



K LASER TECHNOLOGY INC.

2018 Annual Shareholders' Meeting

Meeting Handbook

(Translation Excerpt)

May 30, 2018

Table of Contents

Meeting Procedure	1
Meeting Agenda	2
1. Report Items	3
2. Ratification Items.....	4
3. Extraordinary Motions	4
4. Adjournment	4
Attachments	
1. Business Report	5
2. Audit Report by Audited Report.....	6
3. Financial Statements	7
4. 2017 Earnings Allocation Table.....	30



K LASER TECHNOLOGY INC. Meeting Procedure

Time of Meeting : May 30, 2018(Wednesday) at 9:00 am
Location of Meeting : GIS HSP Convention Center
Baha, 4F, No.1, Gongye E. 2nd Rd., East Dist.,
Hsinchu City 300, Taiwan(R.O.C.)

- 1. Meeting Commencement Announced**
- 2. Chairman's Address**
- 3. Report Items**
- 4. Ratification Items**
- 5. Extraordinary Motions**
- 6. Adjournment**



K LASER TECHNOLOGY INC.

Notice of 2017 Annual General Shareholders' Meeting

Time of Meeting : May 30, 2018(Wednesday) at 9:00 am
Location of Meeting : GIS HSP Convention Center
Baha, 4F, No.1, Gongye E. 2nd Rd., East Dist.,
Hsinchu City 300, Taiwan(R.O.C.)

AGENDA

1. Chairman to announce the commencement of meeting.

2. Report Items

- (1) 2017 Business report.
- (2) Audit Committee Audited Report on 2017 Financial Statements.
- (3) To report the distribution of compensation to Employee, Directors for 2017.
- (4) To report the amendments and execution status of treasure stocks transferred to staff in 2017.

3. Ratification Items

- (1) 2017 Operating Report and Financial Statements.
- (2) 2017 Earning Distribution.

4. Extraordinary Motions

5. Adjournment

Report Items

Item 1: 2017 Business Report

Description:

Please refer to Attachment 1 (pages 5) for the Business Report.

Item 2: Audit Committee Audited Report on 2017 Financial Statements.

Description:

Please refer to Attachment 2 (pages 6) for Audit Committee's Review Report.

Item 3: To report the distribution of compensation to Employee, Directors for 2017.

Description:

According to the provisions of Article 32 of the Articles of Association. In accordance with the financial statement of the company only for the year of 2017, the Compensation for Employee and for Directors are NT\$9,795,000 and NT\$2,226,000 respectively, which are based on 5.5% and 1.25% of the net income before income tax, deducting the accumulated deficit. There is no difference between the amount of the assigned amount and the estimated annual estimate.

Item 4: To report the amendments and execution status of treasure stocks transferred to staff in 2017

Description:

Item	Purpose of buy-back	Expected shares of buy-back	Buy-back method	Price range	Buy-back period	Actual Shares of buy-back	Total amount of buy-back	Average cost of buy-back
24th	Maintain the company's credit and shareholders' equity	5,000 thousand	Buy-back form open market	NT\$10.68~ NT\$22.83	2017/8/11~ 2017/10/6	5,000 thousand	NT\$78,020,508	NT\$15.6
Description : 1. The Board had approved the amendments of treasure stocks transferred to staff on December 4, 2017, the 1th Extraordinary Meeting of the 11th Term of Board of Directors. 2. Transferred 3,000 thousand shares to staff of on December 25, 2017.								

Ratification Items

Items 1: The 2017 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Description:

1. The 2017 Business Report and Financial Statements have been approved by the Board of Directors.
2. Please refer to Attachment 1 (pages 5) through Attachment 3 (pages 7-29) for the documents mentioned above.

Resolution:

Items 2: Ratification for Distribution of 2017 profits

(Proposed by the Board of Directors)

Description:

1. Please refer to Attachment 4, the company's 2017 Earnings Allocation Table, expected allocated shareholder cash dividend of NT \$ 91,461,793, \$0.56 per share (The cash dividends will be calculated to the nearest NT dollar. The remainder will be transferred into the Company Other Revenue). Subject to the approval of the general shareholder's meeting, the Board of Directors is authorized to determine the ex-dividend date for the cash and stock dividend distribution and other related matters.
2. Prior to the ex-dividend date for the distribution, if the number of total shares outstanding has changed due to the repurchasing of shares by the Company, the transfer of treasury shares to employees, or the conversion of shares from domestic convertible bonds, etc., so that the ratios of the stock dividends and cash dividends are changed and need to be adjusted, the Board is authorized to make such adjustments.

Resolution:

Extraordinary Motions

Adjournment

Attachments 1 Business Report

To Shareholders

Summary

K Laser Group's consolidated annual sales in 2017 was 5.22 billion NT dollars, increasing about 2.7% than the previous year. The gross profit margin was 24.6% which was 0.6% lower than in 2015. The operating income was 413 million NT dollars, shrinking 12.8% from 2016. Net income for 2017 was 155 million NT dollars, and EPS was 1.12 NT dollars.

Most of the increase in sales last year was from consolidating Everest Display in October 2016. The shrink in gross profit margin was also resulted from consolidating Everest Display, as well as increase in expense. HBU consolidated sales 3.41 billion NT dollars, because of the improved production yield and yield rate of true seamless technology, gross profit margin of 2017 is 29.4%, resulting in 1.7% growth from 2016. We believe, by continuous development of true seamless product, there are still lots of room for the growth of gross margin and net profit.

Technology Development

1. Following the success of our true seamless lamination film in the market, we began to develop second generation true seamless technology which will further increase our production yield and yield rate, and also offer our customers more hologram patterns for use. Those actions will keep us stay on top of the competition and enable us to further enlarge our profit margin.
2. We made a leap in the development of Fresnel lens technology and successfully launched true seamless wallpaper lens in 2017. The product is not only suitable for use in cosmetic and daily care packaging but also great for use in gravure label printing which we barely touched before.

Our Strategy and Global Situation

In today's hologram market, competition is fierce and price is constantly in decline. What sets us apart from the regular material suppliers in the market is our commitment to new product and technology development. Therefore we will take a course of action to cultivate creative solutions based on state-of-the-art technologies and ensure good customer experiences when customers do work with us. At the same time, we will keep enhancing our production capabilities in all manufacturing plants and introduce new processes to elevate our profits.

While we engage in technology development and strategic management to stay ahead of the competition, we are concerned of the global political economy. If US President Donald Trump, who has been advocating trade protectionism, decides to impose punitive tariffs on Chinese goods including film products, the sales between K Laser China and K Laser USA may be affected, and our profit will be affected as well. As we find ourselves in the middle of uncertainties, we must pay close attention to the development of global and regional situations. Although we cannot control the macro economy, we will do diligent management to control risks and the competitive edges that we have been working hard to build will provide us cushions during the hard times.

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 & General Manager



Serena Hung
Accounting Supervisor



Attachments 2

Audit Report by Audit Committee

The Board of Directors have prepared and submitted to us the Company's 2017 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 Audit Committee of the Company. According to the Article 14 of the Securities Exchange Act and Article 219 of the Company Law, we hereby submit this report.

K Laser Technology Inc.



Audit Committee Convener :

Gen-Sen Chang-Hsieh

A handwritten signature in blue ink, corresponding to the name Gen-Sen Chang-Hsieh. The signature is written in a cursive style.



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Independent Auditors' Report

The Board of Directors and Shareholders

K LASER Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of K LASER Technology Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion and based on our audit result and the reports issued by other auditors, (please refer to the other item)the consolidated financial statements referred to in the first paragraph are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of International Financial Reporting Standards (IFRIC) and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission, present fairly the consolidated financial status of K LASER Technology Inc. and subsidiaries as of December 31, 2017 and December 31, 2016, and the consolidated business result and consolidated cash flows for the years ended December 31, 2017 and December 31, 2016.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Account Receivable

The amount of the allowance for bad debts of accounts receivable is the subjective judgment of the recoverable amount on the overdue and doubtful accounts receivable determined by the management. The estimated amount of the bad debts is determined by of the management's viewpoint on the hypothesis of customer's credit risk. We are particularly concerned about the account receivable that the amount is significant and the payment is not on the payment schedule, and the rationality of the bad debts amount provided by the management. Please refer to Note 4 and Note 8 of the consolidated financial report for the relative information of accounts receivable.

Our audit procedures in response to the above key audit matter include assessing the rationality of the aging and the provisioning policy of the accounts receivable, testing the accuracy of the accounts receivable aging report, comparing the aging of the accounts receivable for current and previous years, reviewing the write-off of the previous year's bad debts, and ensuring the recoverability of the accounts receivable through examining the cash receipt after the fiscal year.

Impairment of Inventories

The inventory amount of the Company as of December 31, 2017 is NT\$865,126 thousand (the gross inventory amount NT\$ 929,849 thousand deducting the allowance of inventory NT\$ 64,723 thousand). Please refer to note 9 of the consolidated financial report.

The inventories of the Company are measured at the lower of the cost or net realized value. The valuation of the net realized value of the inventory is related to the significant judgment and estimation of the management of the Company and the selling price is susceptible to the fluctuations of the market demand and to the rapid changes in technology which leads to dead stock or product obsolescence, and then resulting in financial losses. Therefore, we considerate a key audit matter to the consolidated financial report for the fiscal year.

Our audit procedures in response to the above key audit matter include obtaining the cost and net realized value of inventory prepared by the Company management, selecting samples to examine the estimated selling price and the most recent sales records, and evaluating the basis and the rationality for assessing the estimated net realized value by the Company management. We verify the completeness of the provision for slow-moving inventory by participating in the annual inventory physical count to evaluate the condition of inventory.

Other Matter

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain subsidiaries which statements are based on solely on the reports of the other auditors and it relates to the total assets amounted to NT\$ 220,807 thousand and NT\$ 203,469 thousand, all representing 3.23% and 2.89% of the total consolidated assets as of December 31, 2017 and 2016. The operating revenues amounted to NT\$ 305,597 thousand and NT\$ 314,933 thousand, representing 5.86% and 6.2% of the consolidated operating revenues for the years then ended December 31, 2017 and 2016. We did not audit the financial statements of certain associates and joint venture which statements are based solely on the reports of the other auditors and it relates to the total assets amounted to NT\$ 277,821 thousand and NT\$ 98,311 thousand, representing 4.06% and 1.4% of the consolidated assets as of December 31, 2017 and 2016. The related share of profits of associates and joint venture under the equity method amounted to NT\$(1,533) thousand and NT\$ 16,863 thousand, each representing (0.56%) and 4.92% of the total consolidated net income before tax for the years ended December 31, 2017 and 2016. The information regarding the above investees specified in Note 34 to the consolidated financial statements were also audited by other certified public accountants rather than us.

We have also audited the parent company only financial statements of K LASER Technology Inc. as of and for the years ended December 31, 2017 and December 31, 2016 on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huang, Yi-Min and Hong, Kuo-Tuan.

Deloitte & Touche Taipei, Taiwan
The Republic of China
March 29, 2018

Huang, Yi-Min



Hong, Kuo-Tuan





K LASER Technology Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2017 and December 31, 2016

NTD in Thousands

Code	Assets	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current Assets					
1100	Cash and cash equivalents (Notes 4 & 6)	\$1,472,382	21	\$1,189,908	17
1110	Financial assets at fair value through profit or loss—Current (Notes 4 & 7)	124,947	2	233,160	3
1150	Notes receivable (Notes 4 & 8)	43,634	1	211,561	3
1170	Accounts receivable (Notes 4 & 8)	1,148,831	17	1,326,095	19
1180	Receivables from related parties (Notes 8 & 30)	474,823	7	491,721	7
1200	Other receivables (Note 30)	96,532	1	79,873	1
1220	Income tax Assets for the year (Note 4&24)	18,981	-	6,024	-
130X	Inventories (Notes 4 & 9)	865,126	13	890,022	13
1412	Prepayment for lease—Current (Notes 17)	418	-	423	-
1470	Other current assets (Note 6 & 18)	212,829	3	264,671	4
11XX	Total current assets	<u>4,458,503</u>	<u>65</u>	<u>4,693,458</u>	<u>67</u>
Noncurrent Assets					
1527	Held-to-maturity financial assets-Noncurrent(Notes 4& 10)	-	-	62,020	1
1543	Financial assets carried at cost—Noncurrent (Notes 4 & 11)	139,105	2	177,969	2
1550	Investments accounted for using equity method (Notes 4 & 13)	772,156	11	620,991	9
1600	Property, plant and equipment (Notes 4 & 14)	1,291,759	19	1,339,897	19
1760	Investment property net (Notes 4 & 15)	57,196	1	624	-
1780	Other intangible assets (Notes 4 & 16)	7,082	-	1,724	-
1840	Deferred income tax assets (Notes 4 & 24)	38,111	1	44,311	1
1985	Prepayment for lease—Noncurrent (Note 17)	20,185	-	20,838	-
1990	Other noncurrent assets (Note 6 & 18)	49,543	1	67,734	1
15XX	Total noncurrent assets	<u>2,375,137</u>	<u>35</u>	<u>2,336,108</u>	<u>33</u>
1XXX	Total Assets	<u>\$6,833,640</u>	<u>100</u>	<u>\$7,029,566</u>	<u>100</u>
Liabilities and Equity					
Current Liabilities					
2100	Short-term loans (Note 19)	\$ 773,904	11	\$ 861,096	12
2110	Short-term notes and bills payable (Note 19)	199,868	3	149,880	2
2150	Notes payable	151,649	2	136,494	2
2160	Notes payable—Related parties (Note 30)	15,609	-	4,617	-
2170	Accounts payable	386,149	6	440,434	6
2180	Accounts payable—Related parties (Note 30)	124,073	2	168,450	2
2200	Other payables(Note 30)	315,218	5	359,845	5
2230	Income tax liabilities for the year (Notes 4 & 24)	28,306	1	44,874	1
2320	Current portion of long-term liabilities (Note 19)	17,893	-	663,582	10
2399	Other current liabilities	22,498	-	16,278	-
21XX	Total current liabilities	<u>2,035,167</u>	<u>30</u>	<u>2,845,550</u>	<u>40</u>
Noncurrent Liabilities					
2540	Long-term loans (Note 19)	1,065,000	16	876,500	13
2640	Net defined benefit liability—Noncurrent (Notes 4 & 21)	20,882	-	20,479	-
2670	Other liabilities—Others (Note 19)	-	-	2,812	-
25XX	Total noncurrent liabilities	<u>1,085,882</u>	<u>16</u>	<u>899,791</u>	<u>13</u>
2XXX	Total Liabilities	<u>3,121,049</u>	<u>46</u>	<u>3,745,341</u>	<u>53</u>
Equity (Note 22)					
Capital stock					
3110	Capital – common stock	1,653,246	24	1,328,299	19
3200	Capital surplus	548,370	8	392,890	6
Retained earnings					
3310	Appropriated as legal reserve	190,957	3	169,411	2
3320	Appropriated as special reserve	162,918	2	162,918	2
3350	Unappropriated earnings	561,320	8	537,308	8
Other equity					
3410	Exchange differences on translation of foreign financial statements	(177,585)	(3)	(116,820)	(2)
3500	Treasury stock	(31,202)	-	-	-
31XX	Equity attributable to the company	2,908,024	42	2,474,006	35
36XX	Noncontrolling interests	804,567	12	810,219	12
3XXX	Total equity	<u>3,712,591</u>	<u>54</u>	<u>3,284,225</u>	<u>47</u>
Total Liabilities and Equity		<u>\$6,833,640</u>	<u>100</u>	<u>\$7,029,566</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please see the auditors' report issued on Mar. 29, 2018 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching




 K LASER Technology Inc. and Subsidiaries
 Consolidated Income Statement
 January 1 to December 31, 2017 and 2016

		(NTD in Thousands, Except Earnings Per Share)			
		2017		2016	
Code		Amount	%	Amount	%
4000	Revenue (Note 4 & 30)	\$5,217,612	100	\$5,080,255	100
5110	Cost of Sales (Note 4 & 9 & 30)	<u>3,941,078</u>	<u>75</u>	<u>3,816,175</u>	<u>75</u>
5900	Gross profit	1,276,534	25	1,264,080	25
5920	Realized gross profit (loss) on sales	<u>6,992</u>	<u>-</u>	<u>17,322</u>	<u>-</u>
5950	Gross profit net	<u>1,283,526</u>	<u>25</u>	<u>1,281,402</u>	<u>25</u>
	Operating expenses (Note 30)				
6100	Marketing	261,836	5	262,406	5
6200	General and administrative	363,657	7	324,458	7
6300	Research and development	<u>245,290</u>	<u>5</u>	<u>221,389</u>	<u>4</u>
6000	Total operating expenses	<u>870,783</u>	<u>17</u>	<u>808,253</u>	<u>16</u>
6900	Income from operations	<u>412,743</u>	<u>8</u>	<u>473,149</u>	<u>9</u>
	Non-operating income and expenses				
7060	Net Profit(loss) from associates and joint ventures accounted by equity method (Note 13)	(38,588)	(1)	(61,569)	(1)
7100	Interest income (Note 30)	11,280	-	9,303	-
7130	Dividend revenue	5,455	-	-	-
7190	Other incomes — Others (Note 30)	21,682	1	31,921	1
7210	Loss on disposal of property, plant and equipment	(13,466)	-	(138)	-
7230	Foreign exchange Loss	(34,028)	(1)	(45,239)	(1)
7235	Valuation gain(loss) on financial assets and liability, net	2,693	-	10,253	-
7270	Gain on reversal of impairment loss	-	-	9,898	-
7510	Interest expenses	(43,101)	(1)	(40,090)	-
7590	Miscellaneous expenses	(50,065)	(1)	(45,271)	(1)
7625	Gain on disposal of investment	<u>310</u>	<u>-</u>	<u>356</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>(137,828)</u>	<u>(3)</u>	<u>(130,576)</u>	<u>(2)</u>
7900	Income before income tax	274,915	5	342,573	7
7950	Income tax expenses (Note 4 & 24)	<u>(74,650)</u>	<u>(1)</u>	<u>(92,676)</u>	<u>(2)</u>
	(Carried forward)				

(Brought forward)

Code		2017		2016	
		Amount	%	Amount	%
8200	Net income for the year	\$ <u>200,265</u>	<u>4</u>	\$ <u>249,897</u>	<u>5</u>
	Other comprehensive income (loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	(344)	-	(4,286)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(77,761)	(2)	(211,598)	(4)
8370	Share of other comprehensive loss of associate and joint venture	(<u>2,647</u>)	<u>-</u>	(<u>4,384</u>)	<u>-</u>
8300	Total other comprehensive income (loss)	(<u>80,752</u>)	(<u>2</u>)	(<u>220,268</u>)	(<u>4</u>)
8500	Total comprehensive income for the year	\$ <u>119,513</u>	<u>2</u>	\$ <u>29,629</u>	<u>1</u>
	Net income attributable to:				
8610	Shareholders of the company	\$ 155,016	3	\$ 215,461	4
8620	Noncontrolling interests	<u>45,249</u>	<u>1</u>	<u>34,436</u>	<u>1</u>
8600		\$ <u>200,265</u>	<u>4</u>	\$ <u>249,897</u>	<u>5</u>
	Total comprehensive income (loss) attributable to:				
8710	Shareholders of the company	\$ 93,907	2	\$ 9,674	-
8720	Noncontrolling interests	<u>25,606</u>	<u>-</u>	<u>19,955</u>	<u>1</u>
8700		\$ <u>119,513</u>	<u>2</u>	\$ <u>29,629</u>	<u>1</u>
	Earnings per share (Note 25)				
	From continuing operations				
9710	Basic	\$ <u>1.12</u>		\$ <u>1.63</u>	
9810	Diluted	\$ <u>0.99</u>		\$ <u>1.35</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(Please see the auditors' report issued on Mar. 29, 2018 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu Manager: Chen: Kuo Wei-Wu Accounting Supervisor: Hung Ya-Ching





K LASER Technology, Inc. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
January 1 to December 31, 2017 and 2016

Unit: NTD in Thousands

y n a p m o c e h t f o s r e d l o h e r a s o t e l b a t u b i r t t a y t i u q e

Code		Capital – common stock	Capital surplus	Retained earnings			Foreign currency translation reserve	Treasury stock transaction	Noncontrolling interests	Total equity
				Appropriated as legal reserve	Appropriated as special reserve	Unappropriated earnings				
A1	Balance, January 1, 2016	\$1,324,665	\$ 408,627	\$ 152,976	\$ 162,918	\$ 408,801	\$ 84,681	\$ -	\$ 622,883	\$3,165,551
	Appropriation and distribution of earnings for 2015 (Note 22)									
B1	Legal reserve	-	-	16,435	-	(16,435)	-	-	-	-
B5	Cash dividends to shareholders of the company	-	-	-	-	(66,233)	-	-	-	(66,233)
D1	Net income in 2016	-	-	-	-	215,461	-	-	34,436	249,897
D3	Other comprehensive income (loss) in 2016	-	-	-	-	(4,286)	(201,501)	-	(14,481)	(220,268)
I1	Conversion of convertible bonds	3,634	1,970	-	-	-	-	-	-	5,604
M7	From share of changes in equities of subsidiaries	-	(17,707)	-	-	-	-	-	-	(17,707)
O1	Noncontrolling interests	-	-	-	-	-	-	-	167,381	167,381
Z1	Balance, December 31, 2016	1,328,299	392,890	169,411	162,918	537,308	(116,820)	-	810,219	3,284,225
	Appropriation and distribution of earnings for 2016 (Note 22)									
B1	Legal reserve	-	-	21,546	-	(21,546)	-	-	-	-
B5	Cash dividends to shareholders of the company	-	-	-	-	(109,114)	-	-	-	(109,114)
D1	Net income in 2017	-	-	-	-	155,016	-	-	45,249	200,265
D3	Other comprehensive income (loss) in 2017	-	-	-	-	(344)	(60,765)	-	(19,643)	(80,752)
I1	Conversion of convertible bonds	324,947	157,313	-	-	-	-	-	-	482,260
C7	Adjustments to share of changes in equities of associates and joint venture	-	(2,930)	-	-	-	-	-	-	(2,930)
M7	From share of changes in equities of subsidiaries	-	(292)	-	-	-	-	-	-	(292)
L1	Purchase of treasury stock	-	-	-	-	-	-	(77,972)	-	(77,972)
N1	Share-based payment transaction	-	1,389	-	-	-	-	46,770	-	48,159
O1	Noncontrolling interests	-	-	-	-	-	-	-	(31,258)	(31,258)
	7 1 0 2 , 1 3 r e b m e t	1,653,246	550,603	180,957	162,918	561,320	(177,585)	(31,202)	804,567	\$3,712,591

The accompanying notes are an integral part of the consolidated financial statements.
(Please see the auditors' report issued on Mar. 30, 2017 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching



K LASER Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2017 and 2016



Code		Unit: NTD in Thousands	
		2017	2016
	Cash flows from operating activities		
A10000	Income before income tax	\$ 274,915	\$ 342,573
A20010	Incomes and expenses not influencing cash flows:		
A20100	Depreciation expense	191,762	206,202
A20200	Amortization expense	2,453	3,002
A20300	Addition(Reverse) of bad debt	(5,247)	3,353
A20400	Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(2,693)	(10,253)
A20900	Interest expenses	43,101	40,090
A21200	Interest income	(11,280)	(9,303)
A21300	Dividend revenue	(5,455)	-
A21900	Remuneration costs of employee stock option	1,380	-
A22300	Share of profits of associates and joint ventures evaluated with equity method	38,588	61,569
A22500	Loss on disposal and obsolescence of property, plant and equipment	13,466	138
A23100	Gain on disposal of investment	(310)	(356)
A23800	Gain on reversal of impairment loss-nonfinancial assets	-	(9,898)
A24200	Gain on redemption of Bonds Payable	(456)	-
A29900	Amortization of prepaid lease payments	413	444
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	167,927	105,136
A31150	Accounts receivable	134,961	169,584
A31160	Accounts receivable—Related parties	16,898	(284,843)
A31180	Other receivables	(17,178)	43,450
A31200	Inventories	24,896	(84,675)
A31240	Other current assets	(19,895)	12,077
A31250	Other financial assets	(57,833)	(8,439)
A31990	Other noncurrent assets	3,278	2,862
A32130	Notes payable	15,155	(72,858)
A32140	Notes payable—		
	Related parties	11,044	4,617
A32150	Accounts payable	(54,285)	15,559
A32160	Accounts payable—Related parties	(44,377)	53,708
A32180	Other payables	(3,298)	27,170
(Carried forward)			

(Brought forward)		2017	2016
Code		2017	2016
A32230	Other current liabilities	\$ 6,220	(\$ 17,437)
A32240	Accrued pension liabilities	59	(40)
A32990	Other non-current liabilities	(2,812)	2,513
A33000	Cash generated by operating activities	721,397	595,945
A33100	Received interest	11,280	9,303
A33300	Paid interest	(36,303)	(30,711)
A33500	Paid income taxes	(97,974)	(73,991)
AAAA	Net cash generated by operating activities	<u>598,400</u>	<u>500,546</u>
Cash flows from investing activities			
B00100	Acquisition of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	(67,581)	(216,048)
B00200	Disposal of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	175,006	30,942
B01200	Acquisition of financial assets carried at cost	-	(117,914)
B01800	Acquisition of long-term investment evaluated under equity method	(65,725)	(24,272)
B01900	Disposal of long-term investment evaluated under equity method	-	1,017
B02700	Acquisition of property, plant and equipment	(171,026)	(150,637)
B02800	Disposal of property, plant and equipment	4,874	12,262
B03700	Decrease in refundable deposits	8,913	(9,665)
B05400	Acquisition of investment on real estate	(54,278)	
B04100	Increase in other receivables	-	(46,170)
B06600	Decrease in other financial assets	135,571	-
B04500	Acquisition of intangible assets	(7,810)	(435)
B05000	Net cash increased by consolidating new entities	-	116,677
B07600	Received dividends from Affiliated companies	<u>10,245</u>	<u>6,330</u>
BBBB	Net cash used in investing activities	<u>(31,811)</u>	<u>(397,913)</u>
Cash flows from financing activities			
C00200	Increase (decrease) in short-term loans	(87,192)	63,823
C00600	Increase in short-term notes and bills payable	50,000	50,000
C01300	Redemption of Bonds Payable	(11,300)	-
C01600	Increase in long-term loans	890,000	-
C01700	Decrease in long-term loans	(859,997)	-
C03700	Decrease in other accounts payable— Related parties	(40,000)	40,000
C04500	Payment of cash dividend	(109,114)	(66,233)
C05100	Proceeds from sales of treasury stock to employees	46,779	-
C04900	Purchase of treasury stock	(77,972)	-
C05400	Acquisition of subsidiaries	(1,925)	-
(Carried forward)			

(Brought forward)		2017	2016
Code			
C05800	Changes in noncontrolling interests	(\$ <u>29,626</u>)	(\$ <u>41,632</u>)
CCCC	Net cash generated by (used in) financing activities	(<u>230,347</u>)	<u>45,958</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>53,768</u>)	(<u>200,494</u>)
EEEE	Increase in cash and cash equivalents for the year	282,474	(51,903)
E00100	Cash and cash equivalents, beginning of year	<u>1,189,908</u>	<u>1,241,811</u>
E00200	Cash and cash equivalents, end of year	<u>\$1,472,382</u>	<u>\$1,189,908</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Please see the auditors' report issued on Mar. 29, 2018 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching



Independent Auditors' Report

The Board of Directors and Shareholders
K LASER Technology Inc.

Opinion

We have audited the accompanying parent company only financial statements of K LASER Technology Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2017 and 2016, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2017. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Account Receivable

The amount of the allowance for bad debts of accounts receivable is the subjective judgment of the recoverable amount on the overdue and doubtful accounts receivable determined by the management. The estimated amount of the bad debts is determined by of the management's viewpoint on the hypothesis of customer's credit risk. We are particularly concerned about the account receivable that the amount is significant and the payment is not on the payment schedule, and the rationality of the bad debts amount provided by the management. Please refer to Note 4 and Note 8 of the consolidated financial report for the relative information of accounts receivable.

Our audit procedures in response to the above key audit matter include assessing the rationality of the aging and the provisioning policy of the accounts receivable, testing the accuracy of the accounts receivable aging report, comparing the aging of the accounts receivable for current and previous years, reviewing the write-off of the previous year's bad debts, and ensuring the recoverability of the accounts receivable through examining the cash receipt after the fiscal year.

Impairment of Inventories

The inventory amount of the Company as of December 31, 2017 is NT\$30,648 thousand (the gross inventory amount NT\$ 33,123 thousand deducting the allowance of inventory NT\$2,475 thousand). Please refer to note 9 of the parent company only financial report.

The inventories of the Company are measured at the lower of the cost or net realized value. The valuation of the net realized value of the inventory is related to the significant judgment and estimation of the management of the Company and the selling price is susceptible to the fluctuations of the market demand and to the the rapid changes in technology which leads to dead stock or product obsolescence, and then resulting in financial losses. Therefore, we considerate a key audit matter to the consolidated financial report for the fical year.

Our audit procedures in response to the above key audit matter include obtaining the cost and net realized value of inventory prepared by the Company management, selecting samples to examine the estimated selling price and the most recent sales records, and evaluating the basis and the rationality for assessing the estimated net realized value by the Company management. The accountant assesses the inventory status by participating in the annual inventory to verify the completeness of the sluggish inventory provision

Other Matter

We did not audit the financial statements of certain associates and joint venture which statements are based solely on the reports of the other auditors and it relates to the total assets amounted to NT\$ 419,427 thousand and NT\$ 244,157 thousand, representing 9.32% and 5.38% of the consolidated assets as of December 31, 2017 and 2016. The related share of profits of associates and joint venture under the equity method amounted to NT\$ 9,295 thousand and NT\$ 35,694 thousand for the years ended

December 31, 2017 and 2016. The information regarding the above investees specified in Note 32 to the Company's financial statements were also audited by other certified public accountants rather than us.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huang, Yi-Min and Hong, Kuo-Tuan.

Deloitte & Touche Taipei, Taiwan

The Republic of China

March 29, 2018

Huang, Yi-Min

黃毅民



Hong, Kuo-Tuan

洪國田




 K LASER Technology Inc.
 Parent Company Only Balance Sheet
 December 31, 2017 and December 31, 2016

Unit: NTD in Thousands

Code	Assets	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current Assets					
1100	Cash and cash equivalents (Notes 4 & 6)	\$ 269,467	6	\$ 201,236	5
1110	Financial assets at fair value through profit or loss—Current (Notes 4 & 7)	5,387	-	13,280	-
1150	Notes receivable (Notes 4 & 8)	4,112	-	5,626	-
1170	Accounts receivable (Notes 4 & 8)	38,467	1	22,191	1
1180	Receivables from related parties (Notes 4, 8 & 27)	39,936	1	58,703	1
1200	Other receivables (Note 27)	10,339	-	7,013	-
1220	Income tax Assets for the year (Note 22)	78	-	79	-
130X	Inventories (Notes 4 & 9)	30,648	1	33,578	1
1470	Other current assets (Note 6 & 15)	3,220	-	94,030	2
11XX	Total current assets	<u>401,654</u>	<u>9</u>	<u>435,736</u>	<u>10</u>
Noncurrent Assets					
1543	Financial assets carried at cost—Noncurrent (Notes 4 & 10)	60,055	1	60,055	1
1550	Investments accounted for using equity method (Notes 4 & 11)	3,750,939	83	3,745,155	82
1600	Property, plant and equipment (Notes 4 & 12)	195,907	5	211,192	5
1760	Investment property net (Notes 4 & 13)	55,727	1	53,480	1
1780	Other intangible assets (Notes 4 & 14)	1,953	-	195	-
1840	Deferred income tax assets (Note 22)	22,300	1	25,300	1
1990	Other noncurrent assets (Note 6 & 15)	12,449	-	11,378	-
15XX	Total noncurrent assets	<u>4,099,330</u>	<u>91</u>	<u>4,106,755</u>	<u>90</u>
1XXX	Total Assets	<u>\$4,500,984</u>	<u>100</u>	<u>\$4,542,491</u>	<u>100</u>
Liabilities and Equity					
Current Liabilities					
2100	Short-term loans (Note 16)	\$ 200,000	5	\$ 275,000	6
2110	Short-term notes and bills payable (Note 16)	199,868	4	149,880	3
2150	Notes payable	97	-	97	-
2170	Accounts payable	19,720	-	16,528	1
2180	Accounts payable—Related parties (Note 27)	32,539	1	36,248	1
2200	Other payables (Note 18 & 27)	49,337	1	52,818	1
2230	Income tax liabilities for the year (Note 4 & 22)	8,049	-	7,832	-
2320	Current portion of long-term liabilities (Note 16 & 17)	-	-	630,692	14
2399	Other current liabilities	1,526	-	1,469	-
21XX	Total current liabilities	<u>511,136</u>	<u>11</u>	<u>1,170,564</u>	<u>26</u>
Noncurrent Liabilities					
2540	Long-term loans (Note 4 & 16)	1,060,000	24	876,500	19
2640	Net defined benefit liability (Notes 4 & 19)	20,882	-	20,479	1
2670	Other liabilities—Others	942	-	942	-
25XX	Total noncurrent liabilities	<u>1,081,824</u>	<u>24</u>	<u>897,921</u>	<u>20</u>
2XXX	Total Liabilities	<u>1,592,960</u>	<u>35</u>	<u>2,068,485</u>	<u>46</u>
Equity (Note 20)					
Capital stock					
3110	Capital—common stock	1,653,246	37	1,328,299	29
3200	Capital surplus	548,370	12	392,890	9
Retained earnings					
3310	Appropriated as legal reserve	190,957	4	169,411	4
3320	Appropriated as special capital reserve	162,918	4	162,918	3
3350	Unappropriated earnings	561,320	13	537,308	12
Other equity					
3410	Exchange differences on translation of foreign financial statements	(177,585)	(4)	(116,820)	(3)
3500	Treasury stock	(31,202)	(1)	-	-
3XXX	Total equity	<u>2,908,024</u>	<u>65</u>	<u>2,474,006</u>	<u>54</u>
Total Liabilities and Equity		<u>\$4,500,984</u>	<u>100</u>	<u>\$4,542,491</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 29, 2018 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching



K LASER Technology Inc.
Parent Company Only Income Statement
January 1 to December 31, 2017 and 2016



(NTD in Thousands, Except Earnings Per Share)

Code		2017		2016	
		Amount	%	Amount	%
4100	Revenue (Notes 4 & 27)	\$568,068	100	\$550,738	100
5110	Cost of sales (Notes 4 & 27)	<u>474,690</u>	<u>84</u>	<u>446,721</u>	<u>81</u>
5900	Gross profit	93,378	16	104,017	19
5920	Realized gross profit (loss) on sales	<u>3,514</u>	<u>1</u>	(<u>336</u>)	<u>-</u>
5950	Gross profit, net	<u>96,892</u>	<u>17</u>	<u>103,681</u>	<u>19</u>
	Operating expenses(Notes 27)				
6100	Marketing	24,202	4	23,135	4
6200	General and administrative	57,903	10	59,561	11
6300	Research and development	<u>54,299</u>	<u>10</u>	<u>43,487</u>	<u>8</u>
6000	Total operating expenses	<u>136,404</u>	<u>24</u>	<u>126,183</u>	<u>23</u>
6900	Income from operations	(<u>39,512</u>)	(<u>7</u>)	(<u>22,502</u>)	(<u>4</u>)
	Non-operating income and expenses				
7060	Net profit(loss) from associates and joint ventures accounted by equity method(Notes 11)	210,743	37	258,549	47
7100	Interest income	1,378	-	2,297	-
7190	Other incomes—Others(Notes 27)	42,160	8	22,601	4
7210	Gain (loss) on disposal of property, plant and equipment	(953)	-	(188)	-
7230	Foreign exchange gain	(8,814)	(1)	(1,860)	-
7235	Valuation gain(loss) on financial assets and liability, net	107	-	6,896	1
7510	Interest expenses	(29,184)	(5)	(31,469)	(6)
7590	Miscellaneous expenses	(9,628)	(2)	(8,382)	(1)
7625	Disposal of investment gain	(<u>230</u>)	<u>-</u>	<u>356</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>205,579</u>	<u>37</u>	<u>248,800</u>	<u>45</u>

(Carried forward)

(Brought forward)

Code		2017		2016	
		Amount	%	Amount	%
7900	Income before income tax	\$166,067	30	\$226,298	41
7950	Income tax expenses (Note 4 & 22)	(11,051)	(2)	(10,837)	(2)
8200	Net income for the year	<u>155,016</u>	<u>28</u>	<u>215,461</u>	<u>39</u>
	Other comprehensive income (loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Actuarial loss of defined benefit obligation	(344)	-	(4,286)	(1)
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(60,765)	(11)	(201,501)	(36)
8300	Total other comprehensive income (loss)	(61,109)	(11)	(205,787)	(37)
8500	Total comprehensive income for the year	<u>\$ 93,907</u>	<u>17</u>	<u>\$ 9,674</u>	<u>2</u>
	Earnings per share (Note 23)				
	From continuing operations				
9710	Basic	<u>\$ 1.12</u>		<u>\$ 1.63</u>	
9810	Diluted	<u>\$ 0.99</u>		<u>\$ 1.35</u>	

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 29, 2018 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching





KLASER Technology, Inc.
Parent Company Only Statement of Changes in Shareholders' Equity
January 1 to December 31, 2017 and 2016

Unit: NTD in Thousands

Code		Retained earnings						Treasury stock transaction	Total equity
		Capital – common stock	Capital surplus	Appropriated as legal reserve	Appropriated as special capital reserve	Unappropriated earnings	Foreign currency translation reserve		
A1	Balance, January 1, 2016	\$ 1,324,665	\$ 408,627	\$ 152,976	\$ 162,918	\$ 408,801	\$ -	\$ 2,542,668	
	Appropriation and distribution of earnings in 2015								
B1	Appropriated legal reserve	-	-	16,435	-	(16,435)	-	-	
B5	Cash dividends to shareholders	-	-	-	-	(66,233)	-	(66,233)	
D1	Net income in 2015	-	-	-	-	215,461	-	215,461	
D3	Other comprehensive income (loss) in 2015	-	-	-	-	(4,286)	(201,501)	(205,787)	
I1	Conversion of convertible bonds	3,634	1,970	-	-	-	-	5,604	
M7	From shares of change in equity of subsidiaries	-	(17,70Z)	-	-	-	-	(17,70Z)	
Z1	Balance, December 31, 2016	1,328,299	392,890	169,411	162,918	537,308	(116,820)	2,474,006	
	Appropriation and distribution of earnings in 2016								
B1	Legal reserve	-	-	21,546	-	(21,546)	-	-	
B5	Cash dividends to shareholders	-	-	-	-	(109,114)	-	(109,114)	
D1	Net income in 2017	-	-	-	-	155,016	-	155,016	
D3	Other comprehensive income (loss) in 2016	-	-	-	-	(344)	(60,765)	(61,109)	
I1	Conversion of convertible bonds	324,947	157,313	-	-	-	-	482,260	
C7	Adjustments to share of changes in equities of associates and joint venture	-	(2,930)	-	-	-	-	(2,930)	
M7	From shares of change in equity of subsidiaries	-	(292)	-	-	-	-	(292)	
L1	Purchase of treasury stock	-	-	-	-	-	(77,972)	(77,972)	
N1	Share-based payment transaction	-	1,389	-	-	-	46,770	48,159	
	Balance, December 31, 2017	\$ 1,653,246	\$ 548,370	\$ 190,95Z	\$ 162,918	\$ 561,320	(\$ 31,20Z)	\$ 2,908,024	

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 29, 2018 by Deloitte & Touche.)



Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching


 K LASER Technology Inc.
 Parent Company Only Statements of Cash Flows
 January 1 to December 31, 2017 and 2016

Unit: NTD in Thousands

Code		2017	2016
	Cash flows from operating activities		
A10000	Income before income tax	\$ 166,067	\$ 226,298
A20010	Incomes and expenses not influencing cash flows:		
A20100	Depreciation expense	27,524	26,510
A20200	Amortization expense	454	420
A20300	Bad debt expense	3	-
A20400	Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(107)	(6,896)
A20900	Interest expenses	29,184	31,469
A21200	Interest income	(1,378)	(2,297)
A22500	Loss (gain) on disposal and obsolescence of property, plant and equipment	953	188
A23100	Gain on disposal of investment	230	(356)
A24000	Realized sales income among associates	(3,514)	336
A22300	Share of profits of associates and joint ventures evaluated with equity method	(210,743)	(258,549)
A21900	Remuneration costs of employee stock option	1,380	-
A24200	Gain on redemption of Bonds Payable	(456)	-
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	1,514	(1,543)
A31150	Accounts receivable	(16,279)	3,912
A31160	Accounts receivable—Related parties	18,767	9,686
A31180	Other receivables	(3,326)	1,269
A31200	Inventories	2,930	(13,490)
A31240	Other current assets	(999)	295
A31990	Other noncurrent assets	(3,082)	209
A32130	Notes payable	-	(12,861)
A32150	Accounts payable	3,192	7,452
A32160	Accounts payable—Related parties	(3,709)	(2,007)
(Carried forward)			

(Brought forward)

		2017	2016
A32180	Other payables	(\$ 64)	\$ 4,743
A32230	Other current liabilities	57	(1,605)
A32240	Accrued pension liabilities	<u>59</u>	(<u>40</u>)
A33000	Cash generated by (used in) operating activities	8,657	13,143
A33100	Received interest	1,378	2,297
A33300	Paid interest	(21,098)	(21,806)
A33500	Paid income interest	(<u>7,834</u>)	(<u>2,369</u>)
AAAA	Net cash used by operating activities	(<u>18,897</u>)	(<u>8,735</u>)
	Cash flows from investing activities		
B00100	Acquisition of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	-	(3,000)
B00200	Disposal of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	7,770	11,574
B01800	Acquisition of long-term stock right investment evaluated with equity method	(45,031)	(128,186)
B01900	Disposal of long-term equity investments measured with equity method	-	1,017
B02700	Acquisition of property, plant and equipment	(19,014)	(30,702)
B02800	Disposal of property, plant and equipment	237	1,715
B03700	Decrease in refundable deposits	700	(1,914)
B05400	Acquisition of investment on real estate	(192)	-
B06600	Decrease in other financial assets	91,809	-
B07600	Received dividends from subsidiaries and associates	189,668	135,190
B04500	Acquisition of intangible assets	(2,212)	(133)
BBBB	Net cash generated in (used in) investing activities	223,735	(14,439)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loans	(75,000)	95,000
C00600	Increase in short-term notes and bills payable	50,000	50,000
C01300	Redemption of Bonds Payable	(11,300)	-

(Carried forward)

(Brought forward)

		<u>2017</u>	<u>2016</u>
C01600	Increase in long-term loans	\$ 870,000	\$ -
C01700	Repayment of long-term loans	(830,000)	-
C04500	Dividends paid	(109,114)	(66,233)
C04900	Purchase of treasury stock	(77,972)	-
C05100	Proceeds from sales of treasury stock to employees	46,779	-
CCCC	Net cash used in (generated in) financing activities	(136,607)	78,767
EEEE	Decrease (Increase) in cash and cash equivalents for the year	68,231	55,593
E00100	Cash and cash equivalents, beginning of year	<u>201,236</u>	<u>145,643</u>
E00200	Cash and cash equivalents, end of year	<u>\$ 269,467</u>	<u>\$ 201,236</u>

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 29, 2018 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching



Attachments 4

K LASER TECHNOLOGY INC. 2017 Earnings Allocation Table



Unit : NT\$

Item	Amount
Unappropriated retained earnings of prior years	406,647,240
Add : Actuarial Gain(loss) is included in the retained earnings	(343,985)
Add : 2017 net profit	155,015,852
Less: appropriated as legal reserve (10%)	(15,501,585)
Retained Earnings Available for Distribution as of December 31, 2017	545,817,522
Allocation Items	
Stock Dividends to Shareholders	-
Cash Dividends to Shareholders(NT\$0.56 per share)	(91,461,793)
Unappropriated Retained Earnings	454,355,729

Note:

Shareholders' dividends are based on the number of outstanding shares of 163,324,631 shares, as the basis for the distribution.

Prior to the ex-dividend date for the distribution, if the number of total shares outstanding has changed due to the repurchasing of shares by the Company, the transfer of treasury shares to employees, or the conversion of shares from domestic convertible bonds, etc., so that the ratios of the stock dividends and cash dividends are changed and need to be adjusted, the Board is authorized to make such adjustments.

Subject to the approval of the general shareholder's meeting, the Board of Directors is authorized to determine the ex-dividend date for the cash and stock dividend distribution and other related matters.

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching

