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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 4.1millin in 2005 to gain 92 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

Corporate Overview

Corporate Profile

Date of Incorporation : April 29,1988

Major Milestones

1988 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 Affair, 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 – Ligh 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

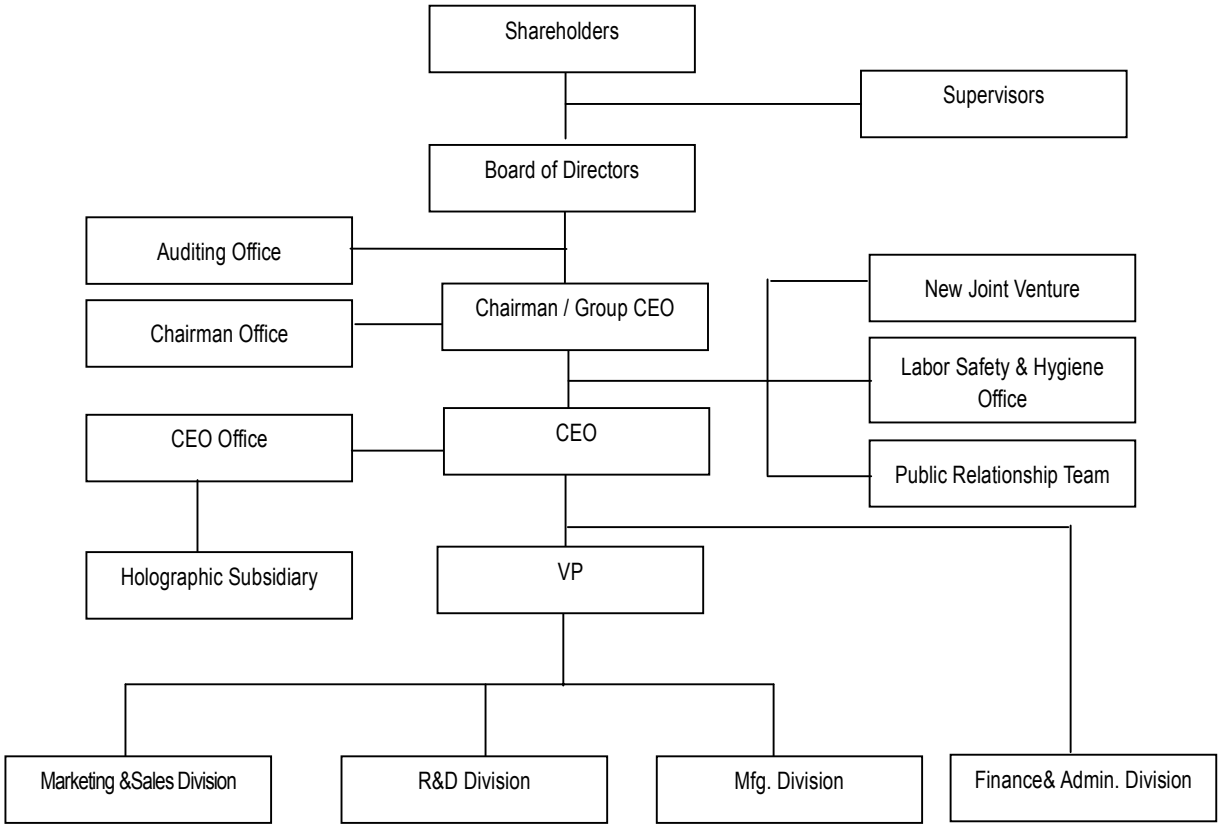
2006 (1) In June, issued 6,500(thousand shares) Private Fund invested by OAK Capital Corporation NT$ NTD$12.03 million.

(2) For business strategy, issued Private Fund invested by Amcor Fibre Packaging-Asia Pte Ltd. NTD$11.20 million in July.

Corporate Governance

1. Organization System

1.1 Organization Chart



1.2 Functional Major Departments

Major Departments	Functions
Chairman Office	• Business Development. • Public Relationship.
Auditing Office	• Internal auditing evaluation and suggestion.
Finance & Admin. Division	• Financial planning, accounting and stock affairs. • Subsidiaries supporting. • Human resource, training and general affairs. • IT development and ERP implementation.
Mfg. Division	• Manufacturing.
R&D Division	• R&D.
Marketing &Sales Division	• Marketing, sales and exporting

2 Directors and Supervisors ＆Major Officers

2.1 Directors and Supervisors

Apr.17, 2007

Title	Name	Elected Date	Term (Years)	First Elected Date	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding Entitled Other Name		Experience and Education	Other Current Positions	Managers, Directors or Supervisors Who Are Spouse or Within 2 Degrees of Consanguinity to Each Other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Alex Kuo	2005.06.10	3	1988.03.16	9,074,807	6.51	9,074,807	6.62	3,242,521	2.36	—	—	・Ph.D. in EE, SUNY Stony Brook, NY	・CEO, K Laser Group.	G.M	Daniel Kuo	Brother
Director	Daniel Kuo	2005.06.10	3	1992.06.21	2,507,456	1.80	2,344,456	1.71	429,700	0.31	—	—	・MS in Civil Engineering, NJIT, NJ.	・G.M, K Laser Technology Inc.	Chairman	Alex Kuo	Brother
Director	K.L. Tsai	2005.06.10	3	1999.05.29	1,301,848	0.93	873,848	0.64	7,939	0.01	—	—	・BS in Chemical Engineering, Dang Jang Uni.versity	・Chairman, Univacco Technology Inc.	—	—	—
Director	Cheng Sang Huang	2005.06.10	3	2002.05.17	—	—	—	—	—	—	—	—	・MS in Industrial Management, National Cheng Kung University. ・President, Business Management Consultants Association of Republic of China. ・President, National Association of Small & Medium Enterprises R.O.C. ・Committee member, Industrial Development Advisory Council. ・Secretary General, MIT Enterprise Forum of Taiwan. ・GM, Sunsino Ventures Group.	・Director, Sunsino Ventures Group. ・Director, National Association of Small & Medium Enterprises R.O.C. ・Director, Chinese Business Incubation Association (CBIA). ・Director, Small Business Integrated Assistance Center. ・Director, Center Laboratories INC. ・Director, BioCare Corporation. ・Chien Hsiang Security Corporation.	—	—	—
Director	Ted Yao	2005.06.10	3	2002.05.17	—	—	—	—	—	—	—	—	MS in Electrical Engineering, USC—University of Southern California.	・Vice General Manager, SinoStar Capital Inc. ・Supervisor, Tai Tien Electronics Co., Ltd. ・Director, Edison Opto Corporation. ・Director, Reti Corporation. ・Director, ADDtek Corporation. ・Secretary General, MIT Enterprise Forum of Taiwan. ・GM, Ien-Chen Investment Co., Ltd.	—	—	—
Director	China Development Industrial Bank	2005.06.10	3	2005.06.10	12,000,000	8.61	12,000,000	8.75	—	—	—	—	—	—	—	—	—
Director	Mega International Commercial Bank	2005.06.10	3	2005.06.10	10,000,000	7.17	10,000,000	7.29	—	—	—	—	—	—	—	—	—
Supervisor	Wei-Chung Hung	2005.06.10	3	1999.05.29	979,594	0.70	979,594	0.71	—	—	—	—	MBA, West Pacific Ocean University.	Director, D.S. Paper Co., Ltd. Supervisor of D.C. Paper.	—	—	—
Supervisor	Sun Tai Lin	2005.06.10	3	2005.06.10	—	—	—	—	500,403	0.36	—	—	BS in Library and Information Science, National Taiwan University.	—	—	—	—
Supervisor (Note)	Kaisers International Corporation	2005.06.10	3	1999.05.29	362,388	0.26	—	—	—	—	—	—	—	—	—	—	—

Note: Relieved of Responsibility on Feb 5,2007

Major Institutional Shareholders

Mar 31, 2007

Major Institutional Shareholders	Major Shareholder of the Corporate Shareholder	Shareholding (%)
Kaisers International Corporation	Den-Sheng Huang	12.82
	Kai-Cheng Huang	11.31
	Kai-Hsing Huang	5.59
	Ing-Juei Fang	2.92
China Development Industrial Bank	Mega Financial Holding Co., Ltd.	100
Chiao Tung Bank	China Development Financial Holding Co., Ltd.	100

Major Shareholders of the Corporate Shareholders

Mar 31, 2007

Major Shareholder of the Corporate Shareholder	Major Shareholder	Shareholding (%)
Mega Financial Holding Co.,Ltd.	Bank of Taiwan	2.48
	Chunghwa Post Co.,Ltd.	2.70
	He-Kao-Shan International Investment Co., Ltd.	0.01
	Chinatrust Financial Holding Co., Ltd.	9.72
	Shu-Tai Investment Co., Ltd.	0.05
	Chinatrust Insurance Brokers Co., Ltd.	0.81
China Development Financial Holding Co.,Ltd.	Lilontex Corporation	0.11
	China Life Insurance Co., Ltd.	2.68
	Bank of Taiwan	1.97
	Mega Financial Holding Co., Ltd.	1.34
	Chunghwa Post Co., Ltd.	0.44
	Manager committee of Iao-Hua glass Co., Ltd	0.76
	Grand Pacific Petrochemical Corp.	0.01
	Kiao-Tung Investment Co., Ltd.	0.01
	Chi-Chieh Investment Co., Ltd.	0.01
	KGI Co.,Ltd.	2.61
	Fu-Dai Investment Co., Ltd.	0.04
	Yuen-Foong Paper Co., Ltd.	0.07
	Gun-Ji Investment Co., Ltd	0.06
	Po-Cheng Investment Co., Ltd.	0.02
	Min-Li Investment Co., Ltd.	0.03
	I-Chang Investment Co., Ltd.	0.02

Directors and Supervisors Remuneration in 2006

Unit: NT$ thousands

Title	Name	Remuneration						Total Amount as a %of 2006 Net Income (A+B+C)		Employee Remuneration								Amount as a %of 2006 Net Income (A+B+C+D+E)		Other Remuneration
		Honorarium (A)		Honorarium from Earnings (B)		Transportation Allowance (C)				Bonus and Special Remuneration (D)		Employee Bonus From Earning (E)				Number of Employee Stock Options (Thousands shares) (F)				
												K laser		Sub.						
		K laser	Sub.	K laser	Sub.	K laser	Sub.	K laser	Sub.	K laser	Sub.	Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus	K laser	Sub.	K laser	Sub.	
Chairman	Alex Kuo																			
Director	Daniel Kuo																			
Director	K.L. Tsai																			
Director	Cheng-Sang Huang	—	—	2,499	2,499	105	105	0.99	0.99	5,987	6,966	520	—	520	—	1000	1000	3.46	3.84	—
Director	Ted Yao																			
Director	China Development Industrial Bank																			
Director	Mega International Commercial Bank																			
Supervisor	Wei-Chung Hung																			
Supervisor	Tai Lin Sun	—	—	384	384	36	36	0.16	0.16	—	—	—	—	—	—	—	—	0.16	0.16	—
Supervisor	Kaiser International Corporation （NOTE）																			

Note：Relieved of Responsibility on Feb 5,2007

Compensation Range of Director	Number of Director			
	Total Amount (A+B+C)		Total Amount (A+B+C+D+E)	
	K Laser	Sub.	K Laser	Sub.
Below NT$ 2,000,000				
From NT$ 2,000,000～NT$ 5,000,000	7	7		
From NT$ 5,000,000～NT$ 10,000,000			7	
From NT$ 10,000,000～NT$ 15,000,000				7
From NT$ 15,000,000～NT$ 30,000,000				
From NT$ 30,000,000～NT$ 50,000,000				
From NT$ 50,000,000～NT$ 100,000,000				
Over NT$ 100,000,000				
Total	7	7	7	7

Compensation Range of Supervisor	Number of Supervisor			
	Total Amount (A+B+C)		Total Amount (A+B+C+D+E)	
	K Laser	Sub.	K Laser	Sub.
Below NT$ 2,000,000	3	3	3	3
From NT$ 2,000,000～NT$ 5,000,000				
From NT$ 5,000,000～NT$ 10,000,000				
From NT$ 10,000,000～NT$ 15,000,000				
From NT$ 15,000,000～NT$ 30,000,000				
From NT$ 30,000,000～NT$ 50,000,000				
From NT$ 50,000,000～NT$ 100,000,000				
Over NT$ 100,000,000				
Total	3	3	3	3

Name \ ualification	Professional qualification requirements, together with at least five years work experience			Independence Status										Holds a concurrent post of independence director 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, 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.	Not an employee of the company, or any affiliates.	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)	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	Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.	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.	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.	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.	Not a spouse nor within 2 degrees of consanguinity relative to any directors	Not any of the circumstances in the subparagraphs of Article 30 of the Company Act	Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.	
Alex Kuo			✓					✓		✓		✓	✓	
Daniel Kuo			✓					✓	✓	✓		✓	✓	
K.L. Tsai			✓			✓	✓	✓		✓	✓	✓	✓	
Cheng-Seng Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Ted Yao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
China Development Industrial Bank			✓	✓	✓	✓	✓			✓	✓	✓		
Mega International Commercial Bank			✓	✓	✓	✓	✓			✓	✓	✓		
Wei-Chung Hung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Tai Lin Sun				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Kaisers International Corp.			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

2.2 Major Officers' Information

2007.04.17

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	Relation
CEO	Alex Kuo	2002.08.21	9,074,807	6.62	3,242,521	2.36	—	—	• Ph.D. in EE, SUNY Stony Brook, NY • Chairman, K Laser Group.	CEO, K Laser Group.	G.M	Daniel Kuo	Brother
G.M.	Daniel Kuo	2002.08.21	2,344,456	1.71	429,700	0.31	—	—	• MS in Civil Engineering, NJIT, NJ • G.M, K Laser Technology Inc.	—	CEO	Alex Kuo	Brother
Vice President (Director M&S Division) (Note)	Pen Chang	2006.10.03	72,000	0.05	—	—	—	—	• National Taiwan University • Manager, K Laser Technology Inc.	G.M,K Laser technology (Korea) Co., Ltd.	—	—	—
Director, Mfg. Division	Andy Wen	2006.02.07	14,000	0.01	—	—	—	—	• Electrical Engineering, Lee-Ming Institute of Technology • Manager, K Laser Technology Inc.	—	—	—	—
Director, R&D Division	Jeff. Hsu	2004.07.01	898,003	0.65	172,600	0.13	—	—	• Chinese Culture Univ. • R&D Manager, K Laser Technology Inc.	—	—	—	—
Director, F&A Division	Teresa Huang	2006.01.03	36,000	0.03	—	—	—	—	• Master of Science in Accountancy, Bentley College, MA. U.S.A • Finance Manager, K Laser Technology Inc.	—	—	—	—
Manager, Auditing Office	Vincent Tsai	2004.01.13	—	—	—	—	—	—	• Master in Accountancy, State University of New York • Auditor manager of K.P.M.G.	—	—	—	—

Note: Pen Chang hold a concurrent post in Vice President of KLT on 2006.10.03.

President Remuneration in 2006

Title	Name	Salary (A)		Bonus and Special Remuneration (B)		Employee Bonus from Earning (C)				Total Amount as a %of 2006 Net Income		Number of Employee Stock Options (Thousands shares)		Other Remuneration	
		K laser	Sub.	K laser	Sub	K laser		Sub.		K laser	Sub.	K laser	Sub.	K laser	Sub.
						Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus						
CEO	Alex Kuo	5,088	7,507	1,953	1,953	520	—	520	—	2.88	3.80	1,000	1,000	—	—
G.M	Daniel Kuo														
Vice President	Pen Chang														

Compensation Range of General Manager and Vice President	Number of General Manager and Vice President	
	K Laser	Sub.
Below NT$ 2,000,000		
From NT$ 2,000,000～NT$ 5,000,000		
From NT$ 5,000,000～NT$ 10,000,000	3	3
From NT$ 10,000,000～NT$ 15,000,000		
From NT$ 15,000,000～NT$ 30,000,000		
From NT$ 30,000,000～NT$ 50,000,000		
From NT$ 50,000,000～NT$ 100,000,000		
Over NT$ 100,000,000		
Total	3	3

Major Officers' Bonus from Earning

Unit：NT$ Thousands

	Title	Name	Stock Bonus	Cash Bonus	Total Amount	Total Amount as a % of 2006 Net Income
Major Officers	CEO	Alex Kuo	—	1,005	1,005	0.38
	G.M.	Daniel Kuo				
	Vice President (Director M&S Division)	Pen Chang				
	Director, Mfg. Division	Andy Wen				
	Director, R&D Division	Jeff. Hsu				
	Director, F&A Division	Teresa Huang				
	Manager, Auditing Office	Vincent Tsai				

3. Corporate Governance

3.1 The Board Current Status Information

The Board was convened 11 times of meeting in 2006, the attendance status as follows：

Title	Name	Actual attendance number of times	Agency attendance number of times	Actual attendance（%）	Remarks
Chairman	Alex Kuo	10	1	91	
Director	Daniel Kuo	11	0	100	
Director	K.L. Tsai	9	0	82	
Director	Cheng-Seng Huang	8	0	73	
Director	Ted Yao	10	1	91	
Director	China Development Industrial Bank	11	0	100	
Director	Mega International Commercial Bank	11	0	100	
Supervisor	Wei - Chung Hung	11	11	100	
Supervisor	Tai Lin Sun	9	0	82	
Supervisor	Kaisers International Corp.	7	0	64	

Other necessary supplements

Directors Avoid Their Conflicts of Interests

The board is well disciplined and enforces strict policy of separating personal and company interests among its members.

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

Items	Current Status	The Reasons for the Differences
1.Corporate Shareholder Structure & Shareholders' Rights		
(1) The company handles shareholders' recommendations or disputes	(1) Our company has designated the spokesman、the deputy spokesman and responsible personnel to handle.	No
(2) The company regularly monitors the list of key shareholders who have management control of the company, or those who have ultimate control of key shareholders	(2) Our company has appointed responsible personnel to assist with inquires	No
(3) The company establishes proper risk control mechanisms and firewalls between the company and its affiliated enterprises	(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.	No
2.The Structure and Responsibilities of the Board		
(1) The company institutes independent directors	(1) Our company has instituted 2 independent directors.	No
(2) The company periodically evaluates the independence of its auditors	(2) Our company's auditor avoids conflicts of interests.	No
3.The Structure and Responsibilities of Supervisors		
(1) The company institutes independent supervisors	(1) Suitable candidates are in evaluation.	No
(2) The supervisors communicate with the company's employee and shareholders	(2) At any time, a supervisor may individually investigate the business and financial conditions of our company, and may ask the Board of Directors or executive managers to prepare a report.	No
4.Establishment of an official channel for external inquiries：	Our company has establishment of an official channel for suppliers、customers、banks and shareholders.	
5.Information Disclosure		
(1) The company establishment a website to disclose financial and corporate governance information.	(1) Our company website at http:/www.klasergroup.com is constantly updated to provide the latest information.	No
(2) Other channels for the disclosure of the company's information	(2) Our company has designated a specific body to disclose information and announce at http:// newmops.tse.com.tw	No
6.The Operation of the Audit Committee Work within the Board of Directors of the Company： Our company currently has not set up audit committee.		
7.Please Describe any Differences Corporate Guidance Rule for Listed Companies in Regards to the Company's Own Corporate Governance Guidance： For the status of K Laser's corporate governance, please refer to "Corporate Governance of this Annual Report.		
8.Please Describe the Company's Social Responsibility Systems and How to Execute： Our company activity participates in green activities to promote environment quality.		
9.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) 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 6,2006 to Nov.5 2007.		
10.Company Corporate Governance judgment or have authorized professional institute to referee：None.		

3.4 To promote governance status understanding, we disclose the information on our company website at: http:/www.klaser.com.tw

3.5 Execution of Internal Control System

3.5.1 Statement of Internal Control

Statement of Internal Control

Date: March 20,2007

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 1,2006 to December 31,2006:

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, (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 2006, 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 for the year 2006 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, 2006, 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

Daniel Kuo,
CEO

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

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

3.7 Major Decisions of Shareholder Meetings and Board Meetings

3.7.1 Board Meetings

（1） The Seven-fifth Board of Directors Meeting
Date：2006.02.25

- Admit 2005 Statement of Internal Control
- Approved the amendment of the treasury stock transferring program and Statement.
- Approved the amendment of the employee stock option.
- Approved to issue 5,000 thousands shares employee stock option.
- Approved the Budget of 2006.
- Approved the internal audit plan of 2006.
- Approved the amendment of 2005 first time of treasure stocks to retire.

（2） The Seven-sixth Board of Directors Meeting
Date：2006.04.26

- Admit Operating report and the financial statements of 2005.
- Admit the earning distribution of 2005.
- Admit the financial statements of 2006Q1.
- Approved to retire the 2005 first time of treasure stocks.
- Approved to buy back 8,000 thousands shares of treasure stocks.
- Approved to issue new shares of the Private Fund.

（3） The Seven-seventh Board of Directors Meeting
Date：2006.06.09

- Pass the strategic alliance with BSL Corporation.
- Approved to buy back 5,500 thousands shares of treasure stocks.

（4） The Seven-eighth Board of Directors Meeting
Date：2006.06.30

- Pass the strategic alliance with Amcor Fibre Packaging-Asia Pte Ltd. And plan to issue 5,600 thousands shares of the Private Fund by NT$ 20.
- Plan to issue 6,500 thousands shares of the Private Fund by NT$ 18.50.
- Approved the amendment of 2005, The second time of treasure stocks to transfer to employee.
- Approved the cash dividend date of 2006.

（5） The Seven-ninth Board of Directors Meeting
Date：2006.08.29

- Approved the amendment of the treasury stock transferring program
- The Board of directors approved First-Half Financial Statements.
- The Board of directors resolved to remove the non-competition restrictions on managers.

（6） The Seven-tenth Board of Directors Meeting
Date：2006.10.27

- The Board of directors approved the financial statements of 3Q 2006.
- Approved the internal audit plan of 2007.

（7） The Seven-eleventh Board of Directors Meeting
Date：2007.03.20

- Admit the internal audit report of 2006.
- Approved to amend of Company's Articles of Incorporation.
- Approved to amend of Company's "Directors and Supervisors Election Procedure".
- Approved the credit line of bank loan.
- Board's resolution to convene Annual General Meeting.
- Approved to be discussed the proposal submitted by shareholders of 2007.
- Approved the forecast financial report of 2007.

（8） The Seven-twelfth Board of Directors Meeting
Date：2007.04.25

- Report the first quarter of 2007 Financial Statements.
- Approved the 2006 Business Report and Financial Statements.
- Approved the Company's 2006 retained earnings distribution.
- Approved the credit line of bank loan.
- Approved to change the invest structure of K Laser Technology Japan Co., Ltd.

（9） The Temporary Seven- Board of Directors Meeting
Date：2006.03.13

- Approved related of the General Shareholders' Meeting of 2006.
- Approved buy back 5,000 thousands shares of treasure stocks.

（10） The Temporary Seven-second Board of Directors Meeting
Date：2006.03.13

- Approved related of the General Shareholders' Meeting of 2006.
- Approved buy back 5,000 thousands shares of treasure stocks.

（11） The Temporary Seven-third Board of Directors Meeting
Date：2006.03.21

- Approved the amendment of the K Laser constitutions.
- Approved the amendment of the Directors and supervisors selected rules.
- Approved the amendment of "The Making of Endorsements/Guarantees".
- Approved the amendment of "Subsidiaries Loading of Fund and Making of Endorsements/Guarantees".

（12） The Temporary Seven-fourth Board of Directors Meeting
Date：2006.09.20

- Approved to retire the 2006 third time of treasure stocks.

（13） The Temporary Seven-fifth Board of Directors Meeting
Date：2006.11.14

- The board of directors resolved to remove the non-competition restrictions on director of K.L Tsai and Kuo Wei Bin.

（14） The Temporary Seven-sixth Board of Directors Meeting
Date：2006.12.28

- Approved the ruling of board meeting.

3.7.2 Shareholder Meetings

Date: 2006.06.09

- Admit Operating report and the financial statements of 2005.

- Admit the earning distribution of 2005.
- Approved the amendment of the K Laser constitutions.
- Approved the amendment of the Directors and supervisors selected rules.
- Approved the amendment of “The Making of Endorsements/Guarantees”.
- Approved the amendment of ”Subsidiaries Loading of Fund and Making of Endorsements/Guarantees”.
- Approved to issue new shares of the Private Fund.

3.8 Objections to Resolutions Set by Board Meetings：None

3.9 A summary of resignations and dismissals of persons connected with the company's financial report (including the chairman of the board of directors, general manager, principal accounting officer, and chief internal auditor)：None

4.Information on CPA professional fees

4.1 Information on professional fees

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 :

Unit：NT$ Thousands

Accounting firm	Name of CPA	audit fees	Non-audit fees					If CPA audit period cover the whole financial year			Remarks
			System Design	Capital register	HR	Other	Total	Yes	No	Audit Period	
Deloitte & Touche	Chi-Chant,Lu Ming-Yu,Chiu	3,700	—	—	—	350	350	v		2006	TP report

4.2 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.

4.3 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 certified public accountant: 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	2006		May 20,2007	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Alex Kuo	—	5,948,000 (2,363,000)	—	— (4,334,000)
Director	Daniel Kuo	— (320,000)	430,000 (840,000)	320,000 (180,000)	— (475,000)
Director	K.L. Tsai	— (331,000)	—	(114,000)	—
Director	Cheng-Seng Huang	—	—	—	—
Director	Ted Yao	—	—	—	—
Director	China Development Industrial Bank	—	—	—	—
Director	Mega International Commercial Bank	—	—	—	—
Supervisor	Wei-Chung Hung	—	—	—	—
Supervisor	Tai Lin Sun	—	—	—	—
Supervisor	Kaisers International Corp. (Note)	—	—	—	—
Director, Mig. Division	Andy Wen	— (9,502)	—	37,000 (28,000)	—
Vice President Director, M&S Division	Pen Chang	—	—	72,000 —	—
Director,R&D Division	Jeff. Hsu	— (142,000)	— (196,000)	57,000 (42,000)	—
Director, F&A Division	Teresa Huang	—	—	75,000 (48,000)	—

Note：Relieved of Responsibility on Feb 05,2007

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

8.The company's 10 largest shareholders are related parties as defined under the Statement of Financial Accounting Standards No. 6：

Name	Holding shares		Spouse & Minor Shareholding		Shareholding Entitled Other Name		10 largest shareholders are related parties as defined under the Statement of Financial Accounting Standards No. 6	
	Shares	%	Shares	%	Shares	%	Name	Relation
Alex Kuo	9,074,807	6.62	3,242,521	2.36	—	—	Lisa Hsu	Spouse
							Daniel Kuo	Brother
Lisa Hsu	3,242,521	2.36	9,074,807	6.62	—	—	Alex Kuo	Spouse
							Daniel Kuo	Spouse of the Brother
Daniel Kuo	2,344,456	1.71	429,700	0.31	—	—	Daniel Kuo	Brother
							Lisa Hsu	Spouse of the Brother

9.Total Percentage of Ownership of Invitees

Unit：Shares / %(Mar 31, 2007)

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.	11,586,449	70%	—	—	11,586,449	70%
K Laser International Co., Ltd.	18,666,298	100%	—	—	18,666,298	100%
K Laser Technology Europe B.V.	402,500	100%	—	—	402,500	100%
Optivision	6,634,700	33%	—	—	6,634,700	33%
Hon Jann	9,800	49%	—	—	9,800	49%
Vicome	1,474,000	37%	—	—	1,474,000	37%
Everest	14,780,648	25%	—	—	14,780,648	25%
Univacco	6,775,771	14%	—	—	6,775,771	14%
iWin Technology Co., Ltd.	490,000	49%	510,000	51%	1,000,000	100%

Capital Raising Status

1. Capital and Shares

1.1 Source of Capita

1.1-1 Source of Capita

Apr 17, 2007 / Unit：Thousand Shares；NT$ Thousands (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)
1988.04	10	4,000	40,000	1,600	16,000	Cash	12,000	-	(77)園經字第05300號
						Tech.	4,000		
1991.05	10	4,000	40,000	2,000	20,000	Earning	3,000	-	(80)園經字第05089號
						Tech.	1,000		
1991.06	10	4,000	40,000	3,000	30,000	Cash	7,500	-	(80)園經字第06257號
						Tech.	2,500		
1992.01	10	5,000	50,000	5,000	50,000	Cash	17,500	-	(80)園經字第00233號
						Tech.	2,500		
1992.12	10	6,000	60,000	6,000	60,000	Cash	10,000	-	(81)園經字第15949號
1993.09	10	8,400	84,000	8,400	84,000	Earning	10,800	-	(82)園經字第13176號
						Surplus	13,200		
1994.05	10	14,500	145,000	14,500	145,000	Cash	32,440	-	(83)園經字第07004號
						Earning	27,720		
						Surplus	840		
1995.02	10	36,000	360,000	22,000	220,000	Cash	75,000	-	(84)園商字第02664號
1995.06	10	36,000	360,000	28,600	286,000	Surplus	66,000	-	(84)園商字第08683號
1996.08	10	36,000	360,000	32,890	328,900	Earning	14,300	-	(85)園商字第15296號
						Surplus	28,600		(85)台財證(一)第41475號
1997.10	10	60,000	600,000	45,900	459,000	Cash	96,476	-	(86)園投字第17076號
						Earning	16,445		(86)台財證(一)第67100號
						Bonus	734		
						Surplus	16,445		
1998.08	10	60,000	600,000	53,200	532,000	Earning	42,228	-	(87)園商字第021906號
						Bonus	4,150		(87)台財證(一)第67114號
						Surplus	26,622		
1999.07	10	60,000	600,000	59,500	595,000	Earning	26,600	-	(88)園商字第015967號
						Bonus	4,480		(88)台財證(一)第57780號
						Surplus	31,920		
2000.08	10	120,000	1,200,000	84,700	847,000	Cash	150,000	-	(89)園商字第010650號
						Earning	67,235		(89)台財證(一)第52982號
						Bonus	12,750		
						Surplus	22,015		
2001.05	10	120,000	1,200,000	82,000	820,000	Treasury Stocks Retired	27,000	-	(90)園商字第014864號 (90)台財證(三)第133091號
2001.06	10	120,000	1,200,000	93,300	933,000	Earning	95,160	-	(90)園商字第025036號
						Bonus	17,840		(90)台財證(一)第133371號
2002.05	10	120,000	1,200,000	90,300	903,000	Treasury Stocks Retired	30,000	-	園商字第0910009505號 (91)台財證(三)第110004號
2002.08	10	150,000	1,500,000	108,978	1,089,780	Earning	84,900	-	園商字第0910024043號
						Bonus	16,980		台財證一第0910133254號
						Surplus	84,900		
2002.12	10	150,000	1,500,000	105,378	1,053,780	Treasury Stocks Retired	36,000	-	園商字第0910030211號 台財證三第0910143639號

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)
2003.02	10	150,000	1,500,000	100,280	1,002,800	Treasury Stocks Retired	50,980	-	園商字第0920005000號 台財證三第0920105499號
2003.03	10	150,000	1,500,000	103,770	1,037,700	ECB Convert	34,899	-	園商字第0920009366號
2003.09	10	150,000	1,500,000	117,279	1,172,800	Earning	28,131	-	(92)園商字第26403號 (92)台財證(一)第133816號
						Bonus	13,200		
						Surplus	93,770		
2003.11	10	150,000	1,500,000	112,828	1,128,290	Treasury Stocks Retired	44,510	-	(92)園商字第32719號 (92)台財證(三)第122984號
2004.11	10	200,000	2,000,000	139,446	1,394,464	Private Fund	239,500	-	(93)園商字第0930033988號
						ECB Convert	26,674		
2006.03	10	200,000	2,000,000	134,446	1,344,464	Treasury Stocks Retired	50,000	-	(95)園商字第09508686號 (95)金管證(三)第0950106450號
2006.06	10	200,000	2,000,000	129,446	1,294,464	Treasury Stocks Retired	50,000		95)園商字第0950014501號 (95)金管證(三)第0950115640號
2006.07	10	200,000	2,000,000	135,946	1,359,464	Private Fund	65,000		(95)園商字第0950016604號
2006.07	10	200,000	2,000,000	141,546	1,415,464	Private Fund	56,000		(95)園商字第0950019736號
2006.10	10	200,000	2,000,000	137,179	1,371,794	Treasury Stocks Retired	43,670		95)園商字第0950027024號 (95)金管證(三)第0950143008號

Unit：Shares, Apr 17,2007

Share Type	Authorized Capital					Remarks
	Issued Shares			Un-Issued Shares	Total	
	Listed	Non-Listed	Total			
Common Stocks	101,129,404	36,050,000	137,179,404(Note)	62,820,596	200,000,000	

Note: Included the treasure stock 6,000 thousand shares.

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

1.2 Shareholder Structure

Apr 17, 2007

Structure / Volume	Government Agencies	Financial Institution	Other Legal Entities	Foreign Institutions & Individuals	Domestic Individuals	Treasury Stocks	Total
Number of Shareholders	1	3	50	24	8,651	1	8,730
Shareholding (Shares)	870,000	22,500,000	12,326,201	16,371,214	79,111,989	6,000,000	137,179,404
Holding Percentage	0.63%	16.40%	8.99%	11.93%	57.68%	4.37%	100.00%

1.3 Distribution Profile of Shareholder Ownership

Apr 17, 2007

Levels of Shareholder Ownership	Number of Shareholders	Total Shares Owned	Ownership Percentage
1 - 999	3,323	847,535	0.62
1,000 - 5,000	3,750	8,459,553	6.17
5,001 - 10,000	833	6,720,885	4.90
10,001 - 15,000	186	2,405,637	1.75
15,001 - 20,000	175	3,284,583	2.39
20,001 - 30,000	130	3,380,527	2.46
30,001 - 40,000	70	2,528,994	1.84
40,001 - 50,000	57	2,699,811	1.97
50,001 - 100,000	93	6,902,029	5.03
100,001 - 200,000	45	6,913,890	5.04
200,001 - 400,000	22	5,944,813	4.33
400,001 - 600,000	15	7,796,516	5.68
600,001 - 800,000	8	5,389,724	3.93
800,001 - 1,000,000	8	7,427,929	5.41
Over 1,000,001	15	66,476,978	48.48
Total	8,730	137,179,404	100.00

1.4 List of Major Shareholders

Apr 17, 2007

Shares / Major Shareholders	Total Shares Owned	Ownership Percentage
China Development Industrial Bank	12,000,000	8.75%
Mega International Commercial Bank	10,000,000	7.29%
Alex Kuo	9,074,807	6.62%
OAK Capital Corporation	6,500,000	4.74%
Amcor Fibre Packaging-Asia Pte Ltd	5,600,000	4.08%
Ch-Chen Huang	3,444,209	2.51%
Lisa Hsu	3,242,521	2.36%
Daniel Kuo	2,344,456	1.71%
Prudential Financial High Growth Fund	1,823,000	1.33%
Prudential Financial Taiwan Enterprise Fund	1,583,000	1.15%

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

Unit：NT$；Thousand Shares

Items \ Year			2005	2006	Mar 31,2007
Market Price Per Share	Highest		24.50	36.70	37.60
	Lowest		12.20	13.90	30.15
	Average		17.72	21.52	34.46
Net Worth Per Share	Before Distribution		12.74	14.63	16.42
	After Distribution		—	—	—
Earnings Per Share	Weighted Average Common Shares Outstanding (Note 1)		138,847	130,159	131,179
	Earnings Per Share	Before Retroactive Adjustment	1.16	2.02	0.80
		After Retroactive Adjustment	—	—	—
Dividends Per Share	Cash Dividends (Note 2)		0.5	1.0	—
	Stock Dividends	Retained Earnings	—	—	—
		Capital Surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio		15.28	10.65	10.77
	Price/Dividends Ratio		—	—	—
	Cash Dividends Yield Rate		—	—	—

Note 1: Weighted Average Common Shares Outstanding Has Been Adjusted

Note 2: The earning distribution for year 2006 has been approved by the Broad meeting on Apr 25,2007, 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. In principle, distribute 2/3 retained earnings in stock dividend and 1/3 in cash dividend to shareholders and adjust according to the future profit.

The broad of directors meeting adopted cash dividends NT$ 131,179,404 and no stock dividend because of not expecting the capital expense in 2007.

1.6-2 Proposed Profit Distribution Plan for 2006

The broad adopted the following for 2006 earning distribution at its meeting on Apr 25,2007. The proposed earning distribution will be presented for approval at the General Shareholders' Meeting on Jun 15,2007.

Unit：NTD

Item	Amount
Cash dividends (per share NT$1.0)	131,179,404
Remuneration to directors and supervisors	2,883,064
Bonus to employees	10,090,723

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

According Company Policy, net income after taxes shall be appropriated based in the following orders：

a. Offsetting previously accumulated deficit;
b. Provision for legal reserve at 10% of the net income;
c. Provision for special reserve under the regulation of statutes or authorities if deemed necessary;
d. Remuneration to directors and supervisors equivalent to 2% of the net income, as applicable;
e. Bonus to employees equivalent to at least 7% of the net income, as applicable;

1.8-2 Information Regarding the Board of Directors Proposal for Appropriation of Employee Bonus Etc.

Regarding the board of directors proposal, plan to distribution for employee bonus NT$ 10,091,723 and directors' & supervisors' remuneration were NT$2,883,064. The EPS after distribution is NT$ 1.92.

1.8-3 Status of Employee Bonus, and Directors' & Supervisors' Remuneration from 2005 Retained Earnings Are as Follows:

Retained earnings distributed for employee bonus were NT$ 5,171,000 and directors' & supervisors' remuneration were NT$1,477,433 in 2005.

1.9 Share Buy-Back

May 20, 2007

Instance	2006 1st Round	2006 2st Round	2006 3st Round
Purpose	Protect Corporate Credit & Shareholders' Rights	Transfer to employee	Protect Corporate Credit & Shareholders' Rights
Buy-Back Period	2006/03/14~2006/04/24	2006/04/27~2006/06/26	2006/07/03~2006/09/02
Price Range (NT$)	10.57~22.61	11.62~24.52	14.49~25.00
Classification and Volume (Shares)	Common Shares 5,000,000	Common Share 8,000,000	Common Shares 4,367,000
Amount (NT$)	80,590,198	164,609,996	103,956,805
Cancellation and Transfer Volume (Shares)	Common Shares 5,000,000	Common Shares 2,000,000	Common Shares4,367,000
Cumulative Holding (Shares)	–	Common Shares 6,000,000	Common Shares 6,000,000
Cumulated Holding as a% of Total Issued Shares	–	4.37%	4.37%

2. Issuance of Corporate Bonds：None.

3. Issuance of Employee Stock Option Plan (ESOP)：

3.1 Issuance of Employee stock options

May 20,2007

ESOP Granted	First Grant		
Approval Date by the Securities and Futures Bureau	2006/01/05	Shares Exercised	–
Issue (Grant) Date	2006/02/06	Value of Shares Exercised (NT$)	–
Number of Options Granted	5,000,000	Shares Unexercised (Shares)	5,000,000
Percentage of Shares Exercisable to Outstanding Common Shards	3.64%	Original Grant Price Per Share(NT$)	NT$14.49
Option Duration	6 years	Percentage of Shares Unexercised to Outstanding Common Shares（%）	–
Source of Option Shares	New Common Share	Impact to Shareholders 'Equity	Dilution to Shareholders' Equity is limited
Vesting Schedule（%）	2nd year : up to 50% 3nd year : up to 75% 4nd year : up to 100%		

3.2 ESOP Granted to Management Team and to Top 10 Employees with an Individual Grant Value over NT$30,000,000: None.

4. Status of Preferred Shares, Overseas Depository Certificate and Merger or Acquisition or the Issue of New Shares to Acquire Another Company's Shares：None.

5. The section on mergers, acquisitions, and issuance of new shares due to acquisition of shares of other companies：None.

6. Financing Plans and Implementation

6.1 Private Fund Contents of the Plans

6.1-1 Approval Date and Number:

2006/07/03 No.0950016604 of SBIP

A. Total Capital Required for the Plan: NT$ 120,250 Thousands.

B. Capital Source: Private Fund NT$ 120,250 Thousands.

C. Planning Items, Estimated Schedule of Capital Outflow：

Unit：NT$ Thousands

Planning Items	Anticipated Completion Date	Total Capital Required	Estimated Schedule of Capital Outflow
			2006,3th Q
Pay Back Long-Term Back Loan	Sep, 2006	120,250	120,250
Total		120,250	120,250

6.1-2 Approval Date and Number:

2006/07/31 No.0950019736 of SBIP

A. Total Capital Required for the Plan: NT$ 112,000 Thousands.

B. Capital Source: Private Fund NT$ 112,000 Thousands.

C. Planning Items, Estimated Schedule of Capital Outflow：

Unit：NT$ Thousands

Planning Items	Anticipated Completion Date	Total Capital Required	Estimated Schedule of Capital Outflow
			2006,3th Q
Pay Back Long-Term Back Loanl	Sep, 2006	112,000	112,000
Total		112,000	112,000

6.2 Private Fund Execution Status

6.2-1 Execution Status

Unit：NT$ Thousands,%

Planning Items	Execution Status	Accumulation as of Sep 30, 2006		Comparison of Actual Against Expected Effectiveness
		Amount Used	Execution Progress	
Pay Back Long-Term Back Loanl	Estimated	232,250	100.00%	Executed Completely
	Actual	232,250	100.00%	
Total	Estimated	232,250	100.00%	

6.2-2 Expected Effectiveness

6.2-2-1 Financial Status Analysis

Unit：NT$ Thousands,%

Year / Item	2006	2005	Difference		Notes
			Amount	%	
Current Assets	583,367	516,438	66,929	12.96	
Current Liabilities	508,343	334,917	173,426	51.78	
Long-term Liabilities	418,250	983,851	(565,601)	(57.49)	Note
Total Liabilities	1,051,008	1,434,174	(383,166)	(26.72)	
Analysis Note：Private Fund pay back long-term bank loan due to decrease 57.49% of long-term liabilities account.					

6.2-2-2 Operating Results and Analysis

Unit：NT$ Thousands,%

Year / Items	2006	2005	Variance Amount	Variance Percentage	Remarks
Net Sales	$ 817,866	$ 846,659	(28,793)	(3.40)	
Interest expense	25,847	23,799	2,048	8.61	Note
Earnings per share (NT$)	$ 2.02	$ 1.16			
Variance Explanation： Note：The interest expense increase from 2005 to 2006 due to the Syndicate Loan interest expense increase in Jan,2006 but pay back the credit loan in 95Q4.					

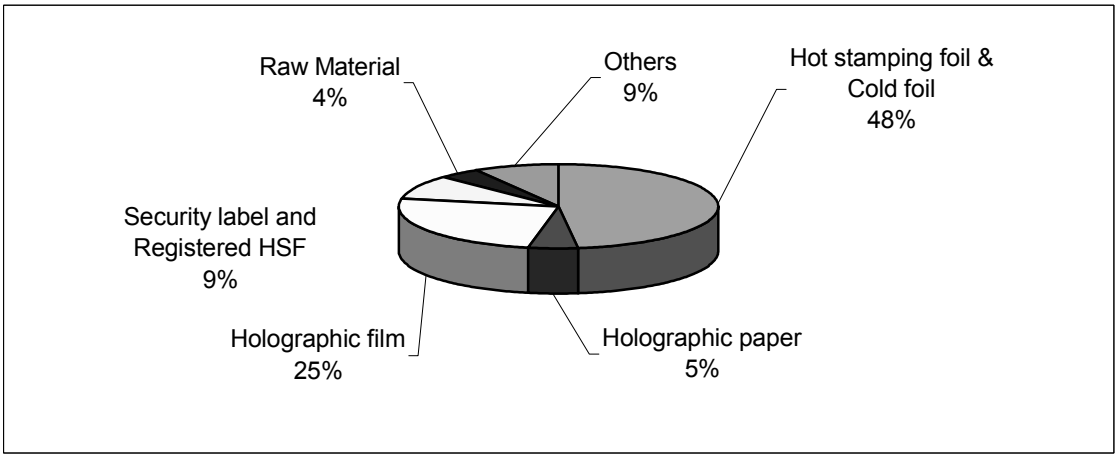
Operational Highlights

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 and security label.

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

1.1-4 New products in plan：

A. Shimlineless shim plate development
B. Transparent metallized holographic products development
C. Destructible labels for auto-labeling (with selling auto-labeling machine) development
D. Holographic products for mobile phone keypad, panel, 3C products, security and decoration elegant laser effect products
E. UV over-printable hot stamping foil and cold foil development
F. Cold foil for offset printing development

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

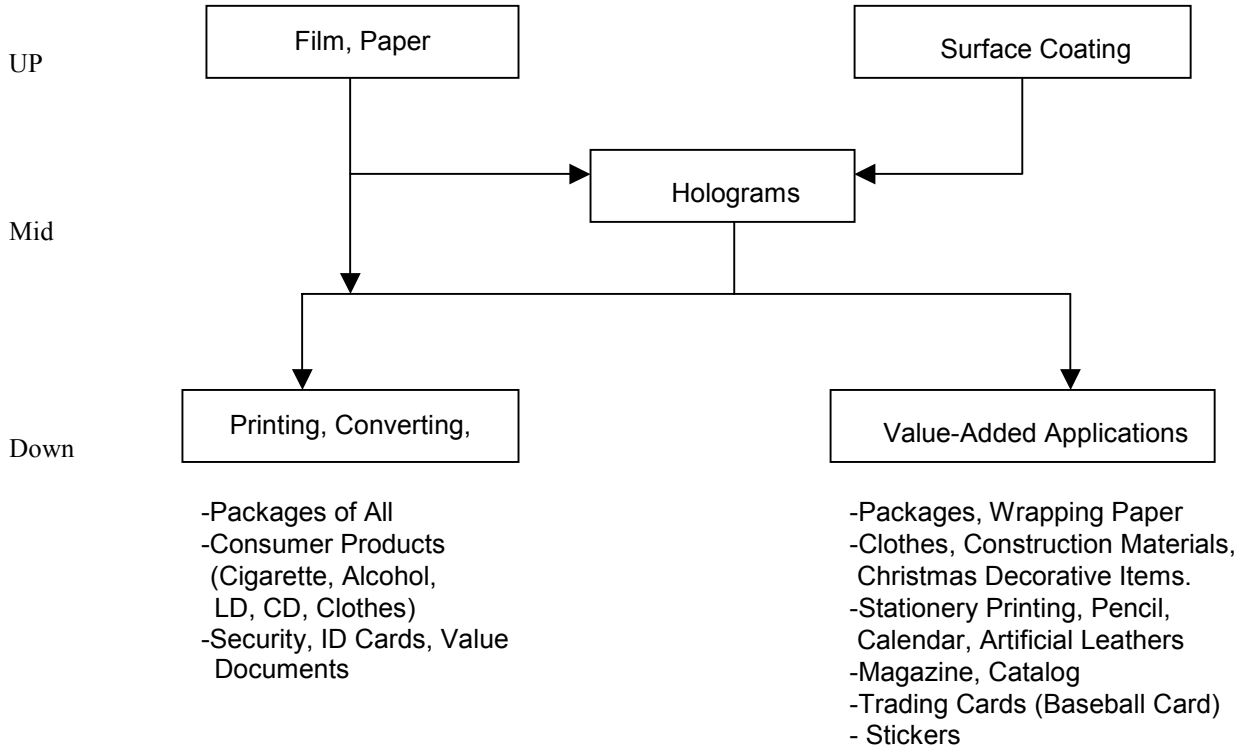
most appropriate products in time through our strong marketing and sale channel in the world.

All of suppliers are developing higher holographic technology to enhance packaging outlook and add security function with advance and creative products for facing product packaging, anti-counterfeit, value paper and ID security topic getting hot, such as cleaning the article, medicines, cosmetics, stationery, giftware, CD and electronic products...etc. in this globalization era.

According to the holography News Volume 21, No. 1, January 2007 report that the hologram market share has been grew 40-50 times compared with 2 past decades, and predict holographic products sales revenue will be reached to USD 2 billions in 2006. Besides, Reconnaissance International Report 2002, predicted that holographic sales amount would be reached to USD 1.78 billions in 2006, and Holography News Volume21, No.1 January 2007 report that the sales amount is about USD 2 billions and grow 12% up compared with 2002.

It all shows that holographic industrial is getting up and worth to get into development.

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 Univacco Technology, 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

1.2-3-1 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 shimlineless new technology to make it easy to recognize and clearly holographic effect.

1.2-3-2 In Packaging

In packaging, meanwhile, it is barely possible to go out nowadays without seeing holography such as cosmetics, cigarette, 3C products and box…etc. In the past, it was used to recognize among products, but it's been changed to design well holographic pattern with printing color scheme and design to make products more attractive.

1.2-3-3 Integration of Hologram and machines total solution

In the past, holographic product suppliers are focus on material and product offering, but machines is actually closely linked with holographic application. Sometimes, the different machine and operation condition will affect the quality of finish products. Now we are going to provide the machine and product to customer for solving the problem from different machines. This will be a total solution for our client and it will also help us to enhance our products selling.

1.3 Technology and R&D Highlights

1.3-1 R&D Expenditures from 2005 to 2007Q1

Unit：NT$ Thousands

Year	2005	2006	2007Q1
R&D Expenditures	46,297	49,655	12,806

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

According to the market request and the technique Road-Map, R&D release following new Tech. and new Product in 2006.

A. Origination Technology: (a) Color shift free rainbow pattern (48"x48") (b) Non-recombination line pattern (48"x48") (c) Nano - text for security (d) 1M Matrix writer system

B. New Product: (a) Over-printable HSF (b) Over-printable Cold foil. (c) PVC film for Credit card. (d) Cross grating film (e) VOID Reverse partial tamper proof label (f) Destructible security label with hologram (g) Anti-abrasion HSF for credit card (h) Brush foil

C. Equipment Development: (a) Auto-Labeling machine (b) Wide web cold foil machine

R&D Strategy:

1. Develop high quality product
2. Total solution for customer
3. Transform Holographic film into Optical film
4. Support & service for affiliated companies.

1.4. Long-Term & Short-Term Business Development Plan

K Laser Technology Inc. has established the business plan for short-term and long-term development based on 3 goals, rooted in Taiwan, developing Asia deeply and eyes on the global market.

1.4-1 Develop high-margin product to market

In order to maintain our operation performance, K Laser has been putting all efforts in enhancing the product quality and development of manufacturing capability. K Laser focuses on cosmetics and other high-margin security products as development target.

1.4-2 Enhance development of European and America market

Due to the environmental regulation, K Laser introduces market with environment friendly material to comply with market requirement, such as holographic paper. Furthermore, K Laser will submit new design pattern and product application in order to impress customer to K Laser brand image and increase sales volume. At the same time, K Laser will participate international exhibition, seminar and relative market activities for introducing market with holographic products and establish co-operation relationship.

1.4-3 Targeting high-profit product, particular in China cigarette package market

K Laser's products offer different materials based on various substrates. K Laser guides its Hot stamping foils, registered foil and printing for high security & decoration purposes in China cigarette package market to get high gross margin.

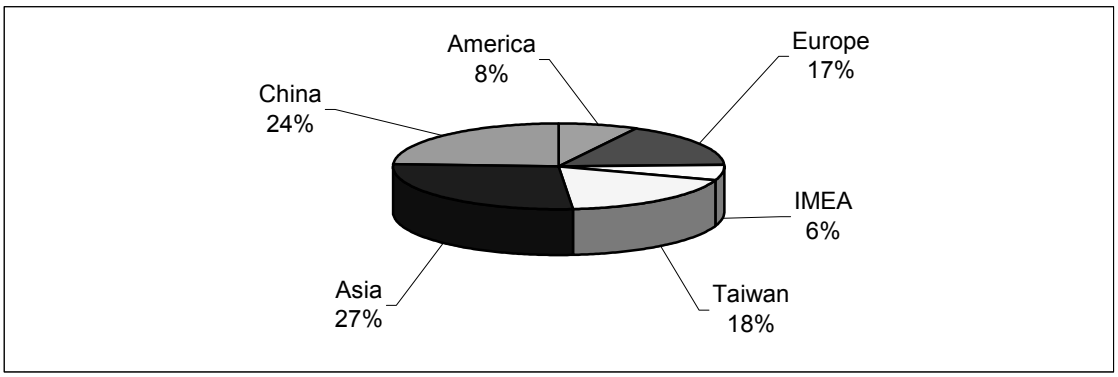
1.4-4 Provide Total solution concept

In addition to selling product, K Laser also provides total solution package to customer in our sales network, research and development capability, which increases our competition and enhances the added value to our product.

2. Marketing and Sales Conditions

2.1 Market Analysis

2.1-1 Major Sales Regions：



2.1-2 Market Share：

According to the holography News Volume 21, No. 1, January 2007 report that the hologram market sales revenue will be reached to USD 2 billions in 2006. Besides, K Laser's Consolidated revenue is around NTD 3.2 billions, and the predicted market share should be 5%.

2.1-3 Future Market Supply, Demand and Growth Potential

2.1-3-1 World-Wide Holographic Market

The major market is focus on Mainland China, Eastern Europe, India, and most of all- China. However, the hologram industries of North America and Western Europe are still healthy and their markets still continue to grow, but not at the rates of the boom years.

There are a lot of small factories in Mainland China, but it will be getting disappeared because of alliance trend, for example: the big cigarette company merge small one to make them bigger. On account of that, they will need to cooperate with good suppliers for stable lead-time, enough capacity, and better quality.

Besides, it is worth keeping developing Eastern Europe because it is growing continually and holographic acceptance is also high. In addition, their alcohol security and decoration market demand is getting more and more.

2.1-3-2 Holography Development in Great China

The major markets are in Mainland China, Hong Kong and Taiwan. Besides, holography is growing in Great China. According to Holography News, possibly 10-20% of the packages of cigarettes produced each year in Great China use holography as full pack laminates, hot foil decoration, security labels and paper；up to a third of all traditional medicines are secured with holograms and perhaps 30% of narrow web embossing medicines, 70% of wide web embossing machines. The Holo-Pack・Holo-Print Industry Study & Market Report estimates that the value of holograms produced in China in 2001 exceeded $110M. However, this fails to take account of the relatively less expensive market environment in China. When this factor is applied, China appears to be the largest hologram producing (and consuming) area in the world. The Study goes on to point out that survey results suggest that up 70% of narrow web and nearly 30% of wide web embossing machines in use globally are in China. Holography is very popular as a graphic feature on many brands of domestic cigarettes. Rainbow film is used as a laminate covering the entire box and cartons, brand logo, or

holographic hot stamped accents for decoration (and security). Many holographic users are to help defeat the fakes and smuggling, so the quality of the hologram is generally very high, and they are often graphically over-printed to modulate the effect of the holograms. With China's recent accession to the WTO business opportunities in and out of China will only increase. Holography is developing in China and this development will have an impact on the industry around the world.

2.1-4 Factors Relating to Future Development of KLT

2.1-4-1 Competitive Advantages

A. There is still ample room to grow in the security, decoration, and packaging industries.

B. Some western competitors not faring well, which means possible opportunity to penetrate these markets.

C. To maintain global perspective, KLT built up ERP system for proper sales and production strategies.

D. KLT is the first to catch latest trends by utilize its worldwide facilities.

E. KLT continues to produce innovative products, improving production efficiency, and improving integration efficiency vertically.

F. KLT has good product quality, but more importantly KLT's brand is being recognized globally.

2.1-4-2 Negative Factors and Our Strategies

A. Manufacturer in China Produce Products at Low Costs and Sell at Low Prices.

Action：

In order to maintain market dominance in China, K Laser has a factory in Dong Guan, and another in Wuxi. The operation of these two sites follow the standard operation procedures set by K Laser Taiwan headquarters. Last year, another factory was built in Sichuan to further strengthen our competitiveness.

B. Lack of Marketing Information

Action：

K Laser has taken a number of steps not only to enhance the quality of the marketing information it receives, but also to translate that information into product sales. The company plans to attend more trade shows and increase the number of worldwide sales offices from 12 to 30 in China, US, Korea, Japan, Europe, India, Thailand and etc., so that more relevant data can be gathered.

C. Selling Barrier of High Tariff Duties Market

Action：

K Laser set-up factories and send product development people to develop local material suppliers in some high tariff duties countries, such as India and Thailand. It reduces the material cost and enhances the market strength.

D. Higher Raw Material Price Cause by Higher Oil Price

Action：

K Laser dedicates to develop local sources with lower cost and stable quality to improve the product competitive strength in the different countries, such as China, India and etc..

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 •Stationery market • Wine Label market •Greeting card market

• Paper box market •ID Card market •Toy 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

D. OPP film target market

• Shopping bag market • Paper folding box market • OPP lamination market

• Spring Festival couplets market • Tape market • Printing market •Demetalized market

E. PVC film target market

•Christmas market •Sticker market •Ribbon market •Spring Festival couplets market

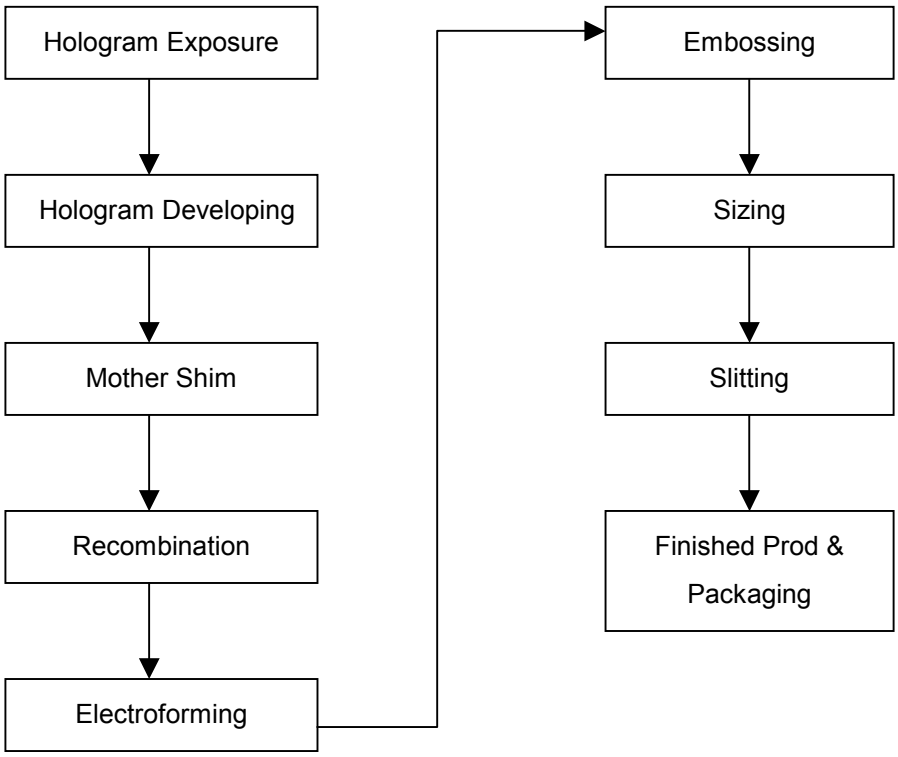
•Sequin market •Printing market

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. While KLT maintains multiple suppliers, the majority of its' film come from Nan Ya Plastic Corporation and Yuen Foong Co., Ltd.

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

2.4-1 Major Suppliers

Unit：NT$ Thousands

Rank	2005			2006		
	Suppliers Name	Purchased Amount	Ratio Of year purchase (%)	Suppliers Name	Purchased Amount	Ratio Of year purchase (%)
1	Tai Leng Industry	215,937	53.18	Tai Leng Industry	197,299	52.29
2	Nan Ya Plastic	68,197	16.80	Nan Ya Plastic	52,153	11.45

2.4-2 Major Customers

Unit：NT$ Thousands

Rank	2005			2006		
	Customer Name	Sales Amount	Ratio Of year sales (%)	Customer Name	Sales Amount	Ratio Of year sales (%)
1	K Laser China Group	172,240	20.34	K Laser China Group	105,980	12.96
2	K Laser Technology (HK) Co., Ltd	88,047	10.40	K Laser Technology (HK) Co., Ltd	58,348	7.13
3	K Laser Technology (KOREA) Co., Ltd	29,053	3.43	K Laser Technology (KOREA) Co., Ltd	105,082	12.85

The sales to K Laser China Group reduced 38.47% from 2005 to 2006 due to China Group (KLDG.KLWX..) material localize.

2.5 Production Quantity / Value from 2005 to 2006

Unit：NT$ Thousands /KM

Year / Production Product	2005			2006		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Holographic Security Labels	115,263	104,646	29,368	108,548	59,220	14,805
Holographic Materials	142,871	108,372	485,670	115,644	105,822	423,286
Others	—	954	28,519	—	628	2,741
Total	258,134	213,972	543,557	224,192	165,670	440,832

2.6 Sales Quantity / Value from 2005 to 2006

Unit：NT$ Thousands /KM

Year / Sales / Product	2005				2006			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Holographic Security Labels	3,172	10,758	101,911	43,471	1,956	8,821	31,141	28,891
Holographic Materials	39,111	146,153	81,478	512,179	22,658	127,385	72,932	546,415
Others	1,137	2,991	16,710	131,107	1,138	4,797	10,259	101,557
Total	43,420	159,902	200,099	686,757	25,752	141,003	114,332	676,863

3. Employee Analysis

Employee Analysis from 2005 to 2006

Year		2005	2006	May 20,2007
Number of Employees	Administrators	110	106	104
	Engineers	23	22	23
	Technicians	48	46	50
	Total	181	174	177
Average Age		35.51	37.45	36.66
Average Years of Employment		5.26	6.92	5.99
Level of Education (%)	Ph.D.	0.55	1.15	0.56
	Masters Degree	10.50	9.2	8.47
	Bachelors/ Associate Degree	55.80	54.60	55.37
	Senior High School	29.84	31.61	32.20
	Under	3.31	3.45	3.39

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 employee welfare policy is in accordance with the provisions in Labor Standards Law and Labor Pension Act and the related law. All of employee enter the Labor insurance and National health insurance, and paid the subsidy of maternity benefits, suffered injuries benefits ….by rules. We hold employee health examination each year and give the training allowance to make the employee fully intention to the job. On a regular time schedule, we have domestic and overseas tourism activities to enliven employee's heart and body.

Company retirement policy is applied to all formal employees. We consider employee's retirement fund according the seniority and salary. From1988, we monthly allot 2% of total employee's salary to retirement fund.

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 Contracts	Parties Concerned	Contract Period	Major Contents	Restriction Clause
Long-Term Borrowing	Industrial Bank of Taiwan	Nov. 2005～ Nov. 2008	Bank loan credit amount NT $50,000 thousands. Loan collateralized by credit.	
Long-Term Borrowing	E.SUN Bank	Mar. 2005～ Mar. 2008	Bank loan credit amount NT $50,000 thousands. Loan collateralized by credit.	
Long-Term Borrowing	China-trust Commercial Bank	Mar. 2007～ Mar. 2010	Bank loan credit amount NT $160,000 thousands. Loan collateralized by credit.	
			Bank loan credit amount NT $240,000 thousands. Loan collateralized by Factory building .	Factory building collateralization.
Long-Term Borrowing	Taipei Fubon Bank	Mar. 2007～ Mar. 2009	Bank loan credit amount NT$ 60,000 thousands. Loan collateralized by credit.	
Long-Term Borrowing	Bank of Overseas Chinese	Mar. 2007～ Mar. 2010	Bank loan credit amount NT$ 40,000 thousands. Loan collateralized by credit.	

Financial Information

1. Condensed Financial Statements of the Last Five Years

1.1 Condensed Balance Sheet from 2002 to 2006

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2002 to 2006 (Note1)					Mar 31,2007 (Note2)
		2002	2003	2004	2005	2006	
Current Assets		1,552,361	932,448	602,179	516,438	583,367	597,988
Fund & Investments		1,034,590	1,258,392	1,377,497	1,757,090	1,850,941	1,979,100
Fixed Assets		488,078	576,165	484,235	446,230	405,393	397,938
Other Assets (Including Intangible Assets)		342,474	306,912	350,043	426,725	217,672	204,208
Total Assets		3,417,503	3,073,917	2,813,954	3,146,483	3,057,373	3,179,234
Current Liabilities	Before Distribution	744,132	1,678,872	790,928	334,917	508,343	420,796
	After Distribution (Note 3)	764,117	1,678,872	790,928	408,789	652,496	564,949
Long-Term Liabilities		1,265,364	174,582	377,638	983,851	418,250	478,000
Other Liabilities		70,585	90,649	115,243	115,406	124,415	126,118
Total Liabilities	Before Distribution	2,080,081	1,944,103	1,283,809	1,434,174	1,051,008	1,024,914
	After Distribution (Note 3)	2,100,066	1,944,103	1,283,809	1,508,046	1,195,161	1,169,067
Capital Stock		1,053,780	1,128,290	1,394,464	1,394,464	1,371,794	1,371,794
Capital Surplus		537,515	490,572	453,419	245,142	472,134	474,748
Retained Earnings	Before Distribution	131,941	(485,639)	(239,994)	161,253	260,915	365,954
	After Distribution (Note 3)	70,625	(485,639)	(239,994)	87,381	116,762	221,801
Unrealized gains (losses) on financial assets		-	-	-	-	-	-
Cumulative Transaction Adjustment		12,655	(3,409)	(77,744)	(15,393)	24,980	65,282
Net Loss Not Recognized as Pension Cost		-	-	-	-	-	-
Treasury Stock		(398,469)	-	-	(73,157)	(123,458)	(123,458)
Total Equity	Before Distribution	1,337,422	1,129,814	1,530,145	1,712,309	2,154,320	2,154,320
	After Distribution	1,317,130	1,129,814	1,530,145	1,638,437	1,862,212	2,010,167

Note：1.The financial statements from 2002 to 2006 have been certified by CPA.

Note：2.The financial statements from 2007 Q1 have been certified by CPA.

Note：3. The earning distribution for year 2006 has been approved by the Broad meeting on Apr 25,2007, but it hasn't been approved by the General Shareholders' Meeting. (The shareholder's meeting will be held on Jun 15,2007)

1.2 Condensed Income Statement from 2002 to 2006

Unit：NT$ Thousands (Except EPS)

Year / Items	Financial Statements from 2002 to 2006 (Note1)					Mar 31,2007
	2002	2003	2004	2005	2006	(Note2)
Net Sales	1,054,914	1,026,461	1,081,214	846,659	817,866	255,765
Gross Profit	307,866	221,970	190,205	163,235	245,475	84,606
Operating Income	151,413	29,849	(3,804)	(4,103)	91,865	41,555
Non-Operating Revenue	149,905	62,222	225,084	233,744	187,426	84,218
Non-Operating Expense	43,719	440,986	108,930	54,197	41,286	11,734
Gain(Loss) before Tax from Continued Operations	257,599	(348,915)	112,350	175,444	238,005	114,039
Gain(Loss) from Continued Operations	229,308	(244,516)	81,350	161,253	264,105	105,039
Gain（Loss）from Discontinued Operations	-	-	-	-	-	-
Extraordinary Gain or Loss	-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principles	-	-	-	-	(1,288)	-
Net Income(Loss)	229,308	(244,516)	81,350	161,253	262,817	105,039
Earnings Per Share (NT$) Note2	1.85	(2.2)	0.69	1.16	2.02	0.80

Note：1.The financial statements from 2002 to 2006 have been certified by CPA.
2. The financial statements from 2007 Q1 have been certified by CPA.
3. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.3 CPA's Opinion of the Last Five Years

1.3-1 CPA's Opinion from 2002 to 2006

Year	CPA	Auditors' Opinion
2002	Chi-Chant. Lu, Hung- Bin. Yu	An Unqualified Opinion
2003	Chi-Chant. Lu, Kenny, Hong	An Unqualified Opinion with an Explanatory Paragraph
2004	Kenny Hong, Wen-Chin, Lin	An Unqualified Opinion with an Explanatory Paragraph
2005	Chi-Chant. Lu, Ming-Yu, Chiu	An Unqualified Opinion with an Explanatory Paragraph
2006	Chi-Chant. Lu, Ming-Yu, Chiu	An Unqualified Opinion with an Explanatory Paragraph

2.Financial Analysis of the Last Five Years

Analysis Items \ Year			Financial Analysis from 2002 to 2006(Note1)					Mar 31,2007 (Note2)
			2002	2003	2004	2005	2006	
Capital Structure (%)	Debt Ratio		60.87	63.25	45.62	45.58	34.38	32.24
	Long-Term Funds to Fixed Assets		533.27	226.39	393.98	604.21	598.09	661.49
Solvency (%)	Current Ratio		208.61	55.54	76.14	154.20	114.76	142.11
	Quick Ratio		198.38	50.25	66.15	132.88	99.39	119.36
	Interest Guarantee (Times)		11.14	-	1.63	8.37	10.21	22.24
Operating Performance	Account Receivables Turnover (Times)		4.90	5.08	4.02	3.01	3.64	4.69
	Average AR Turnover Days		75	72	91	121	100	78
	Inventory Turnover (Times)		8.62	11.69	9.21	9.52	9.92	9.88
	Account Payable Turnover (Times)		6.31	4.57	6.42	6.44	4.67	4.65
	Average Inventory Turnovers Days		42	31	40	38	37	37
	Fixed Assets Turnover (Times)		1.89	1.78	2.23	1.90	2.02	2.57
	Total Assets Turnover (Times)		0.38	0.33	0.38	0.27	0.27	0.32
Profitability	Return on Total Assets (%)		8.95	(6.34)	3.85	6.01	9.10	3.50
	Return on Equity (%)		16.03	(19.82)	6.12	9.95	14.13	5.05
	Return on Capital (%)	Operating Income	15.96	2.65	(0.27)	(0.31)	6.70	9.09
		Income Before Tax	27.15	(30.92)	8.06	13.05	17.35	24.94
	Net Profit Ratio (%)		21.74	(23.82)	7.52	19.05	32.13	41.07
	Earnings Per Share (NT$)		1.98	(2.20)	0.69	1.16	2.02	0.80
Cash Flow	Cash Flow Ratio (%)		17.15	8.63	-	69.17	46.82	3.92
	Cash Flow Adequacy Ratio (%)		72.94	75.30	-	104.61	198.87	149.71
	Cash Reinvestment Ratio (%)		3.80	5.41	-	7.48	5.94	0.53
Leverage	Operating Leverage		2.95	10.57	(96.69)	(57.16)	3.35	2.45
	Financial Leverage		1.20	-	-	-	1.39	1.15

The change explains of the recently two years of the financial analysis：(Increase or decrease more than 20%)

(1) The decreasing of Current Ratio & Quick Ratio & Cash Flow Ratio is due to Current portion of long-term debt increase NT$230,306(thousands) in 2006 than in 2005。

(2) The increasing of Cash Flow Adequacy Ratio is due to net cash provided by operating activities increase in 2006.

Note：1.The financial statements from 2002 to 2006 have been certified by CPA.

Note：2.The financial statements from 2007 Q1 have been certified by CPA.

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

Note：Financial Analysis formulas show as the following：

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

3.Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2006 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

Sun-Tai Lin

Apr 25,2007

4. Financial Statements and Independent Auditors' Report：Please see the page39 to page105 of Chinese Annual Report.
5. Group Consolidated Financial Statements：Please see the page106 to page168 of Chinese Annual Report.
6. Financial Distress in Company and Subsidiaries：None.

Financial Status, Operating Results and Risk Management

1. Financial status Analysis

Unit：NT $Thousands

Item \ Year	2006	2005	Difference Amount	Difference %	Notes
Current Assets	583,367	516,438	66,929	12.96	
Fixed Assets	405,393	446,230	(40,837)	(9.15)	
Other Assets	217,672	426,725	(209,053)	(48.99)	(Note 1)
Total Assets	3,057,373	3,146,483	(89,110)	(2.83)	
Current Liabilities	508,343	334,917	173,426	51.78	(Note 2)
Long-term Liabilities	418,250	983,851	(565,601)	(57.49)	(Note 3)
Total Liabilities	1,051,008	1,434,174	(383,166)	(26.72)	(Note 3)
Capital	1,371,794	1,394,464	(22,670)	(1.63)	
Additional Paid in Capital	472,134	245,142	226,992	92.60	(Note 4)
Retained Earnings	260,915	161,253	99,662	61.80	(Note 5)
Total Equity	2,006,365	1,712,309	294,056	17.17	

Analysis

Note 1：Due to decrease pledge of deposit account.

Note 2：Due to increase bank credit loans.

Note 3：Due to decrease long-term bank credit loans.

Note 4：Due to equity investment companies increase their capital stock.

Note 5：Due to much better operating results in 2006.

2. Operating Results and Analysis

Unit：NT $Thousands

Items \ Year	2006 Amount	2005 Amount	Variance Amount	Variance Percentage%	Remarks
Net Sales	$ 817,866	$ 846,659	(28,793)	(3.40)	
Cost of Goods Sold	565,837	683,914	(118,077)	(17.26)	
Gross Profit	252,029	162,745	89,284	(54.86)	(Note1)
+ (-) : Realized (Unrealized) Gross Margin	(6,554)	490	(7,044)	(1,437.55)	(Note2)
Operating Expense	153,610	167,338	(13,728)	(8.20)	
Operating Income	91,865	(4,103)	95,968	(2,338.97)	(Note1)
Non-Operating Revenue	187,426	233,744	(46,318)	(19.82)	
Non-Operating Expenses	41,286	54,197	(12,911)	(23.82)	(Note3)
Income Before Tax	238,005	175,444	62,561	35.66	(Note1)
Tax Expense(Benefit)	26,100	(14,191)	40,291	(283.92)	(Note1)
Cumulative Effect of Changes in Accounting Principles	(1,288)	—	—	—	
Net Income	$ 262,817	$ 161,253	102,852	63.78	(Note1)

Variance Explanation：

Note：

1. Increase in gross profit in 2006 was mainly due to the sales of high margin production. KLTW success only product and sales high margin production and transfer other production to subsidiaries.
2. Increase in realized (unrealized) gross margin was mainly due to in 2006 the products sold to subsidiaries, and subsidiaries inventories s were not completely sale. And is transferred to in unrealized gross Margin in 2006.
3. Decrease in non-operating expenses in 2006 was mainly due to loss on disposal of equipment and other non-operating expenses in 2005 higher than in 2006.

3. Cashflow and Analysis

3.1 Cash Flow Liquidity and Analysis

Unit：NT $Thousands

Beginning Cash on Jan 1,2006	Projected Cash Inflow from Operating Activities (2006)	Projected Cash Outflow	Projected Ending Cash Balance on Dec 31,2006	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
144,460	237,984	(104,993)	277,451	-	-

Cashflow variety analysis of 2006

1. Operating Activities：Make a good profit in 2006, Net income increased NT 101,564 thousands.
2. Investing & Financing Activities：Increase NT 220,000 thousands for pledge of deposit account; Private fund NT 232,250 thousands and pay back NT 335,295 thousands for long-term bank loan.

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

3.3 Analysis of Cash Liquidity for 2006

Unit：NT$ Thousands

Beginning Cash on Jan 1,2006	Projected Cash Inflow from Operating Activities (2006)	Projected Cash Outflow	Projected Ending Cash Balance on Dec 31,2005	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
277,451	79,115	(233,606)	122,960	-	-

4. Major Capital Expenditure and 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				
				2004	2005	2006	2007	2008
Equipment	Own Capital	Dec 31,2008	206,000	31,224	25,989	56,963	45,824	46,000

4.2 Estimated Possible Benefits

The equipments will plan to be set up ready in 2008, 2009 and estimate to increase production and sales as the following:

Unit: NT$ Thousands

Year	Item	Production (M)	Sales（M）	value	Margin (%)
97	Laser products	9,300	7,938	46,659	11.71
98	Laser products	10,600	9,862	58,582	15.33

Other benefit:

Purchase equipments can keep the competition superiority of hologram technology and combine Hologram Exposure technology and high-color shim, generally application with special hot stamping and printing requirement make us can offer the advance security labels satisfied customers' requirement. Recommend the security technology of valuable securities and production management system to pursue our outstanding technology and competitive product.

5. Long-Term Investment Analysis: K Laser not process long-term investment plan in 2006.

6. Risk Management Analysis & Evaluation

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

The interest expense was NT$ 25,847 thousands in 2006, and exchanges loss was NT$ 3,423 thousands；The interest expense was NT$ 5,368 thousands in 2007Q1，and exchanges gain was NT$ 5,912 thousands. We estimate bank interest rate in regular time, and refer to all kinds of derivatives to avoid the risk. As to the exchange rate，gather the international financial information and variation of exchange rate any time, and operate foreign exchange by the policy exactly and tightly control the flow path.

6.2 Management of Financial Risk

6.2-1 High Risk of Financial Transactions：

To control management financial risk, we are not engaged in high-risk investment. To control transaction risk, we set up healthy financial and operating internal control according F.S.C related rules, we operated derivatives by our company「Derivatives trade process program」.

6.2-2 Status of Endorsement and Guarantee

Unit：NT$ Thousands

Name	Relation	2006	Mar 31, 2007
K Laser China Group Co., Ltd.	KLT direct investment by holding 70% company	97,788	—
Wuxi K Laser Technology Co., Ltd.	KLT indirect investment by holding 70% company	39,115	39,707

Rule by “Procedures for Endorsement and Guarantee”.

6.2-3 Status of Lending Funds to Other Parties：None.

6.3 Upcoming Research & Development Plans and Estimates Investments

Unit：NT$ Thousands

Items	R&D Projects	Expenditure	Estimated Mass Production
1	1M Photo-resist coating and development system	1,500	Sep. 2007
2	Rotary system for seamless	8,000	Dec. 2007

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：None

6.9 Procurement and Sales Concentration

▪ Purchase：

- Univacco Technology Inc is one of K Laser major suppliers. We purchased from UTTW was 52% of the net total purchasing goods in 2006. The major reason is due to K Laser main product is hot stamping foil business and UTTW product is our main material. To control the material source and production quality, we used the methods of combining up- stream supply and making alliance agreement in the future to decrease product cost and supply risk, K Laser is the largest legal shareholder of UTTW, so we not only have no problem of supply centralization, but have beneficial result of stable supply source.
- Nan-Ya Plastic is one of K Laser major suppliers. We purchased from Nan-Ya Plastic was 11% of the net total purchasing goods in 2006. The major reason is due to Nan-Ya Plastic is the few domestic company that product PVC and correspond the international quality standard. Although we purchase PVC from other companies also, but considering the quality and delivery date, Nan-Ya Plastic have the priority to consolidate the good will of K Laser.

▪ Sales：

K Laser China Group Co., Ltd. is one of the major customers. K Laser sold to China Group was 13% of net sales in 2006. K Laser China Group Co., Ltd. set up in Tortola, British Virgin Islands, is K Laser 70% holding company. We sell product to Wixi and Dong Guan though China Group. K Laser keeps high technology product and special raw material in Taiwan to product and sell to wide market of China. That is reasonable and no having sales centralization risk.

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

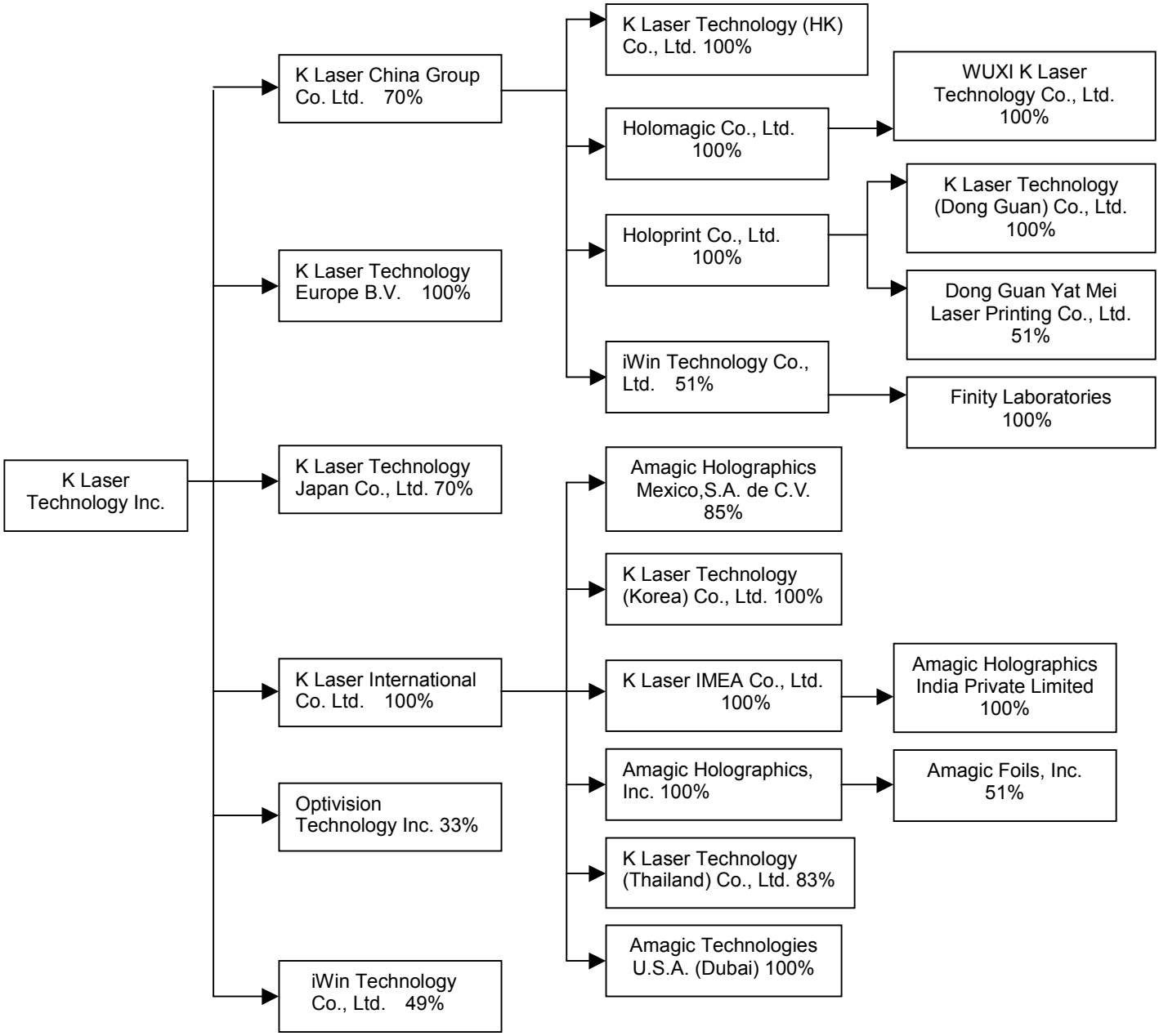
6.13 Risk from Other Important Issues：None

7. Other Necessary Supplements：None

Special Disclosures

1. Affiliates Company Information

1.1-1 Group Brief Introduction



1.1-2 Background Information of the Affiliated Companies

Unit : Original $Thousands

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
Amagic Technologies U.S.A. (Dubai)	1996/12/03	Jebel Alfree Zone R.A.8 CA-02 P.O. BOX 61306 Dubai, UAE.	AED $ 912.50	Sales of Holographic Products
K Laser China Group Co., Ltd.	2000/10/31	TrustNet Chambers, P.O. Box 3444, Poad Town, Tortola, British Virgin Islands	US $ 16,944	Investment Business
K Laser International Co., Ltd.	2000/10/31	TrustNet Chambers, P.O. Box 3444, Poad Town, Tortola, British Virgin Islands	US $ 18,548.50	Investment Business
K Laser Technology Europe B.V.	2003/08/20	Eglantierbaan 8 2908 LV Capelle aan den Ijssel The Netherlands	EUR$ 402.50	Sales of Holographic Products
K Laser Technology Japan Co., Ltd.	2003/07/11	大阪市阿倍野区松崎町三丁目14番22號	JPY$ 96,000	Production and Sales of Holographic Products
Optivision Technology Inc.	2004/07/01	2F,No.2,Technology RD.V, SBIP, Hsinchu, Taiwan, R.O.C.	NT$ 200,000	Production and Sales of Optical Instrument and Electronic Components
iWin Technology Co., Ltd	2005/03/22	Jipfa Building, 3th Floor, Main Street, Road Town, Tortola, British Virgin Islands	US $ 1,000	Investment Business
Amagic Holographics Mexico,S.A.DE C.V.	2001/09/07	Iranciso I. Madero #21 Col. San Juan Lxhuatepec Tlalnepantla Edo. Mex C.P. 54189	MXN $ 1,960	Sales of Holographic Products
Amagic Holographics, Inc.	1993/02/18	1652 Deere AVE. Irvine, California 92606 U.S.A.	US $ 6,000	Production and Sales of Holographic Products
K Laser Technology (Thailand) Co., Ltd.	1995/12/18	226/8 Pattanakarn RD., Pravet, Bangkok 10250,Thailand	THB $ 51,000	Production and Sales of Holographic Products
K Laser Technology (Korea) Co., Ltd.	2002/08/26	2300-4 Daehwa-Dong Goyang-Si Ilsan-Gu Gyeonggi-Do, Korea	KRW $ 440,000	Sales of Holographic Products
K Laser IMEA Co., Ltd.	2003/07/03	Suite 802, St James Court St Denis Street, Port Louis, Mauritius	US $ 1,908	Investment Business
K Laser Technology(HK) Co., Ltd.	2000/06/28	No. 6, 1/F, Trust Centre, 912 Cheung Sha Wan Road, Kowloon, Hong Kong.	HK $ 1,283.5	Sales of Holographic Products
Holomagic Co., Ltd.	2000/09/29	TrustNet Chambers, P.O. Box 3444, Poad Town, Tortola, British Virgin Islands	US $ 12,050.66	Investment Business
Holoprint Co., Ltd.	2000/09/29	TrustNet Chambers, P.O. Box 3444, Poad Town, Tortola, British Virgin Islands	US $ 12,280.38	Investment Business
WUXI K Laser Technology Co., Ltd.	2000/12/29	(#60Segmen, Changjiang road Wuxi New District Zone, Wuxi Jiangsu, China)	RMB$ 107,395.83	Production and Sales of Holographic Products
K Laser Technology (Dong Guan) Co., Ltd.	2001/09/07	(Da Hsui Hu Area, Da Pian Mei Village, Daling Shang, Dong Guan City)	RMB$ 66,371.03	Production and Sales of Holographic Products
Dong Guan Yat Mei Laser Printing Co., Ltd.	1996/03/26	(Da Hsui Hu Area, Da Pian Mei Village, Daling Shang, Dong Guan City)	RMB$ 25,387.80	Production and Sales of Color Laser Printing Products
Amagic Holographics India Private Limited.	2003/07/11	B-74 Ambad MIDC Industrial Area, Ambad, Nashik 422010	INR $ 85,719.95	Production and Sales of Holographic Products
Amagic Foils, Inc.	2005/04/20	1652 Deere AVE. Irvine, California 92606 U.S.A.	US $ 1,000.00	Sales of Holographic Products
Finity Laboratories	2001/11/16	1652 Deere AVE. Irvine, California 92606 U.S.A.	US $ 700.00	R&D of Holographic Technology

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

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

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
Amagic Technologies U.S.A (Dubai)	Chairman (K Laser)	Alex Kuo	-	100.00%
K Laser China Group Co., Ltd.	Director (K Laser)	Alex Kuo	11,586,449	70.00%
	Director (Amcor)	Billy Chan David Hodge	2,776,552	16.67%
	Director (IP Fund)	卓德欽	447,830	2.69%
	Director (MW Capita)	王李美玲	298,553	1.79%
K Laser International Co., Ltd.	Director (K Laser)	Alex Kuo	17,336,069	100.00%
K Laser Technology Europe B.V.	Director (K Laser)	Pen Cheng	402,500	100.00%
K Laser Japan Co., Ltd.	Chairman (K Laser) Director Director Director Director Supervisor	Daniel Kuo 村田淳 Alex Kuo Lisa Hsu 村田志郎 副島洋明	1,344 575	70.00% 30.00%
Optivision Technology Inc	Chairman Director (K Laser) Director (智二創業) Director (茂伯投資) Director (元奇投資)	Daniel Kuo Alex Kuo Richard Chang Meiling Li Wang ShiXian Chen	132,550 6,634,700 2,500,000 2,100,000 4,000,000	0.66% 33.00% 12.50% 10.50% 20.00%
iWin Technology Co., Ltd	Director (K Laser) Director (KLCN)	Alex Kuo Alex Kuo	490,000 510,000	49% 51%
Amagic Holographics Mexico,S.A.DE C.V.	Chairman (International)	Alex Kuo	170,000	85.00%
Amagic Holographics, Inc.	Chairman (International) Director (International) Director (International)	Alex Kuo Daniel Kuo Morgan Tsai	6,000,000	100.00%
K Laser Technology (Thailand) Co., Ltd.	Chairman (International) Director & G.M. Director Director	Alex Kuo Simon Fwu S. L. Yang Mrs. Arunrat	4,211,240 249,998 290,000 188,760	82.57% 4.90% 5.68% 3.70%
K Laser Technology (Korea) Co., Ltd.	Chairman (International) Director (International) Supervisor (International)	Daniel Kuo Pen Cheng Howard Chen	88,000	100.00%
K Laser IMEA Co., Ltd.	Director (International)	Alex Kuo	1,908,090	100.00%
K Laser Technology (HK) Co., Ltd.	Director (China Group)	Alex Kuo	1,283,499	100.00%
Holomagic Co., Ltd.	Director (China Group)	Alex Kuo	11,975,456	100.00%
Holoprint Co., Ltd.	Director (China Group)	Alex Kuo	12,280,381	100.00%
WUXI K Laser Technology Co., Ltd.	Director (Holomagic)	Alex Kuo	-	100.00%
K Laser Technology (Dong Guan) Co., Ltd.	Director (Holoprint)	Alex Kuo	-	100.00%
Dong Guan Yat Mei Laser Printing Co., Ltd.	Director (Holoprint)	Alex Kuo	-	51.00%
Amagic Holographics India Private Limited.	Director (IMEA)	Alex Kuo	8,571,994	100.00%
Amagic Foils, Inc.	Director (Amagic Holograpgic) Director (Univacco)	Alex Kuo K.L. Tsai	510,000 490,000	51.00% 49.00%
Finity Laboratories	Director (iWin)	Alex Kuo	700,000	100.00%

1.1-5 Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit：NT$ Thousands

Enitity	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT$) (After Tax)	Face value (original dollar)
Amagic Technologies U.S.A. (Dubai)	8,098	74,882	19,207	55,674	101,400	8,448	8,033	N/A	–
K Laser China Group Co., Ltd.	552,310	1,470,457	99,182	1,371,275	112,533	5,770	113,556	6.86	USD 1
K Laser International Co., Ltd.	565,086	422,914	1,862	421,052	11,364	(9,730)	(7,310)	0.58	USD 1
K Laser Technology Europe B.V.	17,313	3,388	555	2,832	9,514	(2,976)	(2,162)	(5.58)	EUR 1
K Laser Japan Co., Ltd.	26,304	70,237	31,266	38,971	101,469	25,351	13,403	6,913.90	JPY 50,000
Optivision Technology Inc.	200,000	290,131	35,328	254,803	9,203	(40,827)	(20,351)	(1.02)	NTD 10
iWin Technology Co., Ltd	32,596	42,303	-	42,303	-	(29)	9,279	9.28	USD 1
Amagic Holographics Mexico,S.A.DE C.V.	5,917	25,847	19,318	6,529	31,026	3,255	2,915	14.57	USD 1
Amagic Holographics, Inc.	195,576	141,144	4,299	136,844	56,785	(5,911)	(2,777)	(0.46)	USD 1
K Laser Technology (Thailand) Co., Ltd.	46,920	129,384	21,272	108,112	160,949	11,487	11,503	2.27	THB10
K Laser Technology (Korea) Co., Ltd.	15,400	71,096	33,017	38,080	176,260	22,628	19,170	217.84	KRW 5,000
K Laser IMEA Co., Ltd.	62,196	37,162	8,120	29,042	1,352	(3,605)	(14,096)	(7.39)	USD 1
K Laser Technology(HK) Co., Ltd.	5,379	36,838	13,321	23,517	118,814	7,313	6,317	4.92	HKD1
Holomagic Co., Ltd.	392,803	877,128	66,067	811,062	106,822	(13,819)	119,244	9.96	USD 1
Holoprint Co., Ltd.	400,291	525,435	40,679	484,756	22,596	(14,523)	(25,522)	(2.08)	USD 1
WUXI K Laser Technology Co., Ltd.	448,378	1,176,907	325,073	851,834	1,278,360	213,477	137,574	N/A	–
KLaser Technology (Dong Guan) Co., Ltd.	314,592	695,488	209,499	485,990	570,050	57,977	44,252	N/A	–
Dong Guan Yat Mei Laser Printing Co., Ltd.	105,994	162,034	63,750	98,285	195,211	228	1,129	N/A	–
Amagic Holographics India Private Limited.	63,347	56,414	20,606	35,808	27,987	(11,835)	(11,148)	(1.30)	–
Amagic Foils, Inc.	32,596	50,847	19,290	31,558	74,511	(1,184)	(886)	(0.89)	USD 1
Finity Laboratories	22,817	22,172	460	21,712	36,862	8,375	8,847	12.64	USD 1

Note：

B/S Exchange Rate：

$ 1 USD= $ 32.596 NT　　$ 1 EUR= $ 43.014 NT

$ 1 HKD=$ 4.191 NT　　$ 1 RMB=$ 4.175 NT

$ 1 JPY=$ 0.274 NT　　$ 1 DHS=$ 8.875 NT

$ 1 THB=$ 0.920 NT　　$ 1 KRW=$ 0.035 NT

$ 1MXN=$ 3.019 NT　　$ 1 INR=$ 0.793 NT

I/S Exchange Rate：

$ 1 USD =$ 32.524 NT　　$ 1 EUR =$ 42.926 NT

$ 1 HKD =$ 4.184 NT　　$ 1 RMB =$ 4.158 NT

$ 1 JPY =$ 0.277 NT　　$ 1 DHS =$ 8.855 NT

$ 1 THB =$ 0.910 NT　　$ 1 KRW =$ 0.0352 NT

$ 1MXN =$ 2.997 NT　　$ 1 INR =$ 0.732 NT

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

2. Private Placement Securities

2.1 The Issuance of Private Fund

Date / Items	Issued date on Jul 27,2006	Issued date on Aug 11,2006
The Kind of Fund	Issued common stocks 6,500 thousand shares	Issued common stocks 5,600 thousand shares
The date and the amount of shares resolved by the shareholder Meeting	Resolved by shareholder meeting on Jun.9, 2006 and the issue shares not exceed 30,000 thousand shares.	Resolved by shareholder meeting on Jun.9, 2006 and the issue shares not exceed 30,000 thousand shares.
The basis of issuing price	The issued price NT 18.50 was based on the average of the TSEC closing price in 5 days, NT$ 20.58 *90% and take a whole number.	The issued price NT 20 was based on the average of the TSEC closing price in 5 days, NT$ 19.97 and take a whole number.
The method of the selection specific person	OAK Capital Corporation	Amcor Fibre Packaging-Asia Pte Ltd
The necessary reason of issuing the Private Fund	To considerate the effectiveness for a period of time of the capital, the convenience and the cost of capital and the strategy for alliance agreement in the future. Estimated might reach increasing benefit of the source of big market.	To considerate the effectiveness for a period of time of the capital, the convenience and the cost of capital and the strategy for alliance agreement in the future. Estimated might reach increasing benefit of the source of big market.

2.2 Private Fund Execution Status

2.2-1. Issued common stocks 6,500 thousand shares.

Receipt of payment date：Jun 20, 2006

2006/07/03 No.0950016604 of SBIP

Object	Conditions	The Quantity of Subscribe （Thousand Shares）	Price	The Relationship of K Laser
OAK Capital Corporation	43-6-1.2 Securities and Exchange Law	6,500	NT$ 18.50	None

2.2-2. Issued common stocks 5,600 thousand shares.

Receipt of payment date：Jul 18, 2006

2006/07/31 No.095001973609 of SBIP

Object	Conditions	The Quantity of Subscribe （Thousand Shares）	Price	The Relationship of K Laser
Amcor Fibre Packaging-Asia Pte Ltd	43-6-1.2 Securities and Exchange Law	5,600	NT$ 20	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.