | 374,750 |
| Total long-term liabilities, current portion | 523,836 | 525,850 |
| Other current liabilities, others | 14,497 | 11,619 |
| Total other current liabilities | 538,333 | 537,469 |
| Total current liabilities | 1,793,235 | 1,622,444 |
| Non-current liabilities | | |
| Non-current financial liabilities at fair value through profit or loss | | |

| | | |
|--|------------|-----------|
| Total non-current financial liabilities at fair value through profit or loss | 3,860 | 0 |
| Bonds payable | | |
| Total bonds payable | 475,195 | 0 |
| Long-term borrowings | | |
| Total long-term borrowings | 300,000 | 725,250 |
| Other non-current liabilities | | |
| Accrued pension liabilities | 13,010 | 22,705 |
| Other non-current liabilities, others | 50,000 | 32 |
| Total other non-current liabilities | 63,010 | 22,737 |
| Total non-current liabilities | 842,065 | 747,987 |
| Total liabilities | 2,635,300 | 2,370,431 |
| Equity | | |
| Equity attributable to owners of parent | | |
| Share capital | | |
| Ordinary share | 1,741,665 | 1,674,492 |
| Total capital stock | 1,741,665 | 1,674,492 |
| Capital surplus | | |
| Total capital surplus | 496,707 | 452,032 |
| Retained earnings | | |
| Legal reserve | 143,907 | 121,122 |
| Special reserve | 162,918 | 162,977 |
| Unappropriated retained earnings (accumulated deficit) | | |
| Total unappropriated retained earnings (accumulated deficit) | 409,230 | 478,166 |
| Total retained earnings | 716,055 | 762,265 |
| Other equity interest | | |
| Exchange differences on translation of foreign financial statements | | |
| Total exchange differences on translation of foreign financial statements | 131,780 | 8,325 |
| Total other equity interest | 131,780 | 8,325 |
| Treasury shares | 244,015 | 92,522 |
| Total equity attributable to owners of parent | 2,842,192 | 2,804,592 |
| Non-controlling interests | 697,729 | 448,510 |
| Total equity | 3,539,921 | 3,253,102 |
| Number of share capital awaiting retirement | 8,921,000 | 0 |
| Equivalent issue shares of advance receipts for ordinary share | 0 | 0 |
| Number of shares in entity held by entity and by its subsidiaries | 16,921,000 | 8,000,000 |

4.2 Consolidated Income Statement

Unit: NT\$ thousand

| Accounting Title | 2014/4th | 2013/4th |
|--|-----------|-----------|
| Statement of comprehensive income | | |
| Operating revenue | | |
| Net sales revenue | | |
| Net sales revenue | 4,215,580 | 4,078,901 |
| Total operating revenue | 4,215,580 | 4,078,901 |
| Operating costs | | |
| Cost of sales | | |
| Cost of sales | 3,106,472 | 3,068,518 |
| Total cost of sales | 3,106,472 | 3,068,518 |
| Total operating costs | 3,106,472 | 3,068,518 |
| Gross profit (loss) from operations | 1,109,108 | 1,010,383 |
| Realized profit (loss) on from sales | 12,964 | 6,758 |
| Gross profit (loss) from operations | 1,122,072 | 1,017,141 |
| Operating expenses | | |
| Selling expenses | | |
| Total selling expenses | 319,305 | 254,256 |
| Administrative expenses | | |
| Total administrative expenses | 352,550 | 338,152 |
| Research and development expenses | | |
| Total research and development expenses | 178,035 | 176,207 |
| Total operating expenses | 849,890 | 768,615 |
| Net operating income (loss) | 272,182 | 248,526 |
| Non-operating income and expenses | | |
| Other income | | |
| Interest income | | |
| Total interest income | 9,647 | 7,132 |
| Other income, others | 29,063 | 25,385 |
| Total other income | 38,710 | 32,517 |
| Other gains and losses | | |
| Gains on disposals of investments | 1,713 | 8,425 |
| Foreign exchange gains | 52,661 | 46,438 |
| Gains on financial assets (liabilities) at fair value through profit or loss | 2,397 | 1,360 |
| Miscellaneous disbursements | 70,090 | 30,102 |
| Losses on disposals of property, plant and equipment | 13,339 | 3,445 |
| Impairment loss | | |
| Total impairment loss | 71,502 | 0 |
| Other gains and losses, net | -98,160 | 22,676 |
| Finance costs | | |
| Interest expense | 32,840 | 37,875 |
| Finance costs, net | 32,840 | 37,875 |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | | |
| Share of profit (loss) of associates and joint ventures accounted for using equity method, net | 49,417 | 79,743 |
| Total non-operating income and expenses | -42,873 | 97,061 |
| Profit (loss) from continuing operations before tax | 229,309 | 345,587 |
| Tax expense (income) | | |
| Total tax expense (income) | 36,612 | 37,134 |
| Profit (loss) from continuing operations | 192,697 | 308,453 |
| Profit (loss) | 192,697 | 308,453 |
| Other comprehensive income | | |
| Exchange differences on translation | 127,644 | 86,643 |
| Actuarial gains (losses) on defined benefit plans | -2,482 | 326 |
| Other comprehensive income, net | 125,162 | 86,969 |
| Total comprehensive income | 317,859 | 395,422 |
| Profit (loss), attributable to: | | |
| Profit (loss), attributable to owners of parent | 90,690 | 227,852 |
| Profit (loss), attributable to non-controlling interests | 102,007 | 80,601 |
| Comprehensive income attributable to: | | |
| Comprehensive income, attributable to owners of parent | 211,663 | 322,624 |
| Comprehensive income, attributable to non-controlling interests | 106,196 | 72,798 |
| Basic earnings per share | | |
| Basic earnings (loss) per share from continuing operations | 0.56 | 1.49 |
| Diluted earnings per share | | |
| Diluted earnings (loss) per share from continuing operations | 0.48 | 1.38 |

4.3 Consolidated Statements of Changes in Stockholders' Equity

Unit: NTS thousand

| | Ordinary share | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings (accumulated deficit) | Exchange differences on translation of foreign financial statements | Treasury shares | Non-controlling interests | Total equity |
|---|----------------|-----------------|---------------|-----------------|--|---|-----------------|---------------------------|--------------|
| Year 2013 Beginning Balance | 1,506,941 | 425,862 | 107,587 | | 490,703 | -86,112 | -92,522 | 320,137 | 2,672,596 |
| Legal reserve appropriated | | | 13,535 | | -13,535 | | | | 0 |
| Cash dividends of ordinary share | | | | | -64,212 | | | | -64,212 |
| Profit (loss) | | | | | 227,862 | | | 80,801 | 308,453 |
| Other comprehensive income | | | | | 335 | 94,437 | | -7,803 | 86,969 |
| Conversion of convertible bonds | 167,551 | 6,139 | | | | | | | 173,690 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | | 20,031 | | -35 | 35 | | | | 20,031 |
| Changes in non-controlling interests | | | | | | | | 55,575 | 55,575 |
| Others | | | | 163,012 | -163,012 | | | | |
| Year 2014 Beginning Balance | 1,674,492 | 452,032 | 121,122 | 162,977 | 478,166 | 8,325 | -92,522 | 448,510 | 3,253,102 |
| Legal reserve appropriated | | | 22,785 | | -22,785 | | | | 0 |
| Cash dividends of ordinary share | | | | | -104,923 | | | | -104,923 |
| Due to recognition of equity component of convertible bonds issued | | 16,000 | | | | | | | 16,000 |
| Changes in equity of associates and joint ventures accounted for using equity method | | 217 | | | | | | | 217 |
| Profit (loss) | | | | | 90,690 | | | 102,007 | 192,697 |
| Other comprehensive income | | | | | -2,482 | 123,455 | | 4,189 | 125,162 |
| Conversion of convertible bonds | 147,173 | 4,871 | | | | | | | 152,044 |
| Purchase of treasury share | | | | | | | -288,924 | | -288,924 |
| Retirement of treasury share | -80,000 | -27,936 | | | -29,495 | | 137,431 | | 0 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | | 51,523 | | -59 | 59 | | | | 51,523 |
| Changes in non-controlling interests | | | | | | | | 143,023 | 143,023 |
| Equity at end of period | 1,741,665 | 496,707 | 143,907 | 162,918 | 409,230 | 131,780 | -244,015 | 697,729 | 3,539,921 |

4.4 Consolidated Statements of Cash Flows

Unit: NTS thousand

| Accounting Title | 2014/4th | 2013/4th |
|---|-----------|----------|
| Statement of cash flows | | |
| Cash flows from (used in) operating activities, indirect method | | |
| Profit (loss) before tax | 229,309 | 345,587 |
| Adjustments | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 207,202 | 212,507 |
| Amortization expense | 1,104 | 762 |
| Provision (reversal of provision) for bad debt expense | 60,400 | 17,200 |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | -2,397 | -1,360 |
| Interest expense | 32,840 | 37,875 |
| Interest income | -9,647 | -7,132 |
| Share of loss (profit) of associates and joint ventures accounted for using equity method | -49,417 | -79,743 |
| Loss (gain) on disposal of property, plant and equipment | 13,339 | 3,445 |
| Loss (gain) on disposal of investments | -1,713 | -8,425 |
| Impairment loss on non-financial assets | 71,502 | 0 |
| Other adjustments to reconcile profit (loss) | 449 | 442 |
| Changes in operating assets and liabilities | | |
| Decrease (increase) in notes receivable | -46,229 | -18,878 |
| Decrease (increase) in accounts receivable | -232,385 | -185,246 |
| Decrease (increase) in accounts receivable due from related parties | 14,657 | 224,057 |
| Decrease (increase) in other receivable | -65,241 | -17,725 |
| Decrease (increase) in inventories | -101,093 | 36,339 |
| Decrease (increase) in other current assets | 55,576 | -49,692 |
| Decrease (increase) in other operating assets | -853 | 17,273 |
| Increase (decrease) in notes payable | 5,987 | -696 |
| Increase (decrease) in accounts payable | 19,573 | -99,574 |
| Increase (decrease) in accounts payable to related parties | -9,543 | -30,481 |
| Increase (decrease) in other payable | 35,477 | 35,584 |
| Increase (decrease) in other current liabilities | 6,652 | 1,985 |
| Increase (decrease) in accrued pension liabilities | -11,378 | -313 |
| Increase (decrease) in other operating liabilities | 49,971 | -15 |
| Cash inflow (outflow) generated from operations | 274,142 | 433,776 |
| Interest received | 9,647 | 7,132 |
| Interest paid | -30,429 | -35,010 |
| Income taxes refund (paid) | -28,944 | -29,249 |
| Net cash flows from (used in) operating activities | 224,416 | 376,649 |
| Cash flows from (used in) investing activities | | |
| Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition | -371,796 | -95,041 |
| Proceeds from disposal of financial assets at fair value through profit or loss, designated as upon initial recognition | 296,416 | 47,528 |
| Acquisition of financial assets at cost | -15,000 | 0 |
| Proceeds from disposal of financial assets at cost | 0 | 12,384 |
| Acquisition of investments accounted for using equity method | 0 | -59,715 |
| Proceeds from disposal of subsidiaries | 0 | 9,055 |
| Acquisition of property, plant and equipment | -244,214 | -189,436 |
| Proceeds from disposal of property, plant and equipment | 19,411 | 20,041 |
| Decrease in refundable deposits | 2,652 | 65,936 |
| Decrease (increase) in other receivables | 63,752 | -63,752 |
| Acquisition of intangible assets | -1,100 | -1,291 |
| Increase in other financial assets | -29,053 | 0 |
| Dividends received | 4,790 | 65,957 |
| Net cash flows from (used in) investing activities | -274,142 | -188,334 |
| Cash flows from (used in) financing activities | | |
| Decrease in short-term loans | -19,205 | -117,445 |
| Increase in short-term notes and bills payable | 100,000 | 0 |
| Proceeds from issuing bonds | 495,000 | 0 |
| Proceeds from long-term debt | 285,526 | 100,000 |
| Repayments of long-term debt | -561,690 | -139,000 |
| Cash dividends paid | -104,923 | -64,212 |
| Payments to acquire treasury shares | -288,924 | 0 |
| Disposal of ownership interests in subsidiaries (without losing control) | 26,090 | 32,794 |
| Change in non-controlling interests | 168,456 | 40,126 |
| Net cash flows from (used in) financing activities | 100,330 | -147,737 |
| Effect of exchange rate changes on cash and cash equivalents | 64,875 | 27,877 |
| Net increase (decrease) in cash and cash equivalents | 115,279 | 68,455 |
| Cash and cash equivalents at beginning of period | 991,820 | 923,365 |
| Cash and cash equivalents at end of period | 1,107,099 | 991,820 |
| Cash and cash equivalents reported in the statement of financial position | 1,106,260 | 991,820 |
| Other items qualifying for cash and cash equivalents under the definition of IAS 7 | 839 | 0 |

5. Financial Distress in Company and Subsidiaries : None.

Financial Status, Operating Results and Risk Management

1. Financial Analysis

Unit : NT \$Thousands

| Item | Year | | Difference | | Notes |
|----------------------------|-----------|-----------|------------|--------|-------|
| | 2014 | 2013 | Amount | % | |
| Current Assets | 3,874,578 | 3,427,124 | 447,454 | 13.06% | |
| Non-current Assets | 2,300,643 | 2,196,409 | 104,234 | 4.75% | |
| Total Assets | 6,175,221 | 5,623,533 | 551,688 | 9.81% | |
| Current Liabilities | 1,793,235 | 1,622,444 | 179,791 | 10.53% | |
| Long-term Liabilities | 842,065 | 747,987 | 94,078 | 12.58% | |
| Total Liabilities | 2,635,300 | 2,370,431 | 264,869 | 11.17% | |
| Capital | 1,741,665 | 1,674,492 | 67,173 | 4.01% | |
| Additional Paid in Capital | 496,707 | 452,032 | 44,675 | 9.88% | |
| Retained Earnings | 716,055 | 762,265 | -46,210 | -6.06% | |
| Total Equity | 3,539,921 | 3,253,102 | 286,819 | 8.82% | |

Ratio Analysis:

There is no major change.

2. Operating Analysis

Unit : NT \$Thousands

| Item | Year | | Difference | | Notes |
|---|-----------|-----------|------------|----------|----------|
| | 2014 | 2013 | Amount | % | |
| Net Sales | 4,215,580 | 4,078,901 | 136,679 | 3.35% | |
| Cost of Goods Sold | 3,106,472 | 3,068,518 | 37,954 | 1.24% | |
| Gross Profit | 1,109,108 | 1,010,383 | 98,725 | 9.77% | |
| + (-): Realized (Unrealized) Gross Margin | 12,964 | 6,758 | 6,206 | 91.83% | (Note 1) |
| Operating Expense | 849,890 | 768,615 | 81,275 | 10.57% | |
| Operating Income | 272,182 | 248,526 | 23,656 | 9.52% | |
| Non-Operating Revenue/Expense | -42,873 | 97,061 | -139,934 | -144.17% | (Note 2) |
| Income Before Tax | 229,309 | 345,587 | -116,278 | -33.65% | (Note 3) |
| Tax Expense (Benefit) | -36,612 | -37,134 | 522 | -1.41% | |
| Cumulative Effect of Changes in Accounting Principles | 0 | 0 | 0 | 0.00% | |
| Net Income | 192,697 | 308,453 | -115,756 | -37.53% | (Note 3) |

Ratio Analysis:

Note1: The Realized Gross Profit was 91.83% increased because the sales revenue increased in 2014 which resulted in the decrease of inventory related to the unrealized gross profit.

Note2: The Non-Operating Expense was 144.17% increased because of the increase of impairment loss on fixed assets and written-off of assets related to K Laser Mexico, which we have decided to close off in 2015.

Note3: Income Before Tax and Net Income was 33.65% and 37.53% decreased, respectively. Although the sales revenue, gross profit ratio and operating income were all increased in 2014, the Company also recognized the impairment loss on fixed assets, and written-off of assets related to K Laser Mexico. As a result, the Company's profitability decreased in 2014.

3. Cash Flow Analysis

3.1 Cash Flow Liquidity Analysis

Unit : NT\$ Thousands

| Beginning Cash on Jan 1,2014 | Net Cash Flow from Operating Activities | Other Net Cash Flow | Cash Balance on Dec 31,2014 | Contingency Plans for Insufficient Cash Position | |
|------------------------------|---|---------------------|-----------------------------|--|----------------|
| | | | | Investment Plan | Financial Plan |
| 991,820 | 224,416 | (109,976) | 1,106,260 | — | — |

2014 Cash Flow Analysis:

1. Net cash inflow from operating activities amounting to NTD 224,416, which is lower than 2013, because the collection of Account Receivable in China was slow and inventory level for Optical Film was increased to match the increase of sales.
2. Net cash outflow from investing activities amounting to NTD 274,142, which is caused mainly by the acquisition of real estate and equipment.
3. Net cash inflow from financing activities amounting to NTD 100,330, which is caused by the issuance of CB4 and CB5.
4. The effect on change of foreign exchange rate is NTD 64,675.

3.2 Remedy for Cash Shortfall and Analysis of Cash Liquidity : Not Applicable

3.3 Analysis of Cash Liquidity for 2015

Unit : NT\$ Thousands

| Beginning Cash on Jan 1,2015 | Projected Net Cash Flow from Operating Activities | Projected Net Cash Flow from Investing & Financing Activities | Projected Cash Balance on Dec 31,2015 | Cash Plans for Projected Insufficient Cash Position | |
|------------------------------|---|---|---------------------------------------|---|----------------|
| | | | | Investment Plan | Financing Plan |
| 1,106,260 | 203,208 | (67,257) | 1,127,771 | — | — |

The projected net cash inflow in 2015 mainly consists of cash inflow from ordinary operation. The projected cash out flow from investing and financing activities includes repayment of syndicated loans and investment for equipment. The cash inflow from operating activities is sufficient to meet the cash requirement for investing and financing activities.

4. Major Capital Expenditure Analysis

4.1 Major Capital Expenditure and Its Source of Capital

Unit : NT\$ Thousands

| Planning Items | Actual or Planned Sourced Capital | Actual or Planned Completion Date | Total Amount Capital Required | The Execution of Actual or Planned Major Capital Expenditure | | | | |
|--|-----------------------------------|-----------------------------------|-------------------------------|--|--------|-------|-------|------|
| | | | | 2015 | 2014 | 2013 | 2012 | 2011 |
| Seamless holographic origination and production process | Own Capital | Dec 31,2014 | 31,108 | -- | 15,266 | 8,504 | 6,373 | 965 |
| UV equipment and production process for deep structure pattern | Own Capital | Dec 31,2015 | 17,310 | 9,500 | 6,460 | 600 | 750 | -- |
| The wide Seamless holographic origination and production process | Own Capital | Dec 31,2015 | 20,410 | 18,600 | -- | -- | -- | -- |

4.2 Estimated potential Benefits

4.2-1 Seamless holographic origination and production process

Seam between substrates is an issue in hologram products. K Laser has developed a seamless holographic origination equipment to solve it. By means of the development of optical substrate, optical film can be produced and then is applied to 3C products. The would-be benefit is described as below:

- The specific features can enhance the quality of hologram product, reduce the defect rates for customer's products, and reduce the inventory. Customer's products will be more competitive in the market.
- When optical film is fully applied to 3C products, it can increase value added products.
- The unique optical effect of optical film will expand the market and is in favor of competition.

4.2-2 UV equipment and production process for deep structure pattern

The holographic technique which is micro structure is mature in K Laser. The Optical effect is different from the deep structure. There are another applications with the deep structure Optical film. We develop the UV equipment and production process for deep structure pattern. It will increase value added products and will be more competitive in the market.

4.2-3 The wide Seamless holographic origination and production process

- Improve the efficiency of drum seamless recording.
- Provide the wide seamless holographic to open up the new market.
- The wide seamless process can lower the cost and improve the competitiveness of our products.

5. Long-Term Investment Analysis

5.1 Investment Policy:

The investment of the Company mainly focuses on the core related business. Through the integrating of up – and down - stream industries, we can expand the market base, decrease the cost of product and enhance the operating efficiency. The Company still focuses its investment in China. The Company continuously cooperates with the Chinese partners to leverage their market strength to apply the Company's product into the packaging market. The Company also cooperates with its investee companies to develop the new material, lower the operating cost, and improve the product quality.

5.2 Recent status of Investment Gains or Loses and improvements:

Owing to the China's economy is slowing and the Chinese Government changed some policies, in 2014 the Company has recognized the other operating revenue from investee companies amounted to NT 49,417 thousand dollars mainly from the Company's investment in China, which is 38% decreased in comparison with NT 79,743 thousand dollars in 2013. In response to this change, the Company will enhance the management on the investee Companies in China, and reallocate the Company's resource to help the investee Companies achieve their goal of sales and profit. The Company will also help the investee Companies to develop new products, and sell their products through the marketing channel of the Company.

5.3 Investment plan in 2015:

Owing to the slowing China's economy and the policy of fighting extravagance, the Company slows down its pace of investment in China in 2015. Currently, the Company will maintain the existing investment and continuously cooperate with the strategic partners to

explore the market and develop new product.

6. Risk Management Analysis & Evaluation

6.1 Management of Economic Risk : Interest Rate Risk, Foreign Exchange Risk, Inflation

In 2014, the interest expense of the Company is NT 32,840 thousand dollars, and foreign exchange gain is NT 52,661 thousand dollars. The Company periodically evaluates bank interests and considers the financial derivatives to hedge the interest rate variation. As to the exchange rate, the Company collects the global finance information and the information for the foreign exchange rate variation from time to time and deals the foreign exchange transaction by the policy and tightly supervises the whole transaction flow.

6.2 Management of Financial Risk

6.2-1 High Risk of Financial Transactions :

To control financial risk, the Company is not engaged in high risk and high leveraged financial investment. To control transaction risk, the Company regulates the by-law in compliance with F.S.C.'s relevant rules. It is also the regulation for internal control to supervise the finance and operation. For derivative products transactions, the Company shall comply with the by-law, Procedures for Derivative Products Transactions.

6.2-2 Status of Endorsement and Guarantee :

Pursuant to the Procedures for Making Endorsement and Guarantees made by the Company, the status of endorsement and guarantees is shown as below:

Unit : Thousands

| Name | Relationship | 2014 | Mar 31, 2015 |
|--|--|------------|--------------|
| K Laser China Group Holding Co., Limited | KLT indirect investment by holding 99.603% company | USD 14,000 | USD 14,000 |
| K Laser Technology (USA) Co., Ltd. | KLT indirect investment by holding 80% company | USD 1,500 | USD 1,500 |

6.2-3 Status of Lending of Capital by the Company :

Rule by "Procedures for Lending Funds to Other Parties".

Unit : Thousands

| From | To | Relation | 2014 | Mar 31, 2015 |
|-----------------------------------|--|--|------------|--------------|
| Treasure Access Limited | K Laser Technology Mexico S.A. de C.V. | KLT indirect investment by holding 74.506% company | USD 200 | USD 200 |
| WUXI K Laser Technology Co., Ltd. | Hunan Yongan Tec.Co., Ltd. | KLT indirect investment by holding 48.805% company | RMB 13,000 | RMB 13,000 |

6.3 Upcoming Research & Development Plans and Estimates Investments

Unit : NT\$ Thousands

| Items | R&D Projects | Expenditure | Estimated Mass Production |
|-------|--|-------------|---------------------------|
| 1 | UV equipment and production process for deep structure pattern | 15,000 | Dec. 2015 |
| 2 | The wide Seamless holographic origination and production process | 18,600 | Dec. 2015 |

6.4 Political and Regulatory Environment : None

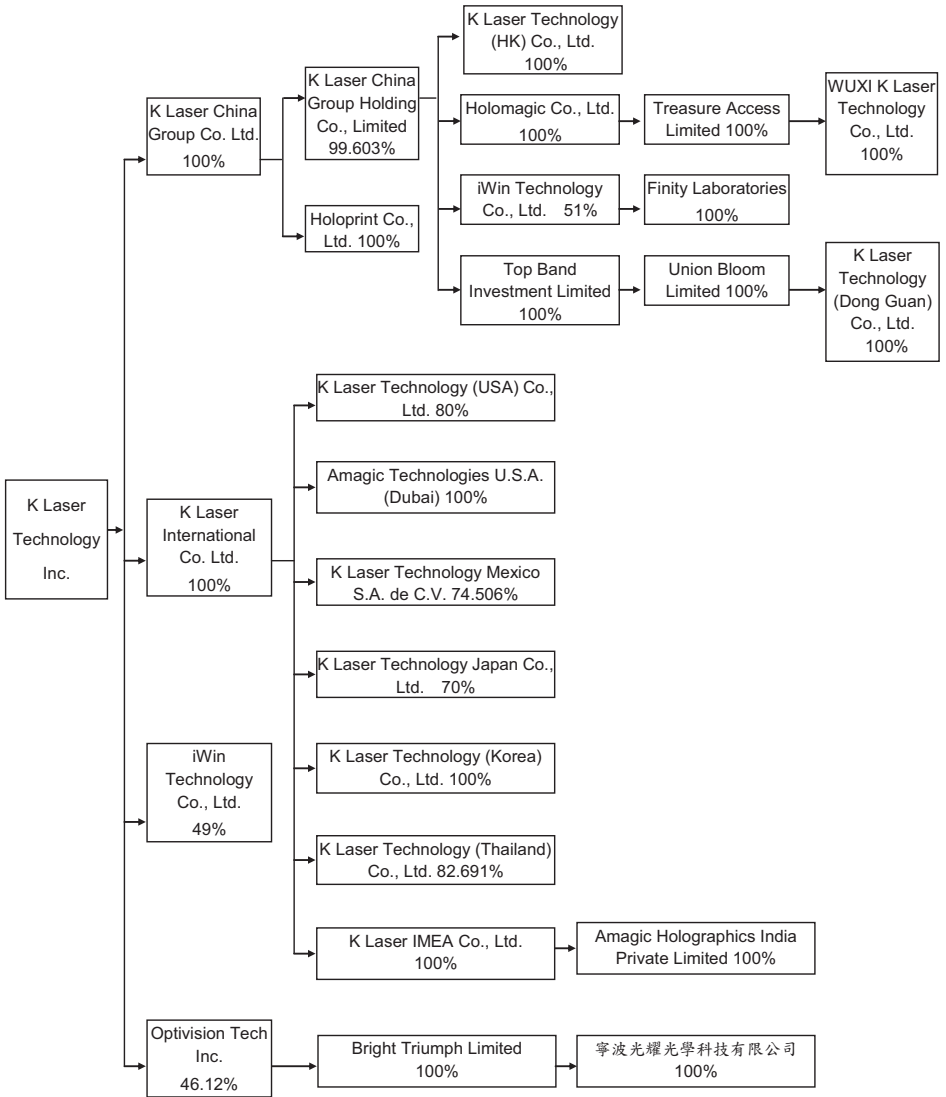
- 6.5 Technological Development Risk : None
- 6.6 Safety, Health and Environment Protection : None
- 6.7 Mergers and Acquisition : None
- 6.8 Factory Building Expansions and expected benefits of expansion, potential risks and mitigation : None
- 6.9 Procurement and Sales Concentration : None
- 6.10 Large Changes by Director, Supervisors, or Shareholders with Greater than 10% : None
- 6.11 Change in Operational Control : None
- 6.12 Litigious or Non-Litigious Matters : None
- 6.13 Risk from Other Important Issues : None

7. Other Material Events : None

Special Disclosures

1. Affiliates Information

1.1-1 Group Brief Introduction



1.1-2 Background Information of the Affiliated Companies

Unit: Original \$Thousands 2014/12/31

| Entity | Date of Incorporation | Address | Capital | Main Operation or Business Items |
|---|-----------------------|--|------------------|--|
| K Laser China Group Co., Ltd. | 2000/10/31 | P.O. Box 957, Road Town, Tortola, British Virgin Islands | RMB \$ 423,204 | Investment Business |
| Holoprint Co., Ltd. | 2000/09/29 | P.O. Box 957, Road Town, Tortola, British Virgin Islands | US \$ 1 | Investment Business |
| K Laser China Group Holding Co., Limited | 2008/01/03 | 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands | RMB \$ 217,037 | Investment Business |
| iWin Technology Co., Ltd | 2005/03/22 | Jipfa Building, 3th Floor, Main Street, Road Town, Tortola, British Virgin Islands | US \$ 4,030 | Investment Business |
| Finity Laboratories | 2001/11/16 | 922 San Leandro Ave., Suite D, Mountain View, California 94043 U.S.A. | US \$ 700 | R&D of Holographic Technology |
| K Laser Technology (HK) Co., Ltd. | 2000/06/28 | No. 6, 1/F, Trust Centre, 912 Cheung Sha Wan Road, Kowloon, Hong Kong. | HK \$ 1,284 | Sales of Holographic Products |
| Holomagic Co., Ltd. | 2000/09/29 | P.O. Box 957, Road Town, Tortola, British Virgin Islands | RMB \$ 96,554 | Investment Business |
| Treasure Access Limited | 2007/11/28 | Room 911B, 9/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Hong Kong | RMB \$ 52,233 | Investment Business |
| WUXI K Laser Technology Co., Ltd. | 2000/12/29 | #60Segmen, Changjiang road Wuxi New District Zone, Wuxi Jiangsu, China | RMB \$ 126,339 | Production and Sales of Holographic Products |
| Top Band Investment Ltd. | 2007/09/13 | P.O. Box 3444, Road Town, Tortola, British Virgin Islands | RMB \$ 146,201 | Investment Business |
| Union Bloom Limited | 2007/11/28 | Room 911B, 9/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Hong Kong | RMB \$ 193,969 | Investment Business |
| K Laser Technology (Dong Guan) Co., Ltd. | 2001/09/07 | Da Hsui Hu Area, Da Pian Mei Village, Daling Shang, Dong Guan City | RMB \$ 165,621 | Production and Sales of Holographic Products |
| K Laser International Co., Ltd. | 2000/10/31 | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | US \$ 20,299 | Investment Business |
| K Laser Technology (USA) Co., Ltd. | 1993/02/18 | 7152 Patterson Drive Garden Grove, California 92841 U.S.A. | US \$ 7,527 | Sales of Holographic Products |
| Amagic Technologies U.S.A. (Dubai) | 1996/12/03 | Jebel Alfree Zone VA-05 P.O. BOX 61306 Dubai, UAE | AED \$ 913 | Sales of Holographic Products |
| K Laser Technology Mexico S.A. de C.V. | 2001/09/07 | 164 Maquiladores St. / Parque Industrial el Chichimeco, Municipio de Jesús Maria, Aguascalientes, Mexico / ZIP 20900 | MXN \$ 41,052 | Production and Sales of Holographic Products |
| K Laser Technology Japan Co., Ltd. | 2003/07/11 | 大阪府阿倍野区松崎町三丁目 14 番 22 号 | JPY \$ 96,000 | Production and Sales of Holographic Products |
| K Laser Technology (Korea) Co., Ltd. | 2002/08/26 | 464-1 Hyeongok-Ri, Cheongbuk-Myeon, Pyeongtak-City, Gyeonggi-Province, Korea 451-831 | KRW \$ 2,685,000 | Production and Sales of Holographic Products |
| K Laser Technology (Thailand) Co., Ltd. | 1995/12/18 | 111/89 Moo 7 Bangchalong, Bangplee, Samutprakarn 10540, Thailand | THB \$ 112,200 | Production and Sales of Holographic Products |
| K Laser IMEA Co., Ltd. | 2003/07/03 | Suite 802, St James Court St Denis Street, Port Louis, Mauritius | US \$ 3,050 | Investment Business |
| Amagic Holographics India Private Limited | 2003/07/11 | B-74 Ambad MIDC Industrial Area, Ambad, Nashik 422010 | INR \$ 109,156 | Production and Sales of Holographic Products |
| Optivision Tech Inc. | 2004/07/14 | 3F.No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C. | NT \$ 492,146 | Production and R&D of Optical Prism Film |
| Bright Triumph Limited | 2008/03/26 | Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius | US \$ 5,258 | Investment Business |
| 寧波光耀光學科技有限公司 | 2008/05/28 | 浙江省寧波市北侖保稅南區蘆山西路 167 號 6 號廠房 | RMB \$ 33,607 | Production of Optical Prism Film |

1.1-3 Information Regarding Same Shareholders of Affiliated Companies Who Is Deemed to Have Control or Subject to Significant Influence : None

1.1-4 Directors, Supervisors, and Presidents of the Affiliated Companies

2014/12/31

| Entity | Title | Name of the Representation | Shareholding | |
|---|----------------------------|----------------------------|--------------|-------------|
| | | | Shares | Holding (%) |
| K Laser China Group Co., Ltd. (KLCN) | Director (K Laser) | Alex Kuo | 28,809,044 | 100.00% |
| Holoprint Co., Ltd. | Director (KLCN) | Alex Kuo | 1 | 100.00% |
| K Laser China Group Holding Co., Limited (KLCG) | Director (KLCN) | Alex Kuo | 79,139,225 | 99.603% |
| | Director (KLCN) | C. L. Kuo | | |
| iWin Technology Co., Ltd | Director (K Laser) | Alex Kuo | 98,745 | 49.00% |
| | Director (KLCG) | Alex Kuo | 102,775 | 51.00% |
| Finity Laboratories | Director (iWin) | Alex Kuo | 700,000 | 100.00% |
| | GM | Wai Hon Lee | 0 | 0% |
| K Laser Technology (HK) Co., Ltd. | Director (KLCG) | Alex Kuo | 1,283,500 | 100.00% |
| | Director | Daniel Kuo | | |
| | GM | Tong Chin Tai | | |
| Holomagic Co., Ltd. | Director (KLCG) | Alex Kuo | 30,000 | 100.00% |
| Treasure Access Limited | Director (Holomagic) | Alex Kuo | 10,000 | 100.00% |
| WUXI K Laser Technology Co., Ltd. | Chairman (Treasure Access) | Daniel Kuo | - | 100.00% |
| | Director | Alex Kuo | | |
| | Director & GM | C. L. Kuo | | |
| | Supervisor | Mark Chen | | |
| Top Band Investment Ltd. | Director (KLCG) | Alex Kuo | 50,000 | 100.00% |
| Union Bloom Limited | Director | Alex Kuo | 10,000 | 100.00% |
| K Laser Technology (Dong Guan) Co., Ltd. | Chairman (Union Bloom) | James Kuo | - | 100.00% |
| | Director | Daniel Kuo | | |
| | Director & GM | C. L. Kuo | | |
| | Supervisor | Mark Chen | | |
| K Laser International Co., Ltd. | Director (K Laser) | Alex Kuo | 20,298,978 | 100.00% |
| K Laser Technology (USA) Co., Ltd. | Chairman (International) | Alex Kuo | 6,500,000 | 80.00% |
| | Director (International) | Daniel Kuo | | |
| | Director | Shiro Murata | 1,625,000 | 20.00% |
| | Acting General Manager | Sammy Chen | - | - |
| Amagic Technologies U.S.A (Dubai) | Chairman (International) | Alex Kuo | - | 100.00% |
| | Director & GM | Joseph Habchi | - | - |
| K Laser Technology Mexico S.A. de C.V. | Chairman (International) | Alex Kuo | 30,586 | 74.51% |
| | GM | Alfonso Hurtado | - | - |
| K Laser Technology Japan Co., Ltd. | Chairman (International) | Daniel Kuo | 1,344 | 70.00% |
| | Director | Alex Kuo | | |
| | Director | James Kuo | | |
| | Director | Shiro Murata | 576 | 30.00% |
| | Director & GM | Jun Murata | | |
| | Supervisor | Hiroaki Soejima | | |
| K Laser Technology (Korea) Co., Ltd. | Chairman (International) | Daniel Kuo | 537,000 | 100.00% |
| | Director | Alex Kuo | | |
| | Director & GM | Pen Cheng | | |
| | Supervisor | Howard Chen | | |
| K Laser Technology (Thailand) Co., Ltd. | Chairman (International) | Alex Kuo | 9,277,984 | 82.69% |
| | Director | S. L. Yang | 202,998 | 1.81% |
| | Director | Ms.Yupha Purima | 1 | 0% |
| | Director & GM | Simon Fwu | 1,000,000 | 8.91% |
| K Laser IMEA Co., Ltd. | Director (International) | Alex Kuo | 3,050,390 | 100.00% |

| Entity | Title | Name of the Representation | Shareholding | |
|---|-----------------------|----------------------------|--------------|-------------|
| | | | Shares | Holding (%) |
| Amagic Holographics India Private Limited | Director (IMEA) | Alex Kuo | 10,915,954 | 100.00% |
| | Director | Daniel Kuo | | |
| | Director & GM | K. C. Yuan | | |
| Optivision Tech Inc. | Chairman & GM | Daniel Kuo | 720,937 | 1.46% |
| | Director (K Laser) | Alex Kuo | 22,699,420 | 46.12% |
| | Director | James Kuo | 57,039 | 0.12% |
| | Director | Shr-Yang Chen | - | - |
| | Independent Director | Yuan-Shi Chiou | - | - |
| | Independent Director | Ruei-Dang Jang | - | - |
| | Independent Director | Mong-Ou Yang | - | - |
| Bright Triumph Limited | Director (Optivision) | Daniel Kuo | 5,257,517 | 100% |
| 寧波光耀光學科技有限公司 | Director (BTL) | Daniel Kuo | - | 100% |
| | GM | Philip Hung | - | - |

1.1-5 Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit : NT\$ Thousands 2014/12/31

| Entity | Capital | Total Assets | Total Liabilities | Net Worth | Sales | Operating Income | Net Income (After Tax) | EPS (NT\$) (After Tax) |
|---|-----------|--------------|-------------------|-----------|-----------|------------------|------------------------|------------------------|
| K Laser China Group Co., Ltd. | 2,152,203 | 2,453,163 | 0 | 2,453,163 | 0 | 0 | 93,874 | 4.51 |
| Holoprint Co., Ltd. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| K Laser China Group Holding Co., Limited | 1,103,741 | 2,688,933 | 226,008 | 2,462,925 | 0 | (2,857) | 98,674 | 0.96 |
| iWin Technology Co., Ltd | 127,562 | 40,389 | 0 | 40,389 | 0 | (15,450) | (14,137) | (70.15) |
| Finity Laboratories | 22,155 | 26,916 | 1,199 | 25,717 | 7,422 | (14,547) | 696 | 0.99 |
| K Laser Technology (HK) Co., Ltd. | 5,237 | 39,358 | 2,393 | 36,965 | 52,568 | (5,154) | 931 | 0.73 |
| Holomagic Co., Ltd. | 491,023 | 1,338,206 | 5,516 | 1,332,690 | 7,683 | (7,459) | 10,441 | 348.03 |
| Treasure Access Limited | 265,631 | 1,327,987 | 0 | 1,327,987 | 0 | (6,583) | 17,901 | 1,790.12 |
| WUXI K Laser Technology Co., Ltd. | 642,495 | 1,089,698 | 163,227 | 926,471 | 864,815 | (1,158) | (16,309) | N/A |
| Top Band Investment Ltd. | 743,503 | 1,277,510 | 39,281 | 1,238,229 | 182,478 | 4,960 | 104,268 | 2,085.36 |
| Union Bloom Limited | 986,428 | 1,226,878 | 5,594 | 1,221,284 | 0 | (9) | 99,574 | 9,957.36 |
| K Laser Technology (Dong Guan) Co., Ltd | 842,265 | 1,408,604 | 181,746 | 1,226,858 | 1,309,252 | 123,657 | 107,818 | N/A |
| K Laser International Co., Ltd. | 642,463 | 662,692 | 15,307 | 647,385 | 27,041 | 3,357 | (63,137) | (3.11) |
| K Laser Technology (USA) Co., Ltd. | 238,227 | 180,453 | 67,144 | 113,309 | 324,315 | (71,646) | (66,275) | (8.16) |
| Amagic Technologies U.S.A. (Dubai) | 6,634 | 66,492 | 20,371 | 46,121 | 109,024 | 8,934 | 5,159 | N/A |
| K Laser Technology Mexico S.A. de C.V. | 88,311 | 70,730 | 70,730 | 0 | 34,578 | (23,912) | (12,059) | (295.70) |
| K Laser Technology Japan Co., Ltd. | 25,402 | 154,223 | 44,123 | 110,100 | 158,889 | 13,536 | 12,407 | 6,461.74 |
| K Laser Technology (Korea) Co., Ltd. | 78,402 | 69,080 | 17,869 | 51,211 | 67,048 | (24,369) | (55,039) | (102.49) |
| K Laser Technology (Thailand) Co., Ltd. | 108,497 | 354,950 | 46,008 | 308,942 | 279,213 | 37,994 | 35,448 | 3.17 |
| K Laser IMEA Co., Ltd. | 96,545 | 55,285 | 834 | 54,451 | 327 | (40) | 7,280 | 2.39 |
| Amagic Holographics India Private Limited | 79,381 | 51,055 | 8,167 | 42,888 | 83,314 | 5,476 | 6,203 | 0.57 |
| Optivision Tech Inc. | 492,146 | 1,478,618 | 401,960 | 1,076,658 | 1,483,367 | 200,718 | 227,496 | 5.13 |
| Bright Triumph Limited | 166,400 | 55,288 | 0 | 55,288 | 0 | 0 | (24,775) | (4.71) |
| 寧波光耀光學科技有限公司 | 170,908 | 161,960 | 107,606 | 54,354 | 285,705 | 25,299 | (25,890) | N/A |

Exchange Rate :

| | |
|-----------------------|------------------------|
| \$ 1 USD=\$ 31.65 NT | \$ 1 EUR=\$ 38.47 NT |
| \$ 1 HKD=\$ 4.08 NT | \$ 1 RMB=\$ 5.0855 NT |
| \$ 1 JPY=\$ 0.2646 NT | \$ 1 DHS=\$ 8.6169 NT |
| \$ 1 THB=\$ 0.967 NT | \$ 1 KRW=\$ 0.0292 NT |
| \$ 1 MXN=\$ 2.1512 NT | \$ 1 INR = \$ 0.5032NT |

1.2 Consolidated Financial Statements: Please Refer to KLT's Consolidated Financial Statements.

2. Private Placement Securities in the Most Recent Years : None
3. K Laser Shares Held or Sold by its Subsidiaries : None
4. Other Necessary Supplements : None

Major items to affect equity or stock price

Major Items to Affect Equity or Stock Price : None

光群雷射科技股份有限公司
K LASER TECHNOLOGY INC.



負責人 / Chairman：郭維武 / Alex Kuo

A handwritten signature in black ink, appearing to read 'Alex Kuo'.



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