

# Letter to Shareholders

To our shareholders:

Thanks for all shareholders' continuous support for the past year. Year 2006 was a year for K Laser Group to prove if we kept on the right track to turn around the business under globalization impact. In year 2005, we had explained that K Laser Taiwan (KLTW) confronted some production lines had been strategically moved out overseas and the transformation was a must. The actions we had taken to survive KLTW were to focus on promoting high margin products and developing new technologies and new products. For the fast growing K Laser China Group (KLCN), we focused on building complete in house production line and simplified product lines to reach economy scale thereafter increase efficiency, lower manufacturing cost and in return to the ultimate goal of higher gross profit. As to the whole Group, we learned that "resources integration" was a key issue to let our Group work efficiently. All these strategies and tactics truly were a big challenge for our management team. But it is time to prove if our team is able to survive under globalization impact.

KLTW sales dropped 3 % in year 2006 compared with year 2005 and which was much better than the 22% drop in sales of year 2005 compared with year 2004. However, as we drove for promoting high margin products, we had good results in return, i.e., more than 11% gross profit rate increase than the previous year. In addition to fully control on operating expense, KLTW operating profit was from loss 4.1million in 2005 to gain 91 million in 2006. In the coming year, we will keep the same strategy and we are confident that sales revenue will grow due to the new product lines are ready to contribute extra sales in year 2007. With all these, we definitely believe that KLTW will have an even better operating result in year 2007.

KLCN consolidated sales remained in strong growth in year 2006, about 20% growth than the previous year. Paper production lines expansion in K Laser Wuxi (KLWX) had been completed in 2005 and started to get fruitful return in year 2006. The sales growth of KLWX kept the momentum of the whole KLCN in 2006. In the coming year, "resources integration" stage II will be applied in KLCN to drop the direct material cost to increase gross profit, KLCN will be expected to reap even larger profit in year 2007.

K Laser Group consolidated sales of 2006 was NT\$ 3.2 billion, 20% increase than the year before; net income after tax was NT\$ 0.26 billion, 63% increase than the year before. In 2007, "resources integration" stage II will be applied over the whole group, and we expected the synergy will show up first in KLCN and sooner or later will spray all over the group. The consolidated sales will keep growing and the gross profit will still keep increasing although the market price is decreasing. Therefore the hologram business is expected to bring even more profit in 2007. Other investment business like projector and diffuser are getting better and we expect they will contribute positive profit this year. In order to be globalization, we introduced OAK venture capital company from Japan and one of the largest printing and packaging company in the world from Australia, Amcor, to joint our board members to enhance our ability to be ready for globalization. Even more, the group is also thinking about how to utilize global brain market and the potential intelligent manpower among our group to help us to fight with those global competitors.

As what we had mentioned at the very beginning, K Laser Group has confronted globalization impact and started to suffer the side effect since the end of 2003. The team members spent more than 1 year to realize what happened to this world and decided to fight back from 2005. We had been through "re-organization", "re-engineering" and "resources integration" and the group gave a good return in year 2006. The result of 2006 not only proves that all the strategies and tactics we had taken were on the right track but also shows our team is qualified and ready to be a global member. The team very appreciates what we had been through and learned that the challenge will keep coming in the future. But now we are ready for it! Finally, we would like to thanks all the supports from our shareholders and the great efforts from our employees. We will continue the great spirit of teamwork and continue to lead K Laser successfully in future.

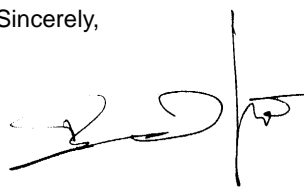
Again, thanks for the support from all of you.

Sincerely,



Alex Kuo  
Chairman

Sincerely,



Daniel Kuo  
CEO